
CHAPTER VI

SUMMARY AND CONCLUSIONS

CHAPTER VI

SUMMARY AND CONCLUSIONS

The present study is basically a case study of 'Shetkari Sahakari Tambakhu Kharedi Vikri Sangh Ltd., Kolhapur,' which is one of the oldest Co-operative Marketing Society in the area of Kolhapur district. An attempt is made by researcher in the present study to assess the overall growth and development of "Tambakhu Sangh" in general and in-depth analysis of the financial position in particular. The preceding five chapters are devoted to theoretical framework of Financial Management, the profile of "Tambakhu Sangh" and analysis of financial data. The findings and conclusions resulting from the analysis and interpretation are presented in this chapter.

In the first place the general findings and conclusions regarding the organisation working and growth of the business of the "Tambakhu Sangh" are highlighted. The main thrust of the study was however on the financial aspects of the working of "Tambakhu Sangh". The important findings and conclusions regarding financial management are listed in the second phase.

I) GENERAL FINDINGS AND CONCLUSIONS:

1) "Tambakhu Sangh" a Mis-nomer:

The name 'Shetkari Sahakari Tambakhu Kharedi Vikri Sangh Ltd., Kolhapur' indicates that the organisation is engaged only in trading activity of tobacco. This was true only at the time of initial stage of the working of "Tambakhu Sangh". At present "Tambakhu Sangh" is not exclusively dealing in tobacco products. It has come out as a marketing co-operative organisation dealing in various agricultural and industrial commodities. The name in that way does not describe the real business activities of the business organisation. Thus a mis-nomer.

2) Expansion And Diversification of Activities:

In due course of the time "Tambakhu Sangh" undertook the trading activities of the various types of agricultural goods and petroleum products as well. It has expanded its activities by establishment of various retail outlets at various places. In the year 1992-93 there was a shortage of edible oil and consumer goods. Therefore the Sangh provided these goods at reasonable prices through its retail centres. In addition to the supply of goods the Sangh also engaged in the activities of providing technical know-how and agricultural instruments to the farmers. The other agricultural inputs such as seeds, fertilizers, pesticides are also being distributed by the Sangh. In short "Tambakhu Sangh" diversified its activities in various directions including goods, machinery, instruments, etc.

3) Organisation Structure:

"Tambakhu Sangh" like any other co-operative organisation has a democratic set-up of its organisation. There is a Board of Directors, elected from members of the Sangh. At present there are 16 members in the board. The basic principle of co-operation of equity is observed and a member has right in context to the election of Board of Directors. In the board there is representative of the workers and also representative of backward class. The idea of workers participation in Management is materialised with the help of the representation as above on the Board of Directors. Board of Directors is a top executive authority and policy making agency of the Sangh. There are executives such as Managing Directors, Managers, Accounts clerks working under the general superintendence and control of the Board. It is however, observed that there is no change in members of the Board of Directors. Almost all the members except the representative of Bank are working as a directors for all the years. Their positions such as chairman, vice-chairman, seems to



have changed to some extent. All the members of the board are associated with "Tambakhu Sangh" for many years therefore the experience and loyalty toward the organisation have helped to develop the activities of the Sangh. Of course, this also brings in a kind of monopolistic control over the working of "Tambakhu Sangh".

4) Branch Net work:

Over the years of nearly 33 years of its working Tambakhu Sangh has grown up in the length and breadth of its business operations. At present it has two main divisions. The first includes petrol pumps and second includes supply branches. Each of these petrol pump as well as supply branches has separate organisation setup. Generally the manager is in charge of his branch. The manager is helped by cashier, assistant, accountant and few clerks. Supply branches cater to the needs of rural people. The rural branches are more in number. This shows the orientation of the working of the "Tambakhu Sangh" towards the rural areas.

5) Growth of Business:

Tambakhu Sangh is co-operative Marketing Organisation dealing in various types of goods and services. The range of the commodities and services dealt in by "Tambakhu Sangh" is quite diverse. The overall growth of the "Tambakhu Sangh" can be briefly stated as follows:

(i) Membership:

The members of any co-operative society are real owners. The size of the co-operative organisation can also be defined in terms of number of members (Share holders). In "Tambakhu Sangh" there are four types of members, A Class - Individual members, B Class Society members, C Class nominal members and D Class - Government. The membership has increased from 9389 in 1991-92 to 10,067 in 1995-96 (Table No. 2.1). However, there are two distressing points, one is A Class individual members show

decreasing trend upto 1994-95 and again in 1995-96 the number has marginally increased. Secondly C-class members that is nominal members who are passive members are dis-proportionately high, on account for more than 91%. In all the years. The size of the membership though apparently looks reasonably big. The ratio of A Class members and B class members does not exceed 8% in any of the years.

2) Sales:

The activity of selling of "Tambakhu Sangh" includes various commodities such as cereals, oils, fertilizers, fodder, milk, seeds, consumer goods, etc. "Tambakhu Sangh" is no more a "Tambakhu Sangh" exclusively.

3) Profit:

The aim of every organisation is to ear profit. However, in case of co-operative organisation the prime aim is to provide services. In case of "Tambakhu Sangh" it is found that the net profit is decreasing. In fact the profit is taken as a yardstick to measure the success of the business. It is also necessary for co-operative organisations to earn the profit. "Tambakhu Sangh" has tried to earn the profit every year, thereby serving in the keen competition of other co-operative and private marketing organisations.

II) LIQUIDITY ANALYSIS:

Liquidity means ability of the firm to raise the funds required for the settlement of its claims in time. There are three ratios calculated to measure the liquidity of "Tambakhu Sangh". One is current ratio, second is Liquid Ratio an third is Cash Position Ratio. All these ratios are calculated for 5 years from 1991-92 to 1995-96. By and large it can be said that the liquidity position of "Tambakhu Sangh" is satisfactory. The current ratio exceeds the standard level. But the liquid ratio and cash position ratio is not up to this standard. It can therefore be inferred that the cash position

of the “Tambakhu Sangh” is not reasonably good as the stock contained of the working capital is higher. The current ratio looks satisfactory.

(ii) Leverage Analysis:

In order to understand the structure of Capital Leverage Ratios are calculated. The first among the Liquid Ratio is Debt Equity Ratio, which is found to be satisfactory in all the years. The second ratio in this group is Proprietary Ratio, showing the share of Proprietor’s fund in the business. The funds provided by the Proprietors, accounts for 32 to 36% of the total funds. It can be concluded that a financial position needs to be strengthened in terms of owned funds. The third ratio is Fixed Assets to Tangible Net Worth Ratio. This ratio is in the range of 79 to 160%. There are fluctuations in the ratio. As to long term financial position of the Sangh it can be said that fixed assets are acquired by using proprietors fund to a major extent and to a minor extent finance is made available by way of long-term loans. The fourth ratio considered in this regard is Interest Coverage Ratio. To find out whether the interest charges are covered by the funds that are ordinarily available for that purpose. The table No. 4.7 shows that the ratio is quite below the standard accepted. It is only upto 1.25 times while the standard norm is 6 to 7 times.

iii) Turnover Analysis:

The activity ratios are calculated to understand the speed of turnover. Three ratios namely Debtors Turnover Ratio, Fixed Assets Turnover Ratio and Total Assets Turnover Ratio are calculated. The Debtors Turnover Ratio shows that the average collection period is 17 days which is relatively shorter collection period. It means there is efficient management of book debts. The Fixed Assets Turnover Ratio is found to be 15 to 18 times. It can be concluded that the fixed assets are used efficiently by the management. Total Assets Turnover Ratio is 5 to 6 times which is

higher than the norm. It means the total assets are efficiently used in the "Tambakhu Sangh".

iv) Profitability Analysis:

The analysis of the profitability of "Tambakhu Sangh" is attempted by computing Net Profit Ratio on Return On Net Worth Ratio. Net Profit Ratio is found to be below 1%. The Net Profit is also showing decreasing trend. The position in this regard is not very encouraging. The Return on Net Worth Ratio is found to be 3.57 which needs to be improved further.

v) The Funds Flow Statement, prepared for 5 years disclose the following important facts regarding inflow and outflow of funds of "Tambakhu Sangh".

- a) Secured loans is an important source of finance utilised by the Sangh to raise the funds.
- b) Income from other sources has also come out as important source of funds.
- c) The generation of the funds from the operations are exceptional.
- d) Major Funds are applied for refund of investments, acquisition of fixed assets, payments of interest, etc.
- e) There is increase in working capital in all the years except 1992-93, which is again an application of funds.

vi) In "Tambakhu Sangh" non-operating income plays very important role. A major portion of Net Profit is earned from non-operating income. The Sangh has many immovable properties like godowns and agricultural equipments which are rented out. The income earned by way of rent is quite substantial. The Sangh has also invested its funds and income received by way of interest, commission and dividend is also reasonably good. As a result of all this non-operating income the operating loss is completely

recorded and finally the activities of "Tambakhu Sangh" are carried out profitably in all the years. This is quite clear from table No. 6.1 below.

Table No. 6.1

Percentage of Operating Expenses to Gross Profit.

	1991-92	1992-93	1993-94	1994-95	1995-96
1) Gross Profit	62.85	76.41	92.05	103.71	132.76
2) Operating Expenses	72.14	86.40	102.80	114.14	147.97
3) Operating Loss	9.29	9.99	10.75	10.43	15.21
4) Other Income					
Interest received	1.51	2.37	1.46	1.38	2.13
Commission	0.12	0.18	0.38	1.01	0.97
Rent	11.19	10.54	12.32	11.80	15.96
Other Income	0.20	0.29	0.35	0.14	0.13
Dividend	0.37	0.98	0.397	1.22	1.32
	13.39	14.36	15.48	15.55	20.51
5) Net Profit	4.10	4.38	4.70	5.05	5.24
Percentage of Operating expenses to Gross Profit.	114.78	88.43	111.67	110.05	111.46

SUGGESTIONS

The 'Shetkari Sahakari Tambakhu Kharedi Vikri Sangh Ltd., Kolhapur' has been described earlier as a successful marketing co-operative society. However in the working of the "Tambakhu Sangh" there are some aspects which need greater attention to be made by the management in order to further improve the working of "Tambakhu Sangh". On the basis of the investigation, analysis and interpretation the findings and conclusions have been drawn. All these findings and conclusions explain both the strength and weaknesses of "Tambakhu Sangh". In the light of these findings and conclusions the researcher proposed to make the following important suggestions:

- 1) The expansion and diversification of business activity of "Tambakhu Sangh" are such that the change in the name is called for. The organisation can be renamed meaningfully.
- 2) The organisational structure of the Sangh has remained decent throughout all the years of its working. In order to give professional touch to the organisation, desirable restructuring in the organisational structure can be thought of. It is particularly necessary to incorporate professional managers in the management and also expert persons on the Board of Directors.
- 3) The membership that is A-Class Individuals and B-Class Societies, has remained constant and quite low. It is necessary to increase the membership in both the categories. This will help to broaden both the capital and membership base of the organisation.
- 4) The "Tambakhu Sangh" is in profit in all the years. However, if we consider the picture at the level of operating results, it is in loss. It is only because non-operating income, it could be in profit. This is not very desirable sign. "Tambakhu Sangh" should

try in the level best to earn the profit at the level of its business operations.

- 5) The level of liquidity is satisfactory, if we consider the current ratio. But when we go down to liquid ratio and cash position ratio the situation goes undesirable. The composition of current assets needs to be corrected by way of reducing the level of stock and increasing the level of cash.
- 6) When we examine the capital structure of "Tambakhu Sangh" with the help of Debt-Equity Ratio, desirable shift towards optimum capital structure is necessary. This can be done by increasing the share of Equity Capital.
- 7) Secured Loan, Medium-term Loan and deposits are the main sources of funds. It is not desirable. The "Tambakhu Sangh" should try to generate the funds and not to get (raise) the funds.
- 8) The "Tambakhu Sangh" invests its funds in those fixed assets every year, which are rented out. Therefore it is suggested that it should apply its funds in those fixed assets which helps to increase / generate the operating income and not the non-operating income.

ARR. BALABANDH
119/2011
BANK