

A STUDY ON FINANCIAL PERFORMANCE AND ANALYSIS OF LMW EMPLOYEE'S COOPERATIVE THRIFT AND CREDIT SOCIETY LIMITED

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ABSTRACT

The Cooperative societies are the grass root organization of group of people United with collective responsibilities to meet their common economically, socially and culturally needs which run with philosophy of self-reliance and mutual help. This study is focused on the financial performance of the LMW Employee's Cooperative Thrift and Credit Society Limited from 2016-17 to 2020-21 both effective and efficient economically and socially. As a result the society has been escalating year by year with increasing their sources like reserve fund, share capital, profit position. But the society's membership and deposits are decreasing yearly. The tools like growth index and growth rate were used for financial analysis of the study. Through this study the society can gain more interior information and can changes their process for better development and publish their knowledge to their members in the upcoming years to run successfully.

Keywords: LMW, Cooperative, Development, Financial Analysis, Employees.

Introduction

The needs for cooperative credit societies among salaried classes and particularly in the lower income groups cannot be over-emphasized. The pay commission, 1957-59 and the staff welfare Review committee set up by the Ministry of Home affairs recognised the need as a real one. If the welfare of the employees is to be really effective, they must be saved from the clutches of unscrupulous creditors by providing additional credit. Separate employee's credit cooperative societies have been organised for different categories of workers. Even in the same undertaking there are credit societies for each department or section. Such societies have been organised by railway workers. Posts and Telegraphs department, government secretariats, etc. They have also been organised by works in big factories.

The Lakshmi Machine Works Employees Cooperative Thrift and Credit Society Limited No. CC2243 is registered as cooperative society under Tamil Nadu Cooperative Societies act 53 of 1961. The operations of the society be utilised for loans to members for useful purposes and to act as agent for the joint purchase of the domestic and other requirements of its members.

Statement of Problem

The problem faced by the society is lack of effective management by the members to promote the society profit position and poor administrative setup when is compared to other developed societies

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administration. The members of the society are not aware of the cooperative thoughts and ideas in their implementation of plans and policies and the working behaviour is not modernised to the current generation. The survival and success of LMW Employee's Cooperative society depends upon the mobilisation of resources, employment of funds etc., In this juncture survival arise: To what extend the society mobilised the resources? How they employed the funds? To find the answers for the similar questions, an empirical study in these directions is needed and hence the present study. The answers of these questions will help to find out the financial performance of LMW Employee Cooperative Thrift and Credit Society.

Objectives of the Study

The important objectives of the present study were:

- To focus on the LMW Employee's Cooperative Thrift and Credit Society.
- To know the administrative setup of the Employee's Cooperative society.
- To determine the major factor influencing in the society development.
- To evaluate the financial performance of the particular society.

Methodology

The present is empirical one and hence the field survey were adopted for collection of require data on the problem. The data were collected from entire LMW Employees Cooperative Thrift and Credit Society. Besides annual reports, audit reports and related published reports by the society was also persuade.

Sampling Procedure

The purposive sampling procedure adopted for the selection of the LMW Employee's Cooperative Thrift and Credit Society. The study was conducted with the sample size of 5 years data only.

Area of the Study

The study was under taken in LMW Employee's Cooperative Thrift and Credit Society, Periyanaickenpalayam, Coimbatore District, Tamil Nadu, India.

Analytical Tools Used

The institutions schedule was constructed by all required items for collecting the required data from the selected society. The collected data were scrutinized, edited before the actual commencement of the tabulation procedures. Statistical methods of analysis were also used Growth Index, Growth Rate, Averages and Trend Analysis were used for the study

Membership

The liability of members of the society shall be limited to the share capital subscribed by them. The capital for the present be Rs. 5,00,000 made up of 50,000 shares of Rs. 10 each. The value of each shall be paid up in one lump sum on allotment.

S.NO	Years	Membership	Growth Index	Growth Rate	Trend Value
1.	2016-2017	1209	100	0	727
2.	2017-2018	1164	96.27	-3.72	656
3.	2018-2019	1096	90.65	-5.84	585
4.	2019-2020	1017	84.11	-7.20	514
5.	2020-2021	927	76.67	-8.84	443
Average		1083	89.54	-5.12	585

Source: compiled from audit and annual report of the particular society for relevant years

The above table have been shown the membership of the particular society from 2016-17 to 2020-21 were slightly decreasing every year from 1209 to 927. The growth index was decreasing yearly 100 in 2016-17 to 76.67 in 2020-21 and growth rate is coming down to negative -8.84 at the 2020-2021. The trend value in the year 2016-2017 was higher 727. But the trend value was lower in the year 2020-2021 i.e 443. The average total membership position was higher i.e, 1083 when compared with the trend value 585.

Share Capital

Share capital is the money a business raises in exchange for ownership in the company. In Cooperative, share capital usually refers to the money an individual pay to become a member.

S.No	Years	Share Capital (RS. in Crores)	Growth Index	Growth Rate	Trend Value (rs. in Crores)
1.	2016-2017	2,77,33,500	100	0	4,48,65,935
2.	2017-2018	3,07,54,810	110.89	10.89	4,73,20,114
3.	2018-2019	3,18,80,090	114.95	3.65	4,97,74,293
4.	2019-2020	3,44,50,000	124.21	8.06	5,22,28,472
5.	2020-2021	3,81,56,800	137.58	10.75	5,46,82,651
Average		3,25,95,040	98.88	-1.67	4,97,74,293

Source: compiled from audit and annual report of the particular society for relevant years

The share capital position is shown in the above table from 2016-17 to 2020-2021 were slightly increasing every year. The growth index is about 110.89 in 2017-2018 and increased to 137.58 in 2020-2021 and growth rate is shown 10.89 in 2017-2018 and become to 10.75 at the end of 2020-2021. The trend value of the year 2016-2017 is ascertained and came to in 2020-2021. The trend position of the upcoming is in above table from 4,48,65,935 in 2016-2017 and will increase to 5,46,82,651 in the end of 2020-2021.

Borrowings

It shall be competent for the committee to borrow funds otherwise than by way of deposits either from members, or from institutions registered under the cooperative society act and fix the interest rate on borrowings.

Deposits

Deposits may, at the discussion of the committee be received at any time from members.

- **Fixed Deposits**

A fixed deposit is the deposit of a fixed amount of money for a fixed period of time. No fixed deposits shall be received for a sum less than Rs.50 or an exact multiple thereof, or for a period less than six months. Interest shall ordinarily be calculated on fixed deposits at a rate fixed by the committee from time to time, but not exceeding 8.5 percent per annum for deposits made for the period exceeding 5 years.

The interest on fixed deposits at a rate fixed by the committee from time but not shall causes on the expiry of the period for which the deposit was made, unless notice in writing of the intention to renew the deposit for a further period of not less than six months has been received in the office of the society before the expiry of the original period.

- **Recurring Deposits**

A recurring deposit is a deposit made by a person who undertake to pay to the society every month to pay to the society every month a fixed amount of one rupee or multiple thereof for a period of 12,24,48,84 or 132 months. A depositor paying one rupee per members for a period 12,24,48,84 or 132 months, shall before the close of the 14th, 26th, 50th, 86th and 134th months receive a sum of Rs.12.39, Rs.25.50, Rs.50.50, Rs.102.50 and Rs.180.50 respectively as the case may be, out of which a sum of Rs.12, Rs.24, Rs.48, Rs.84 or Rs.132 shall be debited in the accounts as repayment of principal and the balance as interest there on.

S.No	Years	Deposits (RS. In Crores)	Growth Index	Growth Rate	Trend value (RS. In crores)
1.	2016-2017	13,49,32,699	100	0	12,08,75,146
2.	2017-2018	13,93,44,503	103.26	3.26	11,83,63,439
3.	2018-2019	13,16,14,030	97.54	-5.54	11,58,51,733
4.	2019-2020	13,84,61,493	102.61	5.20	11,33,40,026
5.	2020-2021	12,28,15,671	91.01	-11.29	11,08,28,319
Average		13,34,33,679	117.53	6.67	11,58,51,733

Source: compiled from audit and annual report of the particular society for relevant years

The result from the above table is the source of deposits from the year 2016-2017 to 2020-2021 were not stable every year. The growth index has shown that 103.26 in 2017-2018 and at the end it came to 91.01 and the growth rate is 3.26 at 2017-2018 but gone negative to -11.29 at 2020-2021. The trend value in the year 2016-2017 was higher 12,08,75,146. But the trend value was lower in the year 2020-2021 i.e 11,08,28,319. The average Deposits position was higher i.e, 13,34,33,679 when compared with the trend value 11,58,51,733.

Reserve Fund

A reserve fund is a savings account or other highly liquid asset set aside by an individual or business to meet any future costs or financial obligations, especially those arising unexpectedly.

S.No	Years	Reserve Fund (Rs. in Crores)	Growth Index	Growth Rate	Trend Value (Rs. in Crores)
1.	2016-2017	2,69,00,344	100	0	4,65,19,212
2.	2017-2018	2,89,25,369	107.52	7.52	4,93,86,304
3.	2018-2019	3,18,33,762	118.33	10.05	5,22,53,396
4.	2019-2020	3,51,21,594	130.56	10.32	5,51,20,489
5.	2020-2021	3,81,37,692	141.77	8.58	5,79,87,581
Average		3,21,83,752	119.64	7.29	5,22,53,397

Source: compiled from audit and annual report of the particular society for relevant years

The information obtain from the above table is about source of reserve fund for the 2016-2017 to 2020-2021 is stably increasing every year. The growth index is about 107.52 in 2017-2018 and increased to 141.77 at 2020-2021 and growth rate is shown 7.52 in 2017-2018 at increased to 10.32 in 2019-2020 and became to 8.85 in the end of 2020-2021. The trend value of the year 2016-2017 is and came to in 2020-2021. If the society is running in the same position in upcoming years the reserve fund will increase from 4,65,19,212 in 2016-2017 to 5,789,87,581 in the end of 2020-2021.

Profit Position

The profit is the extra benefit earned during the particular year through effective business practices.

S.No	Years	Profit Position (Rs. in lakhs)	Growth Index	Growth Rate	Trend Value (Rs. In Crores)
1.	2016-2017	71,00,368	100	0	1,20,79,396
2.	2017-2018	85,35,680	120.21	20.21	1,27,29,723
3.	2018-2019	91,91,000	129.44	7.67	1,33,80,049
4.	2019-2020	93,83,891	132.16	2.09	1,40,30,375
5.	2020-2021	99,27,893	139.82	5.79	1,46,80,701
Average		88,27,766	124.33	7.15	1,33,80,049

Source: compiled from audit and annual report of the particular society for relevant years

The result from the above table is the profit position from the year 2016-17 to 2020-2021 is increasing year by year. The growth index is about 120.21 in 2017-2018 and increased to 139.82 at 2020-2021 and growth rate is 20.21 in 2017-2018 and become to 5.79 at the end of the year 2020-2021. The trend value in the year 2016-2017 was lower 1,20,79,396. But the trend value was higher in the year 2020-2021 i.e 1,46,80,701. The average profit position was lower i.e, 88,27,766 when compared with the trend value 1,33,80,049.

Management

Subject to such resolutions as the general body time to time pass, the executive management of the affairs of the society shall vest in a committee consisting of not more than nine members of whom managing.

Limitation of the Study

- The study is limited to five years of data from 2016-2017 to 2020-2021 but not considered the changes taken place before and after of the study.
- The study was focused only within the society.
- Conclusion of the study is purely depends on the data collected from the society.

Suggestion

- To make awareness among the members of the society with cooperative knowledges and values to improve the society.
- To give equal participation for women in the administrative and take their valuable suggestion in development of the society.
- To conduct board meeting frequently. So that shareholders can know the performance of the society.

- To introduce new plans and ideas in a modern method.
- To make investment in various sources, increase deposits and levy loan to the members with reasonable interest.

Conclusion

The society has to be focused in their formation of deposits through increasing their membership of the society by introducing new schemes and policies and spread society's principles and advantage to the workers for voluntary participation. Through this the society and the members can be benefited more economically and also socially.

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