

# Financial Ratio Analysis at Allamprabhu Credit Co-Operative Society Ltd, Bidar

SWATI<sup>1</sup>, JYOTI AINAPUR<sup>2</sup>

<sup>1</sup>Student, Department of MBA, GNDEC, Bidar, Karnataka

<sup>2</sup>Professor, Department of MBA, GNDEC, Bidar, Karnataka

**Abstract --** Ratio analysis is widely used for taking important decisions and future forecasting, so it is very important to access the performance of the firms by analyzing its liquidity, profitability, assets management and efficiency ratio. A Credit Cooperative Society is an independent group of people belonging to the same class come together voluntarily to tend to they are common economic, Social, & cultural Agendas and requirements through an enterprise which is jointly owned and controlled democratically by such people. This Paper analysis Profitability & financial solvency of Sri Allamprabhu Credit Cooperative Society.

## I. INTRODUCTION

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by comparing information contained in its financial statements. Ratio analysis is a cornerstone of fundamental analysis.

### Ratio Analysis:

Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making certain decision. A ratio indicates a quantitative relationship which can be term used to make a judgment.

## II. IMPORTANT OF RATIO ANALYSIS

- It helps to measure the general efficiency
- It facilitated decision making
- It helps in corrective action
- It aids to measure financial solvency

## III. NEED FOR THE STUDY

- Ratio analysis helps us to know about the, how the changes are going in current year as compare to the previous year.

- The financial statement analysis compares all 5 years financial statements.
- This study helps in identifying the profit and loss in the society.
- It helps in suggesting the society by analyzing.

### Current Ratio

It is the ratio, which expresses the relationship between current assets and current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current liabilities to net worth ratio.

It Indicates reliance on the equity for payment of debt. It is one of the measures of the solvency of a firm and, as a rule of thumb, should not exceed 60 percent; higher percentages mean significant pressure on future cash flows.

Current liabilities to net worth ratio = Current liabilities ÷ Net worth.

- current assets to net worth ratio, or the fixed assets to net worth ratio, measures how much of a company's investments are tied up in fixed or non-current assets. ... These types of assets are usually not expected to be converted into cash within a single year and are also known as long-term assets.

Current assets to net worth ratio =current assets ÷ Net worth.

- Fixed-assets-to-net-worth ratio can be calculated by dividing the value of all fixed assets by net worth. Fixed assets refer to the

long-term, tangible business assets that are classified as property,

Fixed-assets-to-net-worth ratio = Net Fixed Assets  
 $\div$  Net Worth.

*Proprietary Ratio:*

This ratio expresses the relationship between the net worth and equity and total assets

Proprietary Ratio =  $\frac{\text{Net Worth} / \text{Shareholders fund}}{\text{Total Asset}}$

Capital gearing ratio is a useful tool to analyze the capital structure of a company and is computed by dividing the common stockholders' equity by fixed interest or dividend bearing funds. ... A company is said to be low geared if the larger portion of the capital is composed of common stockholders' equity.

Capital gearing ratio = Fixed interest  $\div$  Equity fund

The interest earned ratio, sometimes called the interest coverage ratio, is a coverage ratio that measures the proportionate amount of income that can be used to cover interest expenses in the future.

Interest earned ratio = interest earn  $\div$  Total income

It is essentially calculated as the interest rate times the outstanding principal amount of the debt. Interest expense on the income statement represents interest accrued during the period covered by the financial statements, and not the amount of interest paid over that period.

interest paid to total income = Intrest paid  $\div$  Total income

#### IV. LITERATURE REVIEW

- Jenni L. Bettman, Stephen. J. Sault, Emma. JSchultz (2008), proposes an equity valuation model integrating fundamental and technical analysis, they tend to recognize their potential as complements rather than as substitutes. testing confirms the complementary nature of Fundamental and technical analysis by showing that

inspite of each performing in isolation models integrating both have superior explanatory power research in the US suggests that

- Fundamental signals are associated with future returns, earnings, and analysts Penman 1989; Lev and Thiagarajan1998, and Wieland 2011). Results of these studies suggest that statements information is useful in prerecognize their usefulness as these signals bear an association with future earnings and returns. Despite the documented relation between fundamental the US, little research has examined this relation to partially fill the void by examining the relation between fundamental signals and firm performance in India. India is currently the ninth largest economy in the wo GDP.
- Norbert. M. Fliess, Ronald Macdonald (2013) assigns a special importance to the open, high, low and closed prices in forecasting the mean and volatility of exchange rates using Technical analysis. In this paper the authors propose to investigate the time series properties and the informational content of these different prices, using range and Co integration methods. In sum, in this article it is argued that a Technical analysis of high low and close prices is useful way of learning about latent granger causality in high frequency exchange rate.
- Doron Nissim and Stephen.H.Penman (2013), this research work envisages on Financial Statement Analysis and identifies that this analysis has traditionally been seen as part of the Fundamental analysis required for equity valuation. This paper outlines a financial statement analysis for use in equity valuation. Standard profitability is incorporated and extented and is complemented with an analysis of growth.

## V. OBJECTIVES

- 1) To know the overall performance of the society using ratio analysis.
- 2) To know the concept of financial statements of the society.
- 3) To find the earn capacity or productivity of the concern over the last 5 year.
- 4) To find out financial weakness and to give the appropriate suggestions for the financial strengthens of the society.

## VI. RESEARCH METHODOLOGY

- 1) Primary data
- 2) Secondary data

- Primary data:

I have taken some information by visiting to the managers of the Sri Allamprabhu Credit Cooperative Society.

- Secondary data:

5 years data has been studied to compare the financial viability. And journals, magazines, And also from websites.

## VII. ANALYSIS AND INTERPRITATION

Table: 4.1 Showing the Current Ratio

Current Ratio = Current Assets / Current Liabilities

Year	Current Assets	Current Liabilities	Ratio in %
2013-14	5406138.07	2975004.69	1.81.
2014-15	5220401.00	5366623.69	0.97
2015-16	3923493.05	7733413.28	0.50
2016-17	3356374.75	6137537.28	0.54
2017-18	6665227.32	8940441.28	0.74

From the above table it is showing that in the year 2013-14 current ratio is 1.81% 2014-15 it is 0.97% for the year 2015-16 it is 0.50%, in the year 2016-17 it is 0.54% and for the year 2017-18 it is 0.74%

For the year 2013-14 the Current ratio is very high i.e. 1.81% and for the year 2015-16 is very low i.e. 0.50%

By the analysis it can be interpreted that the ideal ratio is 2:1 but from analysing last 5 years data the society has not maintained the ideal ratio its current liability are more compare to current assets which may create problem in managing the day to today activities

Tables: 4.2 showing Current liabilities to Net worth Ratio

Current Liabilities to Net worth ratio = Current Liabilities / Networth

Year	Current Liabilities	Networth	Ratio in %
2013-14	2975004.69	2454711	1.21
2014-15	5366623.69	2613011	2.05
2015-16	7733413.28	2915915	2.65
2016-17	6137537.28	2835715	2.16
2017-18	8940441.28	3121135	2.86

From the above table it is showing that in the year 2013-14 Current liabilities to net worth ratio is 1.21% 2014-15 it is 2.05% for the year 2015-16 it is 2.65%, in the year 2016-17 it is 2.16% and for the year 2017-18 it is 2.86%

For the year 2017-18 the Current liabilities to net worth ratio is very high i.e. 2.86% and for the year 2013-14 is very low i.e. 1.21%

Current liabilities to networth ratio is one of the keenest watched financial ratios by investors, business owners, and other stakeholders alike.

Table: 4.3 showing the Current assets to Net worth ratio

Current assets to Net worth ratio = Current Assets / Net worth

Year	Current Assets	Net worth	Ratio in %
2013-14	5406138.07	2454711	2.20
2014-15	5220401.00	2613011	1.99

2015-16	3923493.05	2915915	1.34
2016-17	3356374.75	2835715	1.18
2017-18	6665227.32	3121135	2.13

From the above table it is showing that in the year 2013-14 Current assets to net worth ratio is 2.20% 2014-15 it is 1.99% for the year 2015-16 it is 1.34%, in the year 2016-17 it is 1.18% and for the year 2017-18 it is 2.13%

For the year 2013-14 the Current assets to net worth ratio is very high i.e. 2.20% and for the year 2016-17 is very low i.e. 1.18%

Current asset to networth ratio is one of the kneeliest watched financial ratios by investors, business owners, and other stakeholders a like.

Table: 4.4 showing the fixed assets to net worth ratio

Fixed assets to net worth ratio = Net fixed assets/ Net worth

Year	Net Fixed Assets	Net worth	Ratio in %
2013-14	40161958.07	2454711	16.36
2014-15	52768211.00	2613011	20.19
2015-16	69832475.05	2915915	23.94
2016-17	72415327.75	2835715	23.53
2017-18	82765121.32	3121135	26.51

From the above table it is showing that in the year 2013-14 Fixed assets to net worth ratio is 16.36% 2014-15 it is 20.19% for the year 2015-16 it is 23.94%, in the year 2016-17 it is 23.53% and for the year 2017-18 it is 26.51%

For the year 2017-18 the fixed assets to net worth ratio is very high i.e. 26.51% and for the year 2013-14 is very low i.e. 16.36%

The ideal ratio is 0.67 and should be more than 1. If it is less than 1. Then it indicates that the part of the working capital is financed through long term funds.

Table: 4.5 showing the Proprietary ratio

Proprietary ratio = Net fixed assets/ Net worth

Year	Net worth	Total Assets	Ratio in %
2013-14	2454711	40161958.07	0.061
2014-15	2613011	52768211.00	0.049
2015-16	2915915	69832475.50	0.041
2016-17	2835715	72415327.75	0.039
2017-18	3121135	82765121.32	0.037

From the above table it is showing that in the year 2013-14 Proprietary ratio is 0.061% 2014-15 it is 0.049% for the year 2015-16 it is 0.041%, in the year 2016-17 it is 0.039% and for the year 2017-18 it is 0.037%

For the year 2013-14 the Proprietary ratio is very high i.e. 0.061% and for the year 2017-18 is very low i.e. 0.037%

The ideal ratio is 1:3 i.e., one third of the assets minus current liabilities should be financed from shareholders fund and two third from the outsiders fund.

Proprietary ratio is also called as equity ratio is proportion of shareholders equity to total assets and as provides a uneven estimate of the amount of capitalization currently used up support a commerce.

Table: 4.6 showing the Capital gearing ratio

Capital Gearing ratio = fixed Interest bearing/ Equity Fund

Year	Fixed Interest	Equity Fund	Ratio in %
2013-14	27864255.69	9845652.74	2.83
2014-15	38218475.69	11913396.38	3.20
2015-16	52783794.28	14255741.72	3.70
2016-17	51944540.28	16662325.77	3.11
2017-18	57285635.28	20453080.47	2.80

From the above table it is showing that in the year 2013-14 Capital Gearing ratio is 2.83% 2014-15 it is 3.20% for the year 2015-16 it is 3.70%, in the year

2016-17 it is 3.11% and for the year 2017-18 it is 2.80%

For the year 2015-16 the Capital Gearing ratio is very high i.e. 3.70% and for the year 2017-18 is very low i.e. 2.80%

It indicates that it is high geared which poses the threat for future.

And in the year 2016-17 the gearing ratio is 3.11% it is less geared as compare to the previous year it shows the strength of the society.

Table: 4.7 showing the Interest Paid to total Income

Interest Paid to total Income = Interest Paid/ Total income

Year	Interest Paid	Total Income	Ratio in %
2013-14	1164159	5326160.64	0.21
2014-15	1879733	6289067.93	0.29
2015-16	3278715	8006370.05	0.40
2016-17	3953139	9794296.70	0.40
2017-18	3652496	10889698.57	0.33

From the above table it is showing that in the year 2013-14 Interest Paid to total Income is 0.21% 2014-15 it is 0.29% for the year 2015-16 it is 0.40%, in the year 2016-17 it is 0.40% and for the year 2017-18 it is 0.33%

For the year 2015-16 the Interest Paid to total Income is very high i.e. 0.40% also in the year 2016-17 also same and for the year 2013-14 is very low i.e. 0.21%

The Interest Paid to Total income ratio is a debt ratio and profitability ratio used to determine how easily a company can pay interest on its outstanding debt.

understand the productivity of the society through its statements and the annual reports that are furnished by the company or society.

## REFERENCES

- [1] Khan and Jain, Financial Management Third Edition
- [2] Financial Management Prassanna Chandra
- [3] M.B.KADKOL
- [4] JenniL.Bettman,Stephen J. Salut, Emmen L L Schultz, 2009 Fundamental & Techniqual analysis substitus of compliments Acconting and finance 49(2008)
- [5] Doron Nissim, Stephen Pen Man, 2001 Ratio analysis and equity valvation from research to practice review of accounting studivi6. 109

## VIII. CONCLUSIONS

By analyzing and studying the Ratio analysis of Sri Allamprabhu Credit Cooperative Society it has found that the company needs to really work hard on its financial statements so that it will be profitable to customer as well as to the society and make the financial place of the society strong. It helped to