



## A STUDY ON BUDGETARY CONTROL OF PUDUKKOTTAI DISTRICT CO-OPERATIVE MILK PRODUCERS' UNION LTD.

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### **ABSTRACT**

*Pudhukottai District Co-operative Milk Producers' Union restricted may be a cooperative sector Endeavour, engaged within the process of milk and producing the milk product. District Cooperative milk producers union restricted is found within the central a part of Pudukkottai. The company workplace of the union relies at Madras. The budget management is enjoying a significant role with the organization. The role of fund management is that the essence of a business. The knowledge is that the blood and fund management may be a heart within the body the centre plays the role of supply pure blood to all or any the weather of the body together with the brain. To analyze how budgetary control helps the milk union to select best course factors. This article revise the budgets in the light of changed circumstances and give suggestion towards correlation preparation method. Finding the Operating ratio is increased or decreased in a particular year and find out the relationship between stock turnover ratio and net profit ratio. The researcher suggest about the organization fluctuations and sustainability. The processes of indent taking and billing though online transaction processing systems is very important. This article conclude with the note of budgetary control department works as a back bone of top management. It is one of the important plan for every management for their Business.*

**Keyword:** Budgetary control, Budget, Co-operative, Milk Producers,



## INTRODUCTION

## BUDGET

The word '**budget**' is derived from a French word '**Bougette**' representing leather pouch into which funds are appropriated to meet the anticipated expenses. The word '**budget**' therefore refers in the business enterprise, to a plan in the form of quantitative and financial statement of the firm about the work to be done by the executives and their officials.

## BUDGETING

Budgeting refers to the whole process of designing, implementing and operating budgets. It involves a detailed study of business environment clearly grasping the management objectives, the available resources of the enterprise and capacity of the enterprise.

## BUDGETARY CONTROL

Control may be defined as "Company operating results with the plans, and taking corrective action when results deviate from the plans". Control is a mechanism according to which something or someone is guided to follow the predetermined course.

## SCENARIO OF DAIRY INDUSTRY IN INDIA

Dairy is place where handling products is done. Technology refers to the afflications of scientific knowledge for practical purpose<sup>1</sup>. Dairy technology has been defined as that branch of dairy science, which deals with the processing of manufacturing of milk products on industry scale<sup>2</sup>. The Indian dairy industry has made rapid progress since independence. A large number of modern milk plants and product factors have been established these organized dairies have been successful engaged in routine commercial production of paste section milk and various dairy products<sup>3</sup>. With modern knowledge of the protection of milk during transportation, it becomes possible to locate dairies where land was less expensive and corps could be growth more economically<sup>4</sup>.

<sup>1</sup> Ashalatha, P.K., Rao, P., V.S.Ready, and R.S. Moorthy (2004): Impact of dairy co-operative on the milk production, consumption and marketed surplus pattern on the members. *Indian J.Dairy Sci.* 57(1) 60-64.

<sup>2</sup> Thirunavukkarasu, D. and Sudeepkumar, N. K.,( 2005), Milk marketing options for dairy farmers in open economy and their choice in Tamil Nadu, India. *Livestock Research for Rural Development*, 17 (8).

<sup>3</sup> Kale, N.K., Tilekar, S.N., Borude, S.G. and Hinge, B.J., 2000, " An economic enquiry in to working of dairy cooperatives in coastal area of Maharashtra", *Indian Coop Rev.*,38(4): 426-433.

<sup>4</sup> Kulkarni, M.B., 1979, "Collection of Milk: Some Lacunae and Remedies", *Dairy Guide* 1(10): 31-34.



Cooperatives dominate dairy industry not only in India but also around the world. In the United Kingdom, all the milk produced by farmers is procured by cooperatives. There are no private sector dairy plants in New Zealand<sup>5</sup>. A total of 90 percent of the dairies in former West Germany are cooperative, and in Denmark, Netherlands and Sweden the entire dairy industry is organized on cooperative lines. In the USA, 70 per cent of the dairy industry is in cooperative sector. Dairy programmes are subject to significant government participation and regulation than most other domestic agricultural industries in the USA<sup>6</sup>.

It represents the comparison of the milk production in India with other countries of the world for 8 five year periods, from 1970 to 2010. It is important to note that India's percentage share in total world milk production has kept upward trend, competing with USA for top position. In the beginning of year 1997 India's milk production was on par with USA, which was ranked second by producing 70.80 million tons of milk in that year. India held the First rank in the production of milk to the tune of 70.88 million tons in the same year 1997 itself by over taking the United States and thereafter it become the world largest milk producer<sup>7</sup>.

## GROWTH OF DAIRY IN INDIA

The green revolution in India has now reached stagnation. In such a case, there is a need for diversification of crop production system by greater integration of livestock and inland fisheries. Fortunately, various government initiatives through the promotion of dairy cooperative movement under Operation Flood Programme and several other dairy production schemes have resulted in augmenting milk production at an average annual growth of 4.5 per cent<sup>8</sup>. The implementation of Operation Flood brought a "White Revolution" in 1968-69 to 66 million tonnes by 95-96, at the end of project period<sup>9</sup>.

<sup>5</sup> Kumar, A., Wright, I.A. and Singh, D.K. (2011). Adoption of food safety practices in milk production: Implications for dairy farmers in India. *Journal of International Food & Agribusiness Marketing*, 23(4): 330-344.

<sup>6</sup> Sivasubramanian. M, "A study on per capita milk consumption among consumers", *Indian Cooperative Review*, Vol.40, No.4, April 2003, p. 256-265.

<sup>7</sup> Murugesan. P., 2006, "Performance Indicators of Primary Agricultural Co-operative Societies". *Ind. Coop. Rev*, 45 (2) : 110-116.

<sup>8</sup> Shah P (2012), *Exploring the Cost of Milk Production & Potential Economies of Scale in a Dairy Cooperative*. University of Pennsylvania Scholarly Commons Wharton Research Scholars Journal

<sup>9</sup> Kamal Vatta and Sanjay Kumar, "Potential of dairy enterprise on Punjab farms: a linear programming analysis", *Agricultural situation in India*, Dec. 2000, p. 501-505.



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## THE MAJOR DAIRY COOPERATIVE FEDERATIONS OF INDIA:

- Andhra Pradesh Dairy Development Cooperative Federation Ltd (APDDCFL)
- Bihar State Cooperative Milk Producers' Federation Ltd (BCOMPFL)
- Harvana Dairy Development Cooperative Federation Ltd (HDDCFL)
- Himachal Pradesh State Cooperative Milk Producers' Federation Ltd (HPSCMPFL)
- Jammu & Kashmir Milk Producers' Co-operative Limited (JKMPCL)
- Karnataka Cooperative Milk Producers' Federation Ltd (KMFL)
- Kerala State Cooperative Milk Marketing Federation Ltd (KCMML)
- Madhya Pradesh State Cooperative Dairy Federation Ltd (MPCDFL)
- Maharashtra Raiya Sahakari Maryadit Duqdh Mahasanh (Mahasanh)
- Orissa State Cooperative Milk Producers' Federation Ltd (OMFEDL)
- Pradeshik Cooperative Dairy Federation Ltd (UP) (PCDFL)
- Punjab State Cooperative Milk Producers' Federation Ltd (MILKFEDL)
- Rajasthan Cooperative Dairy Federation Ltd (RCDFL)
- Tamil Nadu Cooperative Milk Producers' Federation Ltd (WBCMPFL)

## REVIEW OF LITERATURE:

**Venkatasami AV<sup>10</sup> (2015)**, the Study entitled "A Study on budgetary control" (with special reference to Coimbatore district co-operative milk producers union limited, Coimbatore). Coimbatore district co-operative milk producers union restricted may be a co-operative sector endeavour, engaged within the process of milk and amp; producing the milk product, it recently launched 3 new variants of union milk. District co-operative milk producers union restricted is found within the central a part of Coimbatore. The company workplace of the union relies at Madras, covering four districts of Annur, Tirupur, Sulthapet, Shanmugapuram. The budget management is enjoying a significant role within the organization. The role of fund management is that the essence of a business. The knowledge is that the blood and fund management may be a heart; within the body the centre plays the role of supply pure blood to all or any the weather of the body together with the brain. The fund

<sup>10</sup> Venkatasami AV (2015) A Study on Budgetary Control with Special Reference to Coimbatore District Co-Operative Milk Producer's Union Limited, Coimbatore. J Bus Fin Aff 4:141. doi:10.4172/2167-0234.1000141.



management plays precisely the same role within the organization. The system ensures that associate degree applicable information is collected from the varied sources. Processed and sent more to all or any the destitute destinations. The system is predicted to meet data desires of a private, a gaggle of individual, a gaggle of economic functionaries, the managers and therefore the high management that the fund management is incredibly necessary in fashionable organization. Thus I have been chosen the budgetary control as the specific area of the study. Therefore a study has been taken up on “A study on budgetary control” (With special reference to Coimbatore district co-operative milk producers union limited, Coimbatore).

**Anil Kumar Soni and Dr.Harjinder Pal Singh Saluja<sup>11</sup> (2012) in the article “Role of cooperative Bank in Agricultural Credit: As Study Based on Cahhattisgarh”** the cooperative banking sector is one of the main partners of Indian banking structure, the cooperative banks have more reach to the rural India, through their huge network of credit societies in the institutional credit structure. The cooperative sector has played a key role in the economy of the country and always recognized as an integral part of our national economy. Cooperative covers almost all cent percent villages in India. The cooperative form of organization is the Ideal Organization for economically weaker sections in the country. According to recent study by World Bank Societies (PACS) amount for about 30 percent of micro credit in India. This paper attempts to analyse the role of co-operative bank in agricultural credit.

Cooperative banks belong to the oldest forms of the collective action in India playing essential role in the realization of the agricultural and in local development. They serve both rural and urban population, and are main banks in India supporting development of agriculture and rural areas. Their key role is to give credits financing various rural based entrepreneurships. Agricultural credits play a number of significant functions of which the primary include the intensification and growth of the agricultural production. In a developing State like Chhattisgarh with huge deficits in terms of quality and quantity, the State has to shoulder the primary responsibility of providing cooperative credit. Considering the low living standards of common man, incomplete and imperfect markets, and

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<sup>11</sup> Anil Kumar Soni and Dr. Harjinder Pal Singh Saluja ( 2012) “ Role of Cooperative Bank in Agricultural Credit: A Study Based on Chhattisgarh monthly Reffered Journal of Research in Commerce and Management, Volume No.1, Issue No.10 Issn 2277-1166.



other socio political consideration it is the primary duty of the government to ensure that its citizens have access to cooperative credit<sup>2</sup>.

## RESEARCH AND METHODOLOGY

### Research Methodology

The research methodology is characterized into three different groups

1. First groups we include those methods which are concerned with the collection of data.
2. Second group consists of these statistical techniques used for establish relationship.
3. Third group consists of those methods which are used to evaluate the accuracy of the results.

### Research Design

The research design adopted for the Research work is "Analytical Research" design in which what, when, why and how the topic is used in the study.

### Statement of the problem

1. The purpose of the study is to estimate of receipts and payments of revenue and capital items in future.
2. To analyze how budgetary control helps the milk union to select best course of action.
3. To provide a detailed plan of action for a business over a period of time.
4. To revise the budget in the light of changed circumstances.

## OBJECTIVES OF THE STUDY

1. To analyze how budgetary control helps the milk union to select best course factors.
2. To revise the budgets in the light of changed circumstances.
3. To give suggestion towards correlation preparation method.
4. To suggest measures to reduce the costs and improve the financial position.
5. A budgetary control department fulfill the needs of organizations.

### Statistical tools used

The following techniques can be used in connection with analysis and interpretation of financial statements.

1. Ratio Analysis
2. Correlation
3. Operating expenditure estimate



## Limitations of the Study

1. The study is only limited to the available information in the department.
2. The success utility of budgeting depends in the co-operation and participation of all members of management.
3. The establishment of a budgeting process takes time. Also sometime too much are expenses.
4. Effects may therefore not be made to exceed the performance beyond the budgeted targets.
5. Effective implementation of budgetary control depends upon willingness, co-operation and understanding among people reasonable for execution. Lack of co-operation leads to inefficient performance.
6. Frequent changes may be called for in budgets due to first changing industrial climate.

## RATIO ANALYSIS

**Table 1**  
**Analyzed Various Ratios**

Particular	2014-15	2015-16	2016-17
G.P. Ratio	4.84	3.42	4.84
N.P Ratio	0.25	1.07	1.55
Operating Profit Ratio	56.67	92.16	146.97
Working Capital Turnover Ratio	18.99	18.85	20.23
Capital Turnover Ratio	9.39	7.60	3.64
Stock turnover ratio	164.38	177.95	121.01

**Table 2**  
**Relationship between stock turnover ratio and net profit ratio**

Particulars	2014-15	2015-16	2016-17	Total
X	164.38	177.95	121.01	463.34
Y	0.25	1.07	1.55	2.87
$X = X - \bar{X}$	9.93	23.50	-33.44	
$Y = Y - \bar{Y}$	-0.71	0.11	0.59	
$X^2$	98.67	552.41	1118.01	1769.09
$Y^2$	0.50	0.01	0.35	0.86
$XY$	7.02	2.66	19.84	29.52

Calculate Value:  $r = 29.52 / \sqrt{1769.09 * 0.86} = 0.75$

Above table Calculate value is 0.75. There is no relationship between stock turnover ratio and Net Profit ratio. Hence Null hypothesis is accepted. Correlation of Co-efficient in the above table lays between -1 to +1.



**Table 3**  
**Relationship between Operating Profit Ratio and Capital Turnover Ratio**

Particulars	2014-15	2015-16	2016-17	Total
X	56.67	92.16	146.97	295.8
Y	9.39	7.60	3.64	20.63
$X = X - \bar{X}$	-41.93	-6.44	48.37	
$Y = Y - \bar{Y}$	2.51	0.72	-3.24	
$X^2$	1758.12	41.47	2339.66	4139.26
$Y^2$	6.32	0.52	10.48	17.32
$XY$	105.38	4.66	156.56	266.60

Calculate Value:  $r = 266.60 / \sqrt{4139.26 * 17.32} = 1.00$

Above table Calculate value is 1.00. There is no relationship between stock turnover ratio and Net Profit ratio. Hence Null hypothesis is accepted. Correlation of Co-efficient in the above table lays between -1 to +1.

**Table 4**  
**Relationship between Working Capital Turnover Ratio and Operating Profit Ratio**

Particulars	2014-15	2015-16	2016-17	Total
X	18.99	18.85	20.23	58.07
Y	56.67	92.16	146.97	295.8
$X = X - \bar{X}$	-0.37	-0.51	0.87	
$Y = Y - \bar{Y}$	-41.93	-6.44	48.37	
$X^2$	0.13	0.26	0.76	1.15
$Y^2$	1758.12	41.47	2339.66	4139.26
$XY$	15.37	3.26	42.24	60.88

Calculate Value:  $r = 60.88 / \sqrt{1.15 * 4139.26} = 0.88$

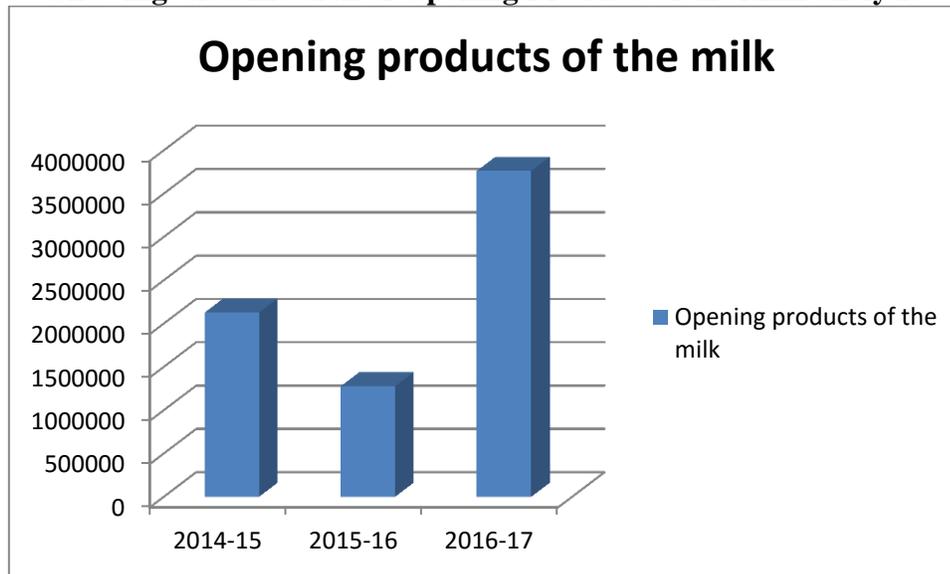
Above table Calculate value is 0.88. There is no relationship between stock turnover ratio and Net Profit ratio. Hence Null hypothesis is accepted. Correlation of Co-efficient in the above table lays between -1 to +1.

**Table 5**  
**Financial year expenditure of 2014-2017**

S.NO	PARTICULARS	2014-15	2015-16	2016-17
1	Opening products of the milk	2126712.6	1276081	3762779.75
2	Purchase	278826275.6	450812384.9	455148318.1
3	Trade charges paid and due	43194389.55	52736380	56227040.3
4	Tax paid	0	0	1565788.8
5	Esta.charges paid and due	13701605.07	12222730.35	17288786.17
6	Interest paid	2290	0	0
7	Provisions	120060	114404	210300
8	Reserve created	1236533.66	0	5127613

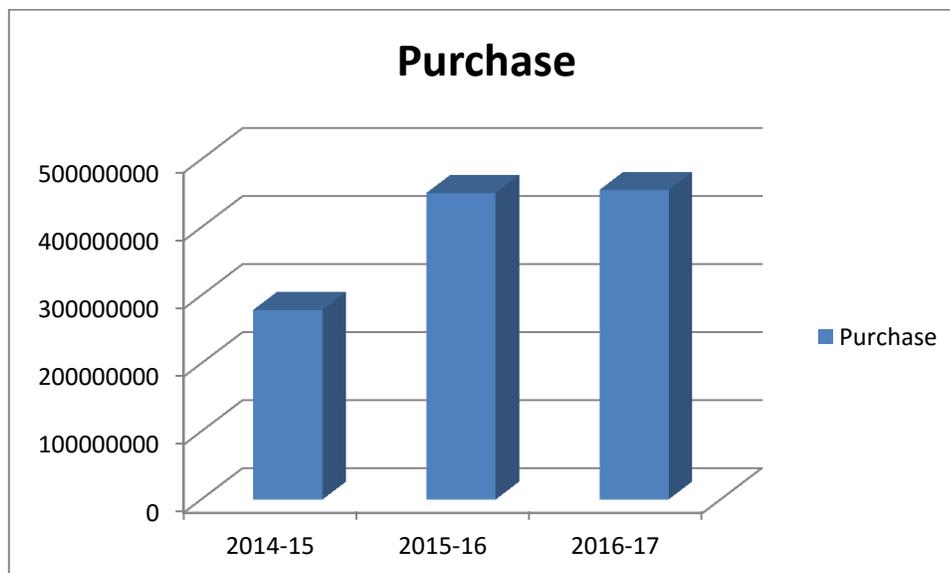


**Chart 1**  
Showing Classification of Opening Products of the Milk analysis



Opening products of the milk from the year 2014-17. Opening product of the milk in the year 2016-17 is increased and in 2015-16 decreased.

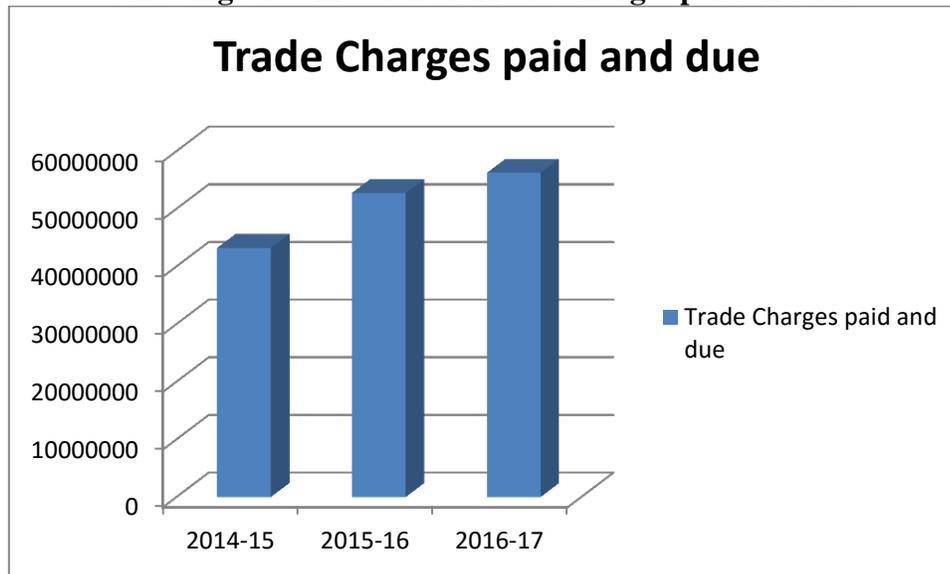
**Chart 2**  
Showing Classification of Purchase of the Milk from Milk Union



Purchase of Milk from Milk Union from the year 2014-2017. Purchase of Milk from Milk unions in the year 2016-17 increased and in 2014-15 decreased.

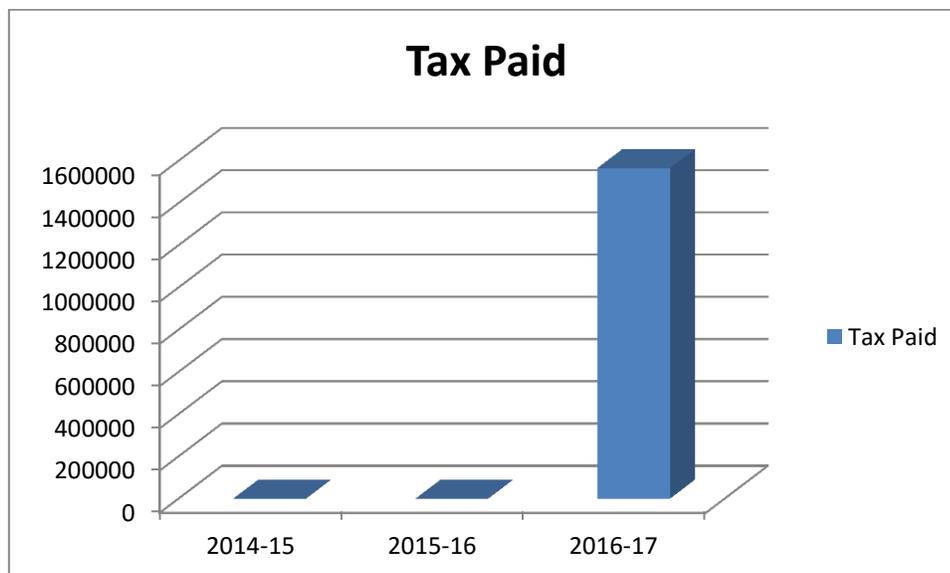


**Chart 3**  
Showing Classification of Trade Charges paid and due



The above chart shows that trade charges paid and due in 2014-2017. Trade charges paid and due in the year 2016-17 increased and in 2014-15 decreased.

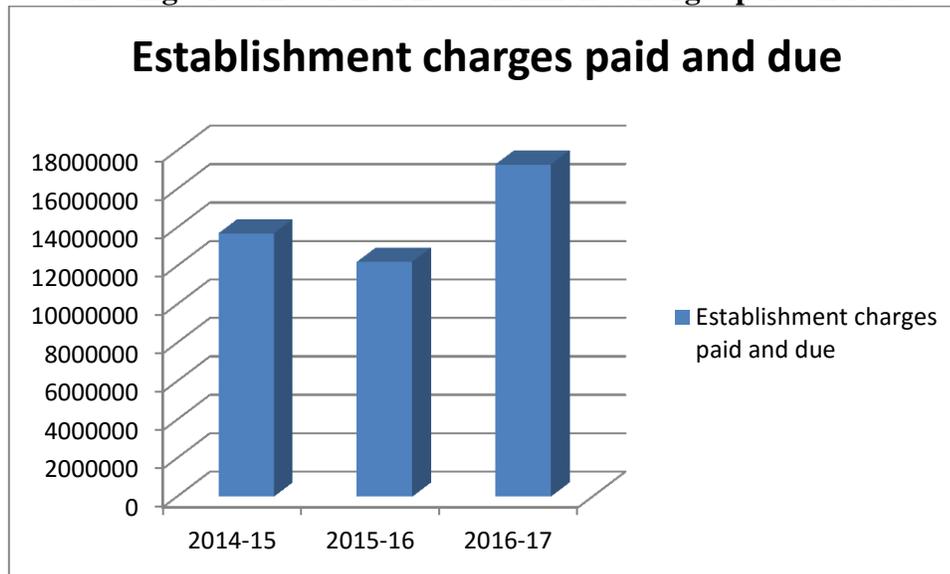
**Chart 4**  
Showing Classification of Tax Paid



The above chart shows that Tax paid in 2014-2017. Trade paid in the year 2016-17 increased and in 2014-15 & 2015-16 remains zero.

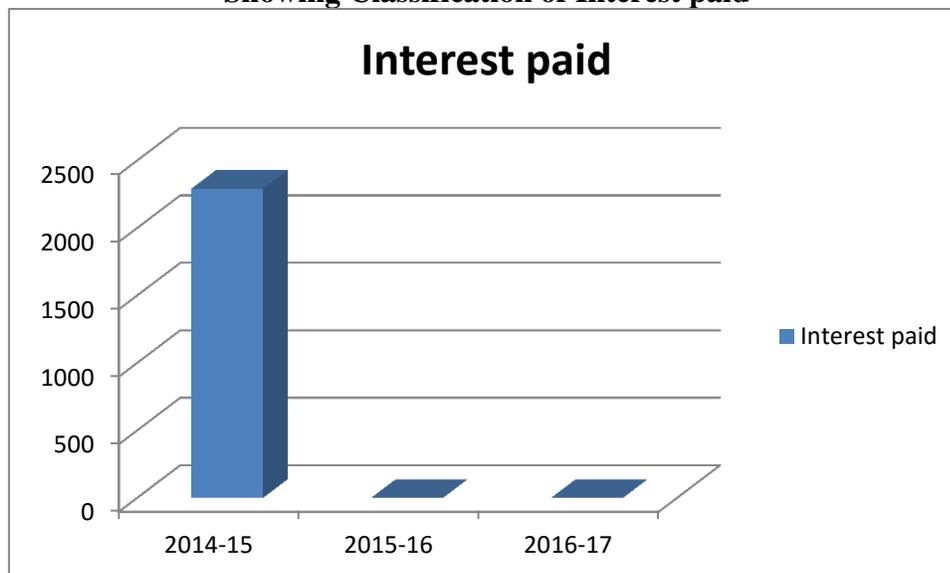


Chart 5  
Showing Classification of Establishment Charges paid and due



The above chart shows that Establishment Charges paid and due in 2014-2017. Establishment Charges paid and due in the year 2016-17 increased and in 2015-16 decreased.

Chart 6  
Showing Classification of Interest paid

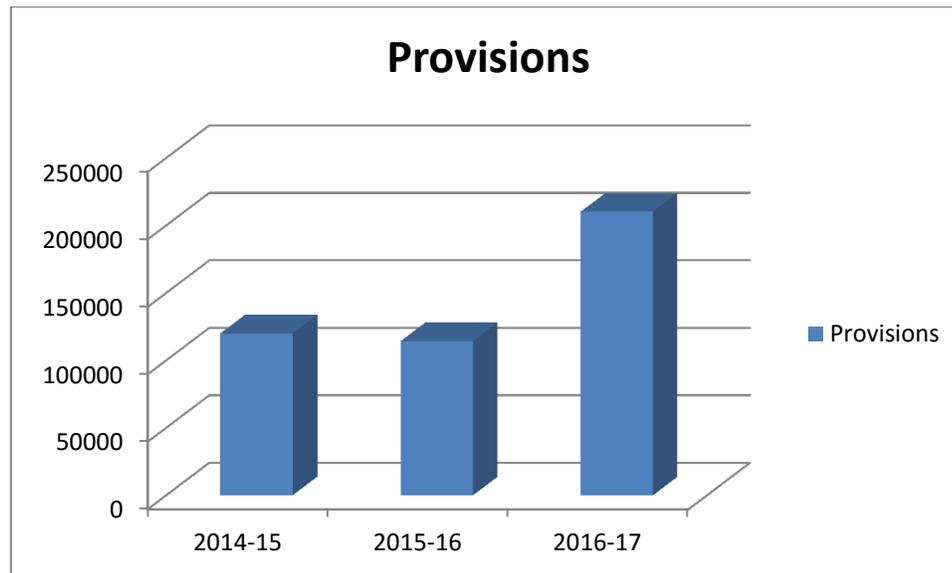


The above chart shows that Interest paid and due in 2014-2017. Interest paid and due in the year 2015-16 & 2016-17 remains zero and in 2014-15 increased.



Chart 7

## Showing Classification of Provisions



The above chart shows that Provision in 2014-2017. Provision in the year 2016-17 increased and in 2015-16 decreased.

## FINDINGS

1. In the year 2014-15 & 2016-17 remains same in gross profit ratio and the net profit in the year 2014-15 was decreased.
2. In the year 2016-17 the Operating ratio was increased but in the year 2014-15 was decreased.
3. Opening of milk products (Figure 1) 2016-17 it increased and purchase (figure 2) of the milk from milk unions 2016-17 was increased compared to the previous year.
4. Trade charges (figure 3) paid and due 2016-17 it increased, and tax paid 2016-17 was increased compared to the previous year.
5. Tax paid (figure 4), Provisions (figure 7) increased when we compared to previous years.
6. There is no relationship between stock turnover ratio and net profit ratio.
7. There is no relationship between operating ratio and capital turnover ratio.



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## SUGGESTIONS

As the result of study budgetary control of Pudukkottai District Cooperative milk Producers Union Ltd., the given following suggestions.

1. It is Essential to maintain the good management control.
2. It is mandatory that the organization has to always maintain the good working capital.
3. Maintain the good corporate governance.
4. Fluctuations are common in every organization but sustainability is very important so maintain the stability.
5. the processes of indent taking and billing through online transaction processing systems is very important.
6. Use the new technologies to maximize the quality of output.

## CONCLUSION

It is interesting to note that budgetary control of Pudukkottai District Cooperative Milk Producers' Union Ltd., is doing well and growing phenomenally. Based on the finding and experience the researcher had, while conducting the study on "budgetary control department" as a researcher came to the following conclusion.

1. Budgetary control department works as a back bone of top management. It is one of the important plans for every management for their Business.
2. With the support of good budgetary control the management of marketing, finance, production and personal become more efficient. So it is essential to regulate proper budgetary control for all organization.

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