A STUDY ON THE IMPACT OF FINANCIAL PERFORMANCE WITH REFERENCE TO CASHEW INDUSTRY, KOLLAM

Sethulekshmi J.R.

Researcher

Department of Commerce and Management,
Amrita School of Arts and Sciences, Amritapuri.

Abstract

The cashew industry in Kerala is facing an unprecedented decline in terms of cashew cultivation and its processing. The first commercial cashew processing unit in India was established in Kerala at Kollam District. Kollam city was popularly known as the cashew city of the world. During the period of 1990, Kerala was the leading producer of cashew nut in India. The share of Kerala was 27.56 per cent. The scenario has changed since last decade onwards. Currently the share of Kerala is 10.97 per cent and stands in the fourth place. Kerala’s Cashew Production is decreasing every year. The Literature survey shows that the workers are drain from the industry and started to work in more promising other areas. In this context it is very relevant to learn about the financial performance of the industry. The financial performance of the cashew industry in Kollam district is also assessed by collecting the perception of finance managers of 24 selected companies of cashew industry in Kollam district. The factors considered for assessing the financial performance of cashew industry are profitability, liquidity, turnover and solvency.

Keywords – Financial performance, profitability, liquidity, turnover, solvency, cashew industry.

Introduction

Financial performance of an organisation can be understood from the Financial Statements of the organisation. The stakeholders of the firm such as creditors, suppliers, customers, management, employees, and owners make use of the information from the financial statements to judge the performance and financial position of the firm. These statements are very well useful to understand the financial strengths and weaknesses of the firm and apply most appropriate strategies to convert the weaknesses into strengths. And the future of the firm is purely depends on the financial position of the firm because understanding past is a precondition for foreseeing the future. Financial performance is the monetary result of a firm. It is the financial outcome of the policies, programmes and strategies exercised in the organisation. The financial outcome is assessed in terms of firm’s return on investment, return on assets, Profitability, Liquidity and the like. In a broader sense, financial performance is the degree to which financial objectives are achieved. The result of financial performance is used to compare with industrial standards and competitors to assess the position of the company and its growth.
Scope of the study

The scope of the study limited to the Kollam district in Kerala because majority of the cashew processing units in Kerala is situated at Kollam district and it is known as the capital city of cashew.

Limitation of the study

The major limitation of the study is the bias in the opinion of the employee respondents. Majority of the employees are in the educational category of below SSLC. That’s why answers to the questions given by them might have factual errors.

Objectives of the study

To examine the Financial Performance of cashew industry in Kollam District.

Research Hypotheses

1. The financial performance of Cashew Industry in Kollam District is moderate
2. There is significant difference in the financial performance in Public sector and Private sector companies in Cashew Industry.

Methodology

The study is descriptive cum analytical in nature. Secondary data were used for the study. Secondary data for the study gathered through extensive and intensive survey of existing literature. The sources of information used in the study were Annual reports of the companies, Research Centers, Libraries, Government departments and various websites. Secondary data are collected and augmented from various text books, reports, journals, periodicals, theses and dissertations.

The sampling technique used for selecting employees for the study is Multi-stage random sampling. There are five stages in the process. In the first stage, the entire geographical area of Kollam has been selected. In the second stage, the kollam district has been divided into Taluks. There are six Taluks in Kollam districts, out of which three Taluks viz, Kollam, Kottarakkara and Pathanapuram have been selected for the study randomly. In the third stage, there are 12 companies selected from the Taluks randomly based on lottery method. Out of 12 Companies, 9 companies from Kollam Taluk, 2 companies from Kottarakkara Taluk and 1 company from Pathanapuram Taluk have been selected for the study proportionately. In the fourth stage, the units or factories of the companies are selected for the study. There are 24 factories selected for the study.

We have selected 24 companies of the cashew industry spread across Kollam district for assessing the financial performance. We have collected the audited final accounts of these companies for determining the financial status for a period of five years from 2011-2012 to 2015-2016. The data pertaining to the profitability, liquidity, turnover and solvency were drawn from the final accounts for calculating the respective ratios for determining the financial status of the sample companies. Net Profit Ratio, Gross Profit Ratio and Net Profit to Net worth were calculated for determining the profitability position. The liquidity status for the five year period under
study has been determined by calculating current ratio and liquid ratio. The activity or turnover ratios are another segment of ratios pertaining to the turnover performance of these companies where we have used Stock Turnover Ratio, Debtors Turnover Ratio and Fixed Asset Turnover Ratio. The trend of solvency ratios indicates the long term financial strength of these companies where we have calculated the most important indicator of Debt-equity Ratio.

**Measuring Financial performance**

Analysis and interpretation of financial statements of an organisation will give an idea about profitability and financial soundness of an organisation. The financial performance of an organisation is assessed by analysing the performance of the following financial indicators. They are:

1. **Profitability performance**: Profitability is the capability of an organisation to make profit. Profit is the residue amount earned by a company after meeting all the expenses. Profitability is one important criterion to measure the financial performance of an organisation.
2. **Liquidity performance**: Liquidity means how easily it is possible to convert the assets into cash or cash equivalents. If the liquidity is high, the financial performance is also high.
3. **Working capital performance**: The amount available for day to day working of an organisation is called the working capital. The adequacy of working capital is another important indicator of financial performance of an organisation.
4. **Fixed assets performance**: The assets in an organisation used for long period of time such as Land & Building, Plant & Machinery are considered as fixed assets. The utilisation of these assets is taken into consideration.
5. **Fund flow performance**: The entire cash inflow and outflow of an organisation is termed as the fund flow of an organisation.
6. **Social performance**: Social performance means achieving the objectives of an organisation in line with the accepted social values. The ability of a company to manage its social performance will reflect its financial performance.

**I. Analysis of the Financial Performance of Cashew Industry in Kollam district**

Financial performance is evaluating the output of a firm in monetary terms. In a broader view, financial performance means the accomplishment of financial objectives set by the organisation. It is the reflection of the strategies, policies, programmes and procedures adopted by the company. It is helpful to understand the financial health of an organisation by measuring the strength and weaknesses of the company. The assessment of financial performance is also helpful to understand the financial position of a firm when compared with its competitors.

The financial performance of an organisation can be analysed only with the help of financial statements or accounting reports. A financial statement is an organised collection of data according to logical and consistent accounting procedures (Maheswari and Maheswari, 2008). The stakeholders of an organisation such as
shareholders, creditors, financial institutions, customers, suppliers, distributors and employees understand the financial performance of a company through the financial statements. The basic financial statements are:

a) Income statement and
b) Balance Sheet

1) Income Statement
The Income statement is also known as Profit and Loss Account. It shows the revenues and expenditure incurred over a period of time. Generally, the income and expenditure occurred for a period of one year is exhibited in the Profit and Loss Account. The earning capacity and potential of a firm are reflected by its Profit and Loss Account. It is considered as a “score-board” of a firm’s performance during a period of time (Pandey, 2010). It can be said that the income statement is a flow statement because it shows the flow of income and expenditure of a firm. It unveils the profitability of an organisation. An organisation’s profitability is indicated through the concept of ‘Net Profit’. Net profit may be termed as the amount by which revenues earned during a period exceed expenses incurred during that period while total expenses will exceed total revenues and the difference is referred to as ‘Net Loss’ (Pandey, 2010).

2) Balance Sheet
One of the most important financial statements is the Balance Sheet. It is considered as the status statement of an organisation. It illustrates the financial condition of a firm in a particular date. Usually the balance sheet of a company is prepared at the end of an accounting year. The balance sheet consist information regarding assets and liabilities or resources and obligations of the firm. In the language of accounting, balance sheet communicates information about assets, liabilities and owners’ equity for a business firm as on a specific date (Pandey, 2010).

1.1 Analysis and Interpretation of Financial Statements
The financial statements viz, income statement and balance sheet are the indicators of two vital factors. They are profitability and financial soundness. The profitability and financial soundness can be assessed through financial analysis. The financial analysis is helpful to assess the profitability performance, liquidity performance, current asset performance, fixed asset performance, fund flow performance and social performance. These areas of performance of a company can be assessed using different methods of analysis, one among them is ratio analysis.

1.2 Ratio Analysis
One of the most significant tool used for the financial analysis is the ratio analysis. A ratio is defined as “the indicated quotient of two mathematical expressions and as the relationship between two or more things” (Webster’s New Coolegiate Dictionary, 1975). In financial analysis, ratio is used as a benchmark for evaluating the financial position and performance of a firm. Ratios help to summarise large quantities of financial data and
to make qualitative judgement about the firm’s financial performance (Pandey, 2010). Different types of ratios calculated to evaluate the profitability and financial position of a firm are:

1. **Profitability Ratios**

The overall performance and profitability of an organisation can be assessed through the profitability ratios. Profitability is act as an indicator to measure the efficiency and effectiveness of the operations of an organisation. Profitability ratios are of different types. They are:

a) **Gross profit ratio**

Gross profit ratio exhibits the relationship of gross profit with the net sales of the company. If an increase in the ratios over the previous period indicates improvement in the operational efficiency of the company. The formula used for calculating Gross profit ratio is:

\[
\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100
\]

b) **Net profit Ratio**

Net profit ratio displays the relationship of net profit with the net sales of the company. An increase in the net profit ratio indicates the financial performance of the company is good. The formula used for calculating Net profit ratio is:

\[
\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100
\]

c) **Net profit to net worth**

This ratio indicates the relationship between the net profit and net worth of a company. An increased percentage shows good financial performance. The formula used for calculating Net profit ratio is:

\[
\text{Net Profit to Net worth Ratio} = \frac{\text{Net Profit}}{\text{Net Worth}} \times 100
\]

2. **Liquidity Ratios**

A company’s capability to meet its current obligations is measured using liquidity ratios.

a) **Current Ratio**

This ratio is an indicator of the firm’s commitment to meet its short term liabilities. It is expressed as follows:

\[
\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]
Current Liabilities

Current assets include cash and other assets convertible or meant to be converted into cash during the operating cycle of the business. Current liabilities mean liabilities payable within a year’s time either out of existing current assets or by creation of new current liabilities.

b) Liquid Ratio

This ratio is also termed as ‘acid test ratio’ or ‘quick ratio’. This ratio is ascertained by comparing the liquid assets to current liabilities. The ratio may be expressed as under:

\[
\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}
\]

Current Liabilities

3. Activity Ratios/Turnover ratios

The turnover ratio indicates the efficiency with which the capital employed is rotated in the business. For the purpose of the study, three types of turnover ratios are calculated.

a) Stock turnover ratio/Inventory turnover ratio

This ratio indicates whether investment in stock or inventory is efficiently used or not. Therefore it explains whether investment in inventories is within proper limits or not. The ratio is calculated as follows:

\[
\text{Stock Turnover Ratio} = \frac{\text{Cost of goods sold during the year}}{\text{Average inventory}}
\]

b) Debtors’ Turnover ratio

Debtors are an important constituent of current assets and therefore the quality of debtors to a great extent determines a firm’s liquidity. The debtors’ Turnover ratio is calculated as under:

\[
\text{Debtors’ Turnover Ration} = \frac{\text{Total Credit Sales}}{\text{Average Debtors}}
\]

c) Fixed Asset Turnover ratio

This ratio indicates the extent to which the investments in fixed assets contributed towards sales. If compared with a previous period, it indicates whether the investment in fixed assets has been judicious or not. The formula for calculating the ratio is:

\[
\text{Net Sales}
\]

Total Credit Sales

Debtors’ Turnover Ration = ____________

Average Debtors

c) Fixed Asset Turnover ratio

This ratio indicates the extent to which the investments in fixed assets contributed towards sales. If compared with a previous period, it indicates whether the investment in fixed assets has been judicious or not. The formula for calculating the ratio is:
Fixed Asset Turnover Ratio = \[
\frac{\text{Sales}}{\text{Average Fixed Assets}}
\]

4. **Solvency or Leverage ratios**

The solvency position of the company can be ascertained by using solvency ratios. One of the main solvency ratios is debt-equity ratio.

**a) Debt-Equity Ratio**

The debt-equity ratio is determined to ascertain the soundness of the long term financial policies of the company. It is also known as External-internal equity ratio. It may be calculated as follows:

\[
\text{Debt Equity Ratio} = \frac{\text{External Equities}}{\text{Internal Equities}}
\]

II. **Evaluation of financial performance of Cashew Industry in Kollam District**

These ratios calculated from the consolidated statements of these companies containing data related to Current Assets, Fixed Assets, Net worth, Net Profit, Gross Profit, Average Debtors, Average Stock, Equity and Debt. The result of the analysis is given in the following tables.

**Profitability Ratio**

Table 1 Gross Profit Ratio

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Years</th>
<th>Gross Profit Ratio</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011 – 2012</td>
<td>25 %</td>
<td>100 %</td>
</tr>
<tr>
<td>2</td>
<td>2012 – 2013</td>
<td>23%</td>
<td>92 %</td>
</tr>
</tbody>
</table>
In the financial year 2011-12, the Gross profit ratio of selected companies is 25 per cent which is reduced to 23 per cent in the next year. In the financial year 2013-14 and 2014-15, the Gross profit ratio remained at 20 per cent. And the last year of the analysis of 2015-16, it is 18 per cent. It is revealed by the table—that there is a steady decline in the Gross profit ratio of cashew industry in Kollam district. The rate of decline in the Gross profit of the companies during the five year period is 28 per cent. The Gross Profit ratios of the five year period under study is graphically presented in the chart—

Chart 1 Gross Profit Ratio

Table 2 Net Profit Ratio

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Years</th>
<th>Net Profit Ratio</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011 – 2012</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>2012 – 2013</td>
<td>8%</td>
<td>80%</td>
</tr>
<tr>
<td>3</td>
<td>2013 – 2014</td>
<td>6%</td>
<td>60%</td>
</tr>
<tr>
<td>4</td>
<td>2014 – 2015</td>
<td>6%</td>
<td>60%</td>
</tr>
<tr>
<td>5</td>
<td>2015 - 2016</td>
<td>5%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Secondary Data
In the financial year 2011-12, the Net profit ratio of selected companies is 10 per cent which is reduced to 8 per cent in the next year. In the financial year 2013-14 and 2014-15, the Net profit ratio remained at 6 per cent. And the last year of the analysis of 2015-16, it is 5 per cent. The table—revealed that there is a steady decline in the Net profit ratio of cashew industry in Kollam district. The rate of decline in the Net Profit of the companies during the five year period is 50 per cent. The Net Profit ratios of the five year period under study is graphically presented in the chart—

Chart 2 Net Profit Ratio

Source: Primary Data

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Years</th>
<th>Net Profit to Net worth Ratio</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011 – 2012</td>
<td>15%</td>
<td>100 %</td>
</tr>
<tr>
<td>2</td>
<td>2012 – 2013</td>
<td>10%</td>
<td>66.67 %</td>
</tr>
<tr>
<td>3</td>
<td>2013 – 2014</td>
<td>10%</td>
<td>66.67 %</td>
</tr>
<tr>
<td>4</td>
<td>2014 – 2015</td>
<td>8%</td>
<td>53.33 %</td>
</tr>
<tr>
<td>5</td>
<td>2015 – 2016</td>
<td>7%</td>
<td>46.66 %</td>
</tr>
</tbody>
</table>

Source: Secondary Data

In the financial year 2011-12, the Net profit to Net worth ratio is 15 per cent which is reduced to 10 per cent both in the financial years 2012-13 and 2013-14. In the financial year 2014-15 the Net profit ratio declined to 8 per cent and the last year of the analysis of 2015-16, it is 7 per cent. The table—revealed that there is a steady decline in the Net profit to Net worth ratio of cashew industry in Kollam district. The rate of decline in the Net Profit to Net worth ratio of the companies during the five year period under the study is 53.34 per cent.
All the liquidity ratios viz, Gross profit ratio, Net profit ratio and Net profit to Net worth show a steady decline during the period. So it can be concluded that the financial performance of the companies in the area of profitability is unfavourable during the period of analysis. The Net Profit to Net worth ratios of the five year period under study is graphically presented in the chart—

Chart 3 Net Profit to Net Worth

![Net Profit to Net worth Ratio](chart)

Source: Primary Data

**Liquidity Ratios**

Table 4 Current Ratio

<table>
<thead>
<tr>
<th>S.No</th>
<th>Years</th>
<th>Current Ratio</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011 – 2012</td>
<td>7:1</td>
<td>100 %</td>
</tr>
<tr>
<td>2</td>
<td>2012 – 2013</td>
<td>6.5:1</td>
<td>92.86 %</td>
</tr>
<tr>
<td>3</td>
<td>2013 – 2014</td>
<td>6:1</td>
<td>85.71 %</td>
</tr>
<tr>
<td>4</td>
<td>2014 – 2015</td>
<td>5:1</td>
<td>71.43 %</td>
</tr>
<tr>
<td>5</td>
<td>2015 – 2016</td>
<td>6:1</td>
<td>85.71 %</td>
</tr>
</tbody>
</table>

Source: Secondary Data

In the financial year 2011-12, the Current ratio of selected companies is 7:1 which is reduced to 6.5:1 in the next year. In the financial year 2013-14 and 2014-15, the current ratios are 6:1 and 5:1 respectively. And in the last year of the analysis of 2015-16, it is 6:1 per cent. The table—revealed that there is a declining trend in the
current ratio of cashew industry in Kollam district. The rate of decline in the current ratio of the companies during the five year period is 14.29 per cent. 

The current asset holding of the company shows a satisfactory level at the later part of the period of the study. But the reason for this could not be revealed from the financial statement. The standard current ratio of a manufacturing industry is 2:1. But in no year under the period of study that standard ratio had been kept by the companies. The thing is that more liquidity means less profitability and more investment in the liquid assets means the liquid assets are idle carrying no return. So the financial performance in terms of current ratio is not favourable in the cashew industry in Kollam district. The Current ratios of the five year period under study is graphically presented in the chart—

Chart 4 Current Ratio

Source: Primary Data

Table 5 Quick Ratio/Acid Test ratio/Liquid ratio

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Years</th>
<th>Quick Ratio</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011 – 2012</td>
<td>3:1</td>
<td>100 %</td>
</tr>
<tr>
<td>2</td>
<td>2012 – 2013</td>
<td>3:1</td>
<td>100 %</td>
</tr>
<tr>
<td>3</td>
<td>2013 – 2014</td>
<td>2.5:1</td>
<td>83.33 %</td>
</tr>
<tr>
<td>4</td>
<td>2014 – 2015</td>
<td>2.5:1</td>
<td>83.33 %</td>
</tr>
<tr>
<td>5</td>
<td>2015 - 2016</td>
<td>2:1</td>
<td>66.67 %</td>
</tr>
</tbody>
</table>

Source: Secondary Data

In the financial year 2011-12 and 2012-13, the Quick ratio of selected companies is 3:1 which is decreased to 2.5:1 in the next year 2013-14 and remained as same in the year 2014-15 also. The last year of the analysis of 2015-16, it is declined to 2:1. The table—revealed that there is a declining trend in the quick ratio of cashew
industry in Kollam district. The rate of decline in the quick ratio of the companies during the five year period is 33.33 per cent.

The standard liquid ratio for a manufacturing company is 1:1. In no year the companies in the cashew industry in Kollam district could keep their liquid ratio in tune with the industry standard. So it can be concluded that the liquid ratio in respect of liquidity position the companies is unfavourable. From the above analysis of the liquidity ratios, it can be seen that a huge amount of idle fund were kept lodged in liquid resources on the disadvantage of these companies. So in general, the financial performance of in terms of liquidity is not satisfactory in the cashew industry in Kollam district. The Quick ratios of the five year period under study is graphically presented in the chart—

Chart 5 Quick Ratio/Acid Test ratio/Liquid ratio

Source: Primary Data

Activity Ratio/Turnover Ratio

Table 6 Stock Turnover Ratio

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Years</th>
<th>Stock Turnover Ratio</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011 – 2012</td>
<td>7 times</td>
<td>100 %</td>
</tr>
<tr>
<td>2</td>
<td>2012 – 2013</td>
<td>6.5 times</td>
<td>92.86 %</td>
</tr>
<tr>
<td>3</td>
<td>2013 – 2014</td>
<td>5 times</td>
<td>71.43 %</td>
</tr>
<tr>
<td>4</td>
<td>2014 – 2015</td>
<td>4 times</td>
<td>57.14 %</td>
</tr>
<tr>
<td>5</td>
<td>2015 - 2016</td>
<td>4 times</td>
<td>57.14 %</td>
</tr>
</tbody>
</table>

Source: Secondary Data

In the financial year 2011-12, the Stock turnover ratio of selected companies is 7 times which is reduced to 6.5 times in the next year. In the financial year 2013-14 and 2014-15, the Stock turnover ratios are 5 times and 4
times respectively. And in the last year of the analysis of 2015-16, it is again 4 times. The table—revealed that there is a decline in the Stock turnover ratio of cashew industry in Kollam district. The rate of decline in the Stock turnover ratio of the companies during the five year period is 42.86 per cent.

From the above analysis it can be seen that at the beginning years of the study stock turnover ratios are better than that of the later years. So it shows that turnover ratio has not been improving but on the declining track and it is an indicator of poor financial performance. The Stock Turnover ratios of the five year period under study is graphically presented in the chart—

Chart 6 Stock Turnover Ratio

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Years</th>
<th>Debtors Turnover Ratio</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011–2012</td>
<td>2 times</td>
<td>100 %</td>
</tr>
<tr>
<td>2</td>
<td>2012–2013</td>
<td>2 times</td>
<td>100 %</td>
</tr>
<tr>
<td>3</td>
<td>2013–2014</td>
<td>1.8 times</td>
<td>90 %</td>
</tr>
<tr>
<td>4</td>
<td>2014–2015</td>
<td>1.7 times</td>
<td>85 %</td>
</tr>
<tr>
<td>5</td>
<td>2015–2016</td>
<td>1.7 times</td>
<td>85 %</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 7 Debtors Turnover Ratio

In the financial year 2011-12, the Debtors’ turnover ratio of selected companies is 2 times which is continued in the next year also. In the financial year 2013-14 the Debtors’ turnover ratio is 1.8 times. During the financial year 2014-15 and 2015-16 the ratio is remained 1.7 times. The table—revealed that there is a decline in the Debtors’ turnover ratio of cashew industry in Kollam district. The rate of decline in the Debtors’ turnover ratio of the companies during the five year period is 15 per cent.
From the above analysis it can be seen that debtors’ turnover ratios tempted to be steady during the period of study. But a declining trend can be seen in the later years. So this trend of debtors’ turnover ratio is not advantageous to these companies. The Debtors’ Turnover ratios of the five year period under study is graphically presented in the chart—

Chart 7 Debtors Turnover Ratio

Source: Primary Data

Table 8 Fixed Asset Turnover Ratio

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Years</th>
<th>Fixed Asset Turnover Ratio</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011 – 2012</td>
<td>12 times</td>
<td>100 %</td>
</tr>
<tr>
<td>2</td>
<td>2012 – 2013</td>
<td>10 times</td>
<td>83.33 %</td>
</tr>
<tr>
<td>3</td>
<td>2013 – 2014</td>
<td>10 times</td>
<td>83.33 %</td>
</tr>
<tr>
<td>4</td>
<td>2014 – 2015</td>
<td>8 times</td>
<td>66.67 %</td>
</tr>
<tr>
<td>5</td>
<td>2015 – 2016</td>
<td>8 times</td>
<td>66.7 %</td>
</tr>
</tbody>
</table>

Source: Secondary Data

In the financial year 2011-12, the fixed asset turnover ratio is 12 times which is reduced to 10 times in the financial years 2012-13 and 2013-14. In the financial year 2014-15 the fixed asset turnover ratio is declined to 8 per cent and the last year of the analysis of 2015-16, it is again 8 times. The table—revealed that there is a decline in the fixed asset turnover ratio of cashew industry in Kollam district. The rate of decline in the fixed asset turnover ratio of the companies during the five year period under the study is 33.3 per cent.

From the analysis better performance is recorded in terms of fixed asset turn over ratios. In the beginning year like that of stock turnover ratio and debtors’ turnover ratio, the fixed asset turnover ratio shows a declining trend.
in the later years. This is also disadvantageous in terms of the financial performance of cashew industry in Kollam district.

On the basis of the above analysis in terms of stock turnover ratio, debtors turnover ratio and fixed turnover ratio, the overall financial performance in terms of turnover of these companies are not satisfactory. The Fixed Asset ratios of the five year period under study is graphically presented in the chart—

Chart 8 Fixed Asset Turnover Ratio

![Fixed Asset Turnover Ratio](chart.png)

*Source: Primary Data*

**Solvency Ratio/Leverage Ratio**

Table 9 Debt-Equity Ratio

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Years</th>
<th>Debt-Equity Ratio</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011–2012</td>
<td>3:1</td>
<td>100 %</td>
</tr>
<tr>
<td>2</td>
<td>2012–2013</td>
<td>3.2:1</td>
<td>106.67 %</td>
</tr>
<tr>
<td>3</td>
<td>2013–2014</td>
<td>3.1:1</td>
<td>103.33%</td>
</tr>
<tr>
<td>4</td>
<td>2014–2015</td>
<td>3.5:1</td>
<td>116.67 %</td>
</tr>
<tr>
<td>5</td>
<td>2015–2016</td>
<td>3.3:1</td>
<td>110 %</td>
</tr>
</tbody>
</table>

*Source: Secondary Data*

In the financial year 2011–12, the Debt-equity ratio is 3:1 which is slightly raised to 3.2:1. In the financial years 2012–13 the ratio is again declined to 3.1:1. But in the financial year 2014–15 the Debt-equity ratio is increased to 3.5:1 and the last year of the analysis of 2015-16, it is again declined to 3.3:1. The table—revealed that there
is an unsteady slight increase in the Debt-equity ratio of cashew industry in Kollam district. The rate of increase in the Debt-equity ratio of the companies during the five year period under the study is 10 per cent.

From the analysis it can be seen that about 75 per cent of the total investment in the cashew industry is from the part of equity capital and the other 25 per cent is from the borrowed fund. It is seen that this level of debt equity ratio is maintained throughout the period of study. The Debt-equity ratios of the five year period under study is graphically presented in the chart—

Chart 9 Debt-Equity Ratio

Source: Primary Data

The preceding paragraphs have revealed the financial position of companies in cashew industry in Kollam district in terms of its financial performance viz, profitability, liquidity, turnover and solvency. The result of the analysis shows a clumsy picture the financial position and performance of these companies which are not satisfactory and unfavourable.

The financial performance of these companies is also studied from the opinion of finance managers of 24 companies under study. The questions directed towards assessing the profitability, liquidity, turnover and solvency were included in the questionnaire given to them. Their opinions are recorded using 5 point Likert scale. The primary data collected are presented in the table – and analysis has been done using statistical analysis.
Table 10 Managers’ opinion on the Financial Performance of cashew industry

<table>
<thead>
<tr>
<th>S1. No</th>
<th>Variables</th>
<th>Opinion of Employees</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>SA</td>
<td>A</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>1</td>
<td>Trend of Net Profit is positive</td>
<td>2</td>
<td>8.33</td>
<td>3</td>
<td>12.5</td>
<td>8</td>
<td>33.3</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Trend of Gross Profit is positive</td>
<td>1</td>
<td>4.17</td>
<td>2</td>
<td>12.5</td>
<td>5</td>
<td>20.83</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Trend of Expenditure is positive</td>
<td>1</td>
<td>4.17</td>
<td>3</td>
<td>12.5</td>
<td>4</td>
<td>16.67</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Trend of Revenue is positive</td>
<td>2</td>
<td>8.33</td>
<td>1</td>
<td>4.17</td>
<td>3</td>
<td>12.5</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>Meeting current liabilities</td>
<td>1</td>
<td>4.17</td>
<td>3</td>
<td>12.5</td>
<td>5</td>
<td>20.83</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Turnover is positive</td>
<td>2</td>
<td>8.33</td>
<td>2</td>
<td>12.5</td>
<td>4</td>
<td>16.67</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Financial Solvency is positive</td>
<td>3</td>
<td>12.5</td>
<td>1</td>
<td>4.17</td>
<td>7</td>
<td>29.17</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Over all Financial Performance</td>
<td>24</td>
<td>100</td>
<td>2.50</td>
<td>0.781</td>
<td>4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary Data*

The rating of finance managers of 24 selected companies in cashew industry in Kollam district regarding the financial performance of cashew industry is exhibited in Table 10.

The above analysis of both primary and secondary data more or less show same results with regard to the profitability, liquidity, turnover and solvency of the cashew industry in Kollam district. The analysis result proclaims that the financial performance of the cashew industry in Kollam district is poor.

**Findings**

1. It is revealed that there is a steady decline in the Gross profit ratio of cashew industry in Kollam district. The rate of decline in the Gross profit of the companies during the five year period is 28 per cent.
2. There is a steady decline in the Net profit ratio of cashew industry in Kollam district. The rate of decline in the Net Profit of the companies during the five year period is 50 per cent.
3. There is a steady decline in the Net profit to Net worth ratio of cashew industry in Kollam district. The rate of decline in the Net Profit to Net worth ratio of the companies during the five year period under the study is 53.34 per cent.

4. All the liquidity ratios viz, Gross profit ratio, Net profit ratio and Net profit to Net worth show a steady decline during the period. So it can be concluded that the financial performance of the companies in the area of profitability is unfavourable during the period of analysis.

5. There is a declining trend in the current ratio of cashew industry in Kollam district. The rate of decline in the current ratio of the companies during the five year period is 14.29 per cent. The current asset holding of the company shows a satisfactory level at the later part of the period of the study. But the reason for this could not be revealed from the financial statement. The standard current ratio of a manufacturing industry is 2:1. But in no year under the period of study that standard ratio had been kept by the companies. The thing is that more liquidity means less profitability and more investment in the liquid assets means the liquid assets are idle carrying no return. So the financial performance in terms of current ratio is not favourable in the cashew industry in Kollam district.

6. There is a declining trend in the quick ratio of cashew industry in Kollam district. The rate of decline in the quick ratio of the companies during the five year period is 33.33 per cent. The standard liquid ratio for a manufacturing company is 1:1. In no year the companies in the cashew industry in Kollam district could keep their liquid ratio in tune with the industry standard. So it can be concluded that the liquid ratio in respect of liquidity position the companies is unfavourable. From the above analysis of the liquidity ratios, it can be seen that a huge amount of idle fund were kept lodged in liquid resources on the disadvantage of these companies. So in general, the financial performance of in terms of liquidity is not satisfactory in the cashew industry in Kollam district.

7. There is a decline in the Stock turnover ratio of cashew industry in Kollam district. The rate of decline in the Stock turnover ratio of the companies during the five year period is 42.86 per cent. It can be seen that at the beginning years of the study stock turnover ratios are better than that of the later years. So it shows that turnover ratio has not been improving but on the declining track and it is an indicator of poor financial performance.

8. There is a decline in the Debtors’ turnover ratio of cashew industry in Kollam district. The rate of decline in the Debtors’ turnover ratio of the companies during the five year period is 15 per cent. The debtors’ turnover ratios tempted to be steady during the period of study. But a declining trend can be seen in the later years. So this trend of debtors’ turnover ratio is not advantageous to the industry.

9. There is a decline in the fixed asset turnover ratio of cashew industry in Kollam district. The rate of decline in the fixed asset turnover ratio of the companies during the five year period under the study is 33.3 per cent. A better performance is recorded in terms of fixed asset turn over ratios. In the beginning years like that of stock turnover ratio and debtors’ turnover ratio, the fixed asset turnover ratio shows a declining trend in the later years. This is also disadvantageous in terms of the financial performance of cashew industry in Kollam district.

10. On the basis of the analysis in terms of stock turnover ratio, debtors turn over ration and fixed turnover ratio, the overall financial performance in terms of turnover of the companies are not satisfactory.
11. There is an unsteady slight increase in the Debt-equity ratio of cashew industry in Kollam district. The rate of increase in the Debt-equity ratio of the companies during the five year period under the study is 10 per cent. From the analysis it can be seen that about 75 per cent of the total investment in the cashew industry is from the part of equity capital and the other 25 per cent is from the borrowed fund. It is seen that this level of debt equity ratio is maintained throughout the period of study.

12. There exists significant relationship between the Quality of Work Life and Financial Performance of Cashew Industry in Kollam District.

Conclusion

The growth and development of an organisation is always assessed through its financial performance. Profitability is considered as the indicator of financial performance of a company. An attempt was made in this study to assess the financial performance of the cashew companies in Kollam districts in terms of its profitability, solvency, liquidity and activity. It was found that the financial performance of cashew companies has been declining during the period of the study.

References

4. CAPEX (Kerala State Cashew Workers Apex Industrial Co-operative Society), Available at www.cashewcapex.com


18. KSCDC (Kerala State Cashew Development Corporation Limited), Available at www.kscdc.in


