

CHAPTER – III

FINANCIAL PERFORMANCE OF KUNDAL COOPRATIVE IRRIGATION SOCIETY

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FINANCIAL PERFORMANCE OF KUNDAL CO - OPERATIVE LIFT
IRRIGATION SOCIETY

INTRODUCTION:

Financial performance shows the position of institution. It shows Society is solvent and liquid or not. It is able to pay their all obligations performance evolution which is showing that the society is in good or bad position. Performance Evaluation is made with the help of ratio analysis. We calculated liquidity, solvency and profitability with the help of annual report of cooperative society .We analyses financial position of CLIS by observing this ratio.

1) Profitability ratio

Profitability means ability to earn profit. It shows business of the society which is done in well sense or not. Profitability is important measure of society's financial position.

Profitability ratio

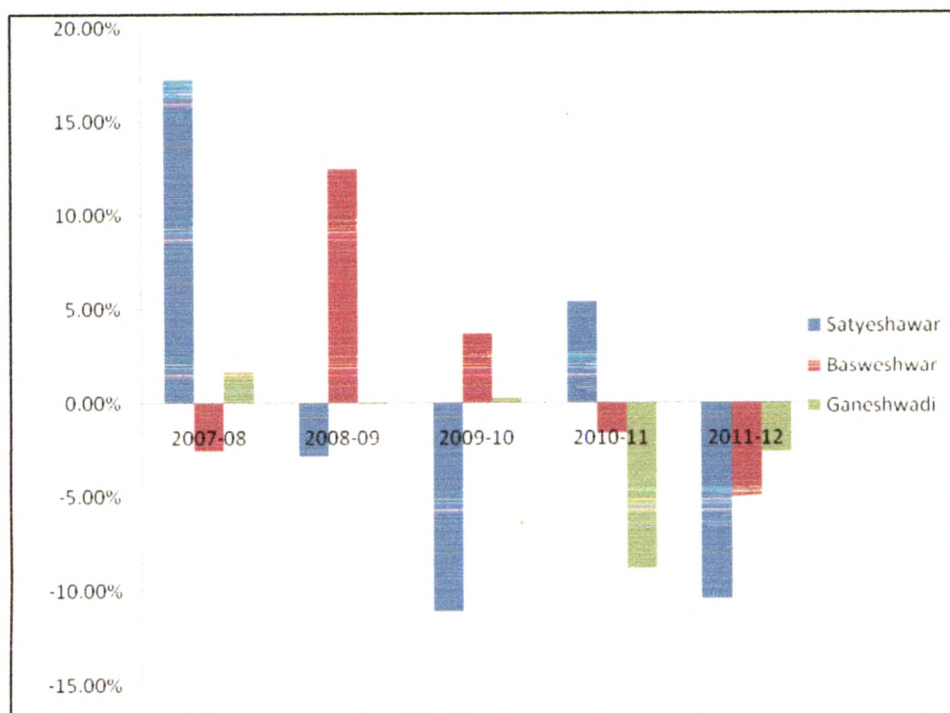
$$\text{Return on investment} = \frac{\text{Net profit}}{\text{Total investment}} \times 100$$

This ratio shows the profitability of total investment. It indicates the relation of profit in respect to total investment

TABLE NO 3.1
RETURN ON INVESTMENT RATIO

YEAR	SATYESHWAR	TUPARI	BASWESHWAR
2007-08	17.25%	-2.55%	1.67%
2008-09	-2.8%	12.42%	-0.03%
2009-10	-11.03%	3.71%	0.30%
2010-11	5.42%	-1.61%	-8.81%
2011-12	-10.36%	-4.97%	-2.60%

GRAPH NO 3.1



This table shows return on Investment ratio of Satyashwar CLIS, Basweshwar CLIS and ,Tupari, Dudhari, Ghogaon CLIS in Kundal. It indicates ratio of 5 years form 2007-2008 to 2011-12.

Year 2007-08 Satyeshwar earn profit as 17.25 % it is sufficient profit to society. But after world in 2008-2009 to 2009-10 it in loss of 2.84 % and 11.03% respectively. This means society is not working well. It is not able to give return sufficient return in resources allocated. In 2010-11 again it earn profit of 5.42% but it is not consistent again in 2011-12 society had earned a loss of 10.36%

In Tupari Dhayari ,Ghogawn, Ganeshwadi CLIS return on investment is at 2.55% but afterward in 2008-09 at 2009-10 society earn profit of 12.42% & 3.71% respectively but it shows decreasing trend. Society was not in well position because again it earns loss of 1.61% in 2010-11respectively and losses. It is not good sign for societies. It creates risk of insolvency.

Basweshwar irrigation societies position is not also well but loss is recoverable When society manage resources in fair manner and improve working then loss is recovered. Basweshwar CLIS 2007 – 08 but in earn profit of 1.67% and 2008-09 society suffer losses. 2008-09 society earns profit of 0.03% and in 2010-11 and 2011-

12societylosses of -8.81 % and 2.60% respective. It shows the decreasing trend of losses it is good for society.

By observing these three societies we analyses that all three societies are not in well position. They are suffering losses .It indicates profitability of societies are negative. It is not good indicating for futures of societies. They are not giving sufficient return on Investment. Tupari and Basweshwar irrigation societies are facing losses but percentage of losses are recoverable If societies works efficiently they achieve good results.

But Satyeshwar Irrigation society suffers lessees at high percentage. It needs total a proper action on problem of society. There for society arises a risk of survival.

LIQUIDITY RATIOS:

Liquidity means ability to pay shot – term obligation. It shows the society is able to pay their short term obligation with use of short term assets.

Liquidity ratio also shows the society is working in correct manner.

Liquidity ratio (Part)

$$\text{Current assets} = \frac{\text{Current Asset}}{\text{Current Liability}}$$

It shows the relation of current assets and current liability. It shows the proportion of current liability.

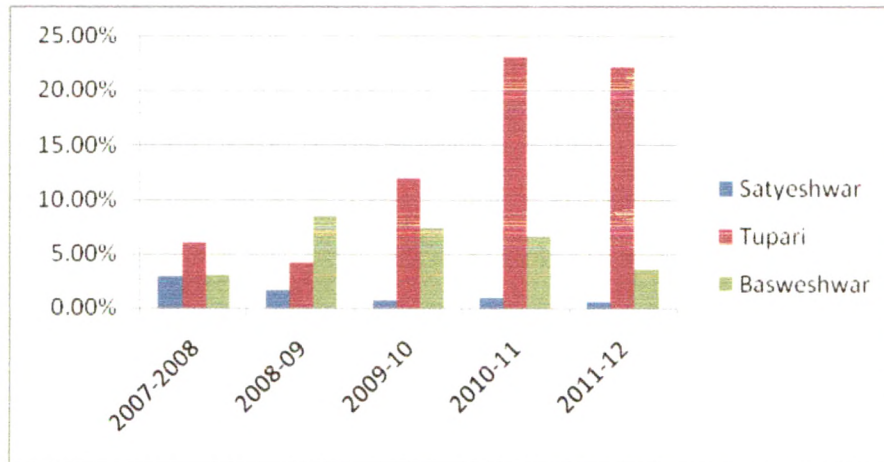
It shows the proportion of current assets and current liability.

It indicate ratio so current asset in respect of current liabilities .It include assets are sufficient or not to pay short term obligation. Ideal current ratio is 2.1

**TABLE NO 3.2
CURRENT RATIO**

YEAR	SATYESHWAR	TUPARI	BASWESHWAR
2007-2008	2.86%	5.985%	3.06%
2008-09	1.64%	4.19%	8.42%
2009-10	0.74%	11.94%	7.37%
2010-11	0.87%	23.08%	6.55%
2011-12	0.53%	22.05%	3.60%

GRAPH NO 3.2



From above table we conclude that. In Satyeshwar society current ratio is decrease year by year. Up to 2009-10 after it increases in up to 0.87.1 in 2010-11 from 0.74.1 in 2009-10. IN 2011-12 again current ratio decreases. In year 2007-08 it is near to ideal ratio but after it shows decreases. In 2011-12 current ratio is very low. It means current assets are not capable for pay current liabilities. Satyeshwar society has low liquidity position.

In Tupari Dhayari Ghogaon Ganeshwadi CLIS. Shows increasing trend of current ratio. In 2007-08 Current ratio is 5.98:1 but from 2009-10 it increases with high rate 11.94:1 and 23.08:1 and 22.05:1 for 2009-10, 2010-11 and 2011-12 respectively. It is so form ideal ratio .

It indicates that current asset acquired more investment than need current assets are not utilized efficiently. Extra amount in value in current assets is wastage of fund. The wrong utilization is created lack of fund.

In Basweshwar society current ratio is 3.06:1 in 2007-08 in 2008-09 ratios is increases up to 8.42:2% society work with great core and year by year current ratio goes down. It is not and ideal position but society shows decreasing trend of current ratio.

In 2009-10 ratio is 7.37:1 in 2010-11 it decreases up to 6.55:1 in 2011-12 ratio 3.60:1 is higher than ideal ratio but it near of ideal ratio

It indicates that society solely improving the use of current asset. Currents are able to pay current liability.

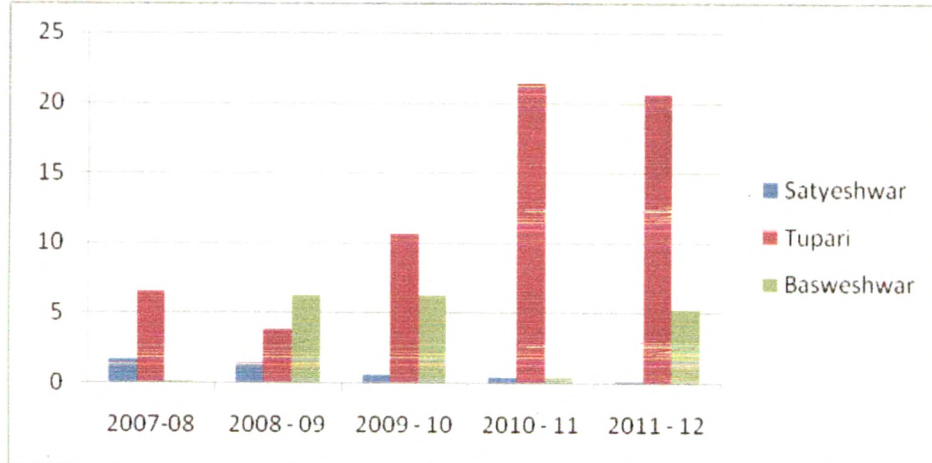
$$\text{Liquidity Asset} = \frac{\text{Liquidity ratio / Acid test ratio}}{\text{Liquidity liability}}$$

This ratio indicates more liquidity. Liquidate asset means current assets minus prepaid and debtors amount liquidity means current liabilities minus over about from bank. It shows the Assets which converted immediately in cash.

TABLE NO 3.3
LIQUIDITY/ ACID TEST RATIO

YEAR	SATYESHWAR	TUPARI	BASWESHWAR
2007-08	1.72:1	6.53:1	0.16:1
2008 - 09	1.42:1	3.85:1	6.24:1
2009 - 10	0.65:1	10.70:1	6.24:1
2010 - 11	0.41:1	21.41:1	0.46:1
2011 - 12	0.18:1	20.58:1	5.26:1

GRAPH NO 3.3



From table we conclude that in Satyeshwar irrigation society liquid ratio shows decreasing trend. In 2007-2008 Acid test ratio is 1.72:1 it is goes down up to 0.65:1 in 2009-10. It is near to ideal ratio .But after it goes down up to 0.18:1 in 2011-12. It indicate societies liquidity position is not good. It is not capable for pay immediately the short time obligations. In Basweshwar society shows very high liquid ratio. In 2007-08 acid test ratio is 0.16:1 after it shows tremendous increase in this ratio. In

2007 -08 acid test ratios is 0.16:1 after it shows tremendous increase in this ratio. In 2008-09 ratio is 6.61:1 and in 2009-10 it is 6.24:1 in shows society is capable to pay immediate obligation .But in 2011-12 it show high ratio is 5.26:1. This indicates society invested high fund in liquid assets than liquid liability.

In Tupari Dhayari Ghayari Ghogaon and Geneshwad irrigation society Acid test ration at 2007-08 is 6.53:1 it liquid assets . That would be not used properly and efficiently. In 2008-09 it is decreased in small ratio up to 3.85:1. In 2009-10 acid test ratio is 10.70:1 after it is increasing as double up to 20.58:1 in 2011-12. That means society is not utilizing their funding proper manner. It loads to wastage of funds.

In all the according to above observations three societies are facing problem of liquidity. It needs to proper utilization of fund. Societies is under take fair solutions for survival.

SOLVENCY RATIO:

Solvency means ability of company to meet long term obligations. It is the important in survived of societies solvency ratio involves long term elements of societies. Solvency ratio involves long term elements of societies.

SOLVENCY RATIO:

$$\text{Debt} = \frac{\text{Debt} - \text{equity ratio}}{\text{Equity}}$$

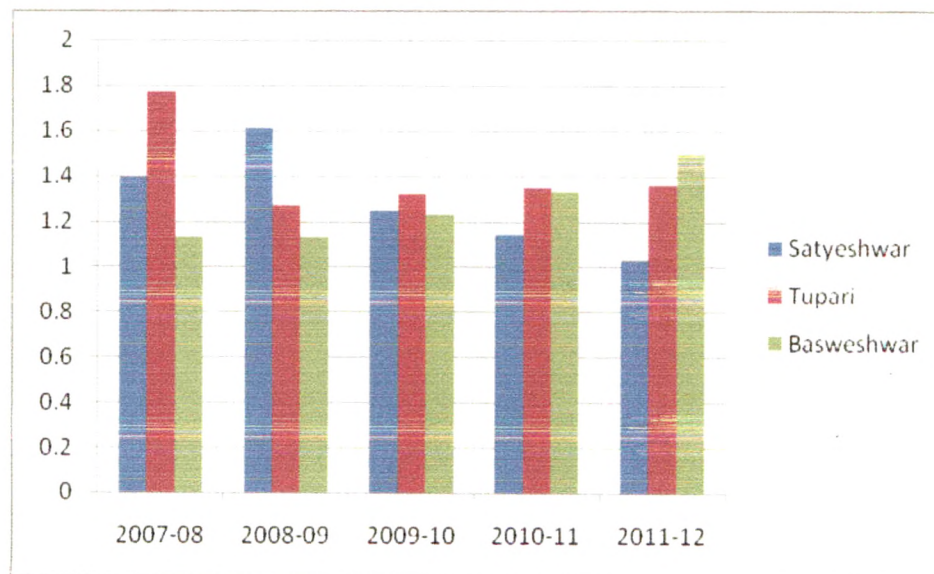
Debt – equity ratio shows the proportion of debt and equity. It indicates relation of outsider’s funds to owner’s capital. This ratio indicates financial structure of society.

**TABLE NO 3.4
SOLVENCY RATIO:**

YEAR	SATYESHWAR	TUPARI	BASWESHWAR
2007-08	1.39:1	1.77:1	1.13:1
2008-09	1.61:1	1.27:1	1.13:1
2009-10	1.25:1	1.32:1	1.23:1
2010-11	1.14:1	1.35;1	1.33:1

2011-12	1.03:1	1.71:1	1.50:1
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GRAPH NO 3.4



From above table it is observed that Satyashwar society's debt equity increasing 1.39:1 to 1.61:1 from 2007 -08 in 2008-09 .It shows debt capital is 1.39 times more than equity capital. Debt equity ratio shows decreasing trend in 2010-11 and 2011-12.

In Tupari ,dhayari, Ghogaon Ganeshwadi CLIS debt – equity ratio observed between 1.77 :1 to 1.27:1 in year 2007-08 and 2008-09 respectively 1.27:1 After that the trend of is debt equity ratio is increasing.

Basweshwar society shows debt equity ratio 1.13:1 in 2008-09. After that this ratio goes up 1.23: 1, 1.33:1, and 1.50:1 in year2009 -10 and 2010-11 and 2011-12 respectively .

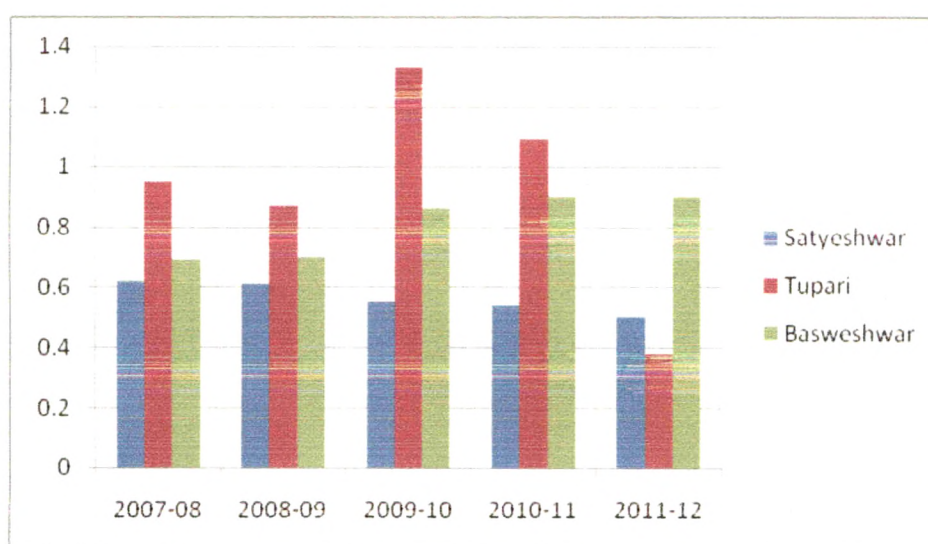
Debt to total funds ratio debt shows the proportion and outsiders capitals the structure of total fund.

$$\text{Debt to total fund ratio} = \frac{\text{Debt}}{\text{Total fund}}$$

TABLE NO 3.5
DEBT TO TOTAL FUND RATIO

YEAR	SATYESHWAR	TUPARI	BASWESHWAR
2007-08	0.62:1	0.95:1	0.69:1
2008-09	0.61:1	0.87:1	0.70:1
2009-10	0.55:1	1.33:1	0.86:1
2010-11	0.54:1	1.09:1	0.90:1
2011-12	0.50:1	0.38:1	0.90:1

GRAPH NO 3.5



From table no 3.5 we conclude that In Satyeshwar. Society debt acquires proportion of 0.62:1 in 2007-08 Debt to total funds ratio shows decreasing trend. It indicates an outsider contribution goes down from 0.62 to 0.50 in 2011-12 It is good sign because outsider contribution decrease and owners contribution increases.

In Tupari, Dhayari, Ghogawn, Ganeshwadi society debt to total trend ratio shows the higher proportion is require by debt fund. In 2007-08 debt to total fund ratio is 0.95:1 in 2008-09 ratio is 0.87:1 means in total fund major portion is contributed by debt capital. In 2009-10 2010-11 debt fund is more that total investment. It indicates in short term obligation debt fund is involved. In Basweshwar society Debt to total fund ratio is 0.69:1 in 2010-11 in 2011-12 ratio remain same.

TURNOVER RATIO:

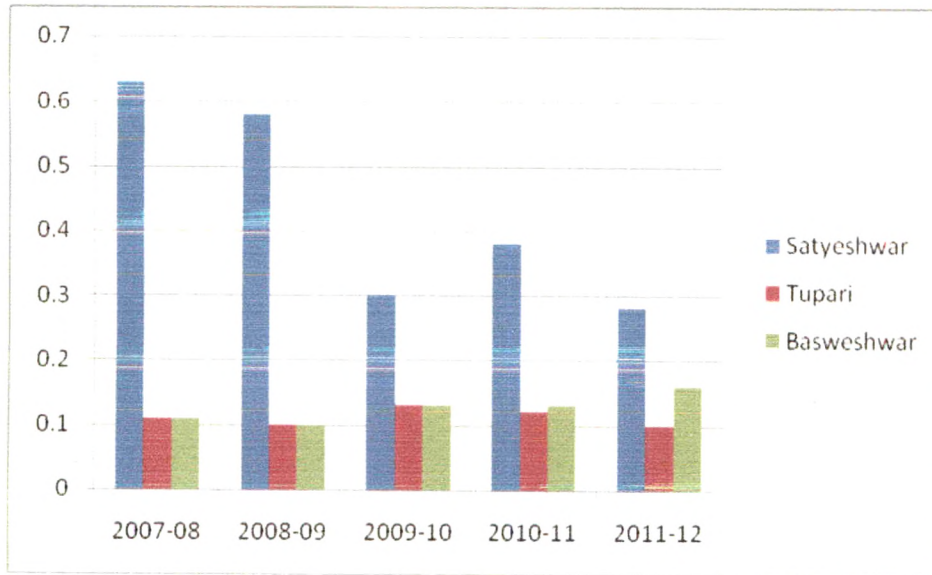
Turnover means outcomes or result of activity. Turnover ratio shows the relation of outcomes to with total fund working capital etc.

TABLE NO 3.6

TOTAL INVESTMENT TURNOVER RATIO:

YEAR	SATYESHWAR	TUPARI	BASWESHWAR
2007-08	0.63 times	0.11 times	0.11 times
2008-09	0.58 times	0.10 times	0.10 times
2009-10	0.30 times	0.13 times	0.13 times
2010-11	0.38 times	0.12 times	0.13 times
2011-12	0.28 times	0.10 times	0.16 times

GRAPH NO 3.6



This ratio shows the relation of turnover to total investment. It shows when society invest amount which gives result to increase the turnover of society it indicate result of fund invested in business. In Satyeshwar society result of investment shown with the investment turnover ratio. It shows decreasing trend of investment turnover ratio. In 2007-08 investment turnover ratio is 0.63 times .It decreased up to 0.28 times in 2011 -12.It conclude that total investment not give sufficient result.Total investment is not allocation in good manner. In Tupari, Dhayari, Ghogawn and Ganeshwadi society shoes also decreasing trend. It is not good sign to society's

position. In 2007-08 turnover is 0.11 times to total fund .This ratio lies between 0.10 times to 0.13 times .It is very low or inefficient result from investment.

It is less than Satyeshwar society. In Basweshwar irrigation society in 2007-08 total investment turnover ratios is 0.11in 2007-2008 times after that it has decrease in 2008-09 up to 0.10 times. From 2009-10 it shows increasing trend. It shows increasing outcomes output of total fund. In 2011-12 total fund turnover ratio is 0.16 times. But it is not sufficient ratio. It shows all a satisfactory result from total fund .Basweshwar society trying to improving their position with increasing results.

WORKING CAPITAL TURNOVER RATIO:

Working capital turnover ratio shows the proportion of turn over to working capital. Irrigation society’s turnover measures in water rent.

$$\text{Working capital Turnover ratio} = \frac{\text{Water rent}}{\text{Working capital}}$$

If shows fund invested in working capital gives or not efficient result

TABLE NO 3.7

WORKING CAPITAL TURNOVER RATIO

YEAR	SATYESHWAR	TUPARI	BASWESHWAR
2007-08	0.61 times	0.8 times	0.20 times
2008-09	0.03 times	0.36 times	0.01 times
2009-10	3.31 times	0.11 times	0.10 times
2010-11	0.10 times	- 0.03 times	0.25 times
2011-12	NA	- 0.13 times	0.54 times

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GRAPH NO 3.7



From table we find that all the three societies are not gives the efficient or profitable result to working capital invested. Sometimes society suffers losses if means working capital investments got negative result. It is not responsible per increasing turnover.

In 2011-2012 in Satyeshwar society is maintained arises. It shows negative working capital turnover ratio. In 2009- 10 the proper ratio is 3.31 times is maintained. In Tupari , Dhayari , Ghogawn and Ganeshwadi society working capital ratio goes down from 0.80 times to 0.11 times in2007-08 and 2009 -10 respectively . After that ratio indicate working capital not leads to profitability .In 2009-10 ratio is 0.03 times means society acquires losses in 2011-12 society again acquiring losses . All three societies are showing efficient use of working capital.

CONCLUSION:

By observing the ratio we conclude that all three irrigation societies had solvency .But in these three societies, Baswesgwar society improving their position. We would say that, all three societies faces problem of liquidity and solvency. Societies need to improve capital structure. We suggest societies are improving their performance in all manners otherwise societies facing the problem of insolvency.