INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION & MANAGEMENT

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NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

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FINANCIAL PERFORMANCE EVALUATION OF KARNATAKA CO-OPERATIVE MILK PRODUCERS FEDERATION LTD. IN KARNATAKA WITH SPECIAL REFERENCE TO DAKSHINA KANNADA MILK UNION

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ABSTRACT
India's Dairy co-operatives play an important role for rapid development of rural people. This goes long way in eradication of poverty and establishment of real system of governance. Dairy is a major sub sector allied to agriculture. The weaker sections of the economy are very much helpful by this sector. The societies of dairy co-operatives have built with a great intention to support the members in different areas of economies. This article analyses the liquidity, profitability, growth and solvency of Dakshina Kannada co-operative milk producers' societies' union ltd. Data are collected from Dakshina Kannada milk union for the study and analysed by using ratio analysis and correlation technique.

KEYWORDS
dairy co-operative, correlation , liquidity, profitability, ratio analysis.

INTRODUCTION
Dairying is an ancient activity in rural setting of India. The need of dairy development in India arise due to several considerations such as low per capita availability of milk, prevalence of unemployment, increasing living condition of rural people and achieving self sufficiency in milk production. Dairying plays a vital role not only in providing income and employment for rural poorer particularly among landless labor, small and marginal farmers, but also it provides nutritional, social security and valuable organic manure for agriculture production. Dairy sector is the major source of income for an estimate 27.6 million people. Among these 65 to 70 percent are small, marginal farmer and landless labor (Subharama Naidu and Kondaiah, 2004, pp. 91-105). The operation flood programme, which was launched during 1970, organizing dairy farmer's cooperatives in rural area and linking them with urban consumers created a strong net work for procurement, processing and distribution of milk over a lakh village in rural India. The dairy sector supports around 10 million members/ farmers through one lakh cooperative society existing in the country.

KARNATAKA MILK FEDERATION
Karnataka Cooperative Milk Producers' Federation Limited (KMF) is the Apex Body in Karnataka representing Dairy Farmers' Co-operatives. It is the second largest dairy co-operative amongst the dairy cooperatives in the country. In South India it stands first in terms of procurement as well as sales. One of the core functions of the Federation is marketing of Milk and Milk Products. The Brand "nandini" is the household name for Pure and Fresh milk and milk products.

KMF has 13 Milk Unions throughout the State which procure milk from Primary Dairy Cooperative Societies (DCS) and distribute milk to the consumers in various Towns/Cities/Rural markets in Karnataka.

The first ever World Bank funded Dairy Development Program in the country started in Karnataka with the organization of Village Level Dairy Co-operatives in 1974. The AMUL pattern of dairy co-operatives started functioning in Karnataka from 1974-75 with the financial assistance from World Bank, Operation Flood II & III. The dairy co-operatives were established under the ANAND pattern in a three tier structure with the Village Level Dairy Co-operatives forming the base level, the District Level Milk Unions at the middle level to take care of the procurement, processing and marketing of milk and the Karnataka Milk Federation as the Apex Body to co-ordinate the growth of the sector at the State level.

Coordination of activities among the Unions and developing market for Milk and Milk products is the responsibility of KMF. Marketing Milk in the respective jurisdiction is organized by the respective Milk Unions. Surplus/deficit of liquid milk among the member Milk Unions is monitored by the Federation. While the marketing of all the Milk Products is organized by KMF, both within and outside the State, all the Milk and Milk products are sold under a common brand name NANDINI.

NEED FOR THE STUDY
Dairying has played a prominent role in strengthening India's rural economy. It has been recognized as an instrument to bring socio-economic transformation. A symbiotic relationship exists between dairy farmers and the milk unions who process the raw milk collected from the farmers. To strengthen the recent gains in milk production, processing calls for the new development initiatives and critical analysis of the financial performance of milk unions. Dairying must address itself to issues of profitability, liquidity, solvency and growth of dairy co operative could translate into significant benefits to dairy farmers. Thus this article aims to investigate the financial performance of Dakshina Kannada co-operative milk union of KMF.

REVIEW OF LITERATURE
Mattigatti (1990) in his research article evaluated the impact of the dairy co-operative societies on the cost-return structure of buffalo milk production in Dharwad district of Karnataka State. They found that the members of the co-operative societies get a higher rate of net profit than the non-members on total investment. They point out that the co-operative societies get a higher rate of net profit than the non-members on total investment. They further pointed out that the co-operatives have succeeded in procuring better price for the milk producers. Efficiency in operating activities and optimum financial policy may be the reason for a better margin to the members of the co-operative societies. Further, processing adds value for the product thereby increasing the return to the farmers.

R.L. Hyderabad (1991) has analyzed the pattern and productivity of financial resources employed by Karnataka Co-operative Milk Producers' Federation Ltd. in Karnataka State. The study focused on capital productivity and aimed to ascertain causative factors responsible for the poor return on investment. It found that the Karnataka Co-operative Milk Producers' Federation Ltd. had failed to manage its total financial resources effectively and efficiently. The debt capital was the most predominant source employed to finance capital requirements and a large part of the resources raised had been lost in operating activities. Thus the study concludes that high debt and high operating losses had contributed to the poor financial working of the Karnataka Co-operative Milk Producers' Federation Ltd. and had impugned the growth of the co-operative dairy sector in the state.

Arvind M patel (2005) in his study, performance appraisal of dairy industry in Gujarat state shows the various hindrances to the performance of co operative dairy industry by high transportation expenses, high marketing expenses, high personnel expenses, high financial expenses, high processing expenses and high procurement cost. He has suggested that the diary industry should take necessary step to reduce procurement cost by reducing transportation expenses. Processing expenses is required to reduce by controlling depreciation and reducing of financial expenses by reducing loans and creating capital from equity.

Nithin. R. R. (2008) in his study Supply chain management in dairy processing units- A comparative analysis of private and co-operative units. This study revealed that quantity and cost of milk procured indicated that co operative unit procured the highest quantity compared to private units. In case of marketing products, commission charges accounted for maximum and followed by other costs like transportation cost, carriage and hamali and advertisement expenses in cooperative units.

Harish. M (2011) in his study on development and processing in Mysore Milk Union Limited observed the routine work which is carried out by in Mysore Milk Union Limited. MYMUL is playing a vital role in serving the rural class and contributing for the economic upliftment of farmers. Through the study it is discovered that they can come out with differentiated product offerings and offer better value to their customers, only when they make improvements in all the supply chain processes.

OBJECTIVES OF THE STUDY

1. To ascertain the growth of Dakshina Kannada co-opertive milk producers' federation Ltd. in Karnataka
2. To analyze the performance in terms of profitability, liquidity and solvency.
3. To analyze the relation between the Sales and Net profit.

METHODOLOGY

The research study is an attempt to examine the financial efficiency of Dakshina Kannada co-operative milk producers' federation Ltd. It is mainly based on secondary data, annual reports, balance sheet and income statement of the milk union.

DATA ANALYSIS AND INTERPRETATION

The data collected was subjected to data analysis using ratio analysis and correlation technique.

[1] Liquidity ratios

CURRENT RATIO

The current ratio of a unit measures the firms short term solvency that is, its ability to meet short term obligations. It mainly used to give an idea of the company's ability to pay short term liabilities with its short term assets.

Current ratio= current assets/ current liabilities.

TABLE NO. 1: SHOWING CURRENT RATIO

Year	Current assets	Current liabilities	Current Ratio
2003-04	115603483	53115025	2.17
2004-05	133500150	49337687	2.70
2005-06	126483528	60945235	2.07
2006-07	135114955	90807847	1.48
2007-08	152620942	98310378	1.55
2008-09	140110304	105276809	1.33
2009-10	177082185	145342946	1.21
2010-11	269622623	192506986	1.40
2011-12	221806577	161571240	1.37
2012-13	204748640	177021627	1.15

Source: Secondary data

Interpretation

The above table depicts that current ratio high in the year 2004-05 i.e. 2.70 which is more than the conventional norm 2.0 making capable for the company to meet its obligations. Therefore, the liquidity position of Dakshina Kannada milk union is satisfactory even through the ratio for subsequent years is lesser than the conventional norm.

QUICK RATIO OR ACID TEST RATIO

Acid test ratio is a test that indicates whether a firm has enough short term assets to cover its immediate liabilities.

Quick ratio= Quick assets / Current liabilities.

TABLE NO. 2: SHOWING QUICK RATIO

Year	Quick assets	Current liabilities	Quick Ratio
2003-04	99539814	53115025	1.87
2004-05	116715402	49337687	2.36
2005-06	104705099	60945235	1.71
2006-07	107528154	90807847	1.18
2007-08	122637620	98310378	1.24
2008-09	104913112	105276809	1.00
2009-10	158247143	145342946	1.08
2010-11	206579730	192506986	1.07
2011-12	177078677	161571240	1.09
2012-13	137155318	177021627	0.77

Source: Secondary data

Interpretation

The above table depicts that quick ratio of the milk union is satisfactory in the all the year except in the year 2012-13. In the year 2012-13 ratio is 0.77 and it is low compared to 1.1 satisfactory level of firm.

[2] Profitability ratios

GROSS PROFIT RATIO

Gross profit ratio is a profitability ratio that shows the proportion of profits generated by the sale of products or services. Gross profit ratio assesses a company's success in generating profits and how these profits are used to reward investors.

Gross profit ratio=gross profit/net sales*100

TABLE NO. 3: SHOWING GROSS PROFIT RATIO

Year	Gross Profit	Net sales	Gross Profit Ratio(%)
2003-04	119365000	956980623	12.47
2004-05	134100739	1088247722	12.32
2005-06	70945950	1172674499	6.04
2006-07	82152222	1436160161	5.72
2007-08	98345804	1719018775	5.72
2008-09	118276874	2030428931	5.82
2009-10	154833266	2311707336	6.70
2010-11	169118453	3003815472	5.63
2011-12	176520356	3670375017	4.80
2012-13	211828938	4474025577	4.73

Source: Secondary data

Interpretation

The above table depicts that Gross profit ratio of the milk union is in decreasing trend. Therefore the union should give attention towards making enough profit to meet the operating expenses.

RETURN ON CAPITAL EMPLOYED RATIO

The term capital employed refers to long-term funds supplied by the lenders and owners of the firm. It provides a test of profitability related to the sources of long-term funds. The higher the ratio, the more efficient is the use of capital employed. It is calculated by comparing the profit earned and the capital employed to earn it.

Return on capital employed Ratio = EBIT/ capital employed*100

TABLE NO. 4: SHOWING RETURN ON CAPITAL EMPLOYED RATIO

Year	EBIT	Capital employed	Return on capital employed Ratio (%)
2003-04	12065221	121178916	9.96
2004-05	14902986	135806411	10.98
2005-06	13261633	109505973	12.11
2006-07	11562770	103772438	11.14
2007-08	14697963	103933325	14.14
2008-09	25941732	107868041	24.04
2009-10	28089270	110973660	25.31
2010-11	41277696	122365669	33.73
2011-12	47885107	122286131	39.16
2012-13	49876744	113604012	43.90

Source: Secondary data

Interpretation

The above table depicts that return on capital employed ratio of milk union is increasing trend. Its shows that long term funds of owners and lenders are being efficiently used.

[3] Solvency Ratio

DEBT EQUITY RATIO

This ratio establishes relationship between the outside long-term liabilities and owners' funds. It shows the proportion of long-term External Equities and Internal Equities i.e. proportion of funds provided by long-term creditors and that provided by shareholders or proprietors. A higher ratio means that outside creditors has a larger claim than the owners of the business. The company with high-debt position will have to accept stricter conditions from the lenders while borrowing money.

Debt equity Ratio = long term debt/ share holders' equity

TABLE NO. 5: SHOWING DEBT EQUITY RATIO

Year	Long term debt	Share holders' equity	Debt equity Ratio
2003-04	52126055	19038300	2.73
2004-05	56804264	22990200	2.47
2005-06	82987773	26518200	3.12
2006-07	73518238	30254200	2.43
2007-08	69157125	34776200	1.99
2008-09	69983641	37884400	1.85
2009-10	69913360	41060300	1.70
2010-11	65031369	57334300	1.13
2011-12	51965831	70320300	0.74
2012-13	39626712	73977300	0.53

Source: Secondary data

Interpretation

The above table depicts that Debt equity Ratio of milk union is high in the year 2005-06 i.e. 3.12 and it is low in the year 2012-13 i.e. 0.53. Up to 2010-11 the debt equity ratio is high, the owners are putting relatively less money of their own and in the years 2011-12 & 2012-13 the ratio is low, it implies good safety margin for the creditors.

[4] Sales growth of Dakshina Kannada milk union

TABLE NO. 6: SHOWING SALES GROWTH

Year	Sales	Growth YOY (%)
2003-04	956980623	0.00
2004-05	1088247722	13.72
2005-06	1172674499	7.76
2006-07	1436160161	22.47
2007-08	1719018775	19.70
2008-09	2030428931	18.12
2009-10	2311707336	13.85
2010-11	3003815472	29.94
2011-12	3670375017	22.19
2012-13	4474025577	21.90

Compound Annual Growth Rate (CAGR) = 18.69%

Interpretation

The above table depicts that year on year sales growth rate showing fluctuating trend and it is higher than CAGR in all the years except 2004-05, 2005-06, 2008-09 and 2009-10. Therefore, growth rate of milk union is satisfactory even it is less in four year**.**

[5] Correlation between Sales and Net profit

The correlation between the sales and net profit is made with a view to know how far these two are related with each other as shown in Table.

TABLE NO. 7: SHOWING CORRELATION BETWEEN SALES AND NET PROFIT

Year	Sales	Net profit
2003-04	956980623	7362365
2004-05	1088247722	8482871
2005-06	1172674499	4921591
2006-07	1436160161	3496505
2007-08	1719018775	7130736
2008-09	2030428931	13769215
2009-10	2311707336	14906620
2010-11	3003815472	24730575
2011-12	3670375017	34532274
2012-13	4474025577	36376629

Source: Secondary data

Interpretation

Correlated value of 'r.' is 0.964

The above table indicates that there was a high positive correlation of (96.4%) between the sales and Net profit of the union during the study period. Therefore, when the value of Sales of the union increases the value of its Net Profit also increases.

CONCLUSION

For this study of financial performance evaluation of Dakshina Kannada milk union ten years of financial statements i.e. balance sheet and profit and loss account have been taken for calculation and analysis. In this study it reveals that sales and net profit of the union is positively correlated. To find liquidity, profitability and solvency position of the union ratio analysis has been used as financial tool. Through ratio analysis it revealed that position in terms of liquidity, profitability and solvency are satisfactory but the union has to take further steps to increase the profitability by reducing cost of sales.

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