

THE FINANCIAL PERFORMANCE EVALUATION OF “MINORITIES LARGE-SCALE MULTIPURPOSE CO-OPERATIVE SOCIETY LTD. SULLIA”: A STUDY

Prof. Deepika S

*Assistant Professor, Department of Business Administration
Vivekananda College of Arts, Science and Commerce, Puttur
Deepika.s.puttur@gmail.com*

ABSTRACT

This study looks at the financial performance of the Minorities Large Scale Multipurpose Co-operative Society Ltd. Sullia. It focuses on sustainability, operational efficiency, and overall financial health over a specific period. Cooperative societies play a crucial role in promoting economic growth by providing accessible financial services and supporting inclusive development. The analysis uses secondary data from the society's audited financial reports and annual statements over five years. The research examines key financial ratios and indicators like profitability, liquidity, and solvency. It identifies both strengths and weaknesses in the society's financial structure. The cooperative was established to address socio-economic issues affecting minority groups in and around Sullia. Its goal is to close long-standing gaps in financial access, education, and job opportunities for these communities. Sullia's rich cultural diversity highlights the historical challenges faced by its minority groups. The study's findings show that while the society has made significant progress in growing its membership and increasing loan distribution, it still faces challenges in maintaining consistent profitability and using resources efficiently. The report ends with practical recommendations to boost member engagement, improve risk management, and enhance financial planning to ensure long-term sustainability and better service delivery. Keywords: Financial Performance, Financial Ratios, Minority Co-operative Society, Financial Indicators.

INTRODUCTION

Analysing financial performance involves examining a business's financial and operational aspects using accounting records and financial statements. The main objective is to assess how efficiently the organization manages its finances, which is reflected through its reports. This analysis helps measure key performance indicators like liquidity and profitability, indicating whether the business is functioning effectively. It also builds confidence among stakeholders who rely on cooperative societies for their financial requirements.

Financial statements serve as the final output of the accounting cycle, containing extensive information that reflects a cooperative's internal operations, its external interactions, and member relationships. However, for this information to be meaningful, it must be systematically organized and presented in a clear, concise format.

This study evaluates the financial performance of Minorities Large Scale Multipurpose Co-operative Society Ltd., Sullia. Established to tackle the socio-economic challenges faced by minority groups in Sullia and neighbouring regions, the society was born out of the vision of community leaders, social activists, and local entrepreneurs. The region, known for its cultural diversity, has historically suffered from unequal access to financial services, education, and employment. The cooperative society emerged as a platform to unite marginalized communities, providing access to financial resources and promoting sustainable development. The cooperative model was selected for its inclusive, democratic nature, aimed at empowering individuals and encouraging collective progress.

Initially, the society provided microloans and credit support to help members initiate or grow small businesses and agricultural activities. The founders believed that offering accessible credit was key to economic independence and poverty reduction. However, the society faced multiple early-stage challenges. One significant hurdle was earning the community's trust, as many members were unfamiliar with cooperative systems and feared financial mismanagement. The founders countered this through awareness campaigns, public meetings, and training programs explaining cooperative benefits.

Another major obstacle was the lack of initial capital. With limited external financial assistance, the cooperative depended on contributions from its founders and small local government grants. Despite these constraints, the society remained committed to its mission. By the end of its first operational year, it had onboarded members and disbursed initial microloans to small entrepreneurs and farmers.

Financial performance analysis is used to uncover patterns and relationships within financial data. It is crucial for both internal stakeholders and external users who evaluate an organization's liquidity, profitability, solvency, and ownership structure. Common techniques include ratio analysis, trend analysis, and comparative and common-size statements, which provide insights when compared against historical data or industry standards.

OBJECTIVES OF THE STUDY

The primary goal is to assess the financial performance of Minorities Large Scale Multipurpose Co-operative Society Ltd., Sullia. Specific objectives include:

Assessing the overall financial status of the cooperative Society.

- Evaluating liquidity, profitability, solvency, and operational effectiveness.
- Analysing annual financial performance over a specified period.
- Offering constructive suggestions where needed.

This study, titled "Financial Performance Evaluation of Minorities Large Scale Multipurpose Co-operative Society Ltd., Sullia – A Study," relies on data collected from the cooperative's head office. It examines key financial indicators and interrelations among various financial ratios, based on a ten-year dataset. Given the focus on a single institution, the study's scope remains confined.

LITERATURE REVIEW

Patel and Mehta (2012), in their paper on "A Financial Ratio Analysis of Krishak Bharti Cooperative Ltd.," emphasized that financial statements such as the balance sheet and income statement are essential for evaluating a company's financial health. However, for a deeper understanding, these need to be thoroughly analysed. Their study specifically focused on profitability ratios.

Patel (2013), in a separate study titled "Social Services Provided by Selected Credit Cooperative Societies of North Gujarat," outlined the welfare activities of cooperative societies, such as health benefits, education support, vocational training, and social responsibility initiatives like marriage and disaster relief.

Prasad and Prasad (2013) explored the organizational structure and operational efficiency of the Amul cooperative. Meanwhile, Suri and Singhal (2013), in their comparative analysis of the financial performance of Indian Farmers Fertilizers Cooperative Ltd (IFFCO), discussed how cooperatives must meet financial targets to stay competitive in a global economy.

RESEARCH METHODOLOGY

Research methodology refers to the structured approach used to solve the research problem scientifically. As the subject pertains to finance, the core data was sourced directly from the organization and through discussions with officials and research guides.

This study uses both primary and secondary data. Primary data was gathered from key personnel including managers and finance officers. Secondary data was obtained from the cooperative's annual reports for five years, from 2019–20 to 2023–24.

The analytical tools used include:

- Comparative financial statements
- Common-size statements
- Trend analysis
- Ratio analysis

Ratio analysis, helps quantify performance by comparing current figures to previous years, industry norms, or economic benchmarks.

LIMITATIONS OF THE STUDY

The research faced the following constraints:

- Accuracy is dependent on the reliability of secondary data.
- Interpretation of financial ratios may involve subjective judgment.
- The analysis only considers end-of-year data, potentially missing seasonal variations.
- The limited time frame of five years may restrict the depth of the findings.

- Interest rate fluctuations and their impact on loan transactions are not factored in.

RESULTS OF THE STUDY

This section presents an analysis of the financial health of Minorities Large Scale Multipurpose Co-operative Society Ltd., Sullia.

Liquidity or Short-Term Solvency Ratios

Liquidity ratios help determine the cooperative's ability to meet its short-term financial obligations. Liquidity refers to how easily assets can be converted into cash. Key ratios in this category include:

1. **Current Ratio**
2. **Absolute Liquid Ratio**

Years/ Ratios	Current Ratio	Absolute Liquid Ratio
2019-20	7.78	7.78
2020-21	9.55	10.52
2021-22	3.25	4.08
2022-23	10.3	10.77
2023-24	7.42	8.14
Maximum	10.3	10.77
Minimum	3.25	4.08
Mean	7.66	8.26
Std. Dev	2.74	2.70
C.V	35.79	32.68

Table 1: Liquidity Ratios of Minorities Large Scale Multipurpose Cooperative Society Ltd., Sullia.

Table 1 shows that the company had its lowest current ratio of 3.25 in the financial year 2021-22. The highest

ratio was 9.55 in 2020-21. The average current ratio for the study period was 7.66. Overall, the current ratio was satisfactory, with a general upward trend, peaking at 9.55 in 2020-21. However, the company needs to take corrective actions to bring the ratio in line with industry standards. Otherwise, holding excessive current assets could result in significant opportunity costs and hurt the firm's profitability. The standard deviation for the current ratio is 2.74, which indicates considerable fluctuation over the years. The coefficient of variation (CV) is 35.79%, suggesting instability in the ratio and raising concerns about the company's financial management. For the absolute ratio, the lowest value was 4.08 in 2021-22, while the highest was 10.77 in 2022-23. Apart from 2022-23, the absolute ratios during the study period were not at a satisfactory level. The average absolute ratio was 8.258, with a standard deviation of 2.70, indicating significant variation from year to year. The coefficient of variation for the absolute ratio is 32.68%, which further highlights inconsistency in performance.

3. Capital Structure or Leverage Ratios:

Capital Structure or Leverage Ratios assess the proportionate stake of creditors and owners in a business. These ratios help evaluate the long-term financial stability and solvency of an enterprise.

Year s/ ratio s	De bt Eq uity Ra tio	Ne t W orth Ra tio	Net Wor th to Cap ital Em ploy ed	To tal De bt to Ne t W orth ra tio	Fi xe d As set s to Ne t W orth Ra tio	Cur rent Lia bilities to Net Wor th Rati o	Cu rre nt Ass ets to Net worth Rat io
2019- 20	0.3 5	12. 7	184. 97	0.1 9	78 7.5 5	613. 65	47. 74
2020- 21	0.4 4	11. 54	202. 3	0.2 1	86 6.6 5	715. 79	68. 38
2021- 22	12 9.1 1	10. 86	101. 56	55. 48	92 1.0 5	706. 33	22. 98

2022- 23	0.5 3	11. 9	236. 05	0.2 2	84 0.6 1	657. 64	67. 76
2023- 24	1.2 2	11. 22	227. 32	0.5 3	89 1.1 8	729. 33	54. 15
MAX IMU M	12 9.1 1	12. 7	236. 05	55. 48	92 1.0 5	729. 33	68. 38
MIN MU M	0.3 5	10. 86	101. 56	0.1 9	78 7.5 5	613. 65	22. 98
MEA N	26. 33	11. 64	190. 44	11. 33	86 1.4 1	684. 55	52. 2
STD. DEV	57. 46	0.7	53.6 4	24. 68	50. 89	47.9 8	18. 58
C.V	21 8.2 2	6.0 5	28.1 7	21 7.9 3	5.9 1	7.01	35. 6

Table 2: Proprietary Ratio Minorities Large Scale Multipurpose Cooperative Society Ltd., Sullia

According to Table 2, the **Debt-Equity Ratio** has shown significant fluctuations during the study period. The ratio ranged from a **low of 0.35** in 2019–20 to a **high of 129.11** in 2021–22, with an **average of 26.33**. The rising trend suggests that the firm is heavily reliant on debt, implying that its equity base is relatively thin. Although the ratio increased consistently from 2019–20 to 2023–24, it then declined, reaching its lowest point in 2019–20. The **standard deviation** of 57.46 indicates moderate fluctuations, but the **coefficient of variation (CV)** at **218.22%** reflects a considerable degree of variability in the ratio across the years.

The **Net Worth Ratio** peaked at **12.7** in 2019–20 and hit a **low of 10.86** in 2021–22. The average value stood at **11.64**, indicating a strong capital base and significant contribution of owner's funds to total assets. The **standard deviation** of 0.70 and a **CV of 6.05%** suggest that the ratio remained fairly stable, with minimal variation during the period, indicating a relatively consistent financial position.

With respect to the **Net Worth to Capital Employed Ratio**, the highest value recorded was **236.05** in 2022–23, and the lowest was **101.56** in 2021–22. The **average** stood at **190.44**, and the ratio exhibited a fluctuating trend throughout the period. The data suggests a strategic use of debt financing followed by consistent net worth funding for total assets. The **standard deviation** of **53.64** points to noticeable variation, while the **CV of 28.17%** indicates high variability in the use of net worth in relation to capital employed.

The **Total Debt to Net Worth Ratio** ranged from a **minimum of 0.19** in 2019–20 to a **maximum of 55.48** in 2021–22. The **average** was **11.33**, with a **standard deviation** of **24.68**, showing significant annual variation. The **CV of 217.93%** highlights substantial fluctuation, implying that the society's reliance on debt varied greatly during the study period.

Regarding the **Fixed Assets to Net Worth Ratio**, the figures fluctuated between **787.55** (2019–20) and **921.05** (2021–22), averaging **861.41**. This suggests that a significant portion of owner's capital was utilized for financing fixed assets, while current assets were largely funded through borrowings. The **standard deviation** was **50.89**, indicating limited variation, and the **CV of 5.91%** confirms that fluctuations in this ratio were within a stable range.

The **Current Liabilities to Net Worth Ratio** recorded its **highest value of 729.33** in 2023–24 and a **lowest of 613.65** in 2019–20. The **average ratio** was **684.55**. This ratio displayed inconsistency over the years. The **standard deviation** was **47.98**, suggesting noticeable variation, whereas the **CV of 7.01%** implies that the changes in the ratio were relatively insignificant and lacked satisfactory variation.

Lastly, the **Current Assets to Net Worth Ratio** ranged between **22.98** in 2021–22 and **68.38** in 2020–21, with an **average of 52.20**. This trend points to a weakening in financial position concerning current asset coverage by net worth. The **standard deviation** was **18.58**, indicating high volatility, and a **CV of 35.60%** supports that the degree of variation in this ratio was reasonably acceptable.

4. Profitability Ratio

Profitability ratios are used to evaluate how sufficient a company's earnings are and to identify whether its profit levels are rising or falling over time.

Years/ Ratios	ROA	ROE	NET PROFIT
2019-20	2.06	30.08	18.38

2020-21	2.05	36.2	19.62
2021-22	2.77	59.31	24.18
2022-23	2.24	44.79	19.41
2023-24	1.33	27.22	13.71
MAXIMUM	2.77	59.31	24.18
MINMUM	1.33	27.22	13.71
MEAN	2.09	39.52	19.06
STD. DEV	0.52	12.95	3.73
C.V	24.69	32.77	19.58

Table 3: Profitability of Minorities Large Scale Multipurpose Cooperative Society Ltd., Sullia.

During the review period, the Return on Assets ratio ranged from a low of 1.33 in 2023 to a high of 2.77 in 2021, with an average of 2.09. The difference between the highest and lowest values is not significant. This shows consistent efficiency in how the cooperative society uses its assets. The standard deviation for ROA is 0.52, indicating minimal year-to-year changes. Additionally, the coefficient of variation is 24.69%, suggesting that the fluctuations in the ratio are within acceptable limits.

The Return on Equity ratio showed changes during the study period. It ranged from a low of 27.22 in 2023 to a high of 59.31 in 2021. While higher ROE values suggest better performance, the overall trend during this time was not satisfactory. This indicates that the society may need to make improvements, as ROE is an important measure of a firm's efficiency. The ratio has a standard deviation of 12.95, showing considerable variability. The coefficient of variation is 32.77%, confirming that the fluctuations are significant and not within a satisfactory range. This ratio shows the percentage of net profit relative to net sales, indicating the earnings available for distribution. During the analysis period, it ranged from a low of 13.71 in 2023 to a high of 24.18 in 2021, with an average of 19.06. The figures suggest that the company's profitability was not entirely satisfactory. The standard deviation was 3.73, indicating a noticeable level of variation in profitability over the years. The coefficient of

variation, at 19.58%, also shows that the fluctuations are not within an acceptable limit.

FINDINGS

- The **current ratio** experienced a sharp decline in 2021–22, reaching a low of 3.25, before rising significantly to 10.3 in 2022–23. This fluctuation reflects a temporary deterioration in the society's liquidity position.
- The **absolute liquid ratio** ranged from a minimum of 4.08 to a maximum of 10.77, with a five-year average of 8.26. While this indicates a generally comfortable liquidity level, the notable variability suggests inconsistency in managing short-term financial resources, possibly highlighting inefficiencies in cash and liquid asset handling.
- Despite the acceptable average of the **return on assets (ROA)** ratio at 2.09%, the variation from 1.33% in 2023–24 to 2.77% in 2021–22 shows minimal fluctuation. This implies relatively stable and efficient utilization of assets in generating returns.
- The **return on equity (ROE)** displayed considerable variation, falling to 27.22% in 2023–24 and peaking at 59.31% in 2021–22. Such fluctuations indicate inconsistent performance, suggesting that the society may need strategic interventions, given that ROE is a critical measure of overall financial efficiency.
- The **net profit ratio**, which reflects the portion of revenue remaining as profit, showed variability during the review period. It dipped to 13.71% in 2023–24 and peaked at 24.18% in 2021–22, with an average of 19.06%. This inconsistency signals a less-than-satisfactory profitability position for the society.

- With **net profits fluctuating**, there is a need for cost-reduction strategies and better financial planning to enhance profitability and ensure financial stability.
- To **strengthen capital and profitability**, the society is advised to diversify and expand its membership beyond the existing community, thus increasing the member base and access to funds.
- The society should initiate and promote **digital financial services**, which can improve operational efficiency, attract younger members, and support transparent transactions.

In conclusion, while the cooperative society has exhibited commendable performance in certain financial areas, particularly in maintaining liquidity and asset efficiency, there are clear concerns around profitability, return on equity, and fund management practices. Addressing these weaknesses through improved financial strategies, broader outreach, and modernization of services will be essential for ensuring the society's sustainable growth. It is important to note that this analysis is based on secondary data, and its reliability is subject to the accuracy of the sources used. Furthermore, interpretations drawn from financial ratios involve a degree of subjectivity, which should be taken into consideration.

SUGGESTIONS AND CONCLUSIONS

- The **high coefficient of variation** in the absolute liquid ratio points to unstable short-term fund management. The society should adopt more consistent strategies for managing liquid assets effectively.

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