

ISSN 2809-929X (Print)
ISSN 2809-9303 (Online)

Journal of Social Commerce

Vol. 2 No. 2, 2022 (Page: 47-53)

DOI: <https://doi.org/10.56209/jommerce.v2i2.15>

Performance Evaluation of Selected Food Processing Companies through Value Added Statements

Dadhaniya Abhisha C¹, Rathod Anjali K¹

¹Ph.D. Research Scholar, Department of Commerce, Saurashtra University, Rajkot-360005, Gujarat, India

Article History

Submitted: 12 April 2022,
Revised: 28 May 2022,
Accepted: 18 June 2022

Keywords

Value Added Statement,
Gross Value Added,
Net Value Added,
Value Added Ratios,
Food Processing Industry

Abstract

Along with the conventional technique of measuring financial success, economists and other professionals are also evaluating a firm's development and survival using a value-added statement (VAS). The purpose of this research study is to quantify, assess, and compare the performance of value-added statements and value-added ratios in two food processing firms, LT Foods Ltd. and KRBL Ltd., during a five-year period from 2015 to 2019. The different value-added ratios such as Net Value Added to Total Revenue, Employee Benefits to Net Value Added, Government Shares to Net Value Added, Capital Providers to Net Value Added, and Retain Earnings to Net Value Added are employed. After examining the development of all value-added ratios, it is determined that KRBL Ltd.'s average performance is constant in comparison to LT Foods Ltd. To compare the means of these various value-added ratios, a statistical T-test with a 5% threshold of significance is applied. The analysis revealed that the null hypothesis is accepted for all value-added ratios except Capital Provider to Net Value Added. This suggests that throughout the research period, there was no significant difference in the value-added ratios of LT Foods Ltd. and KRBL Ltd.

Introduction

A corporate firm, more precisely a corporation, is a planned, intentional, and purposeful creation aimed at fulfilling the area of ambition of the broader society (Wilson & Post, 2013). The company is a distinct and self-contained legal entity. The existence, stability, and expansion of such an organization within society are largely dependent on the wealth produced by all stakeholders—shareholders, lenders of borrowed capital, workers, and the government. To meet these users' information needs, profit and loss statements are created to provide information about financial performance with a focus only on shareholders' interests (Van de Poel et al, 2017). Other stakeholders' contributions to the business cannot be quantified; in this

Corresponding Author: Dadhaniya Abhisha C.

Email: dadhaniaabhi@gmail.com

Rathod Anjali K.

Email: rathodanjali541@gmail.com

Journal of Social Commerce is licensed under Creative Commons Attribution-ShareAlike 4.0 International License (<http://creativecommons.org/licenses/by-sa/4.0/>)

regard, the addition of a value-added statement in the financial reporting system is a recently created approach. The value-added statement is written to facilitate the computation of the amount of value added and its distribution (Ndirangu & Kiema, 2007). The value-added statement may be described as the statement that details the money generated by the business as a whole and how it is distributed among the individuals that participated to its production. Typically, the value-added statement is broken into two sections: value added generation and value-added application (Allen & Spialek, 2018; Van Berkum et al., 2018).

Food processing is critical to an economy's growth because it offers a necessary connection and synergy between agriculture and industry (Schroeder et al., 2019). Food processing is commonly characterized as a procedure that adds value to agricultural or horticultural products via various ways such as grading, sorting, and packing. Additionally, food processing is a method of making and preserving food in order to increase its shelf life, make it more functional, and improve its quality (Khan et al., 2020). Food processing is a significant sector in India, ranking fifth in terms of production, consumption, and export.

The food processing industry contributes around 9% to 10% of GDP to agriculture and manufacturing. In a developing country like India, where growth with equity is a primary policy objective, optimal food processing sector development will significantly contribute to a number of developmental concerns, including hidden unemployment in agriculture, rural poverty, food security, food price inflation, nutrition improvement, and food waste prevention. Indeed, India's food processing industry is one of the greatest in the world, both in terms of the number of firms engaged and their overall economic worth (Topleva et al., 2020).

Have examined how and to what degree the value-added statement might augment other financial information in order to reassure the enterprise's stakeholders. This research also discusses performance, profit objectives, productivity, and the link between the relevant factors using Ratio Analysis, Time Series Analysis, and Regression Analysis. Correlation coefficients for linked variables were calculated and also assessed using the Fisher's t-test – at a 1% and 5% level of significance, respectively. The research presents financial data in a more balanced manner and is very valuable for evaluating an enterprise's performance and productivity for management decision-making (Gonçalves et al., 2018).

Joshi et al. (2016) have analyzed the value-added ratios of an Indian public sector enterprise. The research will focus on Indian Oil Corporation Ltd. From 2004-05 to 2011-12, value added statements were created for the firm based on its audited financial accounts. Value added ratios were estimated and assessed on the basis of value-added statements. The purpose of this study is to demonstrate how value-added ratios may be used to assess an organization's production and efficiency.

The researcher explores many theoretical difficulties pertaining to the posting of the value-added statement as a voluntary disclosure within the accounting communication process. Economic and social incentives to adopt value added reporting are intrinsically tied to the process of revealing financial information in a particular company and cultural setting (Girella et al, 2019).The researcher has attempted to conduct an empirical study from 2008-2009 to 2012-2013 to assess the performance of INFOSYS Ltd. and BHEL Ltd. using value added statements and analyzing value added ratios as a performance indicator for measuring productivity and profitability. The significance of the study's findings was determined using regression analysis. The outcome demonstrates that the management of both organizations not only increased profits but also fulfilled their societal responsibilities (Sassanelli et al., 2020).

All of the aforementioned reviews and other studies on value added statements and value-added ratios were conducted using a variety of statistical methodologies, study periods, and other variables, depending on the researcher's perspective. Thus, to the best of the researcher's

knowledge, this study identified a specific issue by attempting to assess the value-added statements and value-added ratios of chosen food processing firms.

Research Methods

The methodology of research is a scientific and methodical approach to issue solving in the field of research. The methods used to solve various sorts of problems varies considerably. It details the procedures to be followed throughout the study process, from inquiry to conclusion (Safiullin et al., 2019). The data and information presented in this work are previously accessible in a variety of secondary sources, allowing for critical review, and therefore the study's character becomes analytical. The current analysis covers the five fiscal years from 2015 to 2019. All food processing firms listed on the NSE are included in the study's population. Two Food Processing enterprises are chosen from the population on the basis of a simple sample approach using a non-probabilistic sampling strategy. LT Foods Ltd. and KRBL Ltd. were chosen for the research.

The purpose of this research is to evaluate the value-added performance of a sample of Indian food processing enterprises. Two food processing enterprises that provide rice and rice products in India were chosen for this investigation. Thus, the whole country of India is used as a geographical parameter for this study. The data for this research came from secondary sources. Data is gathered from annual reports that have been published, various websites, articles, journals, and books.

Results and Discussion

Value Added Statement

The value-added statement is divided into two sections. The first section illustrates the value created by businesses after subtracting the cost of purchased products and services and depreciation from total income. The second section details the contribution of different stakeholders to net value added, including workers, the government, shareholders, debt capital providers, and retained profits.

Table 1. Value Added Statement of LT Foods Ltd.

Particulars	2015 Amt.	2016 Amt.	2017 Amt.	2018 Amt.	2019 Amt.
Generation of Value Added					
Revenue from Operations	1821.64	1821.20	2051.55	2139.33	2192.55
– Rebate and Discounts	(13.93)	(12.11)	-	-	-
+/- Stock of Finished Goods	(24.81)	(53.17)	110.33	56.95	72.77
Total Revenue	1782.9	1755.92	2161.88	2196.28	2265.32
Less: Cost of Bought in Goods and Services	1302.94	1322.83	1542.71	1967.08	1991.91
Gross Value Added	479.96	433.09	619.17	229.2	273.41
Depreciation	28.17	26.19	19.74	15.46	22.04
Net Value Added	451.79	406.9	599.43	213.74	251.37
Application of Value Added					
Cost of Employees	39.70	41.42	50.40	57.36	60.55
Cost of Government	12.03	16.45	17.52	11.61	28.73
Cost of Capital Provider	89.80	90.74	106.60	85.29	76.44
Retain Earning	310.29	258.29	424.91	59.48	85.65
Net Value Added	451.79	406.9	599.43	213.74	251.37

Sources: Computed from published annual report of selected companies

The above table shows the value-added statement of LT Foods Ltd. for five years starting from 2015 to 2019. This statement is divided into two parts Generation of value added and Application of value added. In Generation of value-added total revenue of company was rs.1782.9cr in 2015 which is increased to rs.2265.32cr in 2019 this showed increasing trend. The total amount of cost of bought in goods and services is deducted to find gross value added which shows lower value in last two years in comparison to previous years. Then net value added is found out by reducing the value of depreciation from gross value added. Net value added for these five years were rs.451.79cr, rs.406.9cr, rs.599.43cr, rs.213.74cr and rs.251.37cr showing the overall value created by the company. While application of value added shows the contribution of various stakeholders in creating the value of company. These contributors include employees, government, capital providers and retained earnings. From above table it is showed that the share of retained earnings is higher in all the years where share of government is lower.

Table 2. Value Added Statement of KRBL Ltd.

Particulars	2015 Amt.	2016 Amt.	2017 Amt.	2018 Amt.	2019 Amt.
Generation of Value Added					
Revenue from Operation	3113.01	3358.84	3146.48	3246.44	4119.57
+/- Stock of Finished Goods	101.99	154.55	260.66	100.29	287.91
Total Revenue	3215	3513.39	3407.14	3346.73	4407.48
Less: Cost of Bought in Goods and services	2574.55	2878.89	2624.35	2433.11	3395.33
Gross Value Added	640.45	634.50	782.79	913.62	1012.15
Depreciation	55.17	49.79	60.89	67.22	63.99
Net Value Added	585.28	584.71	721.90	846.40	948.16
Application of Value Added					
Cost of Employees	53.35	62.41	69.89	67.02	74.19
Cost of Government	72.37	92.61	138.15	220.56	229.97
Cost of Capital Provider	80.86	63.35	54.81	68.93	67.56
Retain Earning	378.70	366.34	459.05	489.89	576.44
Net Value Added	585.28	584.71	721.90	846.40	948.16

Sources: Computed from published annual report of selected companies

The above table shows the value-added statement of KRBL Ltd. for five years starting from 2015 to 2019. This statement is divided into two parts Generation of value added and Application of value added. In Generation of value-added total revenue of company was rs.3215 cr in 2015 which is increased to rs.4407.48 cr in 2019 though amount increased in five years fluctuating trend is shown in total revenue. The total amount of cost of bought in goods and services are deducted to find gross value added which shows increasing trend. Then net value added is found out by reducing the value of depreciation from gross value added. Net value added for these five years were rs.585.28 cr, rs.584.71 cr, rs.721.90 cr, rs.846.40 cr and rs.948.16 cr showing the upward trend in value created by company. While application of value added shows the contribution of various stakeholders in creating the value of company. These contributors include employees, government, capital providers and retained earnings. From above table it is showed that the share of retained earnings is higher in all the years where share of capital provider and employees are lower.

Table 3. Value Added Ratios

Year	LT Food Ltd.					KBRL Ltd.				
	NVA to TR	EB to NVA	GS to NVA	CP to NVA	RE to NVA	NVA to TR	EB to NVA	GS to NVA	CP to NVA	RE to NVA
2015	24.80	08.79	02.66	19.88	68.67	18.80	09.12	12.37	13.82	64.72

2016	22.34	10.18	04.04	22.30	63.48	17.41	10.67	15.84	10.83	62.65
2017	29.22	08.41	02.92	17.78	70.89	22.94	09.68	19.14	07.59	63.59
2018	09.99	26.84	05.43	39.90	27.83	26.07	07.92	26.06	08.14	57.88
2019	11.46	24.09	11.43	30.41	34.07	23.02	07.82	24.25	07.13	60.80
Mean	19.42	15.66	05.30	26.05	52.99	21.65	09.04	19.53	09.50	61.93

NVA to TR = Net Value Added to Total Revenue Ratio

EB to NVA = Employees Benefits to Net Value-Added Ratio

GS to NVA = Government Share to Net Value Added Ratio

CP to NVA = Capital Provider to Net Value Added Ratio

RE to NVA = Retain Earnings to Net value-added Ratio

Sources: Computed from published annual report of selected companies

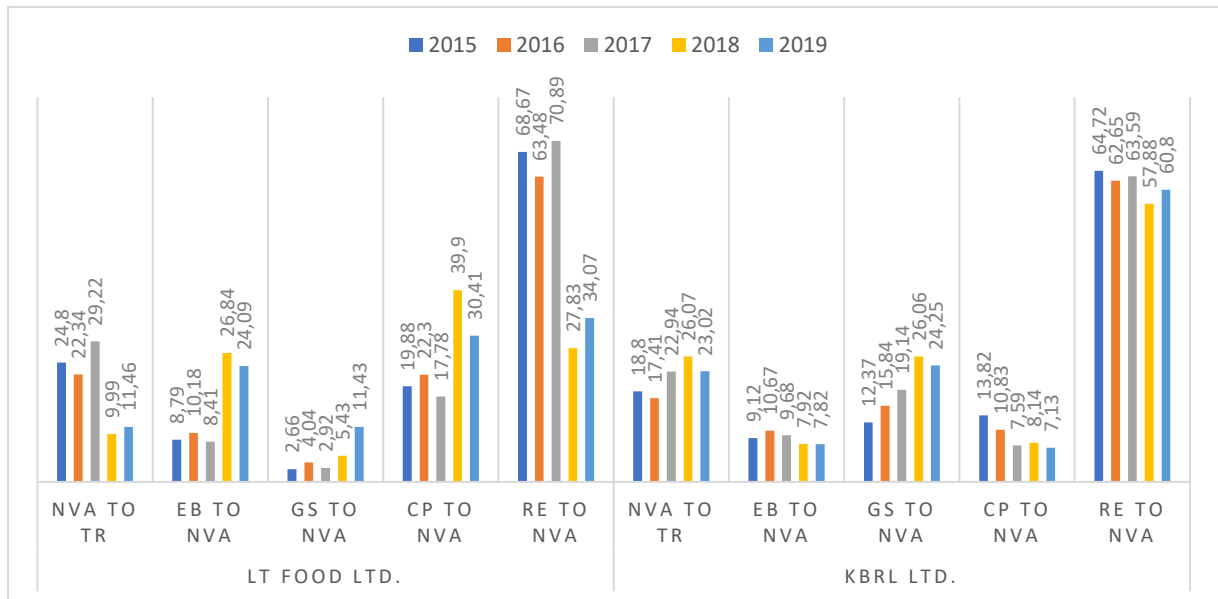


Figure 1. Value Added Ratios

The above table represents the various value-added ratios for LT Food Ltd. and KRBL Ltd. for the study period of 5 years from 2015 to 2019. These ratios are Net Value Added to Total Revenue Ratio, Employee Benefits to Net Value-Added Ratio, Government Shares to Net Value-Added Ratio, Capital Providers to Net Value Added Ratio and Retain Earnings to Net Value-Added Ratio. In LT Foods Ltd. Net Value Added to Total Revenue Ratio, Capital Providers to Net Value Added Ratio and Retain Earnings to Net Value-Added Ratio were decreased in year 2019 compared to 2015, where Employee Benefits to Net Value-Added Ratio and Government Shares to Net Value-Added Ratio were increased. In KRBL Ltd. no huge change is shown in these selected 5 years they were very closely fluctuated.

Hypotheses Testing for Value Added Ratios (T-test)

Table 4. Finding of T-Test for Value Added Ratios

Value Added Ratios	Calculated Value	Table Value	Level of Significance	Results of H_0
Net Value Added to Total Revenue Ratio	-0.50979	2.306004	5%	Accepted
Employees Benefits to Net Value-Added Ratio	1.625641	2.306004	5%	Accepted
Government Share to Net Value Added Ratio	-4.72219	2.306004	5%	Accepted
Capital Provider to Net Value Added Ratio	3.885713	2.306004	5%	Rejected

Retain Earnings to Net value-added Ratio	-0.97081	2.306004	5%	Accepted
--	----------	----------	----	----------

The above table indicated that in all selected value-added ratios the calculated value is less than the table value except in ratio of capital provider to net value added so it is said that null hypotheses are accepted. This means there is no significant difference in different ratios among selected food processing companies during the study period. While in ratio of capital provider to net value added null hypothesis is rejected. This means there is significant difference selected food processing companies during the study period.

Conclusion

The present study attempts to measure and analyze the value added performance of selected food processing companies with the help of value added statement and value added ratios i.e. Net Value Added to Total Revenue Ratio, Employee Benefits to Net Value Added Ratio, Government Shares to Net Value Added Ratio, Capital Providers to Net Value Added Ratio and Retain Earnings to Net Value Added Ratio. After examination of all this value added ratios the result is found that, in LT Foods Ltd. Net Value Added to Total Revenue Ratio, Capital Providers to Net Value Added Ratio and Retain Earnings to Net Value Added Ratio were decreased where Employee Benefits to Net Value Added Ratio and Government Shares to Net Value Added Ratio were increased while in KRBL Ltd. stable performance is shown in all ratios. As per the result of statistical test drawn null hypothesis is accepted in all value-added ratios excluding capital provider to net value added ratio.

References

- Allen, M. W., & Spialek, M. L. (2018). Young millennials, environmental orientation, food company sustainability, and green word-of-mouth recommendations. *Journal of food products marketing*, 24(7), 803-829. <https://doi.org/10.1080/10454446.2017.1415827>
- Amin, A. (2017). An institutional perspective on regional economic development. In *Economy* (pp. 59-72). Routledge.
- Girella, L., Zambon, S., & Rossi, P. (2019). Reporting on sustainable development: A comparison of three Italian small and medium-sized enterprises. *Corporate Social Responsibility and Environmental Management*, 26(4), 981-996. <https://doi.org/10.1002/csr.1738>
- Gonçalves, J. M., Ferreira, F. A., Ferreira, J. J., & Farinha, L. M. (2018). A multiple criteria group decision-making approach for the assessment of small and medium-sized enterprise competitiveness. *Management Decision*. <https://doi.org/10.1108/MD-02-2018-0203>
- Joshi, A., Kumar, N., Yogesha, K. K., Jayaganthan, R., & Nath, S. K. (2016). Mechanical properties and microstructural evolution in Al 2014 alloy processed through multidirectional cryoforging. *Journal of Materials Engineering and Performance*, 25(7), 3031-3045. <https://doi.org/10.1007/s11665-016-2126-0>
- Khan, A., Bibi, S., Lorenzo, A., Lyu, J., & Babar, Z. U. (2020). Tourism and development in developing economies: A policy implication perspective. *Sustainability*, 12(4), 1618. <https://doi.org/10.3390/su12041618>
- Limarev, P. V., Limareva, Y. A., Zinovyeva, E. G., & Usmanova, E. G. (2015). Methodical motivation of the using EVA (economic value added) as instrument of cost-

- performance management in organizations. *Mediterranean Journal of Social Sciences*, 6(5), 489. <https://doi.org/10.5901/mjss.2015.v6n5s2p489>
- Ndirangu, M., & Kiema, J. B. K. (2007). Spatial approach in the identification of tax evasion on rental income: Case study of Umoja and Kileleshwa Estates in Nairobi, Kenya. *Journal of Property Tax Assessment & Administration*, 4(1), 47-59.
- Safiullin, M. R., Abdukaeva, A. A., & Elshin, L. A. (2019). Features of assessment of regional business cycles: Methodical approaches and paradigm of the research. *Journal of Environmental Treatment Techniques*, 7(1), 911.
- Sassanelli, C., Urbinati, A., Rosa, P., Chiaroni, D., & Terzi, S. (2020). Addressing circular economy through design for X approaches: A systematic literature review. *Computers in industry*, 120, 103245. <https://doi.org/10.1016/j.compind.2020.103245>
- Schroeder, P., Anggraeni, K., & Weber, U. (2019). The relevance of circular economy practices to the sustainable development goals. *Journal of Industrial Ecology*, 23(1), 77-95. <https://doi.org/10.1111/jiec.12732>
- Topleva, S. A., & Prokopov, T. V. (2020). Integrated business model for sustainability of small and medium-sized enterprises in the food industry: *Creating value added through ecodesign*. *British Food Journal*. <https://doi.org/10.1108/BFJ-03-2019-0208>
- Van Berkum, S., Dengerink, J., & Ruben, R. (2018). *The food systems approach: sustainable solutions for a sufficient supply of healthy food* (No. 2018-064). Wageningen Economic Research.
- Van de Poel, I., Asveld, L., Flipse, S., Klaassen, P., Scholten, V., & Yaghmaei, E. (2017). Company strategies for responsible research and innovation (RRI): *A conceptual model*. *Sustainability*, 9(11), 2045. <https://doi.org/10.3390/su9112045>
- Wilson, F., & Post, J. E. (2013). Business models for people, planet (& profits): exploring the phenomena of social business, a market-based approach to social value creation. *Small Business Economics*, 40(3), 715-737. <https://doi.org/10.1007/s11187-011-9401-0>