

RESEARCH PAPER

Study of present working, financial position, business turn-over and business gain (profit/loss) of dairy co-operation societies of Raigad district

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Accepted : November, 2009

ABSTRACT

Working capital is the most important factor responsible for the business turn-over and ultimate success of a society. The overall average working capital of the societies was Rs.41965.74, which included 5.86,4.34,12.87 and 76.93 per cent share capital, deposits borrowing and accumulated fund, respectively. It was observed that accumulated funds formed the major share of the working capital in all the three groups. Accumulated funds of dairy societies included reserve fund (54.67 %), building fund (15.23 %), educational fund (16.29%) and other fund (13.81 %). The study of income and expenditure revealed that the overall average total income of societies was Rs.31,636.61 which constituted 74.74 per cent commission for milk collection, 2.27 per cent in feed supply, 4.02 per cent interest on investment and 18.97 percent subsidy. The overall average expenditure of societies was Rs. 14,238.3, which included 54.97 per cent on salaries of staff. Out of 20 dairy societies, 14 (70%) societies had earned profit and 6 (30%) societies had sustained losses. Considering all the 20 societies together, the average profit worked out to Rs. 15,746.17. Thus the real picture was encouraging. Eleven societies had carried profit as reserve fund (11) of Rs.944.36, as dividend to milk producer (13) of Rs.21443.65, building fund (10) was Rs.1150.93 and bonus to staff (7) was Rs.1513.07.

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Key words : Dairy Co-operative Society, Funds, Profit distribution

The basic advantage of co-operatives is that they benefit the producers by paying remunerative prices. The programme of the government regarding dairy development can be very well integrated with the dairy co-operatives. The co-operatives serve not only the interest of their members but also those of the whole community. Therefore, the present investigation was studied to examine the financial position and operational efficiency of the dairy co-operative societies. Large volume of business, higher income and higher net profit are desirable trends and are indicators of better business. Higher or lower income alone does not reveal the net effect of business unless expenditure side is studied. The profit/loss position itself indicated the working efficiency of the societies. In view of this, the income, expenditure, profit/loss position of the societies were studied.

MATERIALS AND METHODS

For present investigation, the set of questionnaire was specially designed so as to get all informations relevant to the objectives of the study. The data were collected by survey method and questionnaires were filled in by personal interviews with the secretaries/chairman and members of the societies. Out of 14 Tahasils of Raigad district, 4 Tahasils and from each Tahasil, five societies

were selected randomly. The information was collected during February and March 2001 and data were analyzed by tabular method and arithmetic tools.

For studying the operational efficiency of three groups of dairy societies (*i.e.* small, medium and large) the following economic tests were applied :

- Income – Expenditure ratio
- Expenditure – Income ratio
- Rate of return on capital = $\frac{\text{Profit}}{\text{Working capital}} \times 100$
- Rate of turn over

RESULTS AND DISCUSSION

The results obtained from the present investigation are summarized below :

Working capital :

Working capital is the most important factor which is responsible for the business turn-over and ultimate success of the society. There are two sources of capital for a society, *viz.*, internal sources and external sources.

The internal sources are share capital, accumulated funds and deposits from members. The external sources consist of deposits from non-members and burrowing from

Table 1 : Working capital of the dairy societies

Sr. No.	Particulars	Small	Medium	Large	Overall
1.	Working capital /	1644.79	4372.6	4300	2459.50
	Share capital from members	(3.93)	(10.25)	(10.72)	(5.86)
2.	Deposit from members	611.5	4067.8	7500	1820
		(1.46)	(9.54)	(18.70)	(4.34)
3.	Borrowings	6642.9	3000	-	5400.03
		(15.87)	(7.04)		(12.87)
4.	Accumulated funds	32958.86	31200	28300	32286.2
		(78.74)	(73.17)	(70.57)	(76.93)
	Total	41858.05	42640.4	40100	41965.74
		(100)	(100)	(100)	(100)

(Figures in parenthesis indicate percentage to total)

outside sources.

It is clear from Table 1 that the average total working capital of the small dairy societies was Rs.41,858.05 out of which 3.93 per cent was share capital from members, 1.46 per cent as deposits from members, 15.87 per cent as borrowing and large part (78.74 per cent) as accumulated funds. In medium societies, the average working capital was Rs.42,640.4 which included 10.25 per cent share capital, 9.54 per cent deposits from members, 7.04 per cent was borrowing and 73.17 per cent as accumulated funds. In large societies, the average total working capital was Rs.40,100 which included 10.72 per cent as share capital, 18.70 per cent as deposits from members and 70.57 per cent as accumulated funds. The overall average total working capital was Rs. 41,965.74 which included 5.86 per cent share capital, 4.34 per cent deposits from members, 12.87 per cent borrowing and 76.93 per cent accumulated funds. It was observed that accumulated funds formed the major share of the working capital in all the three groups. The proportion of share capital from members was relatively lower in the small societies as compared to large societies. However, the proportion of accumulated funds was more in the small societies.

Funds of the dairy society :

The accumulated funds of the societies are reserve fund, building fund, educational fund and other funds included are religious contributions, depreciation fund etc.

The average total funds of the dairy societies in large and medium were more as compared to those in small societies (Table 2). It was found that in the small societies, out of total funds, 61.29 per cent consisted of reserve funds, 16.47 per cent building fund, 17.30 educational fund and 4.94 per cent as other funds. In medium societies 56.02 per cent was reserve fund, 8.08 per cent building fund, 14.22 per cent educational fund and 21.68 per cent as other funds, while in large societies, total funds

Table 2 : Average funds of the selected dairy societies

Sr. No.	Particulars	Small	Medium	Large	Overall
1.	Reserve fund	3721.57	6269	1000	4222.35
		(61.29)	(56.02)	(7.41)	(54.67)
2.	Building fund	1000	904.2	5000	1176.05
		(16.47)	(8.08)	(37.04)	(15.23)
3.	Educational fund	1050.14	1591.4	2500	1257.95
		(17.30)	(14.22)	(18.52)	(16.29)
4.	Others	300.1	2426.4	5000	1066.67
		(4.94)	(21.68)	(37.04)	(13.81)
	Total	6071.81	11191	13500	7723.02
		(100)	(100)	(100)	(100)

(Figures in parenthesis indicate percentage to total)

consisted of 7.41 per cent reserve fund, 37.04 per cent building fund, 18.52 per cent educational fund and 37.04 per cent as other funds. In small and medium societies, the reserve fund had the highest proportion (61.29 and 56.02 %) as compared to the large societies. Building fund (37.04%) and other fund (37.04), respectively had highest proportion.

Income and expenditure :

The study of details of income and expenditure of societies is necessary to understand the financial position. It also tells us about the management of the societies. These societies are now increasing being looked upon as business units.

The sources of income of the selected dairy societies consisted of interest on loans advanced to members, commission for milk collection from milk producers, subsidies etc. (Table 3).

It could be seen from the Table 3 that the overall average total income of the twenty societies under study was Rs.31636.61 out of this total income, commission for milk collection constituted 74.74 per cent, commission in

Table 3 : Average income of dairy societies (Rs.)

Sr.No.	Income source	Small	Medium	Large	Overall
1.	Milk commission	16959.06 (68.88)	37179.04 (82.25)	49562.2 (79.9)	23644.21 (74.74)
2.	Interest on investment	1129.29 (4.59)	936 (2.07)	4968 (8.01)	1272.9 (4.02)
3.	Cattle feed trading profit	532.14 (2.16)	1088 (2.41)	1500 (2.42)	719.5 (2.27)
4.	Subsidy	6000 (24.37)	6000 (9.67)	6000 (9.67)	6000 (18.97)
	Total	24620.49 (100)	45203.04 (100)	62030.2 (100)	31636.61 (100)

feed supply 2.27 per cent, interest on investment 4.02 per cent and subsidy 18.97 per cent. It was seen that average income of large societies was much more than the average income of small societies.

Expenditure of the dairy societies :

The dairy societies had incurred expenditure on various items such as salaries, allowances to committee members, traveling expenses, rent of building, lighting charges, consumable material etc.(Table 4).

It is evident (Table 4) that in all small societies the average expenditure was Rs.12715.2. This included 60.74 per cent salary of staff, 3.79 per cent traveling and other charges, 0.82 per cent postage and telephone charges, 2.66 per cent stationery and printing, 2.95 per cent funds and donations, 3.20 per cent educational funds, 5.94 per

cent audit fees and 19.90 per cent electricity charges, building rent and other charges.

In the medium societies, the average expenditure was Rs.15360.6. The major items were salary of staff (42.21 %), audit fees (6.25 %), building rent and electricity charges (36.2 %), traveling charges (1.60 %) and postage and telephone (4.67 %), stationery and printing 3.53 per cent.

In large societies, the average expenditure was Rs.29,950. This included 53.42 per cent salary of staff, 41.40 per cent electricity charges and building rents, 4 per cent audit fees, 0.67 traveling charges, 0.17 postage and telephone charges and stationery and printing 0.33 per cent. The overall average expenditure of societies was Rs.14,238.3, which included 54.97 per cent salary of staff (Table 4).

Table 4 : Average annual expenditure of dairy societies (Rs.)

Sr.No.	Particulars	Small	Medium	Large	Overall
1.	Staff salaries	7722.86 (60.74)	6484 (42.21)	16000 (53.42)	7827 (54.97)
2.	Traveling and other charges	482.14 (3.79)	246 (1.6)	200 (0.67)	409.0 (2.9)
3.	Postage and telephone	104.14 (0.82)	717.2 (4.67)	50 (0.17)	254.6 (1.9)
4.	Stationary and printing	337.64 (2.66)	542.6 (3.53)	100 (0.33)	377.0 (2.65)
5.	Donation and funds	375.14 (2.95)	450.2 (2.93)	-	375.15 (2.63)
6.	Education funds and others.	407.36 (3.20)	400 (2.60)	-	385.15 (2.7)
7.	Audit fees	755.71 (5.94)	960 (6.25)	1200 (4.01)	829.0 (5.82)
8.	Others	2530.21 (19.9)	5560.0 (36.2)	12400 (41.40)	3781.3 (26.56)
	Total	12715.2 (100)	15360.6 (100)	29950 (100)	14238.3 (100)

(Figures in parenthesis indicate percentage to total)

Profit loss position of dairy societies :

While considering overall average, business position of the selected societies in the sample, it was observed that the average income of the societies was more than the average expenditure. Some of them were in loss (Table 5).

It can be seen from Table 5 that out of 20 dairy societies, 14 societies (70%) had earned profit and 6 societies (30%) had sustained losses. In small societies, 8 were in profit averaging Rs.18,646.14, while 6 societies were in loss (Rs.2189.7). In the medium societies all 5 societies had earned profit, averaging Rs.29,362.44. In the large societies, there was only a single society that was in profit, earning Rs.29,950. The average profit of the societies worked out to be Rs.32,080.2 and Rs.29,362.44 of larger and medium societies, respectively, which was more than that in the small societies (Rs.18,646.14).

At overall level, considering all the 20 societies together, the average profit worked out to Rs.15,746.17. Thus, the general picture was encouraging and indicating that as the size of societies increases the profit also

It is seen from Table 6 that eleven societies had carried profit to the reserve fund with average amount of Rs.1,201.91 while overall average for 14 dairy societies was Rs.944.36, thirteen societies used the profit as dividend to milk producer with average amount of Rs.23,093.16 and overall average was of Rs.21,443.65. Ten societies had carried out profit to building fund and average amount was Rs.1,611.3, while overall average was Rs.1,150.93. Seven societies had carried out profit as bonus to staff, their average amount was Rs.3,026.14 and overall average was Rs.1,513.07. Kulkarni (1984) and Koli (1985) also conducted similar

Table 6 : Profit distribution by dairy societies

Sr No.	Particulars	No. of societies	Average amount (Rs.)	Overall average (Rs.) N=14
1.	Reserve fund	11	1201.91	944.36
2.	Dividend to members	13	23093.16	21443.65
3.	Building fund	10	1611.3	1150.93
4.	Bonus to staff	07	3026.14	1513.07

Table 5 : Classification of dairy societies according to profit-loss

Sr. No.	Particulars	Small	Medium	Large	Overall
I.	Societies in profit				
	- Number	8	5	1	14
	- Income (Rs.)	31540.02	45203.04	62030.2	38597.54
	- Expenditure (Rs.)	12893.88	15840.6	29950.0	15164.57
	- Profit (Rs.)	18646.14	29362.44	32080.2	23432.97
II.	Societies in loss				
	- Number				
	- Income (Rs.)	12528.97	-	-	12528.97
	- Expenditure (Rs.)	14718.67	-	-	14718.67
	- Loss (Rs.)	2189.7	-	-	2189.7
III.	Overall				
	- Number	14	5	1	20
	- Income (Rs.)	23392.43	45203.04	62030.2	30776.97
	- Expenditure (Rs.)	13675.93	15840.6	29950.0	15030.8
	- Profit (Rs.)	9716.5	29362.44	32080.2	15746.17

(Figures in parenthesis indicate percentage to total)

increases (Table 5).

Profit distribution :

Profit was distributed as per the provision of the by-laws of the societies. They are the reserve fund, dividend to members, building fund and bonus to staff etc.(Table 6). In this study, 14 societies out of total 20 were in profit and the remaining 6 in loss. So, profit distribution of 14 societies is detailed out here.

studies in Maharashtra.

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