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A Study of Comparative Analysis of Financial Ratios and Performance Evaluation of Dal Mill Sector in the Marathwada Region

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ABSTRACT

The Dal Mill sector plays an essential role in the agricultural economy of the Marathwada region, particularly in pulse processing. The Dal Mill sector, crucial for post-harvest processing of pulses, faces significant challenges in terms of financial management and access to banking services. This research evaluates the financial health of Dal Mills using financial ratios and examines the role of banking institutions in providing credit and financial services. Despite their economic significance, these mills often face financial constraints, limiting their growth potential. Its significance, Dal Mills often face operational inefficiencies, poor financial health, and limited access to credit. . By analyzing various digital interventions and their outcomes, this research aims to provide insights into the benefits and challenges associated with digital transformation in the dal milling industry. Detailed tables and charts are included to illustrate the findings. This study aims to evaluate and compare the financial performance of Dal Mills in Marathwada through the use of financial ratios. Key ratios such as profitability, liquidity, and solvency are used to analyze the financial health of Dal Mills in comparison with industry benchmarks and regional standards. The study finds that Dal Mills in the region often exhibit suboptimal financial ratios, reflecting issues such as low profitability and high debt levels. The paper concludes by providing recommendations for improving financial management and banking support for Dal Mills, with a focus on sustainable growth and rural development.

Keywords: Dal Mill, Financial Ratios, Liquidity, Profitability, Solvency, Marathwada, Agricultural Finance, Banking Support, Rural Economy, Economic Development, Financial Performance, Credit Access.

Introduction

The Dal Mill industry plays a vital role in the agrarian economy of India, particularly in regions like Marathwada, where pulse cultivation is significant. This sector is involved in the processing of pulses, a staple food crop that supports the livelihoods of millions of farmers. Marathwada, an agrarian region, is known for its production of pulses, yet the Dal Mill sector faces a range of challenges, including inadequate financing, low operational efficiency, and limited banking support. Dal mills process pulses into various forms, which are essential to both local and national markets. This study seeks to fill this gap by analyzing the financial ratios of Dal Mills in the Marathwada region, providing a comparative analysis across various firms. The research aims to understand the relationship between these ratios and overall business performance, as well as the challenges faced by Dal Mills in this region. The banking sector has a critical role to play in addressing these challenges, but issues like limited credit access, high-interest rates, and lack of specialized financial products for agricultural processors remain prevalent. This study investigates the financial performance of Dal Mills and assesses the banking sector's involvement in the development and sustainability of this crucial rural industry.

Review of Literature

The literature review provides a background on existing research and theories relevant to the study. Here, you need to discuss past studies on the Dal Mill sector, agricultural finance, rural banking, and performance evaluation methods.

1. **Gupta (2019)**, "the importance of liquidity management in the success of small-scale food processing businesses is underlined. Gupta suggests that Dal Mills often struggle with liquidity due to the seasonal nature of pulse cultivation. The author highlights that during the lean season, when raw material is scarce, mills find it difficult to maintain adequate cash flow to cover fixed and operating costs. The study also indicates that mills with lower liquidity ratios often face cash flow problems, which in turn affect their ability to pay wages, buy raw materials, and service debt.

2. **Kumar and Verma (2018),** technological innovations can significantly improve the efficiency of Dal Mills by reducing wastage, increasing throughput, and enhancing product quality. They argue that small-scale Dal Mills that invest in upgraded machinery and automation systems tend to achieve higher operational efficiency and profitability. However, the study notes that limited access to credit and financial support hinders the ability of many Dal Mills to invest in such technologies.
3. **Patel and Singh (2020),** highlight the role of effective debt management in the financial stability of Dal Mills. They argue that a balanced debt-equity ratio is crucial for reducing financial risk. Dal Mills with a high debt-equity ratio are particularly vulnerable during periods of market volatility or when production is affected by weather conditions. The study finds that Dal Mills with lower debt levels are better positioned to withstand financial stress and continue operations smoothly.
4. **Sharma and Joshi (2018)** “emphasize the importance of financial ratios in assessing the health and performance of agro-based industries. They assert that financial ratios, including liquidity, profitability, and solvency ratios, are essential in identifying the strengths and weaknesses of small-scale agro-processing businesses such as Dal Mills. According to the authors, while Dal Mills might show profitability in terms of gross margins, their operational inefficiency often affects their overall performance, especially in areas of cash flow management and debt servicing. The review also highlights that performance analysis can aid in improving management practices and securing future investments.
5. **Yadav (2017),** Challenges in Accessing Capital discusses how rural small-scale industries, such as Dal Mills, often face challenges in obtaining institutional credit. These businesses are usually characterized by a lack of financial literacy and insufficient collateral to secure loans. Yadav argues that the stringent requirements for collateral and the absence of reliable financial records make it difficult for Dal Mills to gain access to formal financial channels, such as banks and microfinance institutions. This problem is exacerbated by the high-risk nature of rural industries and the reluctance of financial institutions to lend to businesses that may not have robust cash flows or established credit histories.

Objectives

1. To evaluate the financial health of Dal Mills in the Marathwada region using key financial ratios.
2. To compare the performance of different Dal Mills based on liquidity, profitability, and solvency ratios.
3. To analyze the relationship between financial performance and operational challenges in the Dal Mill sector.
4. To offer policy recommendations for improving the financial performance of Dal Mills in the region.
5. To examine the banking sector's role in providing financial products and services to Dal Mills, focusing on credit access, loan conditions, and repayment challenges.

Methodology

The methodology section should explain the research design, data collection methods, and analysis techniques.

Research Design:

- **Quantitative Analysis:** This research uses a quantitative approach to assess the financial performance of Dal Mills. Financial data, such as balance sheets, profit and loss statements, and cash flow reports, are collected from a sample of Dal Mills in Marathwada.
- **Qualitative Analysis:** Interviews with Dal Mill owners, managers, and banking officials provide insights into the challenges of accessing finance, the role of banks, and the impact of financial management practices.
- **Data Collection:**
- **Primary Data:** Surveys and interviews with Dal Mill owners, workers, and banking officials.
- **Secondary Data:** Financial statements of Dal Mills, annual reports from regional banks, government publications on rural finance, and industry reports.

Sampling:

- A random sample of 21 Dal Mills from different districts in the Marathwada region will be selected for the study.

Data Analysis:

Financial ratios such as return on assets (ROA), return on equity (ROE), current ratio, and debt-to-equity ratio will be calculated to evaluate financial performance. Statistical methods like regression analysis will be used to analyze the relationship between banking support and financial performance.

Limitations of the Study

The study acknowledges several limitations:

- **Limited Data Availability:** The availability of accurate and detailed financial data from Dal Mills is a challenge, as many small-scale mills may not maintain formal records.
- **Geographical Constraints:** The study is limited to Dal Mills in the Marathwada region, and the findings may not be generalizable to other regions.
- **Response Bias:** As the study relies on interviews and surveys, there may be a bias in responses, especially regarding sensitive topics like financial difficulties and loan access.

Results (Tables and Data Analysis)

In this section, you will present your findings using tables, graphs, and charts to visualize financial performance and banking access. Here are some sample tables and data points:

Table1: Financial Ratios of Dal Mills in Marathwada

Financial Metric	Average Value	Industry Standard	Interpretation
Return on Assets (ROA)	4.5%	8%	Below industry average
Debt-to-Equity Ratio	1.8:1	1:1	High debt burden
Current Ratio	1.2	2.0	Below standard, liquidity issues
Profit Margin	5%	10%	Low profitability

Conclusion-

- The analysis reveals that Dal Mills in Marathwada are operating below the industry average in terms of profitability and liquidity. The high debt-to-equity ratio suggests a heavy reliance on borrowed funds, indicating potential financial instability.
- Banking support has been inconsistent, with many Dal Mills reporting difficulties in obtaining affordable loans or facing delays in loan approval processes. **Table 2: Financial Ratios of Dal Mills (Sample Data)**

District Name	Company Name	ROA (%)	Current Ratio	Debt Equity Ratio	Gross Profit Margin (%)	Quick Ratio
Sambhajinagar	Paras Dal Mill	10.2	1.5	0.8	30.5	1.2
Beed	Aditya Dal Mill	8.6	1.2	1.1	28.3	1.0
Hinoli	Disha Dal Mill	12.4	1.8	0.6	33.0	1.4
Jalna	Anupurna	7.3	1.1	1.4	25.6	0.9
Latur	Kirti Dal Mills Ltd	9.6	1.9	1.6	43.25	1.6
Nanded	A.R.Dal Mill	5.5	1.3	0.9	22.36	1.3
Dharshiv	Govind Dal Mill	8.3	1.8	1.2	29.31	1.7
Parbhani	Taj Dal Mill	4.3	1.4	0.7	20.36	1.8

Conclusion-

To provide a conclusion based on the financial ratios provided, we can break them down into four key categories: **profitability, solvency, equity, and efficiency.**

1. Profitability (ROA & Gross Profit Margin)

ROA (Return on Assets) indicates how effectively a company uses its assets to generate profit. Top Performers: Disha Dal Mill (12.4%) has the highest ROA, followed by Paras Dal Mill (10.2%). Lowest Performers: Taj Dal Mill (4.3%) and A.R. Dal Mill (5.5%) have the lowest ROA, which suggests these companies are less efficient in generating profit from their assets.

Gross Profit Margin reflects how much profit a company makes after deducting the cost of goods sold from revenue. Top Performers: Kirti Dal Mills Ltd (43.25%) stands out with a significantly higher margin, which indicates strong profitability. Lowest Performers: Taj Dal Mill (20.36%) and A.R. Dal Mill (22.36%) have lower margins, indicating that their production costs are relatively higher compared to their revenues.

2. Solvency (Debt-Equity Ratio)

The **Debt-Equity Ratio** measures the company's financial leverage by comparing its total debt to its shareholder equity. Top Performers: Disha Dal Mill (0.6) and Paras Dal Mill (0.8) have lower debt-equity ratios, which means they are less reliant on debt and have better solvency. Highest Debt Exposure: Kirti Dal Mills Ltd (1.6) and Taj Dal Mill (1.4) have higher ratios, indicating greater financial risk and reliance on debt.

3. Equity (Current Ratio & Quick Ratio)

Current Ratio measures the company's ability to pay its short-term liabilities with its short-term assets. Top Performers: Kirti Dal Mills Ltd (1.9) and Disha Dal Mill (1.8) have the highest current ratios, indicating strong liquidity. Lowest Performers: A.R. Dal Mill (1.3) and Anupurna (1.1) have lower current ratios, suggesting weaker liquidity and potential challenges in meeting short-term obligations.

Quick Ratio is a more stringent test of liquidity, as it excludes inventories from current asset. Top Performers: Disha Dal Mill (1.4) and Paras Dal Mill (1.2) have solid quick ratios, signaling good liquidity. Lowest Performers: Anupurna (0.9) and Taj Dal Mill (no value provided) are at risk with lower quick ratios, indicating potential liquidity concerns.

4. Efficiency (Quick Ratio & Debt-Equity Ratio)

Efficiency Ratios combine liquidity and leverage, suggesting how well a company is managing its debt and liquid assets. Companies with high quick ratios and low debt-equity ratios tend to be more efficient in managing both assets and liabilities.

Conclusion:

- **Top Companies:** Disha Dal Mill and Kirti Dal Mills Ltd are strong performers, particularly in profitability, solvency, and liquidity. Disha Dal Mill has the highest ROA and an excellent quick ratio, while Kirti Dal Mills Ltd stands out with the highest gross profit margin and good liquidity ratios.
- **Companies Needing Improvement:** Taj Dal Mill and A.R. Dal Mill are struggling with low ROA, low profitability, and weaker liquidity. These companies might need to focus on reducing debt and improving their efficiency in asset utilization and cost management.

In summary, for overall health, Disha Dal Mill, Kirti Dal Mills Ltd, and Paras Dal Mill appear to be in better shape, while Taj Dal Mill and A.R. Dal Mill may face challenges in profitability and solvency that need to be addressed for sustainable growth.

Economic Implications:

The Dal Mill sector is directly linked to the rural economy, particularly in areas where pulses are a major crop. An efficient Dal Mill sector not only benefits the mill operators but also improves the economic conditions of farmers by providing them with fair prices for their produce. Financially healthy Dal Mills can invest in better technology, improve productivity, and create more job opportunities. On the other hand, underperforming Dal Mills might lead to poor pricing and lower income for farmers, contributing to the economic challenges in rural areas.

Challenges and Barriers:

1. **Financial Constraints:** Many Dal Mills, especially small-scale operations, struggle with access to finance due to the lack of collateral, poor credit ratings, and inadequate government support.
2. **High Operational Costs:** The rising costs of raw materials, labor, and energy pose a significant challenge to Dal Mills, leading to squeezed profit margins.
3. **Technological Gaps:** Many mills in the region still rely on outdated processing technology, which hinders productivity and increases costs.
4. **Supply Chain Issues:** Inefficiencies in the supply chain, such as delayed raw material availability and transportation problems, contribute to operational difficulties.
5. **Market Fluctuations:** The prices of pulses are volatile, which makes it difficult for Dal Mills to predict their revenues accurately and plan their operations.

Recommendations:

1. **Access to Finance:** Dal Mills should explore various financing options such as government schemes, cooperative bank loans, and microfinance institutions to overcome financial constraints.
2. **Technological Upgradation:** Investment in modern processing technology will help reduce operational costs, improve efficiency, and enhance product quality.
3. **Government Support:** The government should provide subsidies or incentives for upgrading equipment and improving infrastructure for Dal Mills.
4. **Supply Chain Optimization:** Dal Mills should focus on building stronger relationships with farmers, ensuring timely delivery of raw materials and establishing better logistics to improve operational efficiency.
5. **Price Stabilization:** Dal Mills can explore contract farming or long-term agreements with farmers to stabilize raw material prices and reduce dependency on fluctuating market rates.

Conclusion:

The Dal Mill sector in the Marathwada region is an essential part of the agricultural economy, but it faces significant challenges that hinder its financial performance. Through a comprehensive analysis of financial ratios, this study highlights the strengths and weaknesses of Dal Mills in terms of profitability, liquidity, solvency, and operational efficiency. While some Dal Mills, such as Disha Dal Mill, demonstrate strong financial health, others struggle with high debt levels and low profitability. Addressing financial constraints, adopting modern technology, and improving supply chain management are critical steps for enhancing the sector's performance. By implementing these recommendations, the Dal Mill sector can become more sustainable, efficient, and profitable, thereby contributing to the economic development of the Marathwada region.

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