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A Study on Financial Performance Analysis with Special Reference to Palayam Primary Agricultural Co-operative Credit Society Ltd.

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Abstract

The study evaluates the financial performance of the Palayam Primary Agricultural Co-operative Credit Society Ltd. (PACCS), Palayam, over 2019–2024 using ratio and trend analysis. Liquidity is examined through current, quick, and cash ratios; profitability through net profit margin, return on assets (ROA), and return on capital employed (ROCE); solvency through debt-to-equity, debt ratio, and equity ratio; and short-term capacity through working capital. Secondary data were sourced from audited financial statements. Results indicate a consistently strong liquidity position (current ratio >2), steadily rising profitability margins, and low reliance on external debt, reflected in favorable solvency indicators. Working capital grew year-on-year, supporting uninterrupted operations and member-credit delivery. Trend analysis confirms sustained asset growth and improved earnings capacity. The paper concludes with practical recommendations to strengthen immediate liquidity, diversify income, and leverage digital processes for monitoring and recovery. The findings contribute evidence on the financial health and sustainability pathways of rural cooperative credit institutions.

Keywords: Financial Performance, Liquidity, Profitability, Solvency, Working Capital,

Cooperative Credit Society

1. INTRODUCTION

Primary Agricultural Co-operative Credit Societies (PACCS) are the first-mile interface of rural finance in India. They mobilize savings and extend short-term and medium-term credit to farmers and rural households. Assessing their financial performance is essential to ensure solvency, liquidity, and the capacity to serve members sustainably.

This paper examines the financial position of the Palayam PACCS over five financial years (2019–2024). The analysis focuses on liquidity, profitability, solvency, and working capital, using standard ratio analysis and trend analysis on audited statements.

Objectives of the study are:

(i) To measure the liquidity, profitability, solvency, and working capital position;

(ii) To identify strengths and weaknesses from multi-year trends; and

(iii) To provide recommendations for operational and financial improvement.

The scope is restricted to the Palayam PACCS and the period 2019–2024. The study uses only secondary data from the society's financial statements and standard textbook formulas for ratios. The results aim to guide managerial decisions while contributing evidence on cooperative finance performance.

2. RELATED WORK

Prior studies show that working capital policies and liquidity management influence profitability. Deloof reported that shorter receivable periods are associated with higher profits [1]. Lazaridis and Tryfonidis found a significant relationship between working capital components and firm profitability [2]. Raheman and Nasr observed a trade-off between liquidity and profitability in emerging markets [3]. Mathuva highlighted the roles of inventory conversion and collection periods in shaping earnings [4]. Gill et al. documented positive associations between efficient working capital management and profitability in the United States [5].

3. RESEARCH METHODOLOGY

Design: The study is descriptive and analytical in nature. It evaluates multiyear performance using ratio analysis and trend analysis.

Data Source: The study uses secondary data extracted from audited

balance sheets and income statements of Palayam PACCS for the five-year

period from 2019–2020 to 2023–2024.

Tools and Measures: Liquidity was assessed using current, quick, and cash

ratios; profitability through net profit margin, return on assets (ROA), and

return on capital employed (ROCE); solvency through debt-to-equity, debt

ratio, and equity ratio; and short-term capacity through working capital.

Computation: Standard financial formulas were applied consistently across

the five years. Results are presented in consolidated tables with brief

interpretations to highlight trends.

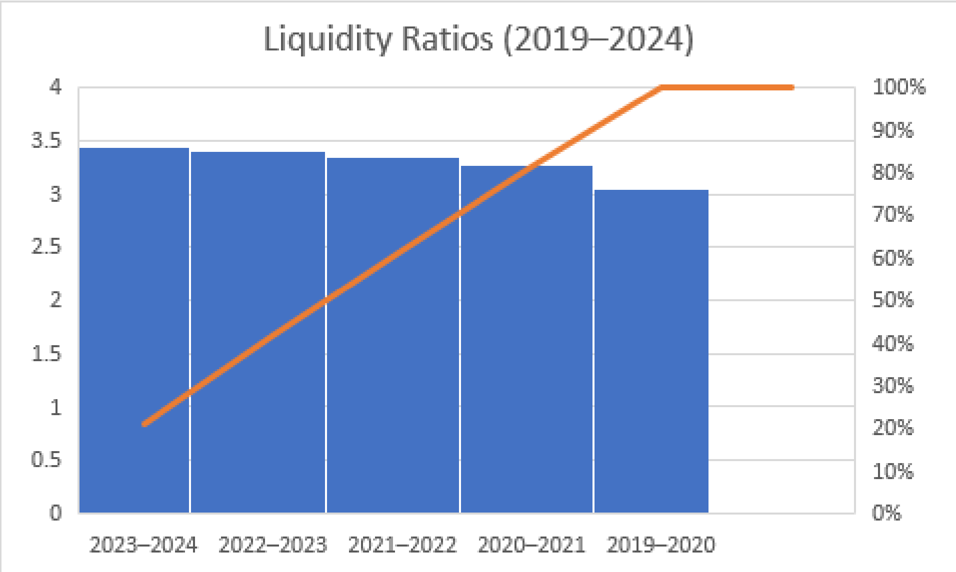
4. RESULTS AND ANALYSIS

Table 1: Liquidity Ratios (2019–2024)

Year	Current Ratio	Quick Ratio	Cash Ratio

2019–2020	3.04	2.86	0.60
2020–2021	3.27	3.05	0.64
2021–2022	3.35	3.15	0.66
2022–2023	3.41	3.18	0.67
2023–2024	3.44	3.22	0.68

Figure 1: Liquidity Ratios (2019–2024)

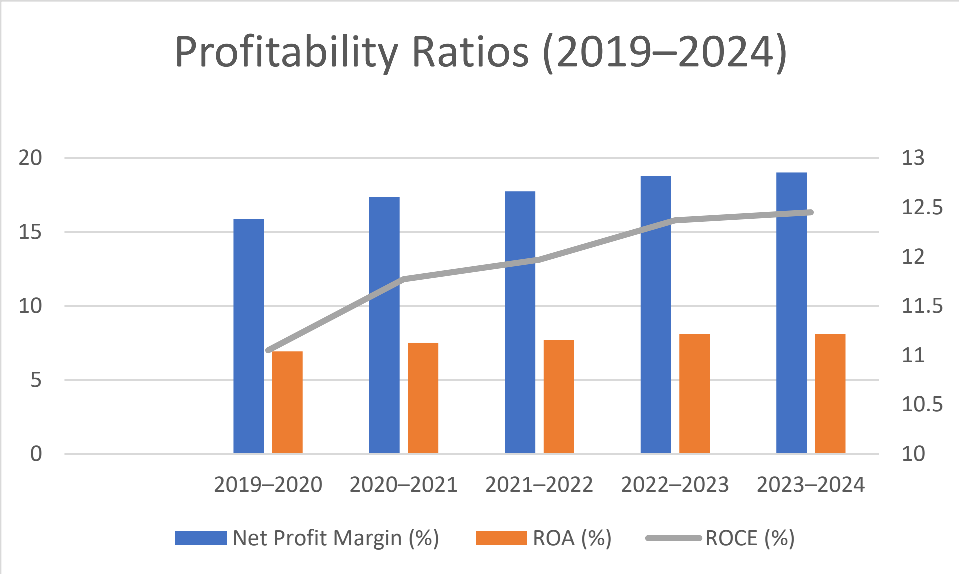


Interpretation: The current ratio remained consistently above 3 across the five years, indicating that the society had sufficient current assets to meet its current liabilities. This strong liquidity position reflects financial flexibility and is consistent with earlier findings that higher liquidity ensures stability in co-operatives [1], [2].

Table 2: Profitability Ratios (2019–2024)

Year	Net Profit Margin (%)	ROA (%)	ROCE (%)
2019–2020	15.88	6.92	11.05
2020–2021	17.39	7.51	11.77
2021–2022	17.76	7.69	11.97
2022–2023	18.78	8.09	12.37
2023–2024	19.03	8.09	12.45

Figure 2: Profitability Ratios (2019–2024)

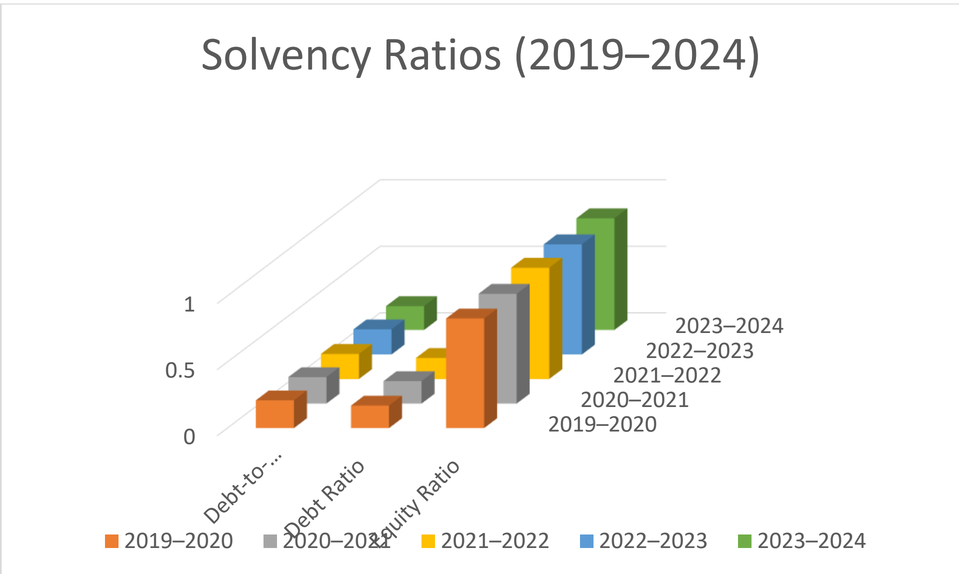


Interpretation: Profitability ratios such as net profit margin and return on assets showed an improving trend during the study period. This demonstrates efficient resource utilization and effective management of operations. The results align with previous research that highlighted a positive relationship between effective working capital management and profitability [3], [5].

Table 3: Solvency Ratios (2019–2024)

Year	Debt-to-Equity	Debt Ratio	Equity Ratio
2019–2020	0.21	0.17	0.83
2020–2021	0.20	0.17	0.83
2021–2022	0.19	0.16	0.84
2022–2023	0.19	0.16	0.83
2023–2024	0.18	0.15	0.84

Figure 3: Solvency Ratios (2019–2024)

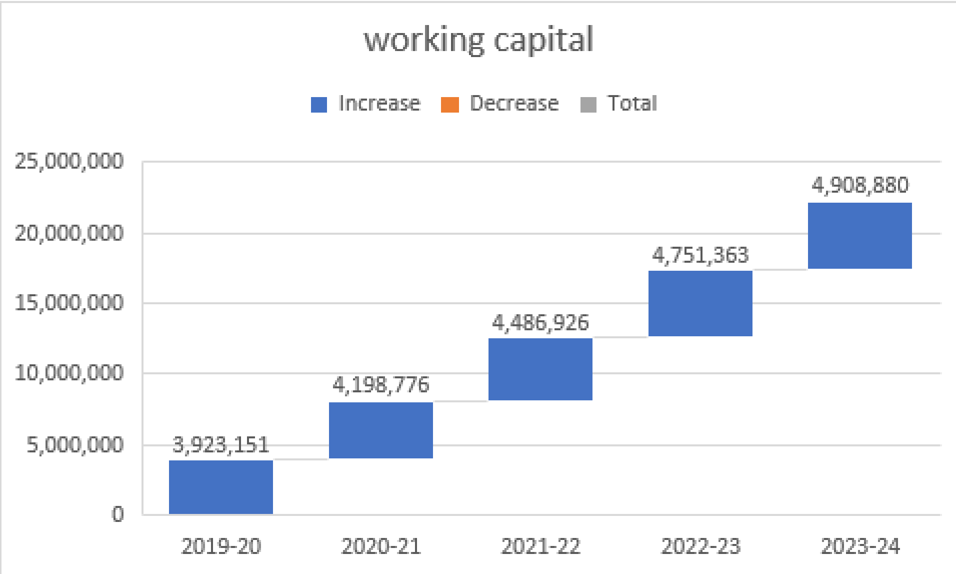


Interpretation: The solvency ratios revealed that the society relied less on borrowed funds and maintained a low debt-to-equity ratio. This indicates reduced financial risk and long-term sustainability. Such results are consistent with earlier studies which showed that controlled leverage enhances the financial strength of co-operative societies [6], [7].

Table 4: Working Capital (2019–2024)

Year	Current Assets (₹)	Current Liabilities (₹)	Working Capital (₹)
2019–2020	58,44,272.00	19,21,121.00	39,23,151.00
2020–2021	60,47,202.00	18,48,426.00	41,98,776.00
2021–2022	63,99,161.00	19,12,235.00	44,86,926.00
2022–2023	67,23,778.00	19,72,415.00	47,51,363.00
2023–2024	69,20,491.00	20,11,611.00	49,08,880.00

Figure 4: Working Capital Position (2019–2024)



Interpretation: Working capital increased steadily from 2019 to 2024, reflecting effective management of short-term assets and liabilities. This growth ensured that the society could meet its lending operations as well as liquidity requirements. Similar studies have emphasized that efficient working capital management contributes directly to long-term profitability and stability [8], [9].

5. FINDINGS AND DISCUSSION

1. **Liquidity**
   The society maintained a strong liquidity position throughout the study period, with current ratios consistently above 3. This suggests that short-term assets were more than sufficient to cover short-term liabilities, ensuring financial flexibility [1], [2]. Such results align with previous studies which reported that higher liquidity supports financial stability in co-operatives.

2. **Profitability**
   Profitability showed a positive trend, with net margins improving year by year. This indicates efficient management of resources and effective lending practices [3], [5]. The results confirm earlier findings that proper working capital policies enhance profitability in financial institutions.
3. **Solvency**
   The solvency ratios indicated that the society relied less on external borrowings and maintained a lower debt-to-equity ratio. This reflects reduced financial risk and long-term sustainability [6], [7]. Similar evidence in earlier research has highlighted that controlled leverage improves financial strength in co-operative societies.
4. **Working Capital**
   Working capital increased consistently from 2019 to 2024, reflecting efficient management of current assets and liabilities. A growing working capital base shows that the society could support both lending operations and liquidity requirements effectively [8], [9]. This finding is consistent with global studies that suggest efficient working capital management directly contributes to long-term profitability and stability.
5. **Overall Performance**
   The combined analysis of liquidity, profitability, solvency, and working capital reveals that the Palayam PACCS is financially stable and well-positioned to meet its members' credit needs. These results echo earlier research, which emphasizes that efficient financial management in co-operatives enhances both member trust and sustainability [10].

6. CONCLUSION

The Palayam PACCS exhibits a stable and improving financial profile over 2019–2024. Liquidity is comfortable, profitability trends are positive, leverage is low, and working capital is steadily expanding. These outcomes collectively indicate sound governance and operational discipline.Going forward, raising immediate cash reserves, strengthening recovery processes, and adopting digital tools for monitoring and collections can further enhance resilience and earnings quality. The evidence suggests the society is well-placed to sustain its role in rural credit delivery while improving member service and financial sustainability.

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