A Study on the Financial Performance of Farmer Producer Companies with Special Reference to Northeast India

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Abstract

Purpose: The main purpose of this paper is to analyse the performance of Farmer Producer Companies of Northeast India. This paper is an attempt to assess the Farmer Producer Companies and find whether these companies are performing and earning sufficient returns to sustain its business. The paper has also proposed a Performance Score Method to measure the performance of FPCs considering financial ratios.

Design/Methodology/Approach: In the study, the researchers analysed four Farmer Producer Companies with the help of financial ratios. The financial ratios were further assigned performance scores on the basis of efficiency and effectiveness with the help of Performance Score Method. The variables used in the study are liquidity, solvency, efficiency and profitability. The financial statements of four Farmer Producer Companies were used for the study. The study included only those companies which were operating for more than three years and has published three years financial statements with the Ministry of Corporate Affairs, India.

Findings: The results of this study reveals that the Farmer Producer Companies have been performing poorly for three years studied in terms of solvency, efficiency and profitability. The liquidity positions of the companies are at a marginal level. The Liquidity Variable is the only variable which is found to be under the yellow (average) category whereas others are in the red (poor) category. The overall Performance Score (Industry) i.e. the overall performance of the four FPCs was also in the red (poor) zone.

Research Limitation/Implications: The ratio analysis is based on the financial data provided by the companies in their financial statements. The study considered only four Farmer Producer Companies due to unavailability of financial data for three years of other Farmer Producer Companies.

Originality/Value: The study analysed the financial performance of Farmer Producer Companies in Northeast India which has not been done before.

Keywords: Farmer Producer Company, Financial Performance, Performance Score Method, Northeast India

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Paper Classification: Research Paper