

**A STUDY ON FINANCIAL PERFORMANCE IN ARNI HAND-LOOM WEAVER'S
CO-OPERATIVE PRODUCTION AND SALES SOCIETY LTD, ARNI, T.V.MALAI
DISTRICT TAMILNADU**

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ABSTRACT

Financial performance is an important aspect which influences the long-term stability, profitability and liquidity of an organization. Usually, financial ratios are said to be the parameters of financial performance. The evaluation of financial performance had been taken up for the study with "ARNI HAND-LOOM WEAVER'S CO-OPERATIVE PRODUCTION AND SALE SOCIETY LTD". The performance of the firm can be measured by its financial results. i.e., size of earnings Riskiness and profitability are two major factors which jointly determine the value of the concern. Financial decisions which decrease risks will increase the value of the firm and wealth maximization vice versa. So this study focuses on "financial performance" the objectives of this study is to the pertaining behavior of liquidity solvency and profitability position of the concern. This study focuses on analytical research with secondary data for the last 5 years from a financial database. The tools for data analysis are ratio analysis, correlation, comparative statement, trend analysis etc., From the above analysis with the help of tools the suggestion to improve the company as follows current assets should be increased, the company should maintain its debt position, sales should be increased without the additions of fixed assets. A company should take necessary steps to control administrative and selling expenses.

KEYWORDS: *Financial Performance, Fixed Assets, Ratio Analysis, Solvency*

INTRODUCTION

The overall performance of the organization may be measured by its economic effects, i.e., via its length of income. Riskiness and profitability are the most important elements which together determine the price of the priority. Financial selections which boom risks will lower the fee of the company and on the other hand, monetary decisions which boom the profitability will increase the fee of the firm. Risk and profitability are critical substances of business difficulty.

Financial overall performance is the manner of figuring out economic energy and weak spot of the firm with the aid of setting up strategic relationship among the elements of the balance sheet and profit and loss declaration and different operative records. Financial evaluation is the technique of determining the sizable running and economic traits of a firm. The goal of such an evaluation is to determine the efficiency and performance of the employer's control as contemplated within the financial statistics and reports. Financial analysis can be undertaken by way of management of the agency or by

parties outside the company.

Financial statement evaluation is a commonplace method that permits small enterprise owners to review their employer operational performance. Small enterprise proprietors will want to create financial statements from their corporation business transaction before engaging in an economic declaration analysis. Financial statements represent an aggregate over all of the organization business statistics in the course of a sure time period.

Finance is the existence blood of the nation as well as the achievement of the firm greatly depends on the better utilization of finance. Finance performs the vital position in figuring out the power, weak spot and manage price range of the concern without finance a firm cannot do its sports in cutting-edge companies financial supervisor occupies a key function he is answerable for shaping the fortunes of the firms. Two simple monetary prepared for the purpose of outside reporting are

- Profit and loss account
- Balance sheet those announcements are contained in an employer annual file.

It consists of the auditor's document and accounting policy changes for internal management cause i.e. planning and controlling a great deal extra facts than contained inside the posted economic records are presented in extraordinary heading and report in any such manner as to serve the inner desires of management. Financial statements are prepared from the accounting records maintained by the employer.

REVIEW OF LITERATURE

Literature Review became executed via referring previous studies, articles, and books to recognize the regions of having a look at and examine the distance or study now not completed up to now. There are various studies were performed referring to the operational overall performance of the society from which most relevant literature had been reviewed.

Peeler J. Patsula (2006), he defines that a valid enterprise analysis tells others a lot approximately precise feel and know-how of the difficulties that a society will face. We ought to make certain that people realize exactly how we arrived at the final monetary positions. We have to show the calculation, however, we ought to keep away from anything this is too mathematical. An enterprise performance evaluation suggests the further increase and growth. It gives a physiological advantage to the employees and also making plans again.

Chidambaram Rameshkumar & Dr. N. Anbumani (2006), he argues that Ratio Analysis permits the commercial enterprise owner/manager to identify developments in a commercial enterprise and to compare its overall performance and condition with the common performance of comparable companies inside the identical enterprise. To do that evaluate your ratios with the average of companies much like yours and examine your own ratios for several successive years, watching mainly for any unfavorable traits that may be beginning. Ratio analysis may additionally provide the all-vital early warning symptoms that will let you resolve your commercial enterprise troubles earlier than your commercial enterprise is destroyed by means of them.

I.M.Pandey (2007), had said that the monetary statements contain facts about the economic consequences and

resources and make use of financial assets, one needs to have the ability to mention whether the economic situation of a society is right or terrible; whether it's far improving or deteriorating. One can relate the financial variables given in financial statements in a meaningful way so that it will recommend the actions which one may additionally provoke to enhance the agency's monetary condition.

Susan Ward (2008), the emphasis that monetary evaluation using ratios among key values help traders deal with the big amount of numbers in society monetary statements. For instance, they are able to compute the percentage of net profit a society is generating at the price range it has deployed. All other things last the same, a society that earns a higher percentage of profit as compared to different organizations is a better investment alternative.

T.S.Reddy and Y. Hari Prasad Reddy (2009), has stated that "The declaration disclosing the status of investments is known as stability sheet and the declaration showing the result is known as earnings and loss account"

M Y Khan & P K Jain (2011), have explained that the Financial statements offer a summarized view of the financial role and operations of a society. Therefore, a whole lot may be learned about a society from a cautious exam of its monetary statements as priceless files/performance reports. The analysis of monetary statements is, therefore, an essential aid to financial analysis.

OBJECTIVES OF THE STUDY

- To observe financial performance in ARNI HAND-LOOM WEAVER'S CO-OPERATIVE PRODUCTION AND SALE SOCIETY LTD.,
- To analyze the past five 12 months financial performance and evaluate with the present-day monetary role.
- To examine the short-term liquidity role of the society.
- To examine the longtime monetary role of the society.
- To identify forecasting monetary trend of the society.
- To offer pointers for enhancing the general finance performance of the society.

RESEARCH METHODOLOGY

Research may be defined as "A Scientific and Systemic Search for pertinent statistics on a specific topic". Therefore, research can be understood as a prepared interest with particular objectives on a hassle or issues supported through a compilation of related statistics and facts, related to the utility of applicable equipment of evaluation and deriving logically on originality.

SOURCE OF DATA

Secondary Data

Secondary Data refers to the records or facts already accumulated such records are accrued with the targets of understanding the beyond the reputation of any variable or the facts accrued and pronounced with the aid of some supply is accessed and used for the goal of a examine. Normally in studies, the scholars gather published statistics, journals, annual

reports, and websites.

TOOLS OF DATA ANALYSIS

The following are the equipment used for analysis of statistics in the observe,

- Ratio analysis
- Comparative financial declaration
- Fund waft statement
- Correlation
- Trend analysis

Ratio Analysis

Ratio Analysis is one of the strategies of economic analysis in which ratios are used as a yardstick for evaluating the economic circumstance and overall performance of a society. Analysis and interpretation of various accounting ratios offer a professional and skilled analyst, a higher know-how of the economic situation and overall performance of the society than what he ought to have obtained handiest through a perusal of monetary statements.

The Classification of Ratios can be Depicted via the Subsequent Chart

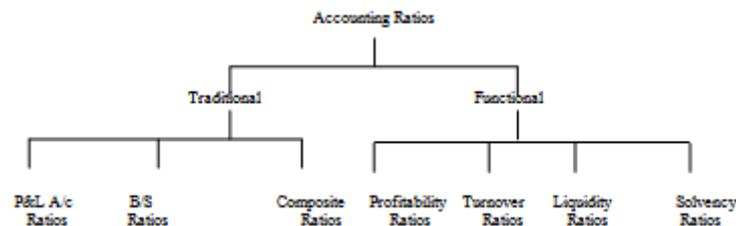


Figure 1

Statement of the Five Year Ratio Analysis

Table 1

S.No	Ratios	2013	2014	2015	2016	2017
1	Current Ratio	17.25	20.80	17.15	16.5	14.95
2	Liquid Ratio	1.4	1.67	1.6	1.61	1.32
3	Debt Equity Ratio	0.14	0.2	0.02	0.01	0.06
4	Proprietary Ratio	0.4	0.34	0.6	0.4	0.4
5	Fixed Assets Turnover Ratio	0.95	0.92	2.63	0.51	0.59
6	Capital Turnover Ratio	0.62	0.51	0.90	0.34	0.38
7	Net Profit Ratio	3.75	2.76	0.76	0.22	0.2
8	Return On Investment	3.34	2.6	2.4	0.44	0.42
9	Operating Profit Ratio	15.29	12.66	10.49	6.43	7.64
10	Operating Ratio	84.72	87.35	89.52	93.58	92.36
11	Inventory Turnover Ratio	1.46	1.18	1.14	0.92	1
12	Finance Charge Ratio	1.68	2.25	1.87	1.1	0.94
13	Total Assets Turnover Ratio	0.60	0.50	0.51	0.33	0.37

Correlation

The correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel; a negative correlation indicates the extent to which one variable increases as the other decreases.

The correlation analysis is the most widely used method and is often the most abused statistical measures. This is because the researcher may overlook the fact that the correlation only measures the strength of linear relationships and does not necessarily imply a relationship between the variables. The correlation was measured to the following formula

$$r = \frac{N \sum XY - (\sum X)(\sum Y)}{\sqrt{N \sum X^2 - (\sum X)^2 \times N \sum Y^2 - (\sum Y)^2}}$$

$r = 0.035$

Figure 2

Trend Analysis

Comparison of two or more year's financial data is known as horizontal analysis or trend analysis. Horizontal analysis is facilitated by showing changes between years in both money and percentage form.

A trend analysis is an aspect of technical analysis that tries to predict the future movement of a stock based on past data. Trend analysis is based on the idea that what has happened in the future. There are three main types of trends: short, intermediate, and long-term.

Sample Size

Sample size is taken in this study of five year Balance sheet.

Trend Analysis for Sales

Table 2

Year	Sales
2013	44656010.1
2014	46726019.8
2015	48796029.5
2016	50866039.2
2017	52936048.9

Trend Analysis for Sales

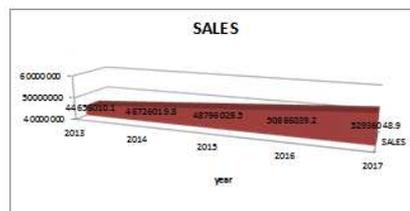


Figure 3

Findings

- The current ratio stood at 17.25 during the year 2013 and increase up to 20.80 in the year 2014, but there is a decrease in the ratio up to 14.95 during the year 2017. So the society should want to maintain the current assets and the current liability for future.
- Liquid Assets and current Liability for the year 2017. In 2013 the Quick Ratio is 1.4 and increase 1.67 in the year of 2014. But there is a decrease in the ratio up to 1.32 during the year 2017. A liquid ratio is favorable for the society. So the society should want to maintain the liquid assets and current liability.
- It is inferred that debt-equity ratio is constantly decreasing from year to year. The debt-equity ratio is not favorable for the society.
- The proprietary ratio is 0.4 in the year 2013. It is inferred that proprietary ratio is increased up to 0.6 in the year 2015 only. And finally, current year proprietary ratio is 0.4 the proprietary ratio is favorable for the society.
- It is inferred that the fixed asset turnover ratio is constantly decreased from year to year. But the fixed asset turnover ratio is 2.63 most increase in the year of 2015 and finally, last year ratio is 0.59. The fixed asset turnover ratio is not favorable to society.
- The capital turnover ratio stood at 0.62 during the year 2013 and decrease up to 0.51 in the year 2014, and increase the year 2015 up to 0.90. Finally the ratio for decrease of 0.34 and 0.38 in the year of 2016 & 2017. So the society should want to maintain the Capital turnover ratio in the future.
- It is inferred that Operating ratio is constantly increasing from year to year. Its Operating ratio is 84.72 in the year of 2013 and finally, last year Operating ratio is 92.36. The operating ratio is not favorable for the society.
- It is inferred that the Inventory turnover ratio for the last five years. In 2013 the inventory turnover ratio is 1.46 from 2014 to 2016 its decrease. Its slide increase 1.00 in the year 2017 is not favorable for the society.
- It is inferred that Finance charge ratio is constantly decreased from year to year. Its Finance charge ratio is 1.68 in the year of 2012 the next year of 2014 only increase of 2.25 and finally last year Finance charge ratio is 0.94. The finance charge ratio is not favorable for the society.
- It is inferred that Total asset turnover ratio is constantly decreased from year to year. Its Total assets turnover ratio is 0.60 in the year of 2013 and finally, last year of 2017 Total assets turnover ratio is 0.37. The total assets turnover ratio is not favorable for the society.
- The contribution of Current Assets to Total Assets has been decreased will be improve the liquidity position of the society.
- Share capital contribution to total liabilities has been decreased, the reserve & surplus contribution to total liabilities has been decreased which has let to low profitability of the society.
- Correlation it's inferred that $r = 0.086$ positive correlation therefore, there is the relationship between fixed asset and long-term liabilities.
- The trend was shown there in the constant increase in sales trend from the year 2013 to 2017. It was 44656010.1

in the year 2013 and it increases steadily and reached 52936048.9 in the year 2017.

SUGGESTIONS

From the data analysis and interpretation, the researcher has given certain suggestions for improving the financial efficiency of Arni silk hand-loom weaver's co-operative production & sale society Ltd. The society was managing its financial in a cost-efficient manner. In the operation of the researcher, it can reach a further higher standard.

Suggest are Follows

- The liquidity position should be maintained properly for the last 5 year. The society should maintained 1:1 ratio liquidity assets and liquidity liabilities in properly.
- The society showing a high level of tangible assets if there is safety for all type of creditors. The same position will be maintained in feature otherwise improving the share holder's funds in the feature.
- The debt-equity ratio is unfavorable of the society because of long-term debt will be used of low level comparing with shareholders funds. The society maintained 2:1 ratio for debt equity due to borrowing more than of fixed interest.
- The society has poor profitability for the last 5 years indicate to lower level of the net profit ratio. If will be improve the overall performance and sales volume of the society.
- The return on investment of the society is constant but it's not favorable for the society. There will be generating a 25% of return on investment it is the favorable of the business generating the operating profit in the society.
- The society can also improve its performance by acquiring updated techniques and ideas.
- The society should refocus on their goals. The employees and management should focus more on achieving the goal.

CONCLUSIONS

“A STUDY ON FINANCIAL PERFORMANCE IN ARNI SILK HAND-LOOM WEAVER'S CO-OPERATIVE PRODUCTION AND SALE SOCIETY LTD” was done with an objective of analyzing the financial performance of society. The financial performance analysis of the concern is evaluating the relationship between the component parts of financial statements to obtain a better understanding of the concern's position and performance.

The study reveals that the financial position of the concern for 5 years. And it will enable the concern to plan for the future financial analysis established the relationship between different items in the balance sheet and helps to analyzing the society's profitability over time, its ability to generate cash, to be able to pay interest and repay principle.

The financial analysis of the concern shows an efficiency of current management. The concern should try to decrease its expenses to increase the profitability ratio of the concern. Thus the society is at a satisfactory performance to be maintained properly. Thus it is concluded that the financial performance of Arni silk hand-loom weaver's co-operative production and sale society Ltd., is satisfactory.

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