



## “FUND FLOW ANALYSIS OF CO-OPERATIVE MILK UNION; A STUDY OF RAJARAMBAPU PATIL SAHAKARI DUDH SANGH., ISLAMPUR.”

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### Abstract:

*In this paper author assesses the how Fund Flow Analysis is useful for Dudh Sangh. A fund flow statement provides information about Dudh Sangh on how, during the reporting period, decisions relating to capital structure, dividend & investment in noncurrent assets have changed the amount invested in working capital. However it should be clear that there is no cause & effect relationship between investment in non-current assets & financing decisions & the investment in working capital. While farmers' cooperatives of various types play a useful role in promoting rural development, dairy cooperatives have special attributes that make them particularly suitable. Among these, they can facilitate the development of remote rural economies, thus upgrading the standard of living of the poor. The analyses of this paper fund flow analyses is useful tool for dudh sangh and it shows working capital.*

### KEY WORDS:

Working Capital, Funds from Operation, Fund Flow Statement

### 1.INTRODUCTION

India has the highest livestock population in the world with 50% of the buffaloes and 20% of the world's cattle population, most of which are milk cows and milk buffaloes. India's dairy industry is considered as one of the most successful development programs in the post-Independence period.

Dairy is the major source of income for landless, marginal, small, medium & large farmers. It has an important bearing on the economy of the rural people. The positive role of co-operative in the collection & distribution of such perishable commodity, farmers also, fight the development of farming.

The statement of changes in financial position, prepared to determine only the sources & application of working capital between dates of two balance sheets, is known as the Fund Flow Statement. It is useful to dairies for maintaining the fund flow like sources & application, financial management & object is understand the changes in assets, see how loans they are used & point out the financial strength & weaknesses of dairy.

Balance sheet is the only list of assets & liabilities, indicating financial position at a certain point of time. It is a major instrument used for analyzing the long range financial policies of the dairy industry.

### 2.RESEARCH PROBLEM

In Dairy industries maintaining Fund Flow Statement is very necessary for knowing the financial

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position. It shows the Sources, Application, Working Capital etc. of the Dairy. So, the title is Study of Fund Flow Analysis of Raja ram Bapu Patil Sahakari Dudh Sangh Ltd. Islampur’.

### 3. SIGNIFICANCE OF THE STUDY

The importance of the study is as follows:

- 1) It enables to explain the meaning & significance of the fund flow statement.
- 2) It enables to analysis to funds management of the organization through calculation of fund flow statement.
- 3) It can consider this analysis for their planning, control & decision making.
- 4) It shows the organization funds sources & application.

### 4. OBJECTIVES OF THE STUDY

- 1) Study the various sources of raising fund by the milk union.
- 2) Study the utilization of funds by the milk union.
- 3) Study the financial position of the milk union.
- 4) To study the variation in financial position & funds in every year.
- 5) To study the working capital of milk union.

### 5. RESEARCH METHODOLOGY

The data for the study was drawn from the first-hand information regarding to the topic. The study through discussion with concerned officers in the milk union. Secondary data is collected from the annual reports which are published by the milk union.

### 6. DATA ANALYSIS & INTERPRETATION

**STATEMENT SHOWING FUNDS FROM OPERATION  
(Or loss from operation)  
For the year ending 31<sup>st</sup> March 2007 to 31<sup>st</sup> March 2011**

PARTICULRS	AMOUNT (2007)	AMOUNT (2008)	AMOUNT (2009)	AMOUNT (2010)	AMOUNT (2011)
Net Profit (As per profit & loss A/C)	24,67,180	17,39,808	19,15,086	21,93,006	22,00,701
Amount transfer to General reserve & reserve fund	1,14,01,987	89,98,874	95,40,095	70,78,771	71,87,526
Previous Year Profit	9,21,733	24,67,180	17,39,808	19,15,086	21,93,006
Funds from operation	1,29,47,434	82,71,502	97,86,779	73,56,685	71,95,226

Fund Flow Statement

for the year ended 31<sup>st</sup> March 2007 to 31<sup>st</sup> March 2011

SOURCES (INFLOW)	Rs. 2007	Rs. 2008	Rs. 2009	Rs. 2010	Rs. 2011	APPLICATION (OUTFLOW)	Rs. 2007	Rs. 2008	Rs. 2009	Rs. 2010	Rs. 2011
Funds from operation	12947434	8272502	9794779	7356685	7195226	Repayments of loans & advances		13177603		6797747	
Issue of share capital	1441050	1202500	1144500	1623500	3370950	Repayment of deposits		2136046	5916232	3796738	
Sale of other assets		135633	1483031		1032998	Purchase of Investment	375000	151000	1454000	205000	23726044
Raising deposits from external parties	10681517				2589769	Loan Paid		6632716		6197051	15243982
Raising of long term loan	18589732		45766655			Purchase of building	1254271	20418960	3836428		7196998
Sale of fixed asset				114957		Purchase of machinery	24123908		15873826	5306236	3133340
share anamat	159423	228749	71406	133274		Purchase of other asset	1092864			3463980	
Bank Deposit	26133301					share anamate					701212
Decrease in working capital		45595880		16538340	29415021	Increase in working capital	43104413		31408479		
<b>TOTAL</b>	<b>69952457</b>	<b>55434266</b>	<b>58188967</b>	<b>25766757</b>	<b>43603966</b>	<b>TOTAL</b>	<b>69952457</b>	<b>55434266</b>	<b>58188967</b>	<b>25766757</b>	<b>43603966</b>

As per above fund flow statements we are seen following points:-

During the financial year 2007-2011 the milk union has raise the fund from issue of share capital & funds obtains from day to day operation of the milk union.

The total amount of funds received in 2007 & 2011 is Rs.6, 99, 52,457/-&43, 63, 03,966/- respectively. It means it is raised every year.

When we consider the uses of funds the milk union has redemption of deposits from external parties, sale & purchase fixed assets & funds invested in the working capital of milk union.

The working capital changes in each year 2007 from 2011. Current assets which are cash & bank balance debtors, closing stock decrease & increase every year.

Funds from operation increases every year. Deposits are raised from external parties only in year 2007-2011.

7. FINDINGS

1) The funds from operations sources have cover near about 25% portion of the total Sources of funds, in the financial year 2006-2007 to 2010-2011. It means the Dud Sangh has raised the funds from there day to day operating activities.

2) The company has taken long-term loan from banks in the financial year 2006-2007 & 2010-2011.

3) The company has used specific sources of funds such as issue of share capital & Raising deposits flow external parties.

4) The organization has utilized their funds mostly for increasing their working capital as well as for purchasing of fixed assets in the financial year 2007-2008 to 2010-2011.

5) The organization has used limited sources of raising funds & limited sources of utilization of funds.

- 6) The organization has obtained funds from operations in the financial year 2006 - 2007 to 2010-2011. The loss from operation is not sustained by the organization During above financial years. Also the fund from operations has increased during 2006-2007 to decrease in 2010-2011.
- 7) The working capital of the organization is increased during 2006-2007 & 2008- 2009. And it is decreased in 2007-2008, 2009-2010 & 2010-2011.

#### 8. SUGGESTIONS

- 1) The Dudh Sangh should try to use maximum sources of raising funds such as to issue of debentures to raise fund from public deposits to issue Securities / Bonds etc. for raising funds at high level & that's why Working capital increases.
- 2) The Dudh Sangh has tried to utilize their funds properly. In the financial year 2006-2007 to 2010-2011 the company has mostly invest their funds either in working capital or for purchasing fixed assets. The Dudh Sangh considers another utilization source of funds.
- 3) Dudh Sangh has invested their most of the funds in working capital. I Suggest that the optimum working capital is maintained by the Dudh Sangh. The over working capital or under working capital is dangerous to the Dudh Sangh.
- 4) The raising long-term loans sources are used by the Dudh Sangh during the financial year 2007-2008 & 2008-2009. But the repayment of long- term loan is not shown in the usage of funds. The proper repayment of long-term loan should be made.
- 5) For maintain the fund flow like sources and applications the Fund Flow Analysis useful for the organization.

#### 9. CONCLUSION

According to analysis researcher has conclude that the financial position of “Rajaram Bapu Patil Sahakari Dudh Sangh Ltd. Islampur” is satisfactory. Dudh sangh works effectively & efficiently. Dudh sangh raised funds from various sources but large portion of funds are raised by funds from operation. According to need, DudhSang had taken long term loan from external sources. Funds flow smoothly works in organization & funds raised from operations are mostly used by Dudh Sangh for establishing & developing organization.

Dudh Sangh made proper repayment of the long term loan, and also maintained the optimum working capital. This working capital invests in their funds or purchasing fixed assets.

The all over position of the “Rajaram Bapu Sahakari Dudh Sangh Ltd. Islampur is financially stable.

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