

FINANCIAL LIQUIDITY OF GENERAL CO-OPERATIVE MARKETING SOCIETIES

Sini Raj S *

Abstract

Financial liquidity evaluation of general co-operative marketing society is the evaluation of financial health of a general co-operative marketing society. For measuring liquidity of general co-operative marketing societies in Kerala, liquidity ratios are taken into account. Through the analysis it can be used to evaluate the liquidity position of general co-operative marketing societies by comparing it with past 10 year's data. For that purpose secondary data collected from 2006-07 to 2015-16 used. 4. It is seen from the study that, as far as all ratios are concerned, A Class societies, Large sized societies and societies have above 3000 membership strength are comparatively better.

Key words: Co-operation, Co-operative marketing, Co-operative Societies, financial performance, General Co-operative Marketing Societies and liquidity position.

* **Research Scholar in Commerce, Kerala University Library Research Centre, University of Kerala.**

Introduction

The General Co-operative Marketing Societies in Kerala has a dual role to play. It acts as an effective marketing enterprise in one hand, and it fulfills the various needs of its members on the other hand. General Co-operative Marketing Societies are engaged in the marketing of various products and provides various services to members.

In order to protect the interest of the farmers and overall well-being of the entire population, co-operative marketing societies for marketing agricultural produce was established. These co-operatives have the potential to offer employment opportunities to farmers to increase their earnings, thus raising their status in the society and improve their economic condition. Under the co-operative marketing societies, the farmers can sell their surplus produce directly through these societies. These societies procure agricultural produces and then these products are sold by these societies. Actually these societies act as middlemen between producers and consumers and take their commission only after marketing the produces. The unnecessary links in the marketing chain can be reduced by selling the agricultural produce through co-operative marketing societies. It will enhance the producers profit share. It can also provide various other services such as provision of pledge loans, distribution of agricultural inputs and distribution of consumer goods. Co-operative Marketing Societies are special kind of organizations, as in it the people with small means and with less business skills can compete with strong business organizations. Success, therefore, will only be possible if the societies strictly follow principles of co-operation among the co-operatives and sound business practices on their operations.

Review of literatures

Important studies related to co-operative marketing societies are as follows:

“A Study of Co-operative Marketing in Kashmir with reference to Marketing of Apples” conducted by Khursheed Ahmad Mahajan (1993), deals with an analytical and indepth investigation of the Co-operative Marketing in general and apple Marketing in particular. The broad conclusion emerging out of this study reflects that the co-operative system has failed to achieve its objectives in the state of Jammu and Kashmir. The traditional organizational set up has proved detrimental in the very interests of the cooperative sector. The present system of Co-operative Marketing is not only dysfunctional but also has given rise to many other malpractices.

It was expected that the exploitation of middlemen in the apple marketing will be stopped with the introduction of cooperative marketing but it is a matter of serious concern that it could not replace the commission agent channel in the apple trade.

In Tiwari's article (1978) "New Look at Co-operative Marketing", he tried to expose the activities of formal as well as informal price support, buffer stocking of commodities and distribution of essential supplies at reasonable prices in scarcity areas will demand much greater attention on the part of the Indian Co-operative Marketing sector in coming years than it did in the past two decades.

"Of Marketing Co-operatives in the Fifth Plan" is an article of Malyadri (1972). Through this paper a statistical account is provided to appraise the performance of Marketing Co-operatives in India at all levels i.e., National, State, Central and Primary. In this ultimate analysis, the problem areas identified and some positive solutions are also provided as to how the bottlenecks can be removed.

Navin Chandra Joshi (1977) wrote an article in the title "Revitalising Co-operative Marketing" in Indian context. In his article an attempt has been made to bring together the problems of a Co-operative Marketing Societies at the primary level, specialized commodity marketing and apex marketing societies. This study gives an idea of the potential that well managed marketing society can develop for helping and strengthening the agricultural business.

Statement of the Problem

Co-operative marketing societies have number of advantages over the traditional marketing channels but they face immense difficulties. Although many new co-operative marketing societies are formed each year, hundreds of them fall short of their goals. There is a persistent recurrence in the dormancy of the marketing co-operatives which constitutes more than 70 per cent of the total number. Therefore, the success of these marketing societies, however, cannot be judged from the increase in the number of membership of these societies but from the marketing operations by them.

Objectives of the Study

Objective of the present study is to evaluate the liquidity position of general co-operative marketing societies in Kerala.

Methodology

The study is based on secondary data. Secondary data were collected from the audit report of the Societies. For measuring liquidity position of general co-operative marketing societies in Kerala, liquidity ratios are taken into account. Liquidity position of general co-operative marketing societies are evaluated by comparing it with past 10 year's data. For that purpose secondary data collected from 2006-07 to 2015-16 is used. For evaluating liquidity 35 general co-operative marketing societies from different parts of Kerala are selected.

Results and Discussion

In this session growth trend of various liquidity ratios like current ratio, acid test ratio, cash ratio and net working capital are tested by using ratio analysis.

Liquidity Ratios

Liquidity ratios are most useful when they are used in comparative form. This analysis may be performed internally or externally. For example, internal analysis regarding liquidity ratios involves utilizing multiple accounting periods that are reported using the same accounting methods. Comparing previous time periods to current operations allows analysts to track changes in the business. In general, a higher liquidity ratio indicates that a Society is more liquid and has better coverage of outstanding debts. Liquidity ratios that is used to analysis liquidity of GCMS includes current ratio, acid test ratio, cash ratio and net working capital.

Current ratio

The current ratio is a liquidity ratio that measures a Society's ability to pay short-term and long-term obligations. To gauge this ability, the current ratio considers the current total assets of a Society (both liquid and illiquid) relative to that Society's current total liabilities.

Table No.1 : Current ratio of GCMS

(Rs. In Lakhs)

Year	Class			Size			Membership strength		
	A Class	B Class	C Class	Large Size	Medium Size	Small Size	Above 3000	1501-3000	Up to 1500
2006-07	1.3	1.43	0.97	1.29	1.42	1.03	1.27	1.41	0.87
2007-08	1.49	1.52	0.96	1.56	1.41	1.05	1.69	1.33	0.85
2008-09	1.76	1.2	1.13	1.97	1.21	1.18	2	1.26	1.05
2009-10	2.14	1.49	1.04	2.27	1.51	1.11	2.29	1.53	0.95
2010-11	1.55	1.56	1.05	1.6	1.52	1.11	1.56	1.53	0.99
2011-12	1.93	1.52	1.09	2.28	1.44	1.13	2.28	1.46	1.04
2012-13	1.84	1.54	1.08	2.04	1.47	1.13	2.1	1.47	1.05
2013-14	1.98	1.38	1.12	2.22	1.39	1.14	2.52	1.32	1.1
2014-15	1.38	1.53	1.14	1.36	1.51	1.18	1.33	1.49	1.13
2015-16	2.41	1.55	1.12	2.55	1.66	1.14	2.61	1.63	1.1

Source: Compiled from the Financial Statements of Various Years

It is observed from the current ratio that the ratio is seen maintaining a more or less stable level except 2009-10, and 2015-16. The value came to a minimum of 1.3 in 2006-07 and to a maximum of 2.41 during the last year i.e., 2015-16. The current ratio of B Class general cooperative marketing societies stood at 1.43 in 2006-07. Then it declined to 1.2 in 2007-08. Thereafter an increasing trend is observed in the later part from 2007-08 to 2015.16. The current ratio of C Class societies are almost constant and showing slight variations during the study periods except 2006-07 and 2007-08.

With regard to current ratio of large size societies, there was 1.29 in 2006-07, which was increased to 2.29 in 2009-10. Thereafter the current ratio drastically decreased at 1.6 in 2010-11. Then it rose to 2.55 at the end of the study periods. It is observed that current ratio of medium size societies was seen more or less a stable level during the study period. Likewise current ratio of small size societies are more or less stable level during the study period.

The minimum current ratio achieved by Societies having above 3000 membership strength during the initial study period was at 1.27. Then it rose to 2.29 in 2009-10. After a sudden decrease in the year 2010-11 a steady growth could be seen up to 2015-16. But it is different from societies having membership strength between 1501-3000. There is no steady growth found in societies having membership strength between 1501-3000. Current ratio ranges between 1.26 to 1.63. The minimum current ratio of societies having membership up to 1500 is 0.85 in 2007-08 and the maximum ratio achieved in 2014-15 at 1.13.

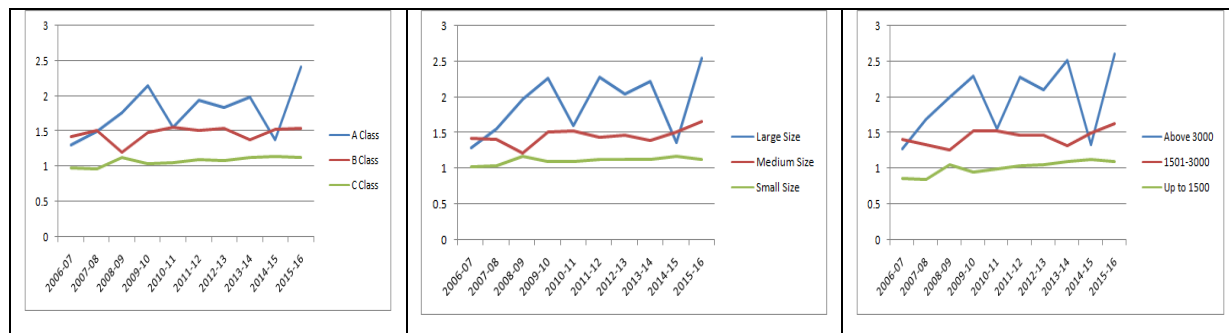


Figure No:1 Current ratios of GCMS under class, size and membership strength category

Acid test ratio

The quick ratio or acid test ratio is a liquidity ratio that measures the ability of a Society to pay its current liabilities when they come due with only quick assets. Quick assets are current assets that can be converted to cash within 90 days or in the short-term. Cash, cash equivalents, short-term investments or marketable securities, and current accounts receivable are considered quick assets.

Table No.2 :Acid test ratio of GCMS

(Rs. In Lakhs)

Year	Class			Size			Membership strength		
	A	B	C	Large	Medium	Small	Above	1501-	Up to

	Class	Class	Class	Size	Size	Size	3000	3000	1500
2006-07	0.76	0.13	0.18	0.81	0.28	0.41	1.17	0.36	0.36
2007-08	0.74	0.68	0.12	1.49	1.04	0.3	0.89	1.36	0.11
2008-09	0.78	0.89	0.61	1.19	1.4	0.01	0.83	1.64	0.23
2009-10	0.77	0.71	0.36	1.58	0.68	0.13	0.74	0.85	0.37
2010-11	1.1	0.17	0.63	1.18	0.06	0.22	1.21	0.11	0.59
2011-12	1.1	0.03	0.23	1.05	0.31	0.46	1.06	0.37	0.27
2012-13	1.19	0.44	0.27	1.05	0.82	0.38	1.38	1.01	0.35
2013-14	1.24	0.33	0.32	0.87	0.64	0.41	1.53	0.88	0.32
2014-15	0.91	0.44	0.57	1.06	0.87	0.88	1.2	1.14	0.29
2015-16	0.84	0.62	0.57	0.99	0.54	0.82	0.61	0.33	0.74

Source: Compiled from the Financial Statements of Various Years

It is observed from the acid test ratio that the ratio is seen maintaining a more or less stable level except 2010-11 to 2013-14. The value came to a minimum of 0.74 in 2007-08 and to a maximum of 1.24 in 2013-14. The acid test ratio of B Class general co-operative marketing societies stood at 0.13 in 2006-07. Then a steady growth could not be seen during the study period. The acid test ratio of C Class societies are almost constant and showing slight variations during the study periods.

With regard to acid test ratio of large size societies, the ratio is seen maintaining a more or less stable level except 2006-07, 2013-14 and 2015-16. It is observed that the acid test ratio of

medium size societies was seen more or less a stable level during the study period except 2007-08 and 2008-09. Like wise acid test ratio of small size societies are more or less stable level during the study period.

But in case of membership category there is no stable growth is found. The minimum acid test ratio occurred by Societies having above 3000 membership strength, societies having membership strength between 1501-3000 and societies having membership up to 1500 are 0.61, 0.11 and 0.11 respectively. Like wise, the minimum acid test ratio occurred by Societies having above 3000 membership strength, societies having membership strength between 1501-3000 and societies having membership up to 1500 are 1.53, 1.64 and 0.74 respectively.

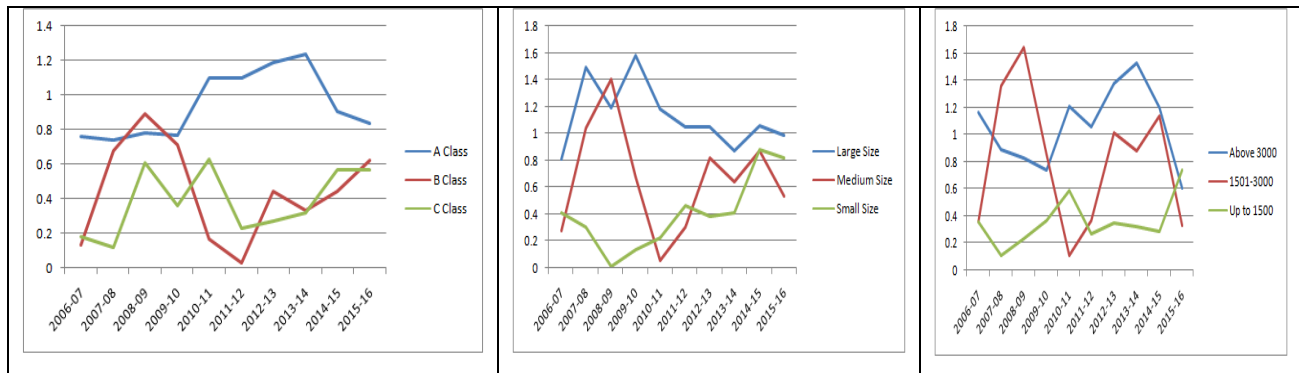


Figure No:2 Acid test ratios of GCMS under class, size and membership strength category

Cash ratio

The cash ratio is most commonly used as a measure of Society's liquidity. The metric calculates a Society's ability to pay current liabilities using only cash and cash equivalents on hand. If the Society is forced to pay all current liabilities immediately, this metric shows the Society's ability to do so without having to sell or liquidate other assets.

Table No. 3 : Cash ratio of GCMS

(Rs. In Lakhs)

Year	Class			Size			Membership strength		
	A Class	B Class	C Class	Large Size	Medium Size	Small Size	Above 3000	1501-3000	Up to 1500
2006-	1.44	1.73	1.25	1.57	1.83	1.01	1.64	2.04	1.04

07									
2007-08	2.17	1.71	1.64	2.6	2.54	1.11	3.05	1.73	1.22
2008-09	2.65	1.92	1.81	3.37	3.38	1.21	3.65	1.89	1.5
2009-10	2.86	1.8	1.85	2.95	2.69	1.64	3.14	1.69	1.9
2010-11	1.72	2.14	2.19	1.66	3.3	1.74	1.67	2.21	2.13
2011-12	1.97	2.19	1.29	2.59	2.18	0.99	2.65	2.11	1.19
2012-13	2.28	2.27	2.81	2.87	2.17	1.86	3.11	2.42	1.96
2013-14	2.3	2.36	1.07	2.86	2.01	0.98	3.41	2.62	1
2014-15	1.82	2.05	2.1	2.24	2.24	1.38	2.46	2.33	1.77
2015-16	1.79	1.96	0.98	2.01	2.14	0.84	2.29	2.71	0.89

Source: Compiled from the Financial Statements of Various Years

The growth trend of cash ratio is shown in Table No. 3. The cash ratio of A Class society is stood at 1.44 in 2006-07. Following this there is an increasing trend is found upto the year 2009-10. After a decrease in 2010-11 it moved up to 2.30 towards the end of 2013-14. Thereafter two years cash ratio starts to decrease and reached to 1.79 at the end of 2015-16. The cash ratio of B Class societies are more or less stable level towards the end of 2009-10. Rest of the periods except last year the progress of the society is found to be better as compared to previous years. The cash ratio of C Class societies found to be increase at the end of 2012-13 except the year 2011-12. Then it goes down at 1.07 by the year 2013-14 and go up to 2.1 in 2014-15 by the end of 2015-16 if declined to 0.98.

In case of large size societies the considerable variation found in first five years of the study period. Thereafter five years ratio was almost stable and it ranges between 2.01 to 2.87. As large size societies the pattern of trend of medium size societies are same. The cash ratio of small sized societies up to the year 2010-11 except the year 2009-10 is seemed to be an increasing trend. Thereafter it declined to 0.98 in the year 2013-14. Then it increased to 1.38 in 2014-15 and decreased to 0.84 in 2015-16.

The growth of cash ratio in societies having membership up to 3000 is seen that it rising towards the end of 2008-09. Next two years it goes on a decreasing level. Thereafter a steady growth is found up to the end of the 2013-14. Last two years of the study period no progress found. Looking at the time series data of societies having membership between 1501 to 3000, no stability is found in the pattern of growth. The cash ratio of societies having upto 1500 membership strength is found that the cash ratio rises from 1.04 to 2.13 by the end of 2010-11. During the year 2011-12 it declined to 1.19. But in last four years no stable growth is found.

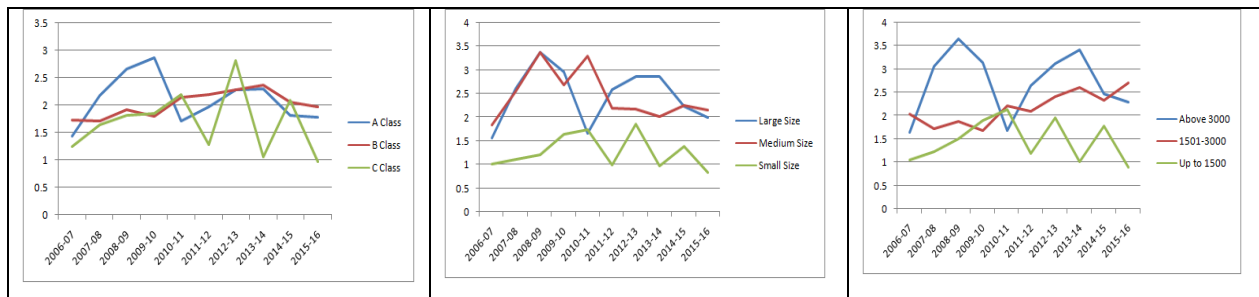


Figure No:3 Cash ratio of GCMS under class, size and membership strength category

Net working capital

Net working capital is the aggregate amount of all current assets and current liabilities. It is used to measure the short-term liquidity of a business, and can also be used to obtain a general impression of the ability of Society management to utilize assets in an efficient manner.

Table No. 4 :Net working capital of GCMS

(Rs. In Lakhs)

Year	Class			Size			Membership strength		
	A	B	C	Large	Medium	Small	Above	1501-	Up to
2006-07									
2007-08									
2008-09									
2009-10									
2010-11									
2011-12									
2012-13									
2013-14									
2014-15									
2015-16									

	Class	Class	Class	Size	Size	Size	3000	3000	1500
2006-07	27.63	9.27	0.11	28.89	13.17	0.12	28.81	11.3	0.36
2007-08	36.56	11.31	0.17	40.64	14.71	0.28	47.41	10.86	0.56
2008-09	53.67	6.1	0.64	62	9.83	1.04	66.23	9.99	0.19
2009-10	64.7	15.46	0.23	77.91	17.78	0.87	82.81	16.4	0.26
2010-11	45.11	17.62	0.31	55.58	18.1	0.96	56.3	16.71	0.04
2011-12	83.5	19.12	0.65	96.35	25.04	1.27	103.08	21.85	0.27
2012-13	83.21	19.17	0.74	93.7	26.54	1.35	100.82	22.59	0.36
2013-14	103.82	17.11	0.98	119.48	24.93	1.57	138.25	18.71	0.64
2014-15	41.32	24.57	1.21	37.5	33.12	1.97	33.96	27.79	0.91
2015-16	132.45	28.95	1.05	151.87	39.3	1.82	161.72	34.18	0.69

Source: Compiled from the Financial Statements of Various Years

From the Class category it is clear that net working capital stood at 64.7 in 2009-10. Then after a decrease in 2010-11 it increased by the end of 2013-14 at 103.82. Then it declined to 41.32 in 2014-15. Thereafter society reached in its maximum level in net working capital. But it is different from B Class societies, the pattern of growth of working capital is found during the entire study periods except 2008-09 and 2013-14. But in case of C Class societies no stable growth found.

It is observed from the net working capital of Large size societies that the ratio is seen an upward trend except the year 2010-11, 2012-13 and 2014-15. Similarly, the net working capital of

medium size society is seen an upward trend except the year 2008-09 and 2013-14. The net working capital of small size general co-operative marketing societies at the end of 2008-09 it goes on increasing pattern. Thereafter a sudden decrease in 2009-10 it is moving to upward trend up to 2014-15. During the year 2015-16 net working capital stood at 2015-16.

It is observed from societies having above 3000 membership strength that the ratio is seen an upward trend except the year 2008-09, 2010-11 and 2014-15. Net working capital of societies having membership between 1501-3000 is not found any progress. The net working capital was its maximum in 2015-16 at 34.18 and minimum in 9.99. Similarly, there is no progress is found in net working capital of societies have up to 1500 membership strength.

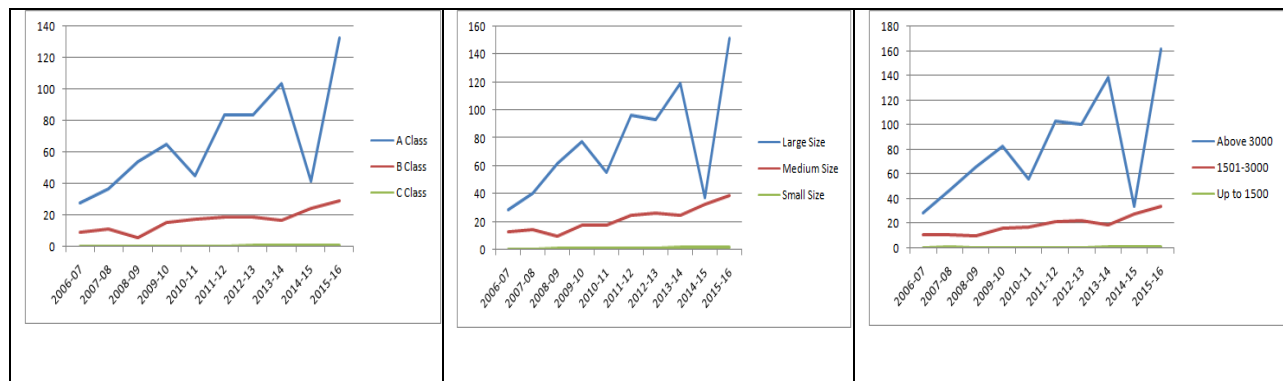


Figure No: 4 net working capital ratios of GCMS under class, size and membership strength category

Findings of the Study

1. As far as current ratio is concerned, A Class societies, Large sized societies and societies have above 3000 membership strength are comparatively better. The current ratio reached to the maximum level in A Class, B Class and C Class general co-operative marketing societies are 2.41(2015-16), 1.56(2010-11) and 1.14(2014-15) respectively. Likewise the minimum current ratio obtained by A Class, B Class and C Class general co-operative marketing societies are 1.3(2006-07), 1.2(2008-09) and 0.96(2007-08) respectively. It is observed that the current ratio was at maximum in Large size societies during the year 2015-16, at the level of 2.55. But in case of societies have above 3000 membership strength, the current ratio reached the maximum level

of 2.61 in 2015-16 and a maximum level of 1.27 in 2006-2007. There is no progress found in any categories of societies during the study period.

2. In the case of acid test ratio A Class societies, Large sized societies and societies have above 3000 membership strength are comparatively better. The acid test ratio reached to the maximum level in A Class, B Class and C Class general co-operative marketing societies are 1.24, 0.89 and 0.63 respectively. Likewise the minimum current ratio obtained by A Class, B Class and C Class general co-operative marketing societies are 0.74, 0.03 and 0.12 respectively. Similarly the Acid test ratio reached to the maximum level in large size, medium size and small size general co-operative marketing societies are 1.58, 1.4 and 0.88 respectively. Likewise the minimum acid test ratio obtained by large size, medium size and small size general co-operative marketing societies are 0.81, 0.28 and 0.01 respectively. In addition to these the acid test ratio reached to the maximum level in societies having above 3000 membership strength, inbetween 1501-3000 and upto 1500 are 1.53,1.64 and 0.74 respectively. Likewise the minimum acid test ratio obtained societies having above 3000 membership strength, inbetween 1501-3000 and upto 1500 are 0.61,0.11 and 0.11 respectively.

3. In the case of cash ratio A Class societies, Large sized societies and societies have above 3000 membership strength are comparatively better. The cash ratio reached to the maximum level in A Class, B Class and C Class general co-operative marketing societies are 2.86,2.36 and 2.81 respectively. Likewise the minimum cash ratio obtained by A Class, B Class and C Class general co-operative marketing societies are 1.44, 1.71 and 0.98 respectively. Similarly the cash ratio reached to the maximum level in large size, medium size and small size general co-operative marketing societies are 3.37, 3.38 and 3.65 respectively. Likewise the minimum cash ratio obtained by large size, medium size and small size general co-operative marketing societies are 1.57, 1.83 and 0.84 respectively. In addition to these the cash ratio reached to the maximum level in societies having above 3000 membership strength, inbetween 1501-3000 and upto 1500 are 3.65, 2.71 and 2.13 respectively. Likewise the minimum cash ratio obtained societies having above 3000 membership strength, inbetween 1501-3000 and upto 1500 are 1.64, 1.69 and 0.89 respectively.

4. In the case of net working capital A Class societies, Large sized societies and societies have above 3000 membership strength are comparatively better. The net working capital reached to the maximum level in A Class, B Class and C Class general co-operative marketing societies are 132.45, 28.95 and 1.21 respectively. Likewise the minimum net working capital obtained by A Class, B Class and C Class general co-operative marketing societies are 27.63, 6.1 and 0.11 respectively. Similarly the net working capital reached to the maximum level in large size, medium size and small size general co-operative marketing societies are 151.87, 39.3 and 1.97 respectively. Likewise the minimum net working capital obtained by large size, medium size and small size general co-operative marketing societies are 28.89, 9.83 and 0.12 respectively. In addition to these the net working capital reached to the maximum level in societies having above 3000 membership strength, inbetween 1501-3000 and upto 1500 are 161.72, 34.18 and 0.91 respectively. Likewise the minimum net working capital obtained societies having above 3000 membership strength, inbetween 1501-3000 and upto 1500 are 28.81, 9.99 and 0.04 respectively.

Suggestions of the study

It is very essential to assess overhead costs and see if there are opportunities to decrease them. If Society have unproductive assets that the business is just storing, then it's time to get rid of them. The only reason you should spend money on assets such as buildings, equipment and vehicles is to generate revenue. Monitor accounts receivables effectively to ensure that the billing properly done and receiving prompt payments. Monitor the amount of money that's being taken out of the business for non-business purposes such as owner's draws.

Conclusion

Liquidity assessment of general co-operative marketing society is the evaluation of financial liquidity of a general co-operative marketing society through the application of various techniques of financial statement analysis. For measuring financial liquidity of general co-operative marketing societies in Kerala, liquidity ratios like current ratio, acid test ratio, cash ratio and net working capital are taken into account. Through the analysis it can be used to evaluate the working condition of general co-operative marketing societies by comparing it with past 10 year's data. For that purpose secondary date collected from 2006-07 to 2015-16 used. It is seen from the study that, as far as all components of liquidity ratios are concerned, A Class

societies, Large sized societies and societies have above 3000 membership strength are comparatively better.

References

1. Khursheed Ahmad Mahajan. (1993). Co-operative Marketing. New Delhi: Anmol Publications Pvt Ltd.
2. Tivari, S.C. and George, M.G. (1971). Marketing of Agricultural Produce through Co-operative Marketing Societies – An Opinion Survey. Indian Co-operative Review, Vol.VIII, No.2, PP.206-215.
3. Tiwari.R.G. (1978). New Look at Co-operative Marketing. Times of India.
4. Malyadri.V.(1972). Of Marketing Co-operatives in the Fifth Plan. Financial Express.
5. Navin Chandra Joshi.(1977). Revitalising Co-operative Marketing. Financial Express.