
CHAPTER I

RESEARCH METHODOLOGY

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1.1 INTRODUCTION:

The success of any business depends mainly on its Financial Management. Financial Management is nothing but management of funds of the business. The area of Financial Management is concerned with the following:

- A) Raising of funds by way of various sources such as share capital reserves, borrowings, etc.
- B) Utilisation of funds in the form of investment in various types of assets such as current assets, fixed assets etc.
- C) Management of earnings - This includes appropriation of the profit earned by the organisation. The concepts like internal financing, issue of bonus share, payment of dividend etc. are included in the third important aspect of Financial Management.

The significance of Financial Management is increasing day-by-day, in the present circumstances of free economic policy. The Financial Management remains as very important challenge before the Management of any business enterprise. The theory of Financial Management as described above is well established. There are various methods, tools and techniques used for effective implementation of financial policies. The techniques like 'Ratio Analysis,' and 'Funds Flow Analysis' are generally used to examine the effectiveness of funds management in business. The analytical and interpretative value of these techniques is also proved to be significantly higher. The use of 'Ratio Analysis' and 'Funds Flow Analysis' have so far been made with reference to corporate organisations i.e., Joint Stock Company form of organisation.

The co-operative movement exists in the developed as well as in under-developed countries. The Indian Co-operative Movement is though traditionally concerned with agricultural development has now spread over other sectors of Indian Economy. Today the co-operatives are main institutional agencies which undertake the functions to supply agricultural inputs and carry out marketing, processing of agricultural products and, supply of credit.

A co-operative society is an economic entity like any other business organisation, its business is to be carried out on the principles of business managements within the framework of principles of co-operation. Finance is as much a lifeblood to the co-operative organisation, as to the other business organisation. The co-operative organisation raises funds from different sources. Financial performance of a co-operative organisation, thus depends upon how economically and efficiently it can utilise finances into different activities. A marketing co-operative society would have to be more vigilant in allocating its financial resources in different assets. It should use its funds in such a way that two opposite ends of providing goods, services and charging fair price to the consumers are properly met.

The area of operation of the "Tambakhu Sangh" covers Maharashtra and Karnataka States. It obtains different types of agricultural produce like Tobacco, Jaggery, Milk etc. from both the states.

The present study attempts to examine the performance of co-operative organisation with the help of 'Ratio Analysis' and 'Funds flow Statement.' The study is about the assessment of profitability and the financial strength carried out to understand the financial viability of the organisation. Co-operative organisation by nature are not profit oriented organisations. The social dimension of the co-operative organisation has to have its bearing on the overall performance of the organisation. Under such circumstances the use of 'Financial Ratios, Funds Flow

Statement' to evaluate the effectiveness of funds management may look not that appropriate. However, any business organisation may be corporate or co-operative should be managed very effectively. So far as the finance is concerned, even though co-operative organisations have 'service' as their prime motive, they are expected to show higher possible level of cost effectiveness, liquidity, generation of surplus, etc. Co-operative organisation by principle restrict the return on capital. Moreover the utilisation of surplus of co-operatives is governed by certain legal and socio-educational considerations. The present study considers all these postulates of co-operative organisations in proper prospective and then attempts to apply the tools of financial analysis.

1.2 STATEMENT OF THE PROBLEM:

The present study is the critical study of financial management of the Shetkari Sahakari Tambakhu Kharedi Vikri Sangh Ltd. Kolhapur. The study is basically of diagnostic nature to measure the various facts of financial management viz., liquidity, profitability, cost effectiveness etc. An attempt is also made to measure the changes in the financial position. The well accepted techniques of financial ratios and funds flow statements are used.

1.3 OBJECTIVES OF THE STUDY:

The present study sets before it the following objectives:

- 1) To examine the profile of the organisation with special emphasis on financial management.
- 2) To collect the financial data available mainly from 'Annual Reports' and other relevant records.

- 3) To select suitable financial ratios in order to measure and evaluate the various aspects of financial management such as liquidity, profitability, solvency.
- 4) To compute and interpret the financial ratios.
- 5) To present the suitable format of Funds Flow Statement and feeding the data to it to prepare the statement of sources and application of funds. The results so revealed are to be further interpreted to show the implications of funds flow on financial position and the changes therein.

1.4 SCOPE:

The present study is a case study of Shetkari Sahakari Tambakhu Kharedi Vikri Sangh Ltd., Kolhapur. In the first place the theoretical literature relating to financial management is briefly outlined. This is to emphasise that Financial Management in order to be scientific and professional requires the application of principles of Financial Management to any organisation. In the second phase the present study attempts to explain the need, possibility and constraints (if any) in the application of financial principles to co-operative organisations in general and Shetkari Sahakari Tambakhu Kharedi Vikri Sangh Ltd., Kolhapur in particular. In order to actually workout some of the results, two specific tools viz., Financial Ratios and Funds Flow Statements have been selected and the data is processed accordingly. The organisation, selected is large in terms of network of 20 sections and branches. Basically it is Agricultural Marketing Society dealing in various commodities such as groundnuts, fertilizers, edible oil, diesel, petrol, seeds, rationed goods, fruits, vegetables etc. The study is based on the date of the latest five year 1991-92 to 1995-96.

1.5 METHODOLOGY:

The steps to be taken to complete the study would be as follows:

- 1) Collection of secondary data through 'Annual Reports' and published and unpublished literature.
- 2) Collection of primary data and the information which is not available in Annual Reports by way of observations, interviews and discussions with the officials.
- 3) Processing of data mainly for the purpose of analysis and interpretation in terms of
 - a) Ratio Analysis.
 - b) Funds Flow Statement.

1.6 LIMITATIONS OF THE STUDY:

1. The data used for study is mainly secondary data. Of course, the allied first-hand information is also used to develop the text of concerned chapters.
2. Funds Flow Statement and Ratio Analysis are the only two tools used for financial analysis of Shetkari Sahakari Tambakhu Kharedi Vikri Sangh Ltd., Kolhapur.
3. In order to understand the financial performance of the "Tambakhu Sangh", it is essential to study almost all financial aspects of the "Tambakhu Sangh". However, the time and money being limited, the researcher has only concentrated on certain aspects, i.e., investment, turnover, liquidity, solvency, efficiency, profitability etc. of the "Tambakhu Sangh".
4. It is a case-study. The investigation is confined to Shetkari Sahakari Tambakhu Kharedi Vikri Sangh Ltd., Kolhapur only.

1.7 CHAPTER SCHEME:

	Introduction
Chapter I	Research Methodology.
Chapter II	Profile of Shetkari Sahakari Tambakhu Kharedi Vikri Sangh Ltd., Kolhapur
Chapter III	Collection of Data.
Chapter IV	Analysis And Interpretation of Data-Ratio Analysis.
Chapter V	Analysis And Interpretation of Data-Funds Flow Statement.
Chapter VI	Summary and Conclusion.