



EXPLORING FINANCIAL PERFORMANCE: CO-OPERATIVE DAIRIES IN SURAT DISTRICT

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ABSTRACT

In this research, the Financial information of different Dairies is presented by interpreting their ratios and comparing them with each other. At the same time, there will be an attempt to find out the economic situation and profitability of different dairies as well as the contribution of dairies to social development. Although some hypotheses have been made for this, there are some limitations to this study

INTRODUCTION

In our country, co-operative organisation has been long recognized as an effective instrument for bringing about the social and economic development. Industries whereby the milk and milk products handled are known as Dairy Industry. In Industrial scale, their marketing and all the firms dealing with the processing of milk and manufacturing of milk products. From many years, Indian Dairy industry is dominated by co-operative sectors. India is one of the world largest and speedy growing markets for milk and milk products. It also plays an important role to generate employment for the landless families of weaker sections in rural areas. In India, Milk production is influenced by small and marginal farmers and also by the landless labourers. The main objective of Indian Dairy Industry is to improve the milk processing using modern technology and manage the national resource to increase the milk production.

What is co-operation?

The concept of co-operation and its area of activities as a challenge to the business world and as one of the forms of business concern have been undergoing various changes all over the business world from time to time since the small store in Toad lane was started in England. The movement has progressed rapidly and a greater appreciation of all co-operation led to a wider conception of its principles.

According to the co-operative planning committee of India (1946)

“Co-operation is a form of organisation in which persons voluntarily associate together on a basis of equaling for the promotion of their economic interests. Those who come together have a common achieve by individual isolated action because of the weakness of the economic

position of a large majority of them”.

Sir Horace Plunkett's definition of co-operation is “self help made effective by organisation” he summed up the theory and practice of co-operation is their famous maxims, better forming, better business and better living.

What is co-operative society?

A Co-operative society is an association of individuals who willingly pool their resources and not for a profit hunting business and carry on the business for their own welfare. It is self government form of organisation in which the consumers are the proprietor of the business. From manager to clerk all are the proprietor of the business and all the management is in their hands..

A co-operative society in India can be described as the association of persons who come willingly for a specific purpose of the same territory. Therefore, willingly some like- minded persons from a society to fulfil their economic, social and cultural needs. It is an independent body and controlled by their members in their self- help organisation who conscientiously participate in setting their principles and making decisions entirely for the interest of the members of the society.

Prof. Paul Lambert “A co-operative society is an enterprise formed and directed by an association of users applying itself the rules of democracy and directed deliberate to serve both its own members and the group as a whole”.

History and development of Dairy Co-operatives:

1) Introduction:

The co-operative dairying playing plays an important role in the economy as well as rural

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development. The activities of dairy co-operatives in India are growing in the volume and importance to suit the changing circumstances and need of the producers and consumers. In rural families, Primary Dairy co-operative societies help to increase the income source of the farmers to create employment opportunities and in uplifting the living standard of rural milk producers.

2) History and development of Dairy co-operatives in India:

a) Ancient Period:

In the older days, Milk is considered as the nutritious food for human being from the time ancient days. Cow was the main source of milk in the olden days. Our forefathers from the "Vedik period" used "Cow Milk" as the sacred food and the cow was treated as "Mother", Nandini, Kamdhenu etc. 'Aaryans' came in India with cows, cattle and high breed horses. It helped the civilization and they developed their dairying in community as a part of culture also.

b) Pre Independence period:

In pre independence period, out of the need and also the hobby in some of the princely states the limited dairying was started. They were called as 'Palace Dairies'. It was first established in modern dairy in India at Calcutta was Mr. Edward Keventer and then modern butter factory at Aligarh. Milk producers in rural areas like Karia district in Gujarat, collected milk in bulk for the first time, pasteurized and transport by rail to Bombay in 1945.

c) Post Independence period:

In 1947 After Independence, 'The Greater Bombay milk scheme' has launched by the Govt. Of India in order to supply milk to the ever-growing demand of Bombay city. The milk producers of Surat district, Gujarat has established their own co-operative union as Surat district co-operative milk producers union ltd in 1950.

Dairy development in Gujarat:

In Gujarat, at present the dairy industry is well established and taken as to replicate the model in other states of the country. Dairy development in Gujarat was very fast due to hesitant market as compared to reasonable good prices for milk supplied to the dairy. Dairy development through cooperative sector is supported by the state government. In Gujarat, dairy co-operative have 3-tier structure termed as ANAND PATTERN co-operatives. In village level, milk is collected by the co-operative society and owned by the District Union. In district union, the marketing of excess Milk and milk product is taken over by the state level federation viz. Gujarat Co-operative Milk Marketing Federation limited, Anand (GCMMF).

In 1973, Gujarat Dairy Development Co-operation (GDCC) is established by the state government. Under the co-operative milk producers union, 18 out of 19 districts has been covered by the end of 1995-96. Under GCMMF, there are 12 dairy plants and under GDCC, 6 dairy plants namely Jamnagar, Surendranagar, Amreli, Bhavnagar, Junagadh and Kachchh out of 18 dairy plants. As a members, GCMMF has 12 district unions. An average of 38.2 lakh kgs has obtain by GCMMF

member unions in the year 1996-97. In 1995-96, Milk is as compared to 30.6 lakh kgs per day.

Gujarat has district level milk products brand name such as Amul, Sagar, Sugam and Panchamrut.

REVIEW OF LITERATURE:

Rajendran. K. and Samarendu Mohanty (2004) Dairy Co-operatives and Milk Marketing in India Constraints and opportunities, Journal of food Distribution Research, Vol. 35, Issue 02, P. 24.

Explained that the operation Flood and dairy co-operatives emerged in India as the largest rural employment scheme, enabling the modernization of the dairy sector to a level from where it can take off to meet not only the country's demand for milk and milk products.

Karmakar K.G. and Banerjee G.D. (2006) title "Opportunities and challenges in The Indian Dairy Industry", technological Change, Issue 9, Pp.24-26 in this study

Pointed out that growth in milk production is likely to continue at the present rate of 4.4% in the near future.

Waghmare P.R. and Hedgire D.N. (2007), "Econometric analysis of integrated dairy development programme in Parbhani District", Agricultural Situation in India, Vol.64, Issue 3, Pp.97-101. Opined that milk productions in India during 1950-51 was 17 million tonnes which has reached 78 million tonnes in 1997-98. Presently India ranks first in the world in milk production.

Dhanabalan M. (2009) title "Productive Efficiency of milk production in Tamilnadu", Indian Journal of Marketing, Volume XXXIX, Number 12, P-21.

Opined that Dairy has an important role in improving the overall economic conditions of rural India. **Prof BharatBhai U. Patel (2012-13)** "Comparative study of Financial position of Co-operative Dairies with reference to Gujarat".

Research Methodology

The study is mainly based on secondary data. The relevant information in this regard is collected from the annual profit and loss account and balance sheet in the annual reports of the selected unit. The collected information was classified and tabulated. With the help of statistical techniques like ratio, the data were objectively analyzed and suitable conclusion.

Objectives of the study:

- To know the origin and growth of selected Surat district of co-operative Dairies.
- To examine the profitability of the selected Surat District Co-operative dairies.

Hypothesis of the study:

- There is no significant different between the Gross profit of selected Surat District co-operative Dairies.

- There is no significant different between the Net profit of selected Surat District Co-operative Dairies.
- There is no significant different between the operating profit of selected Surat District Cooperative Dairies.

Accounting Ratio analysis:

Ratio Analysis

Financial statements are not much useful for individual guidance, but inter relationship of different accounting heads can give some useful information. Thus, studying interrelationship between different accounting heads and making some important decisions from its analysis is called Ratio Analysis. In the present study following accounting ratio may be used.

1. Profitability ratio:

It shows earning capacity of the business with respect to the resources employed.

a) Gross Profit ratio:

It established a relationship between gross profit earned and net revenue generated from operation. $\text{Gross Profit} = \frac{\text{Gross profit}}{\text{Net sales}} * 100$

b) Net Profit ratio:

It establishes a relationship between net profit earned and net revenue generated from operation. $\text{Net Profit} = \frac{\text{Net Profit}}{\text{Net Sales}} * 100$

c) Operating Profit Ratio:

Operating profit ratio establishes a relationship between operating profit earned and net revenue generated from operation.

$\text{O.P. Ratio} = \frac{\text{Operating profit}}{\text{Revenue from Operation (Net Sales)}} * 100$

Limitations of the study:

- This study will be done on the basis of the annual reports and the information provided by the members.
- The results and conclusions of this study would not be applicable to private sector dairies.

Scope of the study:

Co-operative Dairy industry plays very important role in the economic development of rural population of the country. They are expected to perform efficiently both physically and financially. The production of milk is being increased day by day but the demands do not increase in that proportion of milk and its product.

1. The Amlidabada milk Producers Co-operative Dairies union ltd.

Year	Sales (Rs)	Gross Profit (Rs)	Net Profit (Rs)	Operating expense (Rs)
2014-15	11096589	264239	11422	236772
2015-16	10251415	167869	22794	126464
2016-17	11894305	524962	87441	463137
2017-18	12230219	245996	20176	212222

Source: Annual report of all the dairies from the year 2014 – 15

to 2017 - 18

$$\bullet \quad \text{Gross Profit ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

$$2014-15 = \frac{264239}{11096589} \times 100 = 2.38 \%$$

$$2015-16 = \frac{167869}{10251415} \times 100 = 1.64 \%$$

$$2016-17 = \frac{524962}{11894305} \times 100 = 4.41 \%$$

$$2017-18 = \frac{245996}{12230219} \times 100 = 2.01 \%$$

$$\bullet \quad \text{Net Profit ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

$$2014-15 = \frac{11422}{11096589} \times 100 = 0.10 \%$$

$$2015-16 = \frac{22794}{10251415} \times 100 = 0.22 \%$$

$$2016-17 = \frac{87441}{11894305} \times 100 = 0.74 \%$$

$$2017-18 = \frac{20176}{12230219} \times 100 = 0.16 \%$$

$$\bullet \quad \text{Operating Ratio} = \frac{\text{COGS} + \text{Operating Exp}}{\text{Net Sale}} \times 100$$

$$2014-15 = \frac{10832360 + 336772}{11096589} \times 100 = 99.75 \%$$

$$2015-16 = \frac{10083546 + 226464}{10251415} \times 100 = 99.60 \%$$

$$2016-17 = \frac{11369343 + 463137}{11894305} \times 100 = 99.48 \%$$

$$2017-18 = \frac{11984223 + 212222}{12230219} \times 100 = 99.72 \%$$

2. The Balalkuva milk Producers Co-operative Dairies union ltd.

Year	Sales	Gross Profit (Rs)	Net Profit (Rs)	Operating expense (Rs)
2014-15	2338783	82300	45622	38561
2015-16	4517476	204934	167495	41018
2016-17	7764435	225220	36410	135217
2017-18	7627698	35216	697	33986

Source : Annual report of all the dairies from the year 2014 – 15 to 2017 - 18

- $$\text{Gross Profit} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

$$2014-15 = \frac{82300}{2338783} \times 100 = 3.52 \%$$

$$2015-16 = \frac{204934}{4517476} \times 100 = 4.54 \%$$

$$2016-17 = \frac{225220}{7764435} \times 100 = 2.90 \%$$

$$2017-18 = \frac{35216}{7627698} \times 100 = 0.46 \%$$

- $$\text{Net Profit} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

$$2014-15 = \frac{45622}{2338783} \times 100 = 1.95 \%$$

$$2015-16 = \frac{167495}{4517476} \times 100 = 3.71 \%$$

$$2016-17 = \frac{36410}{7764435} \times 100 = 0.47 \%$$

$$2017-18 = \frac{697}{7227698} \times 100 = 0.01 \%$$

- $$\text{Operating ratio} = \frac{\text{COGS} + \text{Operating expenses}}{\text{Net sales}} \times 100$$

$$2014-15 = \frac{2256483 + 38561}{2338783} \times 100 = 98.13 \%$$

$$2015-16 = \frac{4312542 + 41018}{4517476} \times 100 = 96.37 \%$$

$$2016-17 = \frac{7539215 + 135217}{7764435} \times 100 = 98.84 \%$$

$$2017-18 = \frac{7592482 + 33986}{7627698} \times 100 = 99.98 \%$$

3. The Umarkhadi milk Producers Co-operative Dairies Union Ltd.

Year	Sales	Gross Profit (Rs)	Net Profit (Rs)	Operating expense (Rs)
2014-15	7062381	82971	34483	105018
2015-16	12423339	160728	102224	106192
2016-17	20704834	159294	317678	109929
2017-18	23276211	-77698	-243867	919324

Source: Annual report of all the dairies from the year 2014 – 15 to 2017 - 18

- $$\text{Gross Profit ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

$$2014-15 = \frac{82971}{7062381} \times 100 = 1.17 \%$$

$$2015-16 = \frac{160728}{12423339} \times 100 = 1.29 \%$$

$$2016-17 = \frac{159294}{20704834} \times 100 = 0.77 \%$$

$$2017-18 = \frac{-77698}{23276211} \times 100 = 0.33 \%$$

- $$\text{Net Profit ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

$$2014-15 = \frac{34483}{7062381} \times 100 = 0.49 \%$$

$$2015-16 = \frac{102224}{12423339} \times 100 = 0.82 \%$$

$$2016-17 = \frac{317678}{20704834} \times 100 = 1.53 \%$$

$$2017-18 = \frac{-243867}{23276211} \times 100 = 1.08 \%$$

- $$\text{Operating Ratio} = \frac{\text{COGS} + \text{Operating exp}}{\text{Net Sales}} \times 100$$

$$2014-15 = \frac{6979410 + 75018}{7062381} \times 100 = 99.89 \%$$

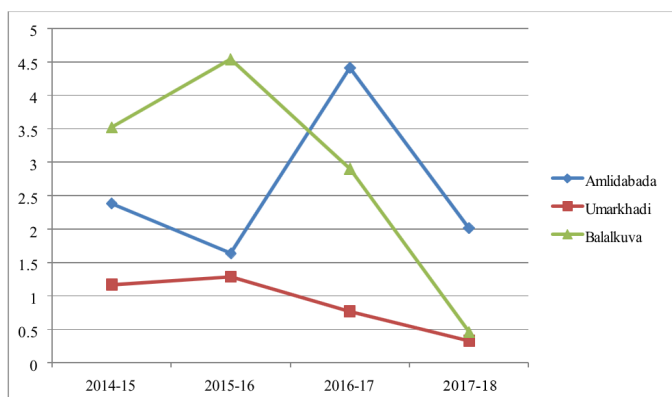
$$2015-16 = \frac{12262611 + 106192}{12423339} \times 100 = 99.56 \%$$

$$2016-17 = \frac{20545540 + 109924}{20704834} \times 100 = 99.76 \%$$

$$2017-18 = \frac{23353909 + 919324}{23276211} \times 100 = 104.28 \%$$

- **Gross Profit Ratio: (In %)**

Year	Amlidabada	Umarkhadi	Balalkuva
2014-15	2.38	1.17	3.52
2015-16	1.64	1.29	4.54
2016-17	4.41	0.77	2.90
2017-18	2.01	0.33	0.46



Source: Annual report of all the dairies from the year 2014 – 15 to 2017 - 18

The Gross Profit ratio of Amlidabada was 2.38 % in the year 2014-15 which rose to 4.41 % in the year 2016-17 is decreased to be 2.01 % for the year 2017-18.

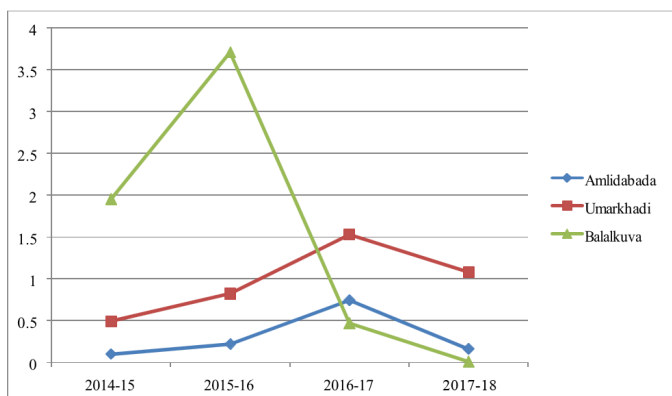
The Gross Profit ratio of Umarmkhadi was 1.17 % in the year 2014-15 is decreased to be 0.33 % for the year 2017-18.

The Gross Profit ratio of Balalkuva was 3.52 % in the year 2014-15 which rose to 4.54 % in the year 2015-16 is decreased to be 0.46 % for the year 2017-18.

• **Net Profit ratio: (In %)**

Year	Amlidabada	Umarkhadi	Balalkuva
2014-15	0.10	0.49	1.95
2015-16	0.22	0.82	3.71
2016-17	0.74	1.53	0.47
2017-18	0.16	1.08	0.01

Source: Annual report of all the dairies from the year 2014 – 15 to 2017 - 18



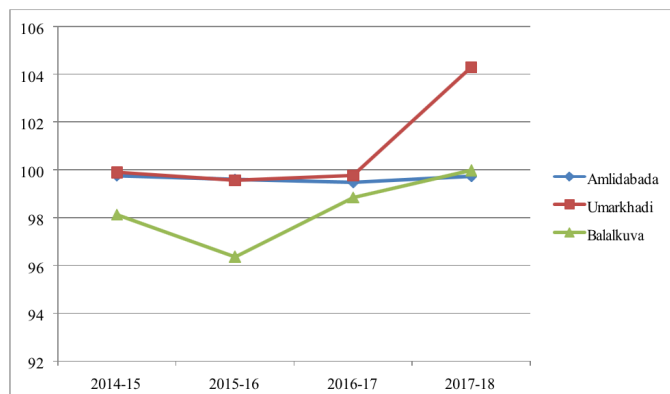
The Net Profit ratio of Amlidabada was 0.10 % in the year 2014-15 is decreased to be 0.16 % for the year 2017-18.

The Net Profit ratio of Umarmkhadi was 0.49 % in the year 2014-15 which rose to 1.53 % in the year 2016-17 is decreased to be 1.08 % for the year 2017-18.

The Net Profit ratio of Balalkuva was 1.95 % in the year 2014-15 is decreased to be 0.01 % for the year 2017-18.

• **Operating Ratio: (In %)**

Year	Amlidabada	Umarkhadi	Balalkuva
2014-15	99.75	99.89	98.13
2015-16	99.60	99.56	96.37
2016-17	99.48	99.76	98.84
2017-18	99.72	104.28	99.98



The Operating ratio of Amlidabada was 99.75 % in the year 2014-15 and 99.72 % in the year 2017-18.

The Operating ratio of Umarmkhadi was 99.89 % in the year 2014-15 which increased to be 104.28 % in the year 2017-18.

The Operating ratio of Balalkuva was 98.13 % in the year 2014-15 which increased to be 99.98 % in the year 2017-18.