CHAPTER SEVENTH

CHAPTER SEVEN

CONCLUSIONS AND SUGGESTIONS

INTRODUCTION

In the preceding Six chapters the basic data i.e. Balance sheet and income statement for the period of five years in respect of Gokul Sahakari Doodh Uttpadak Sanstha Ltd., has already been presented, analyzed and interpretated. The objective of evaluating their financial performance the ratio analysis and trend percentages were taken for the detailed discussion.

In the present chapter the broader observation and conclusion and conclusions which emerge from the analysis and interpretations are presented in the following points.

1. CAPITAL STRUCTURE

In order to understand the capital structure of Gokul Sahakari doodh Uttpadak Sanstha Ltd., leverage ratios are calculated. The first ratio is Debt to equity ratio. Average ratio is 0.09% which is less than the standard norm 1:1. It means that the creditors have sufficient cushion for their claims.

It is clear that the sanstha gives too much reliance on internal equity. It shows the capital mix of the sanstha is appropriate.

The second ratio is proprietary ratio showing the proprietors fund in business. The standard norm for this ratio is 100% . Average ratio is 108% which indicates more owned funds and less borrowed funds. It is clear that excessive investment in fixed assets in relation to actual need.

2. LIQUIDITY POSITION

Liquidity means conversion of assets into cash. To understand the liquidity position of Gokul Sahakari Doodh Uttpadak Sanstha ltd., three ratios are calculated to measure the liquidity.

1. CURRENT RATIO

Current ratio shows a relation between current assets and current liabilities representing the capacity of organization to meet its current liabilities. The standard norm for this ratio is 2:1. Average ratio is 9.41:1. When we compare the actual ratio to standard ratio it shows that the ability to meet current liabilities is risky.

2. LIQUID RATIO

Liquid ratio shows the liquid position of the santha. The standard norm for the ratio is 1:1. Average ratio is 0.85:1 which is less than the standard norm due to less amount of cash and bank balance in liquid assets.

3. CASH POSITION RATIO

To understand the cash position in the current assets cash position ratio is calculated. The standard norm of this ratio is 50%. The average ratio is 71% which is above the norm hence it can be concluded that the cash position is satisfactory.

3. TURNOVER RATIO

The turnover ratios are calculated to understand the speed of turnover. The following ratios are calculated.

FIXED ASSETS TURNOVER RATIO

It shows the fluctuating trend. The standard ratio is taken as five times. The average ratio is 7.80%. Therefore it can be concluded that fixed assets are used efficiently by management of the sanstha.

4. ANALYSIS OF EXPENDITURE

In order to understand the operating capacity of the Gokul Sahakari Doodh Uttpadak sanstha Ltd., Gadmudshingi the analysis is presented in the chapter fifth.

Expenditures are classified into two group's i.e. Operating expenses and no operating expenses. From the analysis it can be concluded that the amount of operating expenses for the year 2000-01,2001-02,2002-03and 2003-04 have increased due to the increase in the amount of administrative, financial, selling, and notional expenses. And in the year 2004-05 amount of operating expenses have decreased due to decrease in the administrative, financial, selling, and notional expenses.

It can be concluded that the total expenses have decreased in the year 2001-02,2002-03,2004-05 due to decrease in the amount of no operating expenses. Total expenses for the year 2003-04 have increased due to increase in the amount of operating and no operating expenses.

In the year 2000-01 the amount of operating expenses are more Which creates the operating loss. The amount of total expenses have decreased in the year 2001-02,2002-03 which shows the increase in the amount of profit. But in the year 2004-05 expenses have decreased but not at reasonable rate to cover profit margin.

Operating ratio is calculated to understand the operating efficiency of the sastha. The average ratio is 93.54% rise in the ratio declines the efficiently. Therefore above ratio shows reasonable margin of profit.

5. PROFITABILITY ANALYSIS

To analyze the profitability of sanstha following ratios are calculated i.e. Net profit ratio, Gross profit ratio, return on shareholders investment and return of capital employed.

1. GROSS RPOFIT RATIO

The average gross profit ratio is 23% which is more than each year's ratio. Hence it indicates good management of the sanstha.

2. NET PROFIT RATIO

The average ratio is 6.54%. The net profit ratio shows decreasing trend. It can be concluded that the profit earning capacity of sanstha is not at all satisfactory.

3. RETURN ON CAPITAL EMPLOYED

The average ratio is 6.50% shows the management has used the funds efficiently provided by the owners and creditors.

4. RETURN ON SHAREHOLDERS INVESTEMENT

Return on shareholders investment shows increasing trend than the return.

The average ratio is 0.48:1 which is not reasonable. Hence it can be concluded that the management had not utilize the funds efficiently.

6.INCOME POSITION

In order to understand the Income earning Capacity of the Gokul Sahakari Doodh Uttpadak Sanstha, Gadmudshingi, Analysis of income is presented in the chapter sixth. Income is analyzed into two groups i.e. operating and no operating income. From the analysis of income shown in the table No. 6.5 to 6.7. It can be concluded that the total income is increased in the year 2000-03 due to increase in the operating incoOme.And the amount of total income decreases in the year 2000-01 due to decrease in the operating and no operating income.

Operating income for the year 2000-01 to 2002-03 included the management charges and for the subsequent year management charges are not taken hence operating income have decreased.

The amount of total no operating income have increased each and every year due to increase in the amount of rent interest on deposit, advance interest and dividend.

Operating and no operating income plays important role. Operating income is Gross profit plus management charges. And no operating income is that income which is earned by sanstha by the way of rent, Interest on deposits, Interest on Debenture , Dividend and advance Interest.

As a result of this operating and no operating income analysis it can be concluded that the activities of the sansha are carried out profitably in all five years.

SUGGETIONS

The Gokul Sahakari Doodh Uttpadak Sanstha Ltd, has been described earlier as a successful cooperative society. However the workings of the sanstha.There are some aspects which need greater attention by the management in order to improve the workings of the sanstha. On the basis Of the investigation, analysis and interpretations the findings and conclusions have been drawn. All these findings and conclusions drawn explain both the strength and weaknesses of the sanstha.

In the light of these findings and conclusions the researcher proposed to make the following suggestions.

1 When we examine the capital Structure of Gokul Sahakari doodh Uttpadak Sasntha with the help of Debt to Equity ratio, proprietary ratio, Debt to Capital ratio, and Total Debt to Total assets ratio it shows the desirable position of the optimum capital structure is necessary.

2 In Gokul Sahakari Doodh Uttpadak Sanstha Ltd., funds are generated but not much more amount raised by the sanstha from its members.

3 The sanstha invests its fund in those fixed assets every year which are rented out. Therefore it is suggested that it should apply its fund in those assets which helps to increase or generate operating income and the no operating income.

4 The level of the liquidity is not satisfactory due to less amount of cash and Bank Balance in liquid assets. Therefore the sasntha should make composition of the current assets by reducing the level of stock and increasing the level of cash.

5 In the year 2000-01 to 2002-03 operating income included management charges therefore the amount increased in that years. It is suggested

that the sanstha should try to increase the operating income without the amount of management charges.

For this purpose sanstha should try to increase the operating activities of the sanstha. i.e. Collection and Distribution of milk.

6 From the table No.2.9 the milk collection and Distribution ratios, sanstha should try to distribute more amount of the milk to Gokul Sangh than Distribution to others.

7 From the analysis of the Expenditure It is clear that when the Total expenses shows increasing trend it creates loss to the sanstha. Sanstha should try to reduce the following expenses.

1 Office Expenses, Meeting Expenses, Visit Fees from administrative expenses.

2 Traveling and Advertisement expenses from the selling expenses.

3 In case of no operating expenses sanstha should try to increase the item of Gokul Yojana and Diwali Gift which helps to increase the encouragement among the members towards the dairy activities.

OTHER FACILITIES

Sanstha should try to implement the following facilities provided by the Gokul Sangh for the social Development.

1 Gober Gas Plant.

2 Milk Training Facilities.

3 Mahalaximi Cattle feed services.

4 Cattle feed Rearing.

5 Subsidies provided by the sangh for purchase of cattles.