CHAPTER – 1

INTRODUCTION AND INDUSTRY PROFILE

INTRODUCTION

In today's dynamic and competitive business environment, the sustainability and profitability of financial institutions are paramount for their long-term success and viability. Financial sustainability refers to the ability of an organization to maintain its operations and meet its financial obligations over the long term, while profitability analysis focuses on assessing the ability of a company to generate earnings relative to its expenses and other costs. This comprehensive study aims to delve into the intricate relationship between financial sustainability and profitability analysis within the context of various industries and sectors. By examining key financial metrics, such as revenue growth, cost management, asset utilization, and capital structure, this study seeks to uncover the drivers of sustainable profitability and the strategies employed by organizations to achieve and maintain financial health.

1.1 Importance of this study:

1. Strategic Decision Making:
   By providing insights into the drivers of financial sustainability and profitability, this study enables organizations to make informed strategic decisions that enhance their long-term viability and competitiveness in the marketplace.

2. Risk Management:
   Understanding the factors that contribute to financial sustainability helps organizations identify and mitigate risks effectively, reducing the likelihood of financial distress and enhancing resilience in the face of economic uncertainty.

3. Investment Decision:
   Investors can use the findings of this study to evaluate the financial health and prospects of potential investment opportunities, guiding their allocation of capital towards companies with strong sustainability and profitability profiles.

4. Regulatory Framework:
   Policymakers can leverage the insights from this study to design and implement regulations that promote transparency, accountability, and stability in the financial system, thereby safeguarding the interests of stakeholders and the broader economy.

5. Socioeconomic Impact:

   Sustainable profitability not only benefits shareholders but also contributes to broader socioeconomic development by fostering job creation, innovation, and wealth generation, thereby promoting inclusive and sustainable growth.

6. Long term value creation:

   Ultimately, this study underscores the importance of aligning financial performance with broader organizational goals and societal expectations, facilitating the creation of long-term value for all stakeholders.

1.2 Conceptual background of the Study:

1. Financial Sustainability:

   This concept focuses on the long-term viability of an organization's financial resources and its ability to maintain or improve its financial position over time. It encompasses elements such as revenue stability, cost-effectiveness, prudent financial management, and adaptability to changing economic conditions.

2. Profitability:

   Profitability is a measure of the company's ability to generate earnings relative to its expenses and investments. It reflects the efficiency and effectiveness of the organization's operations and management strategies in creating value for shareholders and stakeholders.

3. Corporate Social Responsibility:

   CSR emphasizes the ethical and responsible conduct of businesses beyond profit-making objectives. It involves integrating social, environmental, and governance concerns into business operations and decision-making processes. CSR initiatives can contribute to long-term financial sustainability by enhancing brand reputation, reducing risks, and fostering stakeholder trust

1.3 INDUATRY PROFILE

A cooperative society is a form of organization where individuals voluntarily come together to meet common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise. Members actively participate in decision-making, share responsibilities, and enjoy the benefits of the cooperative's activities, fostering a sense of community and mutual support. This collaborative model aims to promote economic sustainability, equitable distribution of

as cooperative structures, allocating jobs and resources among each other, only trading with the external communities. In alpine environments, trade could only be maintained in organized cooperatives to achieve a useful condition of artificial roads such as Viamala in 1472.[9] Pre-industrial Europe is home to the first cooperatives from an industrial context.[10] The roots of the cooperative movement can be traced to multiple influences and extend worldwide. In the English-speaking world, post-feudal forms of cooperation between workers and owners that are expressed today as "profit sharing" and "surplus sharing" arrangements existed as far back as 1795. Cooperative businesses are typically more productive and economically resilient than many other forms of enterprise, with twice the number of co-operatives (80%) surviving their first five years compared with other business ownership models (44%) according to data from United Kingdom. The largest worker owned cooperative in the world, the Mondragon Corporation (founded by Catholic priest José María Arizmendiarrieta), has been in continuous operation since 1956.

Cooperatives frequently have social goals, which they aim to accomplish by investing a proportion of trading profits back into their communities. As an example of this, in 2013, retail co-operatives in the UK invested 6.9% of their pre-tax profits in the communities in which they trade as compared with 2.4% for other rival supermarkets.

Since 2002, cooperatives have been distinguishable on the Internet through the use of a .coop domain. In 2014, the International Co-operative Alliance (ICA) introduced the Cooperative Marque, meaning ICA cooperatives and WOCCU credit unions can also be identified through a coop ethical consumerism label.

1.4Features of Cooperative society:

1. Voluntary Membership: Cooperative societies are formed by individuals who willingly choose to join for mutual benefit and assistance.

2. Democratic Control: Members have equal voting rights, and decisions are made collectively through a democratic process, promoting fairness and inclusivity.

3. Limited Interest on Capital: The return on capital in a cooperative is usually limited, ensuring that profits are primarily used for the benefit of the members.

4. Profit Distribution: Profits generated by the cooperative are distributed among members based on their participation or transactions with the cooperative, fostering a sense of shared success.

5. Open Membership: Cooperatives are often open to all individuals willing to use their services and accept the responsibilities of membership without discrimination.

6. Service to Members: The primary objective is to provide services or products that directly benefit the members, aligning with their needs and preferences.

7. Autonomous Operation: Cooperatives operate independently, making decisions that best serve their members' interests while adhering to applicable laws and regulations.

8. Education and Training: Cooperatives often promote education and training among members to enhance their understanding of the cooperative principles and improve overall effectiveness.

1.5 Types of Cooperative Society:

1.Consumer's Cooperative society: Here, society buys domestic commodities bulk from producers and sells them straight to consumers/members in cash. Rather than earning profits, the goal is to encourage appropriate wholesale pricing for mutual benefit. As customers operate in a specific region, these cooperative organisations rely on word-of-mouth. They also serve as consumer-run retail stores, benefiting from substantial manufacturer discounts. Prime consumer cooperatives are emerging in various industries, including housing, healthcare, finance, and not-for-profit credit unions.

2. Producer Cooperative Society: Producer or industrial cooperative organisations are founded to safeguard the interests of small producers/farmers and land and fishery owners. Because the society handles production and marketing distribution, members collect raw materials and other processing instruments directly and supply them to the producers. Because cost-effective production is a focus, manufacturers solely deliver the end product to non-members or purchasers, with no intermediaries. Dairy farmers, fishers, weavers, craftspeople, and cooperative tribes are good examples since they pool resources to enhance output quantities and reduce market risks, to benefit each producer.

3. Marketing Cooperatives: A marketing cooperative society is an organization formed by individuals or businesses in the same industry to collectively market and sell their products. Members pool resources, share market information, and coordinate marketing efforts to achieve better bargaining power in the market. This collaborative approach helps members access larger markets, negotiate favorable deals, and reduce individual marketing costs. Additionally, marketing cooperative societies often provide services such as quality control, packaging, and distribution, contributing to the overall efficiency and competitiveness of their members in the marketplace.

4. Credit Cooperatives (Credit Unions): Aims to provide affordable credit and financial services to its members. Members pool savings, and the cooperative lends money to its members at reasonable interest rates, promoting financial inclusion.

5.Housing Cooperative Society: Primarily formed to address housing needs of members. Members collectively invest in and manage housing projects, allowing them to own or rent affordable and quality housing.

6. Worker Cooperative Society: Gives workers control over their workplaces and decision-making processes. Employees become members and collectively own and manage the business, sharing profits and decision-making responsibilities.

7.Service Cooperative Society: Focuses on providing specific services to its members, such as healthcare, education, or transportation. Members pool resources to ensure affordable and quality services that may be challenging for individuals to obtain independently.

8.Multi-Purpose Cooperative Society: Combines various functions to meet diverse needs of members. Integrates activities like production, marketing, and credit services, offering a comprehensive solution to members.

1.6 Contribution of Cooperative Societies to Economy

1. Employment Generation: Cooperative enterprises create job opportunities, particularly in rural areas. This contributes to overall employment levels, reducing unemployment rates and enhancing local economic stability.

2. Income Generation for Members: Members of cooperative societies benefit from shared profits and improved market access, leading to increased income. This, in turn, contributes to higher individual and household spending, positively impacting the economy.

3. Agricultural Productivity: Agricultural cooperatives play a crucial role in enhancing productivity by providing farmers with resources, knowledge, and collective bargaining power. This results in increased agricultural output, contributing to the GDP.

4. Financial Inclusion: Credit cooperatives (credit unions) promote financial inclusion by providing affordable credit to members who might otherwise be excluded from formal financial systems. This empowers individuals and supports economic activities.

5. Market Stability: Marketing cooperatives help in stabilizing markets by reducing price fluctuations. Through collective marketing efforts, members can negotiate better prices for their products, ensuring a fair return on investment.

6. Rural Development: Cooperative societies often focus on rural areas, contributing to their development by improving infrastructure, education, and healthcare facilities. This leads to overall socio-economic progress in rural communities.

7. Entrepreneurship Development: Worker cooperatives and producer cooperatives encourage entrepreneurship by providing a platform for members to collectively own and manage businesses. This fosters a sense of ownership and responsibility.

8. Resource Utilisation and Efficiency: Cooperative societies facilitate efficient use of resources by pooling them together. This results in economies of scale, reduced costs, and improved overall efficiency, contributing to economic growth.

9. Community Well- being: Service cooperatives, such as healthcare or education cooperatives, contribute to the overall well-being of communities. By providing essential services, they enhance the quality of life for members.

10. Diversification of Economic Activities: Multi-purpose cooperatives engage in various economic activities, diversifying the local economy. This diversification reduces dependence on a single sector, making the community more resilient to economic shocks.

1.7 Role of Central and State government to the cooperative society:

The central and state governments play distinct roles in supporting cooperative societies. The central government typically formulates overarching policies and regulations, while state governments implement and regulate these policies at the local level. Both levels of government contribute to the growth and sustainability of cooperative societies through legal frameworks, financial assistance, and promoting cooperative principles.

1. Policy Formulation at Central Level:

- Legislation: The central government establishes laws and regulations governing cooperative societies. This legal framework defines the structure, objectives, and functioning of cooperatives, ensuring uniformity across the country.
- National Policies: Central governments formulate national-level policies promoting cooperative development. These policies may include financial incentives, tax benefits, and other support mechanisms to encourage the formation and growth of cooperative societies.

2. Financial Support and Schemes:

- Funding Allocation: Central government allocate funds for cooperative development through budgetary provisions. Financial support may be provided in the form of grants, subsidies, or low interest loans to facilitate the establishment and expansion of cooperative societies.
- Specialised Agencies: Central agencies, such as the National Cooperative Development Corporation (NCDC), may be set up to administer and disburse financial assistance to cooperative enterprises.

3. Training and Education:

- Skill Enhancement Programs: The central government often initiates training programs to enhance the skills of cooperative members and leaders. These programs focus on management, financial literacy, and cooperative principles to ensure efficient and sustainable operation.
- Awareness Campaigns: Central authorities may conduct awareness campaigns to educate citizens about the benefits of cooperative models, fostering a positive environment for their growth.

4. Regulatory Oversight:

- Compliance Monitoring: The central government oversees compliance with cooperative laws and regulations. Regulatory bodies ensure that cooperative societies adhere to established norms, promoting transparency, accountability, and fair practices.

- Conflict Resolution: In cases of disputes or conflicts within cooperative societies, central regulatory bodies may intervene to provide resolutions and maintain the stability of the cooperative sector.

5. State-level Implementation:

- Customization of Policies: State governments tailor national cooperative policies to local needs and conditions. This customization ensures that cooperative societies can thrive in diverse socio-economic environments.
- Licensing and Registration: State authorities are responsible for the registration and licensing of cooperative societies within their jurisdiction, ensuring that they operate within the legal framework.

6. Local Resource Allocation:

- State Budget Allocation: State governments allocate resources within their budgets to support cooperative development initiatives. This may include funding for capacity building, infrastructure, and other essentials required for cooperative functioning.
- Promotion of Cooperative Models: State governments actively promote cooperative models in sectors such as agriculture, credit, and marketing, aligning their efforts with local needs and economic priorities.

1.8 Global and Domestic Players to the Cooperative Society

Global players in the Cooperative Society

1. International Cooperation Alliance (ICA): The ICA is a global organization that serves as the apex body for cooperative societies worldwide. It promotes the cooperative movement and provides a platform for collaboration among cooperatives from different countries.

2. Rabobank: Based in the Netherlands, Rabobank is a global financial institution with a cooperative structure. It offers banking and financial services and has a strong focus on supporting agriculture and rural development.

3. National Cooperative Union of India (NCUI): While NCUI is a national organization, it collaborates with global entities and cooperatives. It facilitates international partnerships and promotes cooperative development in India through exchange programs and collaborations.

4. Cooperative Development Foundation (CDF): CDF is an international organization that supports cooperative development globally. It may collaborate with Indian cooperatives through initiatives aimed at capacity building, knowledge exchange, and resource sharing.

5. International Finance Cooperation (IFC): IFC engages with various sectors globally, including cooperatives. In India, it may provide financial and advisory services to cooperatives in areas such as agribusiness and financial inclusion.

6. World Council of Credit Unions (WOCCU): WOCCU is a global trade association for credit unions. While not exclusive to India, it may collaborate with Indian credit unions and financial cooperatives to strengthen the credit union movement.

7. International Cooperative and Mutual Insurance Federation (ICMIF): ICMIF is a global organization that supports cooperative and mutual insurers. In India, it may collaborate with insurance cooperatives to promote cooperative principles in the insurance sector.

Domestic players to the Cooperative Society:

1. National Cooperative Development Corporation (NCDC): NCDC is a statutory organization under the Ministry of Agriculture and Farmers Welfare, Government of India. It provides financial assistance and support to cooperatives, promoting their development in agriculture and allied sectors.

2. National Bank for Agricultural and Rural Development (NABARD): NABARD is a development financial institution that focuses on rural development. It provides financial and developmental support to various cooperatives, especially in agriculture and rural credit.

3. Indian Farmers Fertiliser Cooperative Limited (IFFCO): IFFCO is one of the largest cooperative societies in the world and a significant player in the Indian agricultural sector. It primarily operates in the production and distribution of fertilizers.

4. Amul (Gujarat Cooperative Milk Marketing Federation): Amul is a renowned dairy cooperative known for its successful model involving millions of farmers. It has played a pivotal role in transforming the dairy industry in India.

5. Sahakar Bharati: Sahakar Bharati is an organisation working to promote the cooperative movement in India. It engages in advocacy, Policy formulation, and capacity building for various cooperative sectors.

6. National Federation of State cooperative Banks (NAFSCOB): NAFSCOB is an apex level organization representing State Cooperative Banks in India. It aims to facilitate cooperation and coordination among State Cooperative Banks.

1.9 Internal and External Factors Affecting the Cooperative Society

Internal Factors Affecting the Cooperative Society;

1. Leadership and Governance:

- Effective Leadership: Competent leadership influences decision-making, strategic planning, and the overall direction of the cooperative.
- Governance Structure: The effectiveness of governance mechanisms within the cooperative impacts its operational efficiency and member satisfaction.

2. Financial Management:

- Capital Structure: The cooperative's financial structure, including debt-to-equity ratios and funding sources, affects its financial stability.
- Budgeting and Accounting Practices: Effective financial planning and accounting practices are crucial for sustainable operations.

3. Operational Efficiency:

- Capital Structure: The cooperative's financial structure, including debt-to-equity ratios and funding sources, affects its financial stability.
- Budgeting and Accounting Practices: Effective financial planning and accounting practices are crucial for sustainable operations.

4. Member Participation:

- Member Engagement: Actively involved members contribute to the cooperative's success through their participation, feedback, and commitment.
- Education and Training: Programs that educate members about cooperative principles and business operations foster a sense of ownership.

5. Social and Cultural Factors:

- Community Dynamics: The socio-cultural context of the community influences the cooperative's relationship with its members and community support.
- Ethical Values: Adherence to ethical values and principles strengthens the cooperative's reputation and trust among members.

External Factor Affecting Cooperative Societies:

1. Economic Condition:

- Market Forces: Fluctuations in market demand, supply, and prices impact the cooperative's revenue and profitability.
- Economic Policies: Government policies and economic reforms can affect funding, subsidies, and market access for cooperatives.

2. Regulatory Environment:

- Legal Framework: Compliance with laws and regulations governing cooperatives influences their operations and sustainability.
- Government Support: Government initiatives and support programs can significantly impact cooperative development.

3. Technological Changes:

- Technological Advancements: Changes in technology can affect production processes, distribution, and overall competitiveness.
- Digital Transformation: Embracing digital tools and platforms can enhance efficiency and market reach.

Environmental Factors:

- Climate Conditions: Agricultural cooperatives are particularly sensitive to weather patterns and climate change.
  - Sustainability Practices: Growing emphasis on sustainability may require cooperatives to adopt environmentally friendly practices.

4. Competitive Landscape:

- Industry Competition: The level of competition from other cooperatives or private enterprises affects market share and profitability.
- Innovation: The ability to innovate and adapt to changing market trends influences the competitive position of the cooperative.

5. Social and Cultural Trends:

- Consumer Preferences: Changing consumer preferences and trends impact the demand for cooperative products or services.
- Demographic Shifts: Population demographics can affect the cooperative's target market and member base.

6. Global Influence:

- International Trade: Global economic conditions and trade policies can affect the export/import capabilities of cooperatives.
- International Organizations: Involvement with global cooperative networks may expose cooperatives to international best practices.

1.10 Financial aspects of a cooperative

The issue of finance in cooperativism is one of the most importance. Since the failure rates of cooperatives are lower than for conventional firms, the financing schemes used by them are at least as successful as for conventional firms.

One of the success factors lies in the fact that cooperatives use a different arrange of financing schemes

1. Self-financing (social base): self-financing schemes include the act and the practice of using one's own capital to provide funding for an enterprise. The main advantage of self-financing is that it sets the cooperative free from outside influence and debt, but the capacity to expand the coop might be constrained by the lack of capital.

2. Capital by members: This is the main form of financing in cooperatives. Usually, workers cooperatives do not only socialize the labour force, but also a part of the economical wealth of each member, that is put in a pool together with the rest of contributions, and that constitutes the capital of the cooperative. Usually, future members have to socialize a certain amount of money to the cooperative before they can become formal members.

3. Social loans: Occasionally. if the situation requires it, workers of the cooperative can decide to put some more money as an investment, which can later be returned

1.11 Cooperative Resources

1. Gross Profit: If the cooperative is based on selling products or services, a part of the finance comes from the profits that they get from their activities.

2. Proceeds from Assets: A cooperative can have different assets from which it can get money without having to sell those assets. For example, if the cooperative has money in the bank, and the bank gives interests, it can generate some more money. Or for example, if the cooperative owns a place and rents it, it can get some more money out of it.

3. Balance sheet assets: Assets can also be converted to money. For example, if the cooperative owns shares of another company, they can sell them and turn them into liquidity. Or if the cooperative owns a building, it can sell it. Different types of assets can be converted to liquidity with different levels of ease: for example, selling shares is easier and less time-consuming than selling land, which might take months. Thus, shares are much more easily converted to liquidity than land.

4. Financial grants: Financial grants, that are awards typically given by foundations or governments, can also be a source of financiation for cooperatives. They differ from loans

in the fact that they under most conditions they do not have to be paid back. Some grants have waiting periods before the grantee can take full ownership of them.

5. Donations: They are usually in the form of cash, but can also be in the form of other assets. Donations are especially recommendable if the cooperative has a strong aim for social impact and mutual aid, in which case individual or collective donors might be interested in donating.

6. Crowdfunding: Crowdfunding is a way of sourcing money for a project by asking a large number of contributors to individually donate a small amount to it. In return, the backers may receive token rewards that increase in prestige as the size of the donation increases.

Advantages of Cooperative Societies:

1. Mutual Support and Collaboration: cooperative societies foster a sense of mutual support among members. By pooling resources and efforts, members can achieve common goals more efficiently, leading to shared success.

2. Democratic Control and Participation: Cooperative societies operate on democratic principles, allowing members to have a say in decision making. This not only promotes transparency but also ensures that the organisation aligns with the collective interests of its members.

3. Economic Empowerment: Members benefit economically through profit-sharing and dividends. Cooperative enterprises often prioritize fair compensation and equitable distribution of profits, contributing to the financial well-being of members.

4. Risk Mitigation: Risk is shared among members in a cooperative. This shared responsibility helps mitigate individual risks and provides a safety net, especially in industries prone to economic fluctuations or uncertainties.

5. Access to Resources: Cooperatives provide access to resources that might be challenging for individual members to acquire independently. This can include bulk purchasing, better bargaining power, or access to credit facilities.

6. Local Development: Cooperative societies often contribute to local economic development by keeping resources and benefits within the community. This can result in improved infrastructure, education, and overall well-being of the local populace.

7. Social and Ethical Values: Many cooperative societies operate with a strong emphasis on social responsibility and ethical practices. This focus on values beyond profit can attract socially conscious individuals and contribute to a more sustainable and responsible business model.

1.12 Challenges and Inefficiencies faced by the Cooperative Societies:

1. Limited Capital and Resources:

- Challenge: Cooperative societies often struggle with insufficient capital and resources, hindering their ability to undertake larger projects or investments.
- Inefficiency: This limitation can lead to slow growth and a reduced ability to compete with larger, well-funded entities.

2. Management and governance Issues:

- Challenge: Effective management is crucial for cooperative societies, but conflicts, lack of expertise, and power struggles among members can impede decision-making.
- Inefficiency: Poor governance can result in mismanagement, financial irregularities, and a failure to meet the members' needs effectively.

3. Member Participation and Commitment:

- Challenge: Some members may lack the time or motivation to actively participate in the cooperative's activities, impacting its overall functioning.
- Inefficiency: Low member involvement can lead to decreased productivity, hindered decision-making processes, and a lack of shared responsibility.

4. Market Challenges and Competition:

- Challenge: Cooperative societies often face intense competition from larger corporations that benefit from economies of scale and advanced marketing strategies.
- Inefficiency: Inability to keep pace with market dynamics may result in reduced market share, limiting the cooperative's impact and financial success.

5. Legal and Regulatory Constraints:

- Challenge: Compliance with complex legal and regulatory requirements can be a significant challenge for cooperative societies.
- Inefficiency: Failure to adhere to these regulations can lead to legal complications, fines, and reputational damage, impacting the cooperative's viability.

6. Access to Credit financial Services:

- Challenge: Cooperative societies may find it challenging to secure loans or financial assistance due to their smaller scale or perceived risk.
- Inefficiency: Limited access to credit can constrain the cooperative's ability to invest in growth opportunities, technology, or infrastructure.

7. Market Information and Networking:

- Challenge: Limited access to market information and a weak network can hinder cooperative societies from identifying potential opportunities or forming beneficial partnerships.
- Inefficiency: Inability to stay informed about market trends can lead to poor decision-making and missed opportunities for growth.

CHAPTER-2

COMPANY PROFILE

Empowering Farmers and Nurturing Resources

Is the tag line of Kadamba Marketing Souharda Sahakari Niyamita Sirsi.

Kadamba Marketing Souharda Sahakari Niyamita (KMSSN) stands out as a distinctive cooperative society established in 2005 with a profound vision aimed at enhancing the economic and natural resources of Uttara Kannada District. At its core, Kadamba was conceived to address the longstanding aspirations of numerous farmers who sought an organized and farmer-centric marketing establishment for minor economic crops.

Prior to its establishment, these crops were predominantly controlled by private merchants, leaving farmers with limited avenues for fair and transparent transactions.

The primary mission of KMSSN is to procure a diverse range of agricultural products, regardless of the quantity, thereby ensuring that even small-scale farmers have a reliable platform to sell their produce. The spectrum of products includes areca, spices, cashew, cocoa, paddy, coconut, fruits, and non-timber forest products such as Uppage (Garcinia gummigatta), Kokam (Garcinia indica), Shikakai, Jackfruit, Amla, and more. By encompassing such a wide array of commodities, Kadamba showcases its commitment to fostering agricultural diversity and supporting the livelihoods of farmers involved in various sectors.

One of the core principles that sets KMSSN apart is its dedication to providing farmers with a fair and transparent market. The cooperative strives to eliminate the asymmetry that often exists in traditional agricultural markets, where farmers may face challenges in securing equitable prices for their produce. By offering a reliable and transparent platform, Kadamba empowers farmers to navigate the market with confidence, thereby contributing to their economic prosperity.

The cooperative takes immense pride in its role as a dependable partner in the farmers' journey towards success. This collaborative approach is rooted in the understanding that a thriving agricultural sector is pivotal for the overall well-being of the community and the sustainable development of the region. Through its multifaceted initiatives, KMSSN not only facilitates economic growth but also plays a pivotal role in preserving the cultural and ecological richness of Uttara Kannada District.

In essence, Kadamba Marketing Souharda Sahakari Niyamita exemplifies the transformative power of cooperative endeavors, serving as a beacon of empowerment for farmers in Uttara Kannada District. Its establishment in 2005 marked a pivotal moment in the agricultural landscape, ushering in a new era of inclusivity, fairness, and sustainability for farmers and their valuable contributions to the region's economic and natural resources.

2.1 Mission and vision of cooperative society

Mission

To empower farmers by providing them with a fair and transparent market for their crops, thereby helping to improve their livelihoods and the overall socio-economic development of the region. We strive to uphold the values of co-operation, transparency, and sustainability in all our operations and to promote the use of eco-friendly farming practices that respect the environment and the community.

Vision

Vision is to become a leading co-operative society in the region, recognized for our commitment to empowering farmers and promoting sustainable agriculture. We aim to create a platform where farmers can connect with consumers and businesses, while also promoting social and economic development in the communities we serve. Our ultimate goal is to build a more equitable and sustainable food system that benefits everyone, from the farmers who grow the crops to the consumers who enjoy them.

2.2 Aims and Objectives

- To provide a fair and transparent market for minor economic crops grown by farmers in Uttara Kannada, regardless of the quantity or quality of the products.
- To empower farmers by enabling them to access a wider range of buyers and markets, thereby increasing their income and improving their livelihoods.

- To promote sustainable agriculture practices that respect the environment, protect biodiversity, and promote the health and well-being of farmers and consumers.
- To foster co-operation among farmers, buyers, and other stakeholders in the agricultural value chain, promoting a spirit of mutual trust, respect, and partnership.
- To promote social and economic development in the communities we serve by investing in local infrastructure, creating employment opportunities, and supporting education and training initiatives.
- To be a reliable and transparent partner for farmers, buyers, and other stakeholders, providing timely and accurate information, and ensuring fair and ethical business practices.
- To promote the use of locally grown and processed agricultural products, promoting food security, and supporting local entrepreneurship.
- To continuously innovate and improve our services and processes, leveraging technology and best practices to increase efficiency, reduce waste, and enhance customer satisfaction.
- To promote the principles of co-operation and social responsibility, fostering a culture of shared ownership, participation, and accountability among our members and stakeholders.

2.3 How it is different from other cooperative societies?

- Farmers are getting more profit by making them aware of organic farming and certifying it.
- It is not only providing market for agricultural products but also training farmers on their value addition.
- Co-operative arena to provide organised market for household products also.
- Not only traditional business but also implementing innovative programs to suit today's needs.

2.4 Key Victories of KMSSN:

- Kadamba has set up a cutting-edge Black Pepper Processing unit with support from the Department of Horticulture through the Public-Private Partnership-Innovative Horticulture Development (PPP-IHD) scheme. This facility incorporates state-of-the-art technology such as a colour sorter, destoner, and other advanced equipment. The colour sorter helps in sorting black pepper based on colour, ensuring high-quality output. The destoner removes any impurities or foreign particles from the black pepper, further enhancing its quality. Overall, this facility aims to improve the efficiency and quality of black pepper processing, ultimately benefiting the producers and consumers alike.

- Kadamba's efforts have helped tribal communities harvest honey in a sustainable and scientific way. They introduced methods that protect bee populations and their habitats. By using these methods, they ensure that honey harvesting doesn't harm the environment or the bees. Kadamba's approach has also provided economic stability to tribal groups, as they can now rely on honey as a source of income.

- Through diligent organization efforts, numerous fairs and extension activities have showcased the potential of jackfruit, once a neglected crop. By creating marketing platforms, its market value has soared, transforming it into a lucrative option for farmers. This resurgence underscores the power of strategic promotion in revitalizing agricultural sectors and elevating overlooked crops.

- Kadamba has also raised awareness among farmers about the importance of organic farming and the conservation of natural resources.

- The organization has ensured that each Non-Timber Forest Product (NTFP) in the region receives a minimum fixed price, greatly benefiting farmers, particularly tribal communities, by eliminating the need for middlemen.

- Kadamba's value addition and marketing initiatives for locally available products have encouraged community participation and improved the livelihoods of local people.

2.5 Stable Market for Key Horticultural, Agricultural, and Forest Commodities:

Kadamba Marketing Souharda Sahakari Niyamita plays a pivotal role in providing a dependable market avenue for a diverse array of products, spanning from Jackfruit and its derivatives such as Papads and Chips, to Vanilla, Honey, Nutmeg, Coconut, Cashew, Turmeric, Cardamom, Pepper, Kokum, Cocoa, Clove, Shikakai, Soapnut, Coffee, Nut-Mace, Banana Papads, Banana Chips, Dehydrated-Banana, and Red-Rice, among others. This cooperative ensures that farmers receive fair prices for their produce and facilitates prompt payment, thereby fostering economic stability and sustainability within the agricultural and horticultural sectors.

By offering a reliable market for such a wide range of products, Kadamba Marketing Souharda Sahakari Niyamita plays a crucial role in supporting the livelihoods of farmers and promoting agricultural diversity. The cooperative's commitment to fair pricing not only benefits individual farmers but also contributes to the overall economic development of the region by incentivizing agricultural production and empowering farming communities.

Additionally, by streamlining the purchasing process and ensuring swift payment, Kadamba Marketing Souharda Sahakari Niyamita helps alleviate financial burdens on farmers, enabling them to reinvest in their operations, improve productivity, and enhance the quality of their products. This fosters a positive cycle of growth and prosperity within the agricultural sector, ultimately benefiting both producers and consumers alike.

Overall, the cooperative's dedication to providing a reliable market for a wide range of horticultural, agricultural, and forest products underscores its commitment to sustainable development, equitable trade practices, and the well-being of rural communities. Through its efforts, Kadamba Marketing Souharda Sahakari Niyamita contributes significantly to the resilience and prosperity of the agricultural sector while promoting the preservation of traditional farming practices and the conservation of natural resources.

2.6 Implemented projects or Programs by Kadamba

Sl No	Name of the project or program	Supporting/Funding /Collaborating Agency	Started from
1	A value chain for Jack Fruit and its value-added Products	Department of Biotechnology, Ministry of Science and Technology, GoI	2012(Completed)
2	Organic village project (Savayava Bhagya Scheme): Sirsi & Yellapur	Department of Agriculture, Govt of Karnataka	2011(Completed)
3	Organic village project: Siddapur	Department of Horticulture, under NHM	2010 (Completed)

4	Biofuel Development Program	Karnataka State Biofuel Development Boad, Govt of Karnataka	2012
5	Value addition of coconut and jack fruit	NABARD under FTFF program	2013(Completed)
6	Value Chain on Honey Processing	ICAR, NAIP-UAS Bangalore	2011(Completed)
7	Public Private Partnership Under Integrated Horticulture Development (PPP-IHD)	Department of Horticulture	2017 (Completed)

2.7 Products Available in Kadamba:

1. Areca Tender: Due to insufficient manpower, numerous areca growers had to vend their merchandise under agreement. The interim agreement arrangement was normalized by the enterprise KADAMBA. Over the last couple of years, there has been an agricultural marketing strategy beneficial to farmers. As the exclusive KADAMBA-oriented system in the region, the university is satisfied with its outstanding performance.

2. Coconut Market: The corporation has successfully established a dependable coconut market. Individual traders dominate the coconut market, and farmers do not receive discounts. The company's inventive approach to procuring coconuts based on weight has led to lower prices for farmers. The company purchases both fresh and desiccated coconuts.

3. Cocoa Market: The FAO also supports cocoa cultivation. Despite the crop's high demand, there is currently no adequate market, resulting in farmers not receiving fair prices. The KADAMBA Co-operative Society commenced directly purchasing produce from farmers following this realization. Upon realizing this situation, dryers have been constructed to appropriately prepare seeds using the latest technology, incurring significant costs for the farmers. Solar dryers have also been installed. Premium CAMPCO Ltd. receives processed seeds for chocolate production.

4. Cashews and coffee: Four years ago, the Co-op organized auctions for cashews and coffee, attracting bidders from across the state. Despite not being commonly cultivated in the area, these products fetch a favourable price for farmers.

5. Jaggery: The locally cherished jaggery crafted from sugarcane holds esteemed value within the community, serving as a distinctive commodity. Practically every resident in the vicinity incorporates it into their daily morning rituals. A recent transaction involved the procurement and sale of more than 2,000 units of this prized jaggery. Marketed under the renowned KADAMBA label, the exclusive "Joni Gingerbread" is available in cans weighing 1.3, 3, and 6 kilograms, catering to varying preferences. Its appeal extends beyond the local borders, garnering recognition in wider regions.

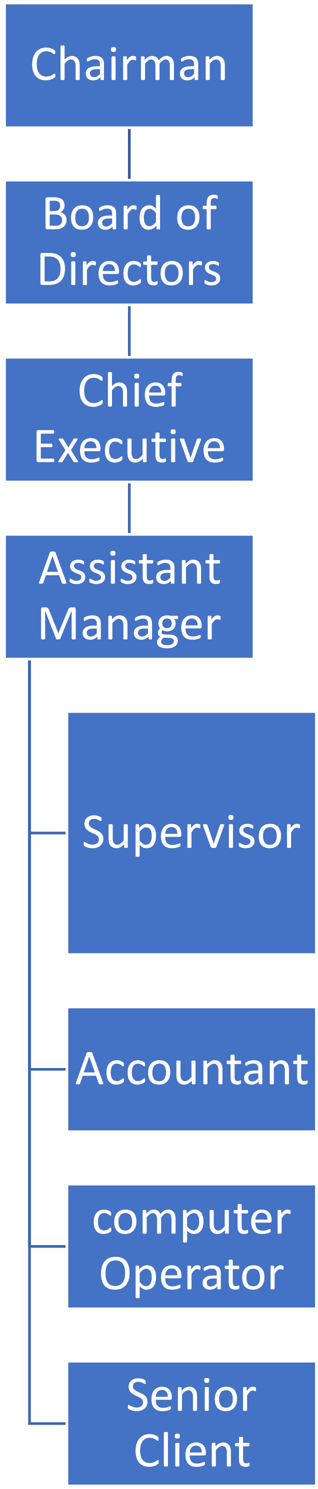
6. Spices Market: Co-op has expanded its product range to include an assortment of spices such as cinnamon, nutmeg, pepper, cardamom, turmeric, and more. They are actively striving to provide organic agricultural items at affordable prices, aiming to cater to the increasing demand for healthier and environmentally friendly options in the market.

2.8 Some of the Product Available in the market

Sl No.	Products
1	Coconut
2	Honey
3	Banana
4	Cocoa seeds
5	Coffee bean
6	Areca nut
7	Jaggery
8	Cardamom
9	Jackfruit papad
10	Shikakai
11	Turmeric
12	Black pepper
13	Cloves
14	Nutmeg

2.9 Organisational Structure:

For any organisation particular and appropriate structure is important for their operations. In simple organisational structure means a framework how activities are coordinated, controlled, and distributed within an organisation. Below is the structure of Kadamba;



2.10 Ownership Structure:

1	SRI SHAMBHULINGA HEGDE	President
2	SRI SHREEPAD HEGDE DODNALLI	Director
3	SRI GANAPATI N HEGDE	Director
4	SRI M.V BHAT TATTIKAI	Director
5	SRI NARENDRA SEETARAM HEGDE	Director
6	SRI GOPALAKRISHNA BHAT	Director
7	SRI NARAYANA HEGDE GADIKAI	Director
8	SRI D.G BHAT MUTTIGE	Director
9	SRI GURUPAD HEGDE BOMMANALLI	Director
10	SRI DHAKAPPA GUTTY MADIVA	Director
11	SRI NAGARAG SHANKAR GOUDAR	Director
12	SRIVIJAYKUMAR BASAVANNAYA HIREMATH	Director
13	SMT ASHALATA VIGHNESHWAR HEGDE	Director
14	SMT PRATIBHA SATISH DEV	Director

2.11 Major competitors

1. MAMCOS (Malnad Areca Marketing Cooperative Society Ltd)

   The Malnad Areca Marketing Cooperative Society Ltd, which is popularly known as "MAMCOS", while establishing it under the chairmanship of Mr S. Sheshadri, the then Deputy Commissioner of Shivamogga.

   The main purpose is to safeguarding the interests of arecanut growers, a vital agricultural community in the region. During its inception, MAMCOS commenced operations with a modest membership base of 659 individuals. Despite its humble beginnings, the society managed to collect 5121 bags of arecanut, showcasing a promising start towards fulfilling its core objectives. With a share capital of Rs. 16,031/-, MAMCOS demonstrated fiscal prudence and operational efficiency, culminating in a commendable net profit of Rs. 3867 in its inaugural year. The society's main objectives include providing organized market facilities for areca growers and allied crops, offering protected storage for member products, facilitating sales at grower-chosen prices, lending for harvesting, making advanced payments, and engaging in preservative activities. the society has been involved in trading, purchasing arecanut at market rates through tender processes and direct purchases. The society operates in Shivamogga and Chickmagaluru revenue districts.

2. TSS (Totagar's Cooperative Sale Society Limited)

This society started as “Sirsi Totgar’s Cooperative Purchase- Distributive Credit Society Limited”in 1923.In 1929 it became “The Totgar" Annual Administration Report on Working of the Co-operative Societies in Bombay State for the Year - 1931" mentions that though selling was good the functioning was not to satisfaction.[6]

"Annual Administration Report on the Working of Cooperative Societies - 1952" mentions that the society had 1363 members and a working capital of Rs. 5.86 lakhs, a share capital of Rs. 1,21,580 and a reserve fund of Rs. 69,918. It sold agriculture produce worth Rs. 38,50,040 and made a profit of Rs. 29977.[7]

"Review of the Co-operative Movement in India, Volume 9 - 1958" makes a special mention of the society’s’ Cooperative Sale Society Limited. The products they supply are of comparable good quality to the one’s in the market with assurance of value for money for their members and to the other customers. They also ensure that the quality of the product is not compromised and live up to the expectations of the customers.

3. CAMPCO (Central Arecanut and Cocoa Marketing and Cooperative Limited)

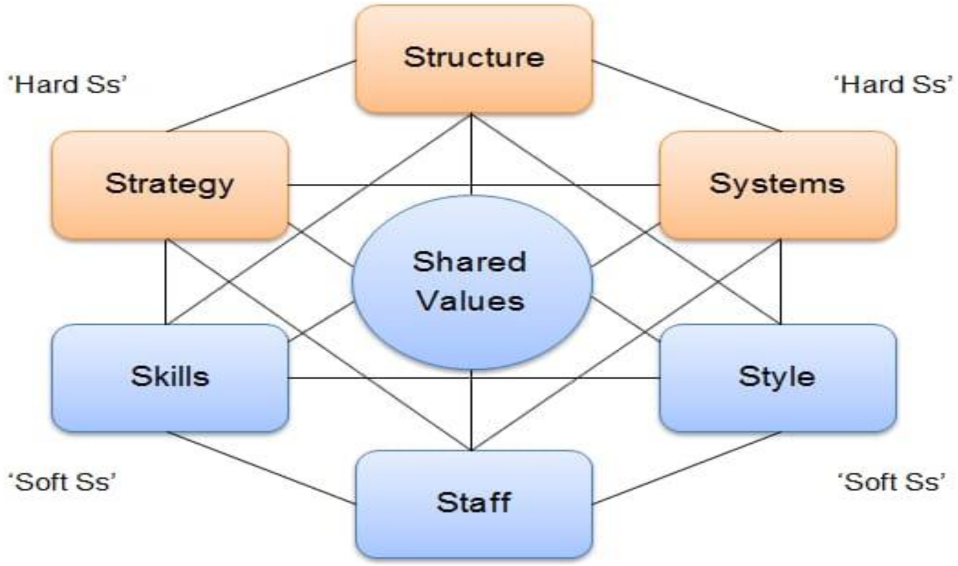
CAMPCO was found on 11 July 1973 at Mangalore. Savior of Arecanut farmer and The organisation working on principles of co-operative was found to mitigate the sufferings of arecanut and cocoa growers in Indian states of Karnataka and Kerala. CAMPCO has now extended its services to other states of India like Gujarat, Maharashtra, Uttar Pradesh, Madhya Pradesh, New Delhi, Bihar, Tamil Nadu, Odisha, Assam and Goa also. The CAMPCO has now become multi state co-operative under relevant Indian laws. The organisation is mainly into procurement, marketing, selling and processing of arecanut and cocoa. The company has now entered in Rubber and Black pepper market. The company also provides guidance for farmers for growing arecanut and cocoa.

2.12 MC KINSEY 7S MODEL:

The McKinsey 7S model is a tool that helps to examine the seven interrelated aspects of the particular organisation these are also known as the hard and soft elements of the organisation. The hard elements are the tangible and measurable aspects, such as strategy, structure, and systems. The soft elements are the intangible and subjective aspects, such as skills, staff, style, and shared values. The model suggests that all these elements are need to be aligned and coherent for the organisation to achieve its goals and overcome its challenges.

They are:

1. Strategy
2. Structure
3. Systems
4. Style
5. Staff
6. Skills
7. Shared Values



1. Strategy: A strategy is essentially a roadmap that guides an organization towards its desired objectives. It encompasses a comprehensive plan that outlines the direction the organization intends to take and the steps it will undertake to reach its goals. This involves a thorough analysis of the organization's current situation, its strengths, weaknesses, opportunities, and threats (SWOT analysis), as well as an understanding of the external environment in which it operates. A well-defined strategy involves making choices about where to allocate resources, such as financial, human, and technological resources, in order to maximize the organization's chances of success. This includes decisions about which markets to enter or exit, which products or services to focus on, how to differentiate from competitors, and how to adapt to changes in the business environment. Moreover, a clear strategy provides guidance for decision-making at all levels of the organization, from top management to frontline employees. It helps align everyone's efforts towards common goals and ensures that resources are utilized efficiently and effectively.

2. Structure: The organizational structure of Kadamba Marketing Souharda Sahakari Niyamita in Sirsi provides a clear illustration of how the organization is designed to operate efficiently and effectively. At the top of the hierarchy sits the Chairman, who serves as the leader and oversees the strategic direction of the organization. Below the Chairman, the Board of Directors plays a pivotal role in providing guidance and

oversight to ensure the organization's objectives are met.Moving down the hierarchy, the Chief Executive is responsible for implementing the strategic directives set forth by the Chairman and the Board of Directors. They serve as the primary decision-maker and leader of the organization's day-to-day operations, working closely with the Assistant Manager to ensure tasks are delegated appropriately and goals are achieved. Further down the hierarchy, there are various roles such as Supervisor, Accountant, Computer Operator, and Senior Clerk, each with their own set of responsibilities and duties. These roles form the backbone of the organization, handling specific tasks and functions that contribute to the overall success of the organization.

3. Systems: The organization promotes transparent communication with both its members and dealers. The Audit Committee of the Board receives and reviews reports and updates from internal auditors, providing guidance and practical advice on implementing new procedures to enhance company efficiencies.

- Tender system: The complete range of agricultural products may be quoted at the sales yard, under the guidance of APMC.
- Transportation system: Kadamba utilizes vans for member deliveries and daily pick-ups and drop-offs for employees, with a dedicated section for transportation maintenance.
- Payment system: Members' respective accounts are used to cover all incurred expenses.
- Employee attendance: Employee attendance is tracked through both manual logging and biometric finger scanning.
- Wages and salary system: Job evaluations determine compensation, with payments disbursed to employees during the first week of each month. Contact-based employees are remunerated for their services.
- Provident fund: Certain employees contribute to a Provident Fund administered by the governing bodies.
- Storage system: The organization operates 18 warehouses for cold storage purposes.

4. Systems: Distinctive capabilities of the organization's personnel or overall staff are appropriately recognized. With the exception of senior management, specialized expertise is not required for the company's staff. Division managers need comprehensive knowledge of the market, operations, demand, supply, etc.

Personnel will undergo suitable training, hosted at the organization's corporate headquarters. Classes will be conducted by specialists from various disciplines. Trainees will be assigned tasks across almost all departments during the training period. Upon completion, trainees must pass tests and demonstrate a thorough understanding of the industry, the company's functions, and operations.The organization's core competency lies in marketing. Employees across all departments must fulfill their assigned tasks. Communication skills, including proficiency in the native language, are emphasized. Abilities in conflict resolution, relationship management, and problem-solving are highly valued, contributing to the organization's longstanding success.

All departments prioritize technical skills, product knowledge, maintenance proficiency, and machine handling capabilities.

5. Staff: The "Staff" aspect of the 7S Model is crucial for understanding how Kadamba Marketing Souharda Sahakari Niyamita, Sirsi operates with its 50 employees. These employees bring a diverse range of skills and expertise to the organization, contributing to its overall effectiveness and success. Within the organizational structure, each staff member plays a specific role, with clear lines of responsibility and reporting. They interact with various systems and processes, such as communication channels and performance evaluation systems, which are essential for smooth operations. The leadership style within the organization sets the tone for employee behaviour and collaboration, influencing the overall work culture. Shared values, such as cooperation and community service, underpin the organization's culture and guide employee interactions. Additionally, the organization's strategy shapes its staffing decisions, ensuring that the right people are in place to support its long-term goals and objectives. Overall, the staff aspect of the 7S Model provides valuable insights into how Kadamba Marketing Souharda Sahakari Niyamita, Sirsi manages its personnel to achieve its mission and sustain its competitive advantage in the market.

6. Style: Every organization possesses a unique culture and management approach, comprising prevailing ideals, convictions, and norms that evolve over time, enduring as elements of organizational life. Additionally, it tracks how managers interact with their staff members and allocate their time. Kadamba employs a participatory management style within the agricultural sector, where lower-level involvement is essential. The decisions made by the cooperative society's board of directors and members are strictly

followed. During the annual meeting, members voice their concerns and suggestions. Subsequently, the board of directors instructs the general manager on implementation strategies. An organization ensures a safe working environment for teams and networks of employees.

7. Shared Values: Originally, financing for farmers cultivating areca nuts, pepper, and cardamom came from private moneylenders, landlords, and commission agents. The company was established to support farmers in marketing their products and ensuring fair prices, which they often didn't receive from other sources. Both consumers and producers should have been rewarded better for their labour and honesty, aligning with the values shared by members and the company.

The primary objective of the organization is to enhance the financial well-being of its members and provide marketing support.

- Evaluation of groups: Cooperatives must anticipate the evolving needs of their members to remain relevant.
- Value creation: Cooperatives enhance value by empowering their members to adapt to changing markets, economies, and environments.
- Trust and loyalty: Implicit trust in a member-owned enterprise's commitment to serving its members' interests fosters loyalty.

2.13 SWOT Analysis:

1. Strength:

- Originally, financing for farmers cultivating areca nuts, pepper, and cardamom came from private moneylenders, landlords, and commission agents. The company was established to support farmers in marketing their products and ensuring fair prices, which they often didn't receive from other sources. Both consumers and producers should have been rewarded better for their labor and honesty, aligning with the values shared by members and the company.
- The primary objective of the organization is to enhance the financial well-being of its members and provide marketing support.
- Evaluation of groups: Cooperatives must anticipate the evolving needs of their members to remain relevant.
- Value creation: Cooperatives enhance value by empowering their members to adapt to changing markets, economies, and environments.
- Trust and loyalty: Implicit trust in a member-owned enterprise's commitment to serving its members' interests fosters loyalty.

2. Weakness:

- Target, because of variations in manufacturing, cannot be determined.
- The area, when compared to other businesses, has a significant impact on the Kadamba.
- There is a lack of product variety.
- The HR department is non-existent, leading to potential issues in other departments.
- Manufacturing facilities are very costly and also have a limited capacity
- Concerns about a shortage of skilled labor.
- Loan repayment rates are relatively low.
- Inadequate planning for climate change.

3. Opportunity:

- More export opportunities exist due to the large demand for areca nuts in other nations. The export of areca nuts presents a chance.
- Demand for delicious supari exceeds supply.
- Purchasing integrated machinery for boiling, drying, and packing.

- Organization growth can be achieved by expanding into various areas.

4. Threats (Challenges):

- Health concerns related to areca nut, such as findings from the World Health Organization (WHO) and the International Agency for Research on Cancer (IARC) reports.
- External influences affecting the fluctuation in areca nut prices, including illicit imports and the effects of climate change on production.
- Lack of sufficient acknowledgment from the government for co-operative societies.
- Areca nut processing entails considerable manual labour.

CHAPTER-3

RESEARCH DESIGN AND METHODOLOGY

3.1 Review of Literature:

1. **Zabolotnyy, S., & Wasilewski, M. (2019). The concept of financial sustainability measurement: A case of food companies from Northern Europe. Sustainability, 11(18), 5139.**

   A managerial approach to the financial sustainability of a company derives from the principle of value maximization for shareholders at an acceptable level of risk, using the best combination of investments and available sources of financing. The research presents the concept of financial sustainability measurement in the example of food companies from Northern Europe. We applied fuzzy logic to quantify complex interrelations among various financial factors and classify companies according to the level of their financial sustainability. A unique combination of factors formed a single complex indicator, which measured a relative level of financial sustainability of food companies. Considering the duality of financial sustainability in terms of risk and return, the relationship framework for synthetic evaluation included the vector of value and the vector of continuity that consisted of such variables as profitability, market capitalization, productivity, operating efficiency, debt, liquidity, interest coverage, and retained earnings. We received evidence that the level of financial sustainability of entities changed in 2005–2015 and was statistically different among sample companies. The proposed method can be applied as a practical tool in a decision-making process to evaluate financial sustainability or other aspects of business performance in larger groups of entities on the basis of various financial criteria.

2. **Susan, K. J., Langat, P., & Kemboi, R. (2024). Composition and Financial Performance of Farmers' Cooperative Societies in Kericho County, Kenya. East African Journal of Business and Economics, 7(1), 1-11.**

   The main focus of this study was to analyse the relationship between board composition and the financial performance of farmers' cooperative societies in Kericho County, Kenya. The study was based on the Stakeholder Theory and adopted a correlational research design. The target population consisted of accounting officers, auditors, chief executive officers, directors, managers, and employees from the 51 farmers' cooperative societies registered by the Ministry of Cooperatives in Kericho County. A sample size of 303 participants was determined through Yamane's (1967) formula. Data was collected using a structured questionnaire, and subject experts were consulted to enhance the validity of the research instrument. The instrument's reliability was measured using Cronbach's alpha coefficient, which yielded a result of 0.8999, indicating sufficient reliability for the study. A pilot study was conducted in Bomet County, using 10% of the sample size to evaluate the research instrument's validity. The data from the study was analysed using descriptive statistics, that is, mean and standard deviation, and inferential statistics using correlation and multiple regressions. The results were presented using frequency tables. The study found that board composition was statistically significant (Beta=0.431; $p=0.000<0.055$) and positively influenced the financial performance of farmers' cooperative societies.

3. **Xaba, T., Marwa, N., & Mathur-Helm, B. (2018). Efficiency and profitability analysis of agricultural cooperatives in Mpumalanga, South Africa.**

   Agricultural cooperatives are expected to generate sustainable profit as they are established as a vehicle of economic development. Efficiency and profitability analysis measures the performance of a firm, and assists management in decision-making through benchmarking with other firms (Marwa & Aziakpono, 2014). study analysed efficiency and profitability using an efficiency-profitability matrix to provide for multi-dimensional analysis. The study used secondary data from annual financial statements for the financial years 2015/16 collected from 19 agricultural cooperatives. Technical efficiency was estimated using Data Envelopment Analysis (DEA) and profitability was estimated using Returns on Assets (ROA). The median scores were 68% for technical efficiency and 10% for profitability. Using the 68% efficiency and 10% profitability benchmark, the matrix separated best performers from low performers. The matrix indicated that 26% of the cooperatives had high-efficiency levels with high profitability (stars), however there was an even distribution between the stars and sleepers: 5 out of 19 cooperatives were sleepers and 5 out of 19 were stars.

4. **Chaure, M. (2023). Viability Analysis of Primary Agricultural Cooperative Society: A Case in Pune, India. In Cooperatives as a Catalyst for Sustainability: Lessons Learned from Asian Models (pp. 287-297).**

   Primary agricultural cooperative societies (PACSs) are the bases of cooperative credit structure in India. The cooperative credit structure functioning in Maharashtra state has three tiers. The main function of the PACSs is to provide short- and medium-term credit to its members. PACSs play a vital role in the socio-economic development of its members. Finance is the key to all types of activities. The efficient management of any society depends on the efficient management of finance. PACSs being financial intermediaries provide financial service with the objective of growth and profit. In the era of globalisation, PACSs face a different type of challenge which raises questions about the viability and sustainability of PACSs. A low resource base has been a major constraint in the effective functioning of PACSs. Financial stability has a direct bearing on the deposit mobilisation and overdue reduction. Limited resources result in low business activity. Limited resources, an increase in nonperforming asset, low recovery, overdue, lack of finance and lack of diversification have affected the viability of primary agricultural societies. Besides providing agriculture credit, some PACSs in Pune District are engaged in diversified activities.

5. **Nasamu GAMBO (Ph. D), Rimamnde RIKWENTISHE (Ph. D), Nungala Danjuma USMAN, Anastasia Yinduwa IKYABO**

This study seeks to evaluate the profitability of microfinance banks operating in Nigeria as a precondition of financial sustainability. Profitable banks tend to maintain adequate capital, high deposit base, high liquidity status and high loan quality. Correlational research design was adopted for the study and balanced panel data was used. Financial sustainability microfinance banks were profiled on size, capital adequacy and liquidity status, deposit base and loan quality following a balanced panel design. Multiple regression was used to analyze the data collected. The study reveals low level of profitability and sustainability, and hence recommends that Government and Monetary authorities (CBN) should increase the capital requirements for the establishment of Liladhar Tiwari1

and Microfinance Banks as the current requirements are inadequate; embark on effective monitoring of the activities of Microfinance Banks; and promulgate policies that will enhance transparency, proper accountability and competition in the sector to attract more credible investors.

6. **Liladhar Tiwari1 and Govind Nepal2**

The Small Farmers Cooperative (SFC) in Midwestern Nepal's Financial Sustainability served as the basis for this research. It makes an effort to present the procedures and their effects on SFC's financial sustainability. Since the cooperative movement has its roots in the cooperative philosophy and has grown into a potent tool for assisting resource deprived people in improving their socioeconomic situation, The SFC works with the guiding principles of group principle, self-help development, and institutionalisation of networks at the grassroots level to alleviate scarcity. These networks serve vulnerable groups like as women, labourers, peasants, and members of lower castes. This study employed a descriptive and analytical research approach, utilising secondary data from the Department of Cooperative (DoC), Central Bureau of Statistics (CBS), and National Cooperative Federation of Nepal, as well as primary data from observation, questionnaires, and focused group discussions.

7. **Henock, M. S. (2019). Financial sustainability and outreach performance of saving and credit cooperatives: The case of Eastern Ethiopia. Asia Pacific Management Review, 24(1), 1-9.**

The study utilizes regression analysis to assess the impact of operational efficiency, return on assets, debt equity ratio, deposit mobilization, donation, yield, interest rate, size, and age of SACCOs on their financial sustainability. Additionally, it examines whether SACCOs can be profitable while serving the poor. The findings indicate that certain factors such as return on assets, operational efficiency, debt equity ratio, donation, and deposit mobilization significantly predict SACCOs' financial self-sufficiency. Similarly, financial self-sufficiency, size, debt equity ratio, and donation are significant predictors of SACCOs' outreach performance. This analysis highlights the complex interplay of various factors in determining the financial viability and outreach effectiveness of SACCOs in serving the poor.

3.2 Brief note about the topic:

Analysing financial sustainability and profitability at Kadamba Marketing Souharda Sahakari Niyamita involves evaluating its capability to generate revenue and maintain its operations while ensuring it remains profitable. This assessment entails examining various financial indicators such as income streams, expenditures, assets, debts, and cash flow to determine how effectively resources are used, including contributions from members and external funding sources. Understanding the financial health of the cooperative is crucial for making well-informed decisions, attracting investments, and ensuring member satisfaction. Factors affecting financial sustainability include market conditions, regulatory framework, managerial strategies, and member engagement. Profitability analysis focuses on assessing the cooperative's capacity to generate profits from its activities, taking into account both operational and non-operational income and expenses. This entails computing key performance measures such as net earnings, return on investment, and profit margins to gauge its overall financial performance.

3.3 Need of the Study:

This research is crucial for guaranteeing the long-term sustainability of the Kadamba organization by comprehensively assessing its financial well-being. The examination of both sustainability and profitability factors aids in pinpointing potential areas of enhancement in the management of organic product procurement and sales. This analysis facilitates informed decision-making processes for the Kadamba, allowing for the optimization of revenue generation avenues and the regulation of expenses. Through the evaluation of financial performance, the cooperative can bolster its capacity to efficiently procure organic products and lucratively sell them in the marketplace. Ultimately, the primary objective of this study is to ensure the economic sustainability of the cooperative while concurrently advancing its mission of advocating for organic products and fostering benefits for its members.

3.4 Statement of the problem:

The problem statement delves into the intricacies of ensuring the financial sustainability and profitability of a cooperative society that specializes in procuring organic products from its members and subsequently selling them within the market. The primary objective is to delve into the various factors that influence the cooperative's capacity to generate revenue, effectively manage costs, and uphold financial stability while simultaneously adhering to its overarching mission. Central to this exploration is the identification of potential hurdles to achieving profitability and a comprehensive assessment of the dynamic forces at play within the market landscape. By scrutinizing these factors, the aim is to gain insights into the operational challenges and opportunities that could impact the cooperative's ability to thrive economically while staying true to its core values and objectives.

3.5 1.Objectives of the study:

- To evaluate the financial performance of the cooperative society in terms of revenue generation and cost management related to purchase and sale of organic products.
- To analyse the effectiveness of existing financial management practices within the cooperative and propose strategies for optimising resource allocation and budgeting.
- To identify the key factors influencing the profitability of the cooperative.

3.6 Scope of the Study:

The primary objective of this investigation has been to evaluate the financial resilience and profitability of Kadamba Marketing Souharda Sahakari Niyamita, SIRSI, utilizing yearly financial statements. The examination is specifically focused on Kadamba Marketing Souharda Sahakari Niyamita and includes an analysis of all financial operations carried out by the entity.

3.7 Data Collection Method:

- To collect the data for this study secondary data is used and it is collected from;
- Audited reports of Kadamba Market balance sheet, profit and loss accounts,
  Journals, magazines and broachers of Kadamba.

3.8 Tools for analyse the data:

Analysis tools serve to interpret data, reveal patterns, and facilitate informed decision-making, aiding both businesses and individuals in trend comprehension, outlier identification, and process optimization. Leveraging these tools enhances problem-solving, strategy formulation, and performance assessment capabilities.

They are;

Comparative Analysis

Regression Analysis

Bench marking Analysis

3.9 Plan of Analysis:

To analyse the data various tools such as table, graphs, charts, are utilised in appropriate contexts.

Chapter 1: Introduction and industry profile

Chapter 2: Company profile

Chapter 3: Research Design

Chapter 4: Data analysis And Interpretation

Chapter 5: Findings, Suggestions, and Conclusion

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CHAPTER-4

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction of the topic:

Profitability analysis is a crucial aspect of financial management and strategic decision-making for businesses. Here are some types of profitability analysis commonly used:

1. Comparative analysis: In a comparative analysis within profitability analysis, businesses compare their financial performance metrics with those of competitors, industry averages, or historical data to gain insights into their relative strengths and weaknesses. This involves benchmarking key profitability indicators such as gross profit margin, net profit margin, and return on investment against industry peers or best practices. By analysing these comparisons, businesses can identify areas where they excel or lag behind, understand the reasons behind differences, and develop strategies to improve their profitability and competitive position. This approach helps companies make informed decisions and drive sustainable growth in their profitability.
   Comparative analysis or Trend analysis= Current years data /Base years data *100

2. Bench marking analysis: In financial sustainability analysis, benchmarking helps determine if a company's financial health and performance are on par with industry standards or if there are any significant deviations that may indicate risks or opportunities. Key metrics for benchmarking financial sustainability include liquidity ratios (such as current ratio and quick ratio), leverage ratios (such as debt-to-equity ratio), and efficiency ratios (such as inventory turnover and accounts receivable turnover).In profitability analysis, benchmarking allows companies to evaluate their profitability metrics, such as gross profit margin, net profit margin, and return on investment, against industry benchmarks or competitors to gauge their competitiveness and identify potential areas for enhancing profitability. By comparing performance against industry leaders or best practices, companies can set realistic goals, prioritize improvement initiatives, and optimize their financial strategies to achieve sustainable profitability.

4.2 Profitability Ratio:

Gross profit margin: Calculates the percentage of revenue that exceeds the cost of goods sold. It indicates how well a company is managing its production costs.

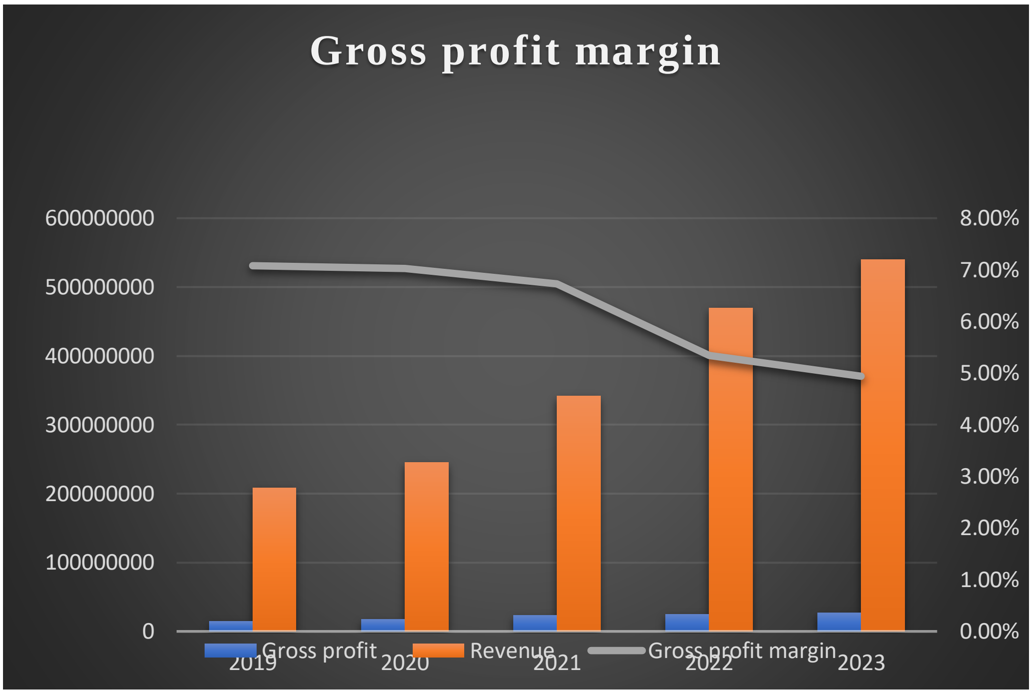
Table 4.2.1 Figures showing the Changes in the gross profit margin from 2019 to 2020

Year	Gross Profit	Revenue	Gross profit margin
2019	1,47,77,267	20,85,89,796	7.08%
2020	1,72,54,614	24,52,06,464	7.03%
2021	2,30,20,498	34,20,36,740	6.73%
2022	2,50,86,575	46,93,82,000	5.34%
2023	2,66,80,124	54,00,66,307	4.94%

Interpretation:

The progression of gross profit margins over the years reveals a concerning trend for the company. Starting at a healthy 7.08% in 2019, the margin slightly dipped to 7.03% in 2020, signaling potential challenges ahead. However, by 2021, the margin further decreased to 6.73%, indicating a more pronounced struggle, likely influenced by increased competition or rising costs. The decline accelerated significantly in 2022, with the margin plummeting to 5.34%, suggesting a substantial impact on profitability. By 2023, the trend continued downward as the margin fell to 4.94%, highlighting ongoing difficulties. These diminishing margins underscore the pressing need for the company to address underlying issues promptly, whether through cost management, operational efficiencies, or strategic adaptations, to safeguard its profitability and long-term success.

Graph 4.2.1 figures showing the changes in the Gross profit margin



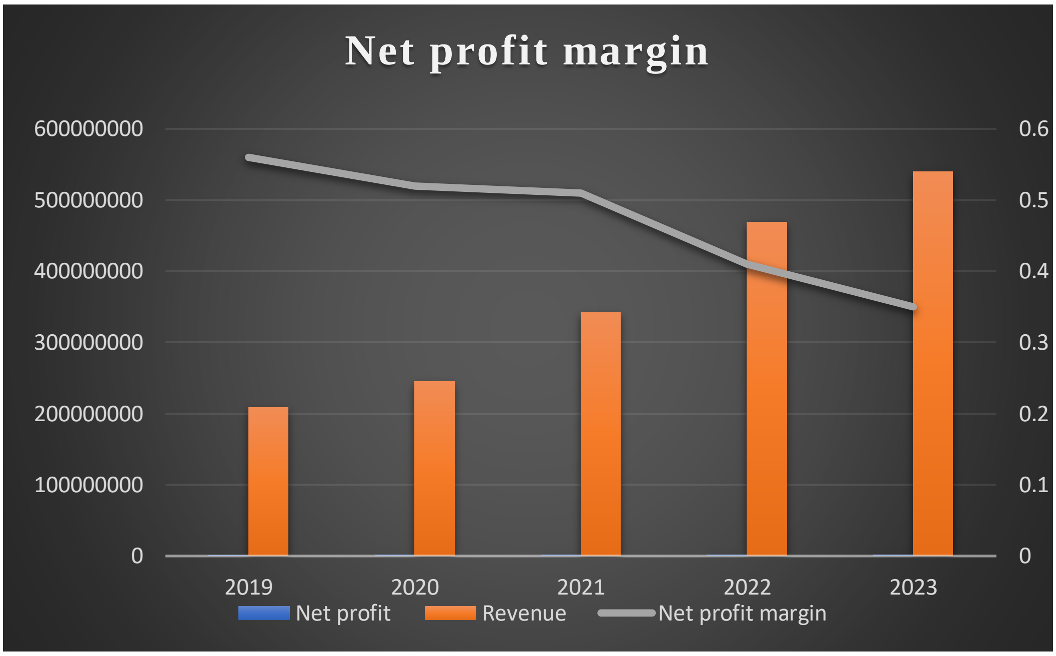
a) <u>Net profit margin</u>: Net Profit Margin (also known as "Profit Margin" or "Net Profit Margin Ratio") is a financial ratio used to calculate the percentage of profit a company produces from its total revenue. It measures the amount of net profit a company obtains per dollar of revenue gained. The net profit margin is equal to net profit (also known as net income) divided by total revenue.

Net profit margin= Net profit/Total revenue*100

Table 4.2.2 showing the figures changes in the Net profit margin

Year	Net profit	Revenue	Net profit margin
2019	1170984	208589796	0.56
2020	1298462	245206464	0.52
2021	1749375	342036740	0.51
2022	1932173	469382000	0.41
2023	1924691	540066307	0.35

Graph 4.2.2 figures showing the changes in the Net profit margin



Interpretation:

The net profit margin exhibited a downward trajectory from 0.56 in 2019 to 0.35 in 2023, indicating a concerning trend for the company's financial health. This decline suggests challenges in maintaining profitability, potentially stemming from factors like heightened competition, escalating operational costs, or inefficiencies. The notable drop in 2023 underscores a significant downturn in financial performance, likely influenced by intensified market pressures or internal issues. reverse this trend and ensure long-term viability, the company may need to implement strategic initiatives such as cost reduction, operational enhancements, or product innovation. Furthermore, a comprehensive analysis of market dynamics and competitor actions could offer valuable insights for devising effective strategies to address the declining net profit margin and foster sustainable growth.

b) Return on Asset: Return on assets (ROA) is a financial metric used to evaluate a company's profitability by measuring how efficiently it generates earnings from its assets. ROA indicates the percentage of profit a company earns relative to its total assets. It provides insight into management's ability to utilize assets effectively to generate profits. A higher ROA typically indicates better asset utilization and profitability.

Table 4.2.3 showing the figures changes in the ROA

Year	Net income	Total asset	ROA
2019	1170984	67717034	0.017
2020	1298463	75254032	0.017
2021	1749375	88235261	0.019
2022	1932173	116877131	0.016
2023	1924691	154430891	0.012

Graph 4.2.3 figures showing the changes in the ROA

Interpretation:

The fluctuation in Return on Assets (ROA) from 2019 to 2023 reflects changes in a company's efficiency in generating profits relative to its assets. In 2019 and 2020, with a stable ROA of 0.017, the company maintained a consistent level of profitability relative to its asset base. However, in 2021, there was a slight increase to 0.019, indicating improved efficiency in utilizing its assets to generate profits. This could be attributed to strategic initiatives, improved operational efficiency, or favorable market conditions. The subsequent decline in ROA to 0.016 in 2022 suggests a possible dip in profitability relative to assets, which could stem from factors like increased operating costs, declining revenues, or ineffective asset management strategies. By 2023, the ROA further dropped to 0.012, indicating a significant decline in profitability relative to assets. This could signal challenges such as declining sales, asset impairments, or increased liabilities impacting the company's ability to generate profits from its assets. Overall, analysing the ROA trend provides insights into the company's financial performance and can guide strategic decisions to enhance efficiency and profitability in the future.

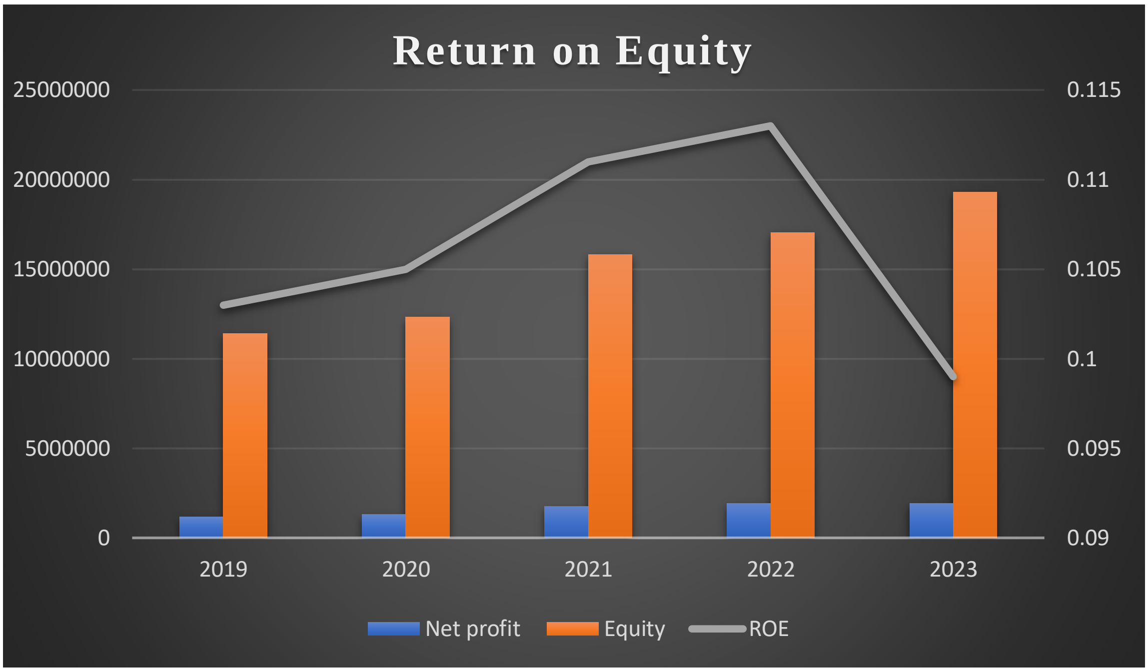
b) Return on Equity: Return on equity (ROE) is a financial metric that measures the profitability of a company in relation to the shareholders' equity. ROE indicates how effectively a company is utilizing its shareholders' equity to generate profits. It is often used by investors to assess the efficiency and profitability of a company compared to its peers or over time.

ROE= Net Income/Shareholders Equity

Table 4.2.4 showing the figures changes in the ROE

Year	Net profit	Equity	ROE
2019	1170984	11414039	0.103
2020	1298462	12320281	0.105
2021	1749375	15801200	0.111
2022	1932173	17050966	0.113
2023	1924691	19296435	0.099

Graph 4.2.4 figures showing the Changes in ROE



Interpretation:

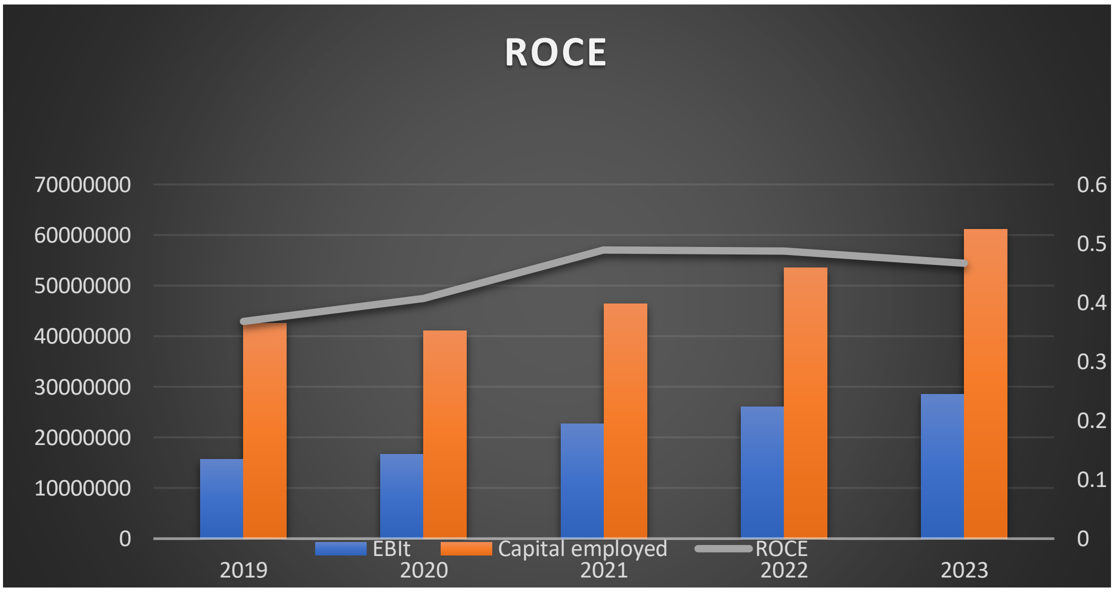
The ROE trend between 2019 and 2023 showcases fluctuations. Beginning at 10.3% in 2019, indicating a 10.3 cents profit for every dollar of shareholder equity, there was a slight increase to 10.5% in 2020, suggesting marginally improved profitability. 2021 saw a more notable rise to 11.1%, signaling efficient utilization of equity for higher profit. This positive trajectory continued into 2022, with the ROE reaching 11.3%. However, in 2023, a decline to 9.9% was observed, indicating decreased profitability compared to previous years. This decline may be attributed to factors such as increased expenses, decreased revenue, or shifts in market conditions. Overall, while the ROE initially showed positive growth, the decline in 2023 suggests a need for further analysis to address underlying issues affecting profitability's.

e) <u>Return on capital employed:</u> Return on Capital Employed (ROCE) is a financial metrics used to evaluate a company's profitability and efficiency in generating profits relative to the capital employed in the business. It's calculated by dividing the company's earnings before interest and taxes (EBIT) by its capital employed, which includes both equity and debt. ROCE provides insight into how effectively a company is using its capital to generate profits.

Table 4.2.5 figures showing the changes in the ROCE

Year	EBIT	Capital employed	ROCE
2019	15677941	42544338	0.368
2020	16702266	41071401	0.407
2021	22672738	46392874	0.489
2022	26074764	53492884	0.487
2023	28562645	61174462	0.467

Graph 4.2.5 figures showing the changes in the ROCE



Interpretation:

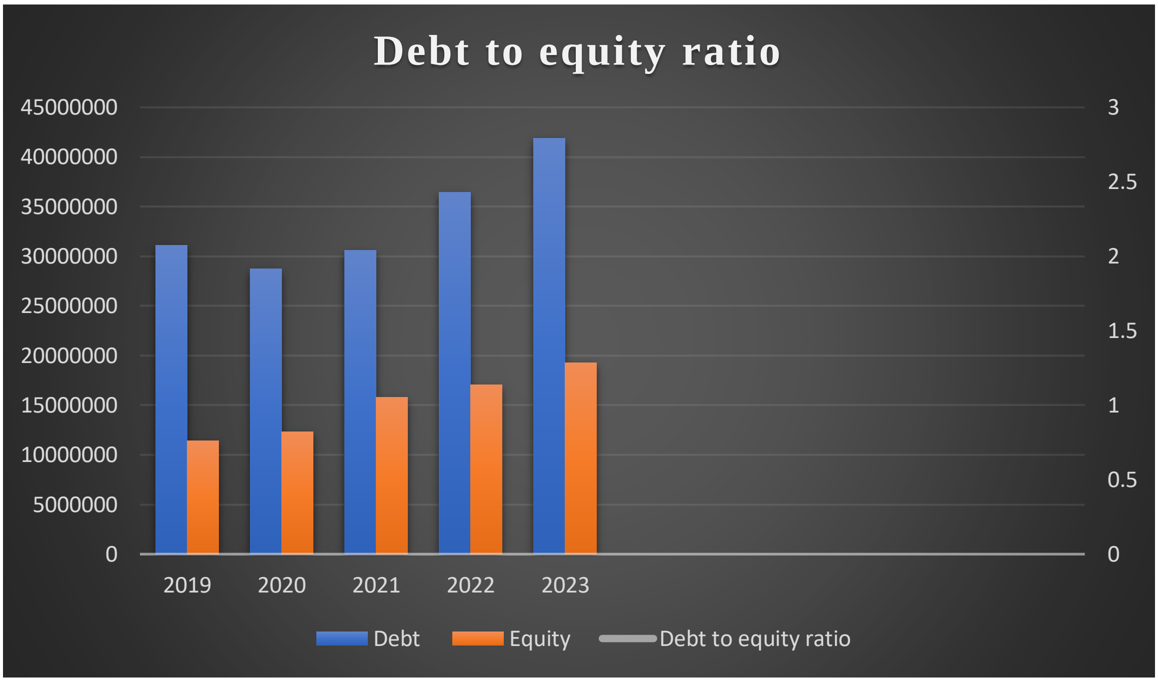
The Return on Capital Employed (ROCE) indicates how effectively a company generates profits from its capital investments. From 2019 to 2023, the ROCE exhibited a generally upward trend, reaching its peak in 2021 before experiencing a slight decline in the following years. n 2019, the ROCE stood at 0.368, improving to 0.407 in 2020 and further to 0.489 in 2021. However, by 2022 and 2023, the ROCE decreased marginally to 0.487 and 0.467 respectively. While this overall trend indicates enhanced capital efficiency and profitability over time, the recent dip in ROCE could be attributed to factors like heightened competition or changes in market dynamics, suggesting the need for ongoing optimization of resource allocation strategies.

Debt to Equity ratio: The ratio of debt to equity indicates how much of a company's funding is provided by debt as opposed to equity. the debt-to-equity ratio can indicate how efficiently a company is using its equity to generate profits.

Table 4.2.6 showing the figures changes in the Debt-to-equity ratio

Year	Debt	Equity	Debt equity ratio
2019	31130039	11414039	2.727346472
2020	28751120	12320281	2.333641578
2021	30591674	15801200	1.936034858
2022	36441917	17050966	2.137234747
2023	41878027	19296435	2.170246836

Graph 4.2.6 Figures showing the Debt-to-equity ratio



Interpretation:

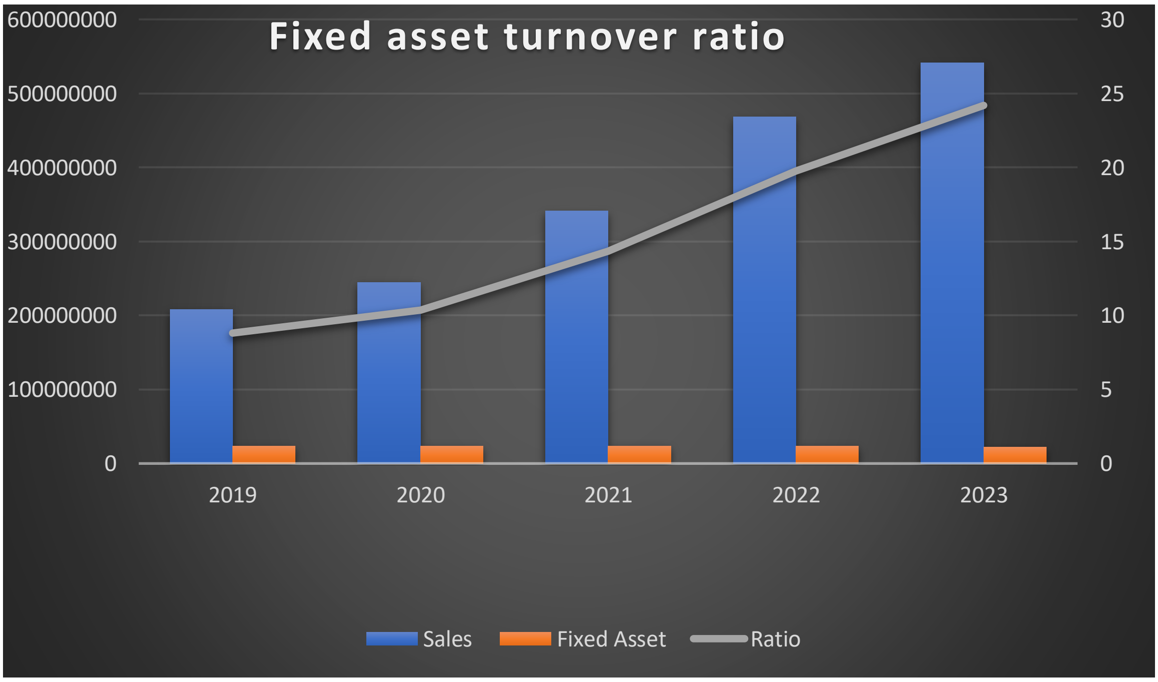
From 2019 to 2020, the debt-to-equity ratio decreased from 2.71 to 2.33. This indicates that the company reduced its reliance on debt to finance its assets in 2020 compared to the previous year.In 2021, the ratio decreased further to 1.93, suggesting a continued reduction in debt relative to equity. This might indicate improved financial health and reduced financial risk for the company, as it is relying more on equity financing rather than debt financing. However, in 2022, there was a slight increase in the debt-to-equity ratio to 2.13, which could suggest that the company increased its reliance on debt to finance its operations or investments that year. In 2023, the ratio remained relatively stable at 2.17, indicating that the company's debt and equity levels were relatively balanced compared to the previous year. Overall, the trend shows a fluctuation in the debt-to-equity ratio over the years, with a significant decrease in 2021 followed by slight fluctuations in the following years. This could indicate changes in the company's financing strategy and its ability to manage its debt levels.

Fixed Asset Turnover Ratio: The fixed asset turnover ratio indicates how effectively a company is utilizing its fixed assets to generate sales revenue. It's calculated by dividing net sales by the average value of fixed assets. A higher ratio suggests better efficiency in using fixed assets to generate revenue.

Table 4.2.7 Figures showing the changes in the Fixed assets turnover ratio

Year	Sales	Fixed Asset	Fixed assets turnover ratio
2019	208342196	23656419	8.81
2020	244789900	23653482	10.35
2021	341061948	23763622	14.35
2022	468382000	23763622	19.73
2023	541024831	22364253	24.19

Graph 4.2.7 figures showing the Fixed asset turnover ratio



Interpretation:

From 2019 to 2023, the company's fixed asset turnover ratio showed a significant increase, indicating improved efficiency in utilizing fixed assets to generate revenue. In 2019, for every dollar invested in fixed assets, the company generated $8.81 in revenue. By 2023, this efficiency had increased, with the company generating $24.19 in revenue for every dollar invested in fixed assets. This upward trend in the fixed asset turnover ratio suggests that the company has become increasingly efficient in utilizing its fixed assets, potentially through improved production processes, better asset management, or more effective resource allocation. Overall, the increasing fixed asset turnover ratio indicates improved operational efficiency, which can lead to higher profitability and better financial health for the company.

Liquidity Ratio: Liquidity ratios measure a company's ability to meet its short-term obligations with its current assets. They indicate how easily a company can convert its assets into cash to cover its liabilities.

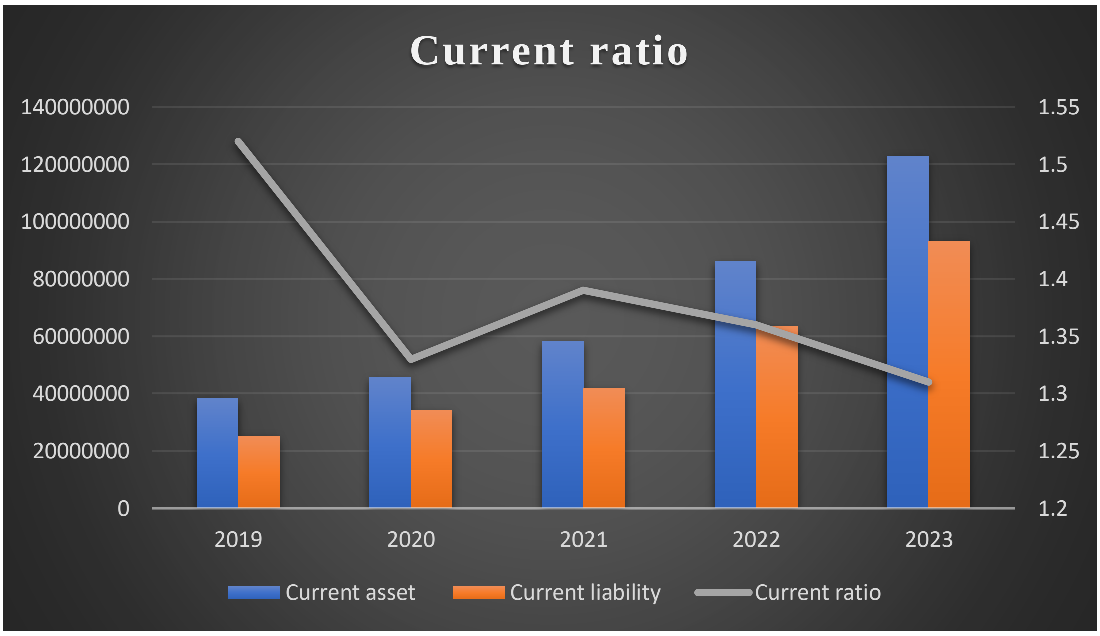
Current ratio: The current ratio is a financial metric that measures a company's ability to pay off its short-term liabilities with its short-term assets. A current ratio above 1 indicates that a company has more current assets than current liabilities, suggesting it has the ability to cover its short-term obligations

Current ratio= Current asset /Current liability

Table 4.2.8 figures showing the changes in the Current ratio

Year	Current asset	Current liability	Current ratio
2019	38324262	25172956	1.52
2020	45604056	34182631	1.33
2021	58344314	41842387	1.39
2022	86117736	63384247	1.36
2023	122979206	93256429	1.31

Graph 4.2.8 figures showing the Current ratio



Interpretation: Over the span from 2019 to 2023, the company's current ratio, an indicator of its ability to meet short-term liabilities with its short-term assets, exhibited variability. Beginning at a relatively strong 1.52 in 2019, this ratio suggested that the company was in a good position to fulfil its short-term financial obligations. This figure, however, dropped to 1.33 in 2020, possibly due to internal financial decisions or external economic challenges impacting the company's asset management or debt levels. A slight recovery to 1.39 in 2021 could indicate attempts to optimize asset utilization or reduce immediate liabilities, possibly through strategies like increasing cash reserves or managing debt more effectively. Nevertheless, a minor decrease to 1.36 in 2022, followed by a further decline to 1.31 in 2023, points to persistent hurdles in sustaining or enhancing liquidity. These could stem from a variety of factors, including heightened borrowing, accumulation of inventory, or delays in receivable collections. The observed variations in the current ratio over these years underscore the fluctuating financial condition of the company and underscore the critical role of adept financial management amid shifting economic conditions.

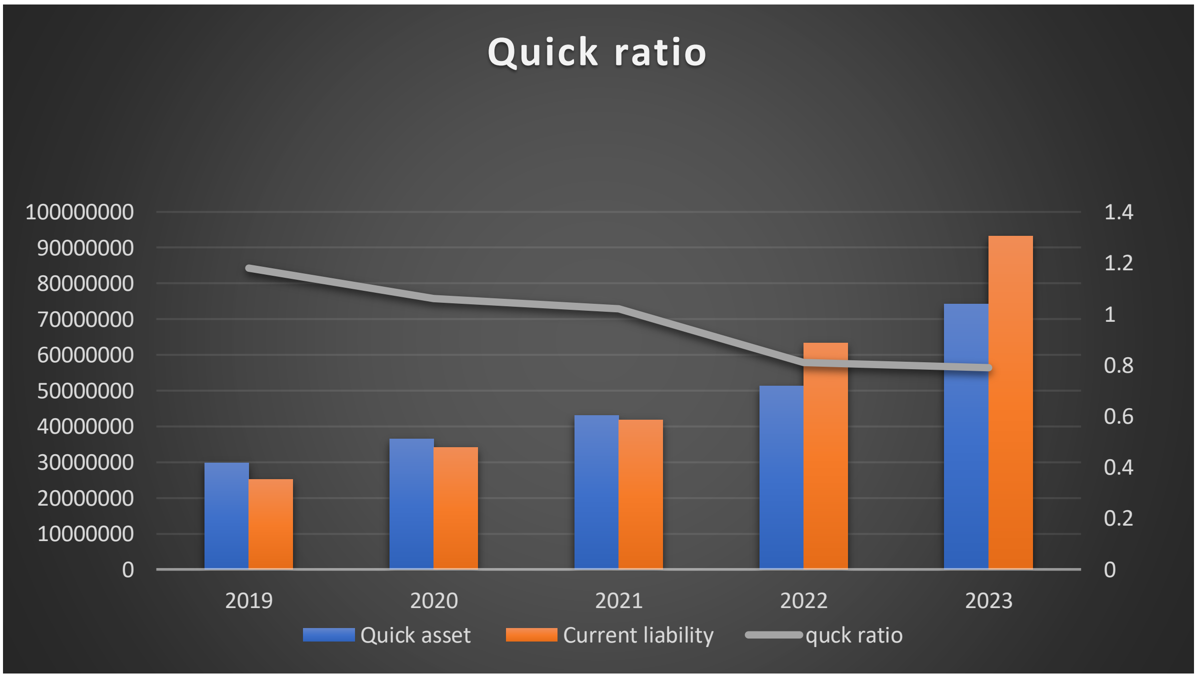
a) Quick ratio: The quick ratio, also known as the acid-test ratio, is a financial metric used to gauge a company's ability to cover its short-term liabilities with its most liquid assets (cash, marketable securities, and accounts receivable).

Quick ratio= Quick asset / Current liabilities

Table 4.2.9 figures showing the Changes in the Quick ratio

Year	Quick asset	Current liability	Quick ratio
2019	29788486	25172956	1.18
2020	36473799	34182631	1.06
2021	43008366	41842387	1.02
2022	51372182	63384247	0.81
2023	74268254	93256429	0.79

Graph 4.2.9 figures showing the quick ratio



Interpretation: The quick ratio shows if a company can quickly pay off its short-term debts using its most easily accessible assets, like cash. From 2019 to 2023, this ratio went down every year, from 1.18 to 0.79. This means the company was in a good position in 2019, able to pay its debts and then some. But by 2023, it couldn't cover its short-term debts with its available assets, signalling it might be having trouble managing its money or facing other financial issues. The steady drop over the years suggests the company needs to look into what's causing this and fix it.

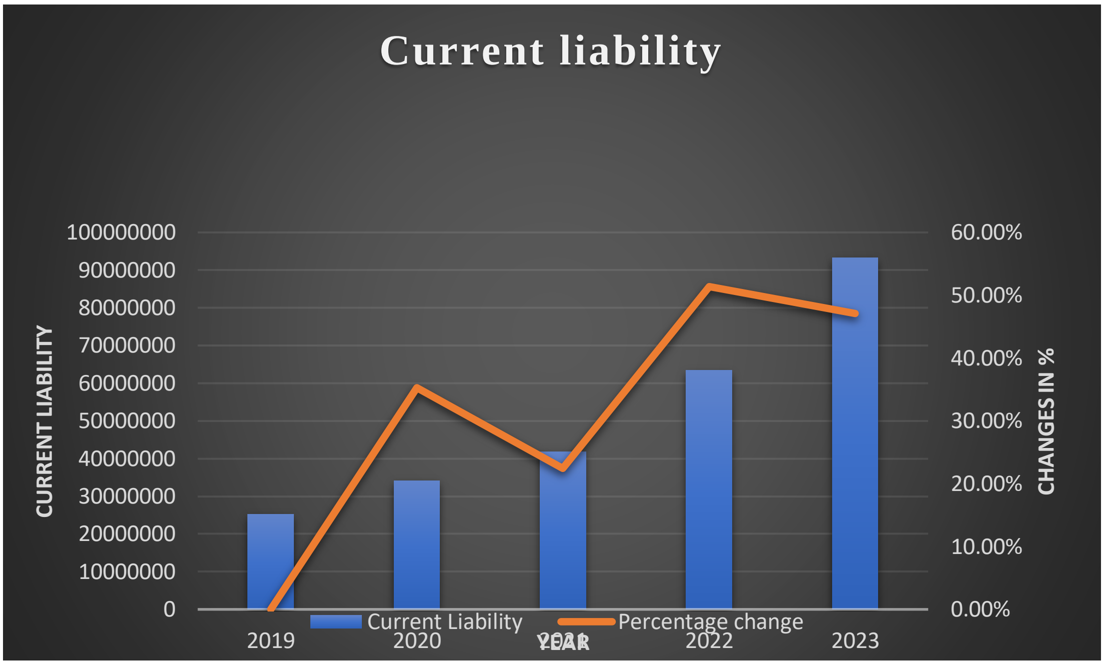
4.3 Comparative Analysis

Current liability: Current liabilities are obligations that a company needs to settle within one year or within the normal operating cycle of the business, whichever is longer. These are short-term financial obligations that the company expects to pay off using its current assets or by creating other current liabilities.

Table 4.3.1 figures showing the Percentage changes in the Current liability

Year	Current Liability	Percentage change
2019	25272956	_
2020	34182631	35.23%
2021	41842387	22.47%
2022	63384247	51.37%
2023	93256429	47.07%

Graph 4.3.1 figures showing the percentage changes in the Current liability



Interpretation:

There has been a consistent increase in the company's current liability over the years, suggesting a growing need for short-term financing.

The percentage change in current liability from 2019 to 2020 was 35.23%, indicating a significant increase. This suggests a substantial rise in short-term obligations, possibly due to increased business activities, additional financial commitments, or a combination of both. Although the rate of increase in current liability slowed down slightly from 2020 to 2021, with a percentage change of 22.47%, the company's short-term financial obligations continued to grow. This could indicate a potential slowdown in business expansion or more efficient management of short-term obligations. The percentage change in current liability surged by 51.37% from 2021 to 2022, indicating a rapid expansion in business operations or increased financial commitments. The company might have undertaken significant new projects, expanded its product lines, or invested in new markets, requiring more short-term financing to support its growth. The significant increase in current liability by 47.07% from 2022 to 2023 suggests a continued rapid expansion in business activities. This indicates that the company's growth trajectory remained strong, with an increasing need for short-term financing to support its expanding operational requirements.

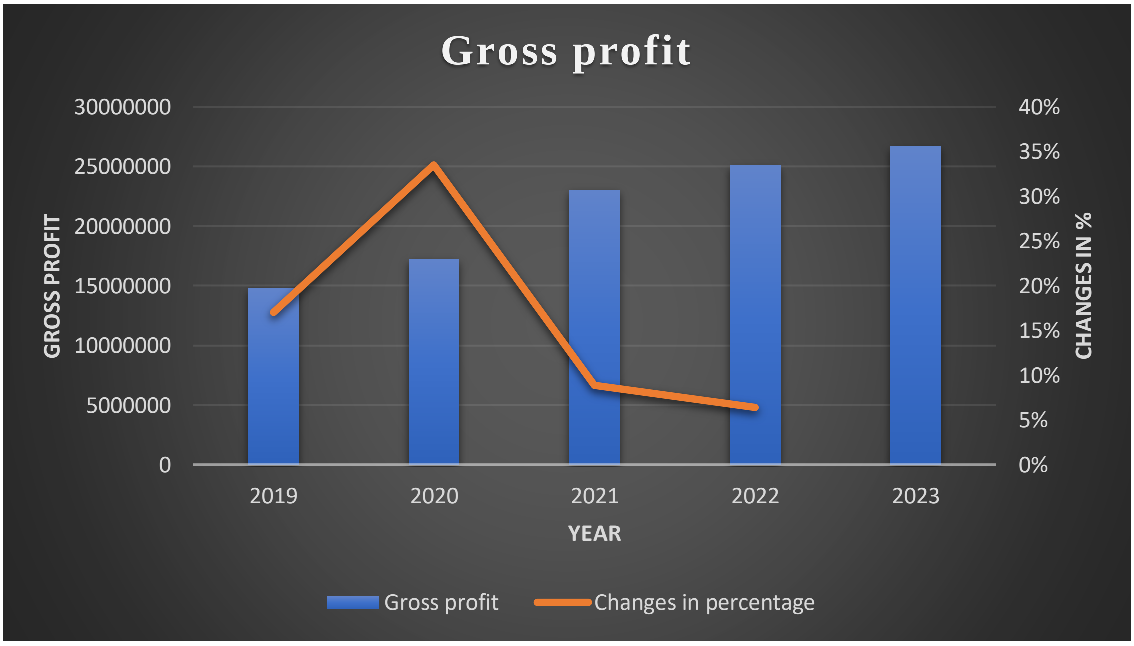
Gross Profit: Gross profit is a key financial metric that represents the difference between revenue and the cost of goods sold (COGS). It indicates the profitability of a company's core business activities, excluding operating expenses such as salaries, rent, and utilities.

Table 4.3.2 figures showing the percentage changes in the Gross profit

Year	Gross profit	Changes in percentage
2019	14777267	-
2020	17254614	17%
2021	23020498	33.5%
2022	25086575	8.9%
2023	26680124	6.4%

Source: Collected from secondary

Graph 4.3.2 figures showing the percentage changes in the gross profit



Interpretation:

A 17% increase in gross profit is a significant achievement. This growth could be attributed to a number of factors, including increased sales volume or higher selling prices, improved operational efficiency that reduces production costs, successful cost management strategies, or even the introduction of new, high-margin products or services. It's likely a combination of these forces that led to such a positive outcome. The company's impressive performance continued, with a phenomenal 33.5% growth in gross profit from 2020 to 2021. This surge builds upon the strong foundation laid the previous year, indicating the company's ability to capitalize on its momentum and solidify its financial health. he company's gross profit continued its upward trajectory after the stellar 33.5% growth in 2021. However, the pace of increase moderated significantly. While gross profit still grew in 2022 (8.9%) and 2023 (6.4%), the slowdown suggests a potential maturing of the market, increased competition, or other factors contributing to a plateau in the company's growth.

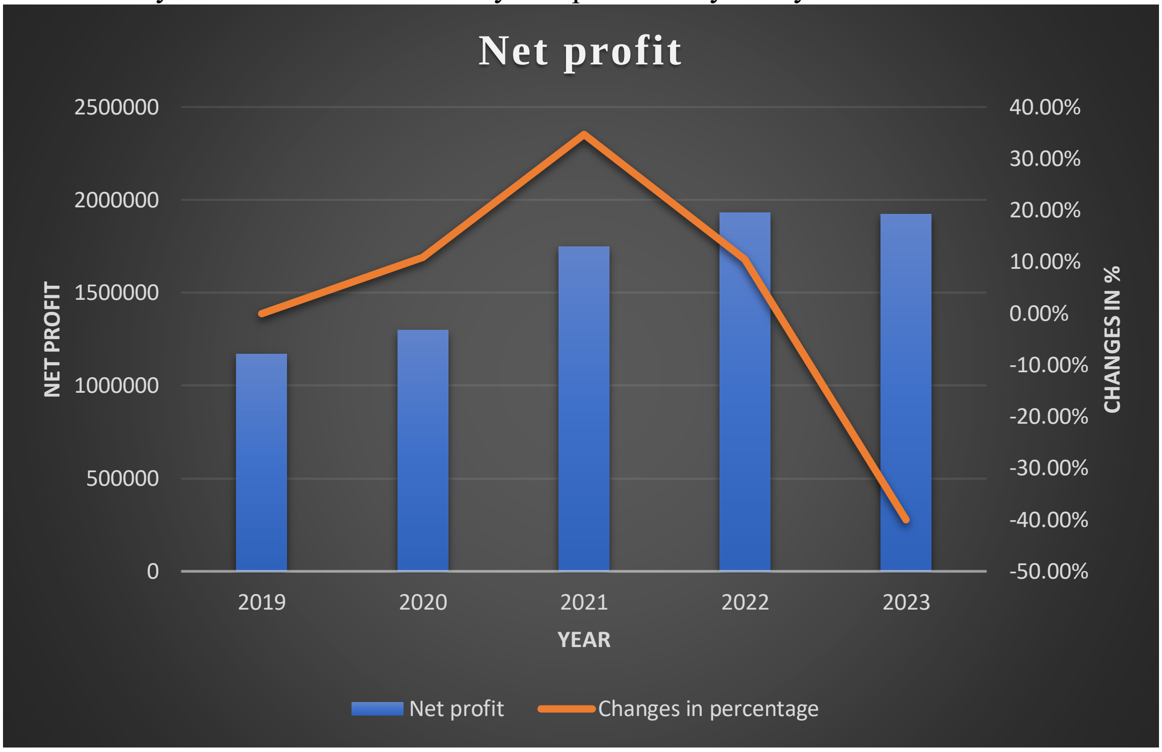
Net profit: Net profit, often referred to as the bottom line, is the profit that remains after deducting all expenses, taxes, and interest from a company's total revenue. It serves as a crucial indicator of the company's financial health and performance, reflecting its profitability.

Table 4.3.3 figures showing the percentage changes in the Net profit

Year	Net profit	Changes in percentage
2019	1170984	_
2020	1298462	10.9%
2021	1749375	34.7%
2022	1932173	10.5%
2023	1924691	-0.4

Source: Collected from Secondary data

Graph 4.3.3 figures showing the percentage changes in the Net profit



Interpretation:

The company experienced a positive growth in net profit of 10.87% from 2019 to 2020, indicating an improvement in its profitability during this period. This increase suggests that the company managed its expenses effectively or increased its revenue streams, resulting in higher profitability. It's important to note that this growth indicates a healthy financial performance, setting a positive trend for the company's future. The subsequent year, from 2020 to 2021, the company saw a significant increase in net profit of 35.00%. This substantial growth indicates a remarkable improvement in the company's financial performance. Such a significant increase in profitability suggests that the company may have implemented successful cost-saving measures, experienced an increase in revenue, or both. This growth not only demonstrates the company's ability to adapt to changing market conditions but also reflects its effective management strategies. From 2021 to 2022, there was a further increase in net profit, albeit at a slightly slower rate of 10.48% compared to the previous year. Despite the slower rate of growth, this increase indicates continued positive momentum in the company's financial performance. The company may have continued to implement effective cost management strategies or successfully expanded its revenue streams, contributing to this growth. However, from 2022 to 2023, there was a slight decrease of -0.39% in net profit. While this decrease may seem concerning at first glance, it's important to note that it is relatively small.

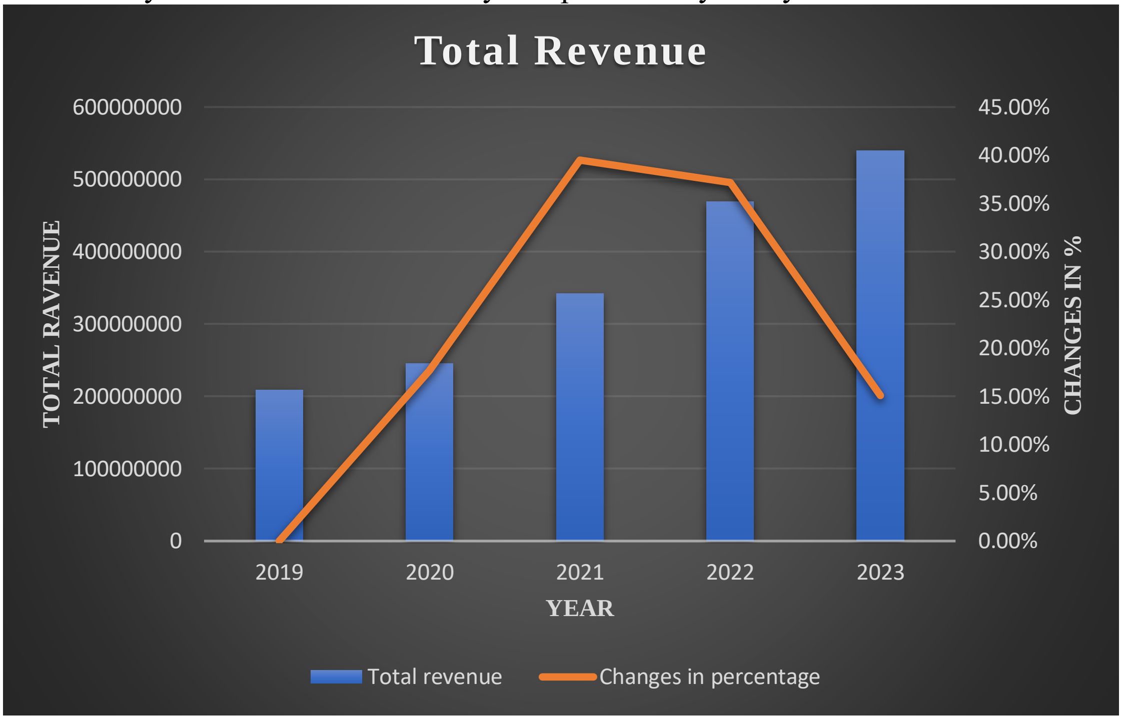
Revenue: Revenue, representing the total income generated by a company from its core business activities, serves as a critical indicator of its financial stability and viability. As the top line on the income statement, revenue plays a pivotal role in determining the company's profitability. Analyzing revenue trends over time offers valuable insights into the effectiveness of the company's sales and marketing strategies, as well as its ability to attract and retain customers.

Table 4.3.4 figures showing the percentage changes in the Revenue

Year	Total revenue	Changes in percentage
2019	208589796	_
2020	245206464	17.7%
2021	342036740	39.5%
2022	469382000	37.2%
2023	540066307	15.1%

Source: Collected from Secondary data

Graph 4.3.4 figures showing the percentage changes in the Revenue



Interpretation:

The company experienced a significant increase in total revenue of 17.56% from 2019 to 2020. This substantial growth indicates a positive trend in the company's revenue generation. Factors such as increased sales, expansion into new markets, or successful marketing strategies could have contributed to this growth. The company's ability to achieve such a significant increase in revenue suggests that it effectively capitalized on market opportunities and effectively managed its operations. The subsequent year, from 2020 to 2021, saw an even more substantial increase in total revenue, with a growth of 39.51%. This indicates accelerated growth and suggests that the company's business strategies were effective in driving sales and revenue. The company may have introduced new products or services, expanded its customer base, or implemented successful marketing campaigns. From 2021 to 2022, the company continued its impressive growth trajectory, with a further increase in total revenue of 37.25%. This indicates sustained momentum in the company's revenue generation. The company's ability to maintain such a high rate of growth suggests that its business strategies remained effective, and it continued to capitalize on market opportunities. owever, from 2022 to 2023, while the rate of growth decreased slightly to 15.06%, the company still experienced a significant increase in total revenue. This indicates continued positive growth, albeit at a slightly slower pace compared to the previous year.

Share capital: Share capital is a fundamental component of a company's financial structure, essential for its profitability and sustainability. By providing initial capital for operations and expansion, share capital enables companies to invest in growth opportunities and acquire assets without incurring debt. Additionally, a healthy share capital base enhances financial flexibility, strengthens solvency ratios, and improves the company's creditworthiness.

Table 4.3.5 figures showing the percentage changes in the Share capital

Year	Share Capital	Changes in percentage
2019	1407500	_
2020	1587500	12.8%
2021	1699500	7.1%
2022	1908000	12.3%
2023	2021500	6.0%

Source: Collected from secondary data

Graph 4.3.5 figures showing the percentage changes in the Share capital

Interpretation:

Over the past five years, the company's share capital has demonstrated consistent growth, increasing from ₹ 14,07,500 in 2019 to ₹ 20,21,500 in 2023. Annual growth rates have varied between 6.0% and 12.8%, with the highest increase observed between 2021 and 2022, at 12.3%. This consistent growth in share capital reflects the company's ability to attract investors and raise additional funds to support its operations and growth initiatives. The increasing trend in share capital indicates investor confidence in the company's future prospects and its potential for growth and expansion. Additionally, a growing share capital base enhances the company's financial flexibility and strengthens its balance sheet, contributing to long-term sustainability and profitability.

4.4 Correlation analysis

Correlation analysis is a statistical technique used to measure and describe the strength and direction of the relationship between two variables. It provides insight into how changes in one variable are associated with changes in another.

Table4.4.1 showing the Correlation between Gross profit margin and net profit margin of KMSSN

Year	Gross profit margin	Net profit margin
2019	7.08%	0.56%
2020	7.03%	0.53%
2021	6.72%	0.51%
2022	5.35%	0.41%
2023	4.93%	0.36%

	Column 1	Column 2
Column 1	1	
Column 2	0.9916	1

Interpretation:

The correlation coefficient between gross profit margin and net profit margin is 0.9916, indicating an extremely strong positive correlation between these two variables. This means that as the gross profit margin increases, the net profit margin also tends to increase, and vice versa. In other words, there is a very high degree of association between the profitability at the gross profit level and the profitability at the net profit level. This strong correlation suggests that changes in gross profit margin are highly predictive of changes in net profit margin, making it an important metric for assessing overall profitability and financial health.

Table 4.4.2 showing the Correlation between ROA and ROE of KMSSN

Year	ROA	ROE
2019	1.73%	10.25%
2020	1.72%	10.54%
2021	1.98%	11.07%
2022	1.65%	11.32%
2023	1.25%	9.98%

Correlation between ROA and ROE

	Column 1	*Column 2*
Column 1	1	
Column 2	0.625144	1

Interpretation:

A correlation coefficient of 0.625144 between Return on Assets (ROA) and Return on Equity (ROE) suggests a moderately strong positive relationship between these two financial metrics. The positive correlation indicates that as ROA increases, ROE tends to increase as well, suggesting that efficient use of assets contributes positively to shareholder value. However, it's important to note that correlation does not imply causation, and other factors may also influence the relationship between ROA and ROE. his correlation suggests that a company that effectively utilizes its assets to generate profit is likely to also provide higher returns to its shareholders, reflecting a strong financial performance and efficient management.

Table 4.4.3 showing the correlation between ROA and ROCE of KMSSN

Year	ROA	ROCE
2019	1.73%	36.81%
2020	1.72%	40.63%
2021	1.98%	48.88%
2022	1.65%	48.71%
2023	1.25%	46.70%

Correlation between ROA and ROCE

	Column 1	*Column 2*
Column 1	1	
Column 2	-0.05427	1

Interpretation:

A correlation coefficient of -0.05427 between Return on Assets (ROA) and Return on Capital Employed (ROCE) suggests a very weak negative relationship between these two financial metrics. ROA measures a company's ability to generate profit from its assets, while ROCE indicates how efficiently a company is using its capital to generate profit. The negative correlation indicates that there is a slight tendency for ROA and ROCE to move in opposite directions. In other words, as ROA increases, ROCE may decrease slightly, and vice versa. However, the correlation is very weak, suggesting that there is little to no meaningful relationship between these two metrics.

Table4.4.4 showing the correlation between ROE and ROCE of KMSSN

Year	ROE	ROCE
2019	10.25%	36.81%
2020	10.54%	40.63%
2021	11.07%	48.88%
2022	11.32%	48.71%
2023	9.98%	46.70%

Correlation between ROE and ROCE

	Column 1	*Column 2*
Column 1	1	
Column 2	0.556057	1

Interpretation:

A correlation coefficient of 0.556057 between Return on Equity (ROE) and Return on Capital Employed (ROCE) suggests a moderately strong positive relationship between these two financial metrics. ROE measures how much profit a company generates with the money shareholders have invested, while ROCE indicates how efficiently a company is using its capital to generate profit. The positive correlation indicates that as ROE increases, ROCE tends to increase as well, and vice versa. This suggests that companies with higher returns on equity tend to also have higher returns on their capital employed.

CHAPTER- 5

SUMMARY OF FINDINGS, SUGGETION AND CONCLUSION

5.1Findings:

1. The gross profit margin exhibited a fluctuating trend over the years, experiencing an increase from 2019 to 2022 followed by a slight decrease in 2023.
2. ROA has shown inconsistent performance over the years. It decreased slightly from ₹17,30,047 in 2019 to ₹17,25,290 in 2020, increased significantly to ₹19,83,982 in 2021, but then decreased sharply to ₹16,54,197 in 2022 and further to ₹12,52,411 in 2023.
3. Share capital has shown consistent growth over the past five years, increasing from 14,07,500 in 2019 to 20,21,500 in 2023.
4. Annual growth rates have varied between 6.0% and 12.8%, with the highest increase observed between 2021, at 12.3%
5. The increasing trend in share capital indicates the company's ability to attract investors and raise additional funds to support its operational and growth initiatives.
6. The company's net profit showed the growth in past five years. The highest growth in net profit was observed between 2020 and 2021, with a significant increase of 34.7%.
7. Net profit growth decreases in the following years from 2022 to 2023.
8. There is a significant increase in the revenue from 2020 and 2021, where it is increased by 39.5%
9. There is a strong positive correlation between gross profit margin and net profit margin. This suggests that changes in gross profit margin are highly predictive of changes in net profit margin.
10. The correlation coefficient of indicates a moderate positive correlation between ROA and ROE.
11. There is a decrease in the ROA. The decreasing trend in ROA indicates that the company's profitability relative to its assets has declined over the period.

5.2 Suggestions:

1. Implement cost control measures to reduce the cost of goods sold and improve gross profit margin.
2. Analyse pricing strategies and consider adjusting selling prices to maximise profitability.
3. Conduct a detailed analysis of all expenses to identify areas for cost reduction.
4. Review asset utilization and identify unperforming assets for optimizing disinvestment.
5. Evaluate and manage debt levels to reduce interest expenses and improve ROE.

6. Focus on improve profitability through operational efficiency and cost management to increase return on equity.

5.3 Conclusion:

The financial analysis offers valuable insights into the company's performance over the past five years. While there were periods of growth and improvement in certain financial metrics, overall, the company faced challenges in maintaining profitability and efficiency. The gross profit margin displayed a fluctuating trend, increasing from 2019 to 2022 but slightly decreasing in 2023, indicating potential challenges in cost management or pricing strategy. Similarly, the net profit margin fluctuated, decreasing overall from 2019 to 2023, suggesting difficulties in maintaining profitability after accounting for all expenses. Return on assets (ROA) exhibited inconsistent performance, with fluctuations over the years, indicating a decline in asset efficiency. Return on equity (ROE) fluctuated, with a decrease in profitability in relation to shareholder equity from 2022 to 2023. Return on capital employed (ROCE) also showed a mixed trend, with periods of improvement followed by periods of decline. To address these challenges and improve financial performance, the company should focus on implementing cost-control measures, optimizing asset utilization, and improving operational efficiency. Additionally, careful evaluation of capital investment decisions and exploration of opportunities to reduce debt levels and improve liquidity are recommended. By implementing these strategies, the company can work towards achieving long-term profitability, sustainability, and growth.