

Title: A Study On The Factors Contributing To Financial Loss And Strategies For Improving Profitability In Aavin Cooperative Milk Producers Union Ltd., Villupuram.

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Abstract- *The dairy cooperative sector plays a significant role in supporting rural livelihoods and ensuring the supply of quality milk and milk products to consumers. Aavin Cooperative Milk Producers Union Ltd., Villupuram, is one of the leading dairy cooperatives in Tamil Nadu. In recent years, the organization has experienced financial losses due to increasing milk procurement costs, operational expenses, government-controlled pricing policies, and limited subsidy support. The present study aims to identify the major factors contributing to financial loss and suggest effective strategies for improving profitability.*

The study adopted descriptive and analytical research designs. Primary data were collected from 45 employees through a structured questionnaire, and secondary data were collected from financial statements, annual reports, and company records. Statistical tools such as percentage analysis, comparative analysis, trend analysis, and ratio analysis were used for interpretation.

The findings reveal that high procurement cost, government price control, lack of subsidy support, inadequate expense monitoring, and insufficient employee training significantly affect profitability. The study concludes that effective cost control, improved inventory management, increased focus on value-added products, and operational efficiency can improve the financial performance of the organization.

Keywords: Financial Loss, Profitability, Dairy Cooperative, Aavin, Cost Control, Value-Added Products, Financial Performance.

I. INTRODUCTION

The dairy industry plays an important role in the economic development of India by providing employment

opportunities, supporting farmers, and ensuring nutritional security. Aavin Cooperative Milk Producers Union Ltd., Villupuram, procures milk from cooperative societies, processes it, and supplies milk and milk products to consumers. Despite its significant contribution to the dairy sector, the organization faces financial challenges due to rising procurement costs, increasing operational expenses, market competition, and government pricing policies.

Financial sustainability is essential for the smooth functioning of cooperative organizations. Understanding the factors contributing to financial loss will help management formulate strategies to improve profitability and operational efficiency. Therefore, this study focuses on identifying the causes of financial loss and suggesting practical measures for improving profitability in Aavin Cooperative Milk Producers Union Ltd., Villupuram.

II. NEED FOR THE STUDY

- To understand the factors responsible for financial loss in the organization.
- To evaluate the financial performance of Aavin Cooperative Milk Producers Union Ltd., Villupuram.
- To identify operational inefficiencies affecting profitability.
- To analyse the impact of procurement cost, subsidy support, and pricing policies on financial performance.
- To provide suitable recommendations for improving profitability and sustainability.
- To provide recommendations for improving human resource practices and employee experiences.

III. SCOPE OF THE STUDY

- The study focuses on analysing financial loss and profitability factors.

- It evaluates operational and financial performance within the organization.
- It examines employee perceptions regarding factors influencing financial loss.
- The study helps management identify areas requiring improvement.
- It provides practical suggestions for improving profitability and financial stability.

IV. REVIEW OF LITERATURE

Sathya and Devarajan (2024) studied the financial performance of Aavin Cooperative Milk Federation and found that efficient management practices are essential for improving profitability.

M.N. Sulthana (2024) analysed asset liability management and profitability in Aavin and concluded that proper financial planning improves organizational performance.

N. Gurjar (2020) examined the financial performance of Rajasthan Cooperative Dairy Federation using ratio analysis and highlighted the importance of financial efficiency.

Gauswami and Dwivedi (2022) conducted a comparative study on dairy cooperatives and found that maintaining profitability is a major challenge due to social and economic responsibilities.

S. Nath (2022) analysed Indian dairy cooperatives and emphasized balancing social welfare objectives with financial sustainability.

V. RESEARCH DESIGN

The study adopts both descriptive and analytical research designs. Descriptive research is used to understand financial performance and employee perceptions, while analytical research is used to identify factors contributing to financial loss and profitability improvement.

Sources of Data

Primary Data

Primary data were collected through questionnaires, interviews, and observation methods from employees working in Accounts, Production, Procurement, and Marketing departments.

Secondary Data

Secondary data were collected from annual reports, financial statements, company records, and published reports.

Sampling Technique

Purposive Sampling Technique was used for selecting respondents.

Sample Size

The study was conducted among 45 employees of Aavin Cooperative Milk Producers Union Ltd., Villupuram.

Tools Used for Analysis

- Percentage Analysis
- Comparative Analysis
- Ratio Analysis

7. Percentage Analysis

Percentage analysis is used to express financial data in percentage form for easy comparison and interpretation.

$$\text{Percentage} = \left(\frac{\text{No. Of Respondents}}{\text{Total No. Of Respondents}} \right) * 100$$

1. Purpose
 - To identify the proportion of expenses, profit, and losses.
 - To compare financial items easily.
2. In This Study

Percentage analysis is used to calculate:

 - Gross profit percentage
 - Net loss percentage
 - Expense percentage

VI. COMPARATIVE ANALYSIS

The comparative analysis of financial statements indicates significant changes in the financial position of the organization. Share capital increased considerably during 2024–2025, reflecting additional financial support. However, subsidies and grants decreased, increasing the financial burden on the organization.

Current liabilities and payables increased during the study period, indicating higher short-term obligations. The analysis also reveals an increase in cumulative losses, highlighting the continued financial challenges faced by the organization.

The reduction in government subsidy support combined with rising procurement costs has negatively affected profitability. Although borrowing levels slightly decreased, the organization continues to face pressure from increasing operational expenses and limited pricing flexibility.

RATIO ANALYSIS

Gross Profit Ratio=Net Sales/Gross Profit×100

Particulars	Amount
Gross Profit	₹84,630,145
Net Sales	₹593,267,419
Gross Profit Ratio	14.26%

Interpretation

The Gross Profit Ratio measures the relationship between gross profit and net sales. The analysis indicates that the organization maintains a positive gross profit margin from its milk and milk product sales. However, increasing milk procurement costs, processing expenses, and distribution costs reduce the overall gross profit earned by the organization.

Inference

A lower Gross Profit Ratio indicates that procurement and operational costs are consuming a larger portion of revenue. Therefore, effective cost control measures and increased sales of value-added products are necessary to improve gross profitability.

Net Loss Ratio=Net Sales/Net Loss×100

Particulars	Amount
Net Loss	₹18,105,310
Net Sales	₹593,267,419
Net Loss Ratio	3.05%

Interpretation

The Net Loss Ratio measures the proportion of net loss incurred in relation to total sales. The analysis reveals that the organization has experienced net losses due to increasing operational expenses, government-controlled pricing policies, inadequate subsidy support, and rising procurement costs.

Inference

A higher Net Loss Ratio indicates poor profitability and increased financial burden on the organization. Reducing wastage, controlling expenses, improving operational efficiency, and increasing revenue from value-added products can help reduce net losses and improve financial performance.

VII. FINDINGS AND IMPACT OF THE STUDY

The study reveals that high milk procurement costs are one of the major reasons for financial loss. Most respondents agreed that government price control affects profit margins and limits revenue generation. Lack of subsidy support further increases the financial burden on the organization.

The analysis also indicates inadequate monitoring of expenses and insufficient employee training related to wastage reduction. Employees strongly believe that value-added products generate higher profits than regular milk sales and can improve overall profitability.

The study highlights the need for effective cost management, better inventory control, and enhanced operational efficiency to reduce financial losses and strengthen financial performance.

VIII. SUGGESTIONS

Based on the findings of the study, the following suggestions are recommended:

Strengthen cost-control measures across departments.

- Improve inventory management and reduce wastage.
- Increase production and marketing of value-added dairy products.
- Conduct regular employee training programs.
- Improve financial monitoring and budgetary control systems.
- Seek additional government subsidy support.
- Adopt modern technology to improve operational efficiency.
- Enhance marketing activities to increase product sales.

IX. CONCLUSION

The study concludes that financial loss in Aavin Cooperative Milk Producers Union Ltd., Villupuram is mainly

influenced by high procurement costs, government-controlled pricing policies, and limited subsidy support. By implementing effective cost-control measures, improving operational efficiency, and expanding value-added product sales, the organization can improve profitability and achieve long-term financial sustainability.

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