

RESEARCH ARTICLE

COMPARATIVE ANALYSIS OF BUDGETED AND ACTUAL SALES PERFORMANCE IN THE DAIRY INDUSTRY: A CASE STUDY OF THE DAIRY DEVELOPMENT CORPORATION IN NEPAL

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ABSTRACT

The research study was conducted in 2018 to evaluate the budgeted and actual sales performance in the dairy industry, with a specific focus on the Dairy Development Corporation (DDC) in Nepal. The study aimed to assess the achievement of sales targets for various dairy products, including milk, ghee, makhan, curd, cheese, and paneer, as outlined in the budget. By conducting a comparative analysis of financial statements over a nine-year period, the research provided insights into the fluctuations in sales performance for different dairy products. Quantitative research methods were utilized, including data collection from annual reports and data analysis using statistical tools and graphical representations. The collected data was analyzed to gain a better understanding of budgeting and resource allocation practices in the dairy industry. Furthermore, the findings of this study could inform evidence-based strategies for enhancing financial stability and performance not only within the DDC but also within the broader dairy sector in Nepal. The research findings had the potential to guide decision-making processes, enabling stakeholders in the dairy industry to make informed choices regarding budgeting, resource allocation, and sales strategies. By gaining a comprehensive understanding of the sales performance for different dairy products, industry participants could optimize their operations and work towards achieving their sales targets effectively. Overall, this research study provided valuable insights into the budgeted and actual sales performance in the dairy industry, offering a foundation for future studies and evidence-based strategies to enhance financial stability and performance in the DDC and the broader dairy sector in Nepal.

KEYWORDS

Budgeted sales, actual sales, comparative analysis, Dairy Development Corporation

1. INTRODUCTION

The dairy industry played a vital role in agricultural development and rural livelihoods (Smith, 2018). In many countries, including Nepal, dairy farming served as an essential source of income for farmers and contributed to the overall economy (Shrestha et al., 2020). The Dairy Development Corporation (DDC) functioned as a key player responsible for promoting and supporting dairy production and marketing activities across the country (Government of Nepal, 2019). However, the dairy sector in Nepal faced several challenges that hindered its growth and sustainability.

One of the key challenges was the political interference and lack of autonomy and accountability within public enterprises like the DDC (Bhandari et al., 2017). Such interference often led to inefficiencies and suboptimal resource allocation, hindering the financial stability and performance of the dairy sector (Thapa et al., 2021). Additionally, the absence of professionalism and financial indiscipline further exacerbated these challenges, impeding the sector's overall development (Sharma and Pokharel, 2018). To address these challenges and ensure the financial stability and performance of the DDC and the dairy sector, it was crucial to evaluate the effectiveness of budgeting and resource allocation practices. Budgeting played a vital role in setting financial targets and allocating resources to achieve them (Bragg, 2019). By comparing the budgeted sales targets with actual sales performance, policymakers and stakeholders could identify areas of improvement and develop evidence-based

strategies for enhancing financial management and sales planning in the dairy industry. This study focused on evaluating the budgeted and actual sales performance in the dairy industry, with a specific emphasis on the case of the Dairy Development Corporation in Nepal during the year 2075. The primary objective was to assess the achievement of sales targets for various dairy products, including milk, ghee, makhan, curd, cheese, and paneer, as outlined in the budget. Through a comparative analysis of financial statements spanning a nine-year period, this research aimed to provide insights into the fluctuations in sales performance for different dairy products. Understanding the deviations between budgeted and actual sales was crucial for identifying the factors that contributed to the success or failure of sales targets. Such insights would enable policymakers and stakeholders to develop effective strategies and interventions to enhance the financial stability and performance of the DDC and the dairy sector as a whole (Maharjan et al., 2020). By bridging the gap between budgeting and actual sales performance, this study contributed to a better understanding of budgeting and resource allocation practices within the dairy industry.

2. RESEARCH METHODOLOGY

The study employed a quantitative research approach to evaluate the budgeted and actual sales performance in the dairy industry, with a specific focus on the Dairy Development Corporation (DDC) in Nepal. The research design involved a comparative analysis of financial statements spanning a nine-year period, from 2067 to 2075, obtained from the annual

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reports of the DDC. The study primarily focused on assessing the sales performance of various dairy products, including milk, ghee, makhan, curd, cheese, and paneer.

2.1 Data Collection

The data were collected from the annual reports of the DDC, which provided detailed financial statements, including budgeted and actual sales figures for different dairy products. These reports were publicly available and served as a reliable source of information for evaluating the sales performance of the DDC.

2.2 Data Analysis

To analyze the budgeted and actual sales performance, the collected data were organized and tabulated in Microsoft Excel. Comparative analysis was conducted by comparing the budgeted sales targets with the actual sales figures for each dairy product over the nine-year period. The percentage deviations between the budgeted and actual sales were calculated to identify the extent of variation and to determine whether the sales targets were achieved. Furthermore, the trends in sales were examined to understand the factors contributing to the success or failure of achieving the sales targets.

2.3 Graphical Presentation

To enhance clarity and visual representation of the data, the case study utilizes various types of graphs and diagrams. Graphical presentation facilitates easy understanding and interpretation of the information. The study likely includes graphs such as bar graphs, line graphs, and trend lines to present the budgeted and actual sales figures for different dairy products over the specified time period. These visual representations aid in identifying patterns, trends, and variations in sales performance.

3. RESULT AND DISCUSSION

3.1 Budgeted and Actual Sales of Milk

The table 1 presents a comparative description of the budgeted sales and actual sales of milk for DDC (Department of Dairy Development) over a period of nine fiscal years, ranging from 2064/65 to 2072/73. For instance, in the fiscal year 2064/65, the actual sales of milk amounted to 52,094,000 litres, while the budgeted sales were 55,456,000 litres. The % achievement was calculated as $(52,094,000 / 55,456,000) * 100$, resulting in a value of 93.94%. The sales performance of DDC's milk over the years observed the fluctuations in actual sales compared to the projected targets.

Fiscal Year	Actual	Budgeted	Achievement (%)
2064/65	52094000	55456000	93.94
065/66	55315000	67219000	82.29
066/67	57876000	67548000	85.68
067/68	59794777	69956000	85.47
068/69	57289807	67696000	84.63
069/70	58643107	69944000	83.84
070/71	60342817	67538000	89.35
071/72	57003200	69804000	81.66
072/73	49989938	67530000	74.03

Source: Annual Reports, 2064/65 to 2072/73

3.2 Budgeted and Actual Sales of Ghee

In fiscal year 2064/65, the actual sales of Ghee were 628,000 units, which was approximately 67.23% of the budgeted sales of 934,000 units. For the fiscal year 065/66, the actual sales were 459,000 units, which accounted for around 43.84% of the budgeted sales of 1,047,000 units. This was the lowest percentage achievement among the mentioned years. Likewise, in 066/67, the actual sales were 502,000 units, representing about 59.41% of the budgeted sales of 845,000 units. In 067/68, the actual sales reached 514,745 units, which was 60.48% of the budgeted sales of 851,000 units. The trend continued in 068/69, with actual sales of 576,115 units (62.01% of the budgeted sales of 929,000 units). The best sales achievement occurred in the fiscal year 069/70, where DDC reached 603,846 units, equivalent to 78.32% of the budgeted sales of 771,000 units. However, the sales performance declined in the following years. In 070/71, the actual

sales dropped to 315,665 units, representing only 44.03% of the budgeted sales of 717,000 units. Similarly, in 071/72, the actual sales were 370,591 units (53.71% of the budgeted sales of 690,000 units). In 072/73, the actual sales reached 407,711 units (57.75% of the budgeted sales of 706,000 units). The fiscal year 069/70 had the highest sales achievement, while the worst results were observed in 065/66 and 070/71

Fiscal Year	Actual	Budgeted	Achievement (%)
2064/65	628000	934000	67.23
065/66	459000	1047000	43.84
066/67	502000	845000	59.41
067/68	514745	851000	60.48
068/69	576115	929000	62.01
069/70	603846	771000	78.32
070/71	315665	717000	44.03
071/72	370591	690000	53.71
072/73	407711	706000	57.75

Source: Annual Reports, 2064/65 to 2072/73

3.3 Budgeted and Actual Sales of Makhan

In fiscal years 064/65, 069/70, and 72/73, the DDC was able to meet its highest sales targets. These years were considered successful in terms of achieving the sales goals. However, in the fiscal year 2070/71, the actual sales recorded a significant deviation from the target. The actual sales only reached 34.77% of the set target, indicating a substantial shortfall and a failure to meet the sales goal. Similarly, the figure 2 includes trend lines that compare the budgeted sales with the actual sales for each fiscal year. It was observed that the actual sales consistently fell below the projected figures, indicating a consistent deviation from the intended targets. This suggests that the DDC faced challenges in meeting its sales goals for Makhan. The figure highlights the variation between budgeted and actual sales of Makhan, with some years surpassing the targets while others falling short. The consistent trend of actual sales being lower than the budgeted sales indicates the need for further analysis and potential adjustments in the DDC's sales strategies for Makhan.

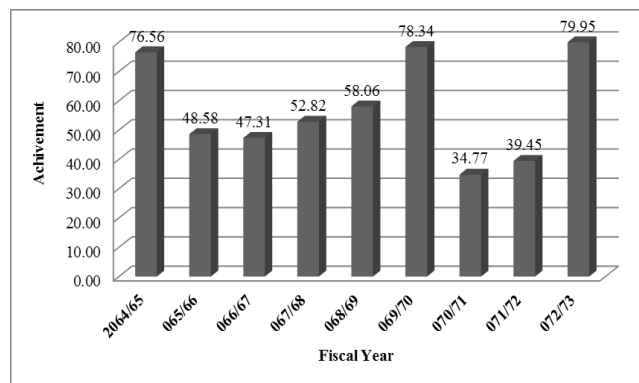


Figure 1: Achievement of Target Sales

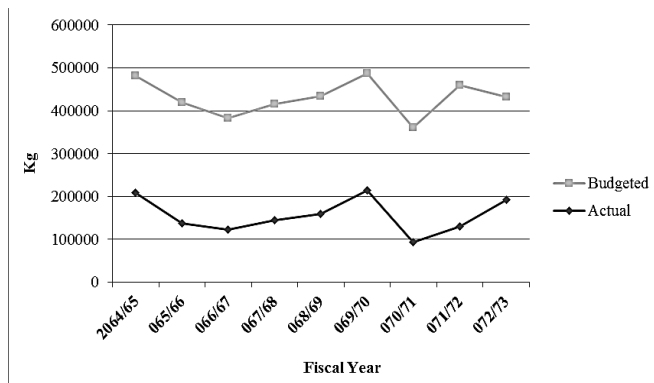


Figure 2: Trend lines of Actual and Budgeted Sales of Makhan

Source: Annual Reports, 2064/65 to 2072/73

3.4 Budgeted and Actual Sales of Curd

Figure 3 indicates that the year 064/65 achieved the highest sales compared to the budget. This suggests that the actual sales of curd surpassed the projected or planned sales for that year. On the other hand, the lowest levels of achievement were observed in the fiscal years 069/70, 71/72, and 072/73. This means that during these years, the actual sales of curd were significantly lower than the projected sales. Likewise, Figure 4 provides a visual representation of the trend in budgeted and actual sales of curd over the specified time period. By examining this trend line, one can observe how the actual sales of curd compare to the budgeted amounts over time. The achievement of sales to the budgeted amounts and analyzing the trend in actual sales, it becomes possible to assess the effectiveness of sales strategies and identify periods of high and low performance.

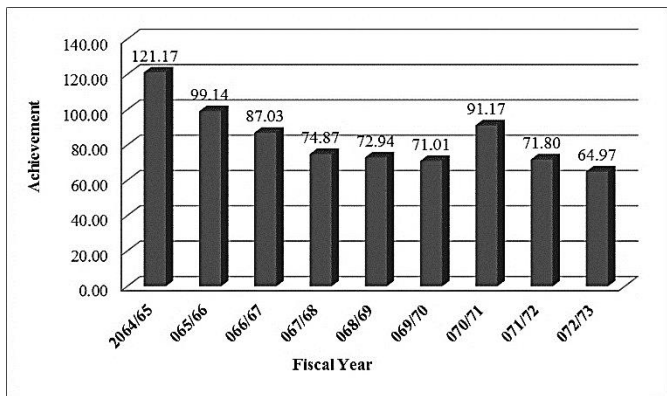


Figure 3: Budgeted and Actual Sales of DDC Curd

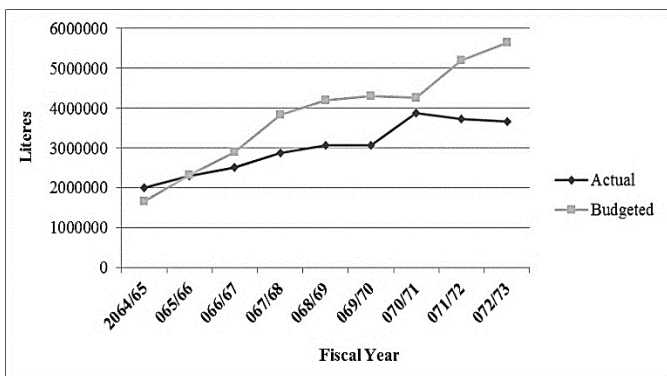


Figure 4: Budgeted and Actual Sales of DDC Curd

Source: Annual Reports, 2064/65 to 2072/73

3.5 Budgeted and actual sales of cheese

Fiscal Year	Actual	Budgeted	Achievement (%)
2064/65	164000	247000	66.4
065/66	187000	270000	69.26
066/67	187000	294000	63.61
067/68	205660	384000	53.56
068/69	215891	362000	59.64
069/70	210861	313000	67.37
070/71	210063	281000	74.76
071/72	224776	282000	79.71
072/73	183696	308000	59.64

Source: Annual Reports, 2064/65 to 2072/73

The highest sales percentage, reaching 79.71%, was attained by DDC cheese in the fiscal year 2071/72. This indicates that DDC exceeded their sales target and performed exceptionally well during that year. Following closely behind, the fiscal year 2070/71 achieved a sales percentage of 74.76%. Once again, DDC managed to surpass their projected sales and demonstrated commendable performance during this period. However, contrasting these successful years, the fiscal year 2067/68 stands out as the one with the lowest achievement, recording a sales percentage of only

53.56%. This indicates that DDC fell significantly short of their budgeted sales targets during that particular year.

3.6 Budgeted and Actual Sales of Paneer

In Figure 5, it was evident that during the fiscal year 2064–2065, DDC exceeded its target by about 92% in terms of budgeted sales. This indicated that the actual sales of Paneer surpassed the sales goal set by the budget. Similarly, In Figure 6, the performance of DDC in achieving its sales goals varied across different fiscal years. In the fiscal years 066/67, 67/68, 68/69, and 069/70, DDC achieved approximately 75%, 53%, 53%, and 46% of their sales goals, respectively. This meant that the actual sales fell short of the targets set in the budget for those years. Among the mentioned fiscal years, the lowest performance was observed in the fiscal year 072/73, where DDC achieved only 42% of the target sales. This implied that the actual sales of Paneer were significantly lower than what was budgeted for that particular year. Additionally, it was mentioned that fiscal year 072/73 had the highest budget, indicating that there were high expectations for sales during that period.

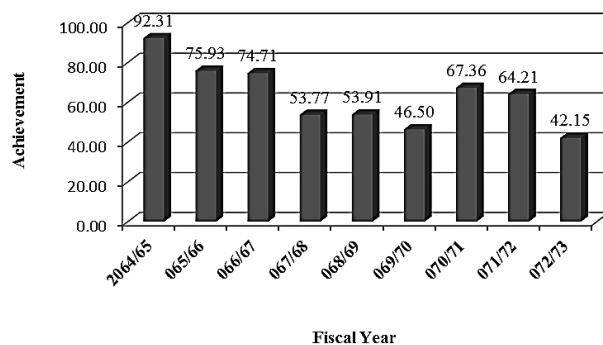


Figure 5: Budgeted and Actual Sales of DDC Paneer

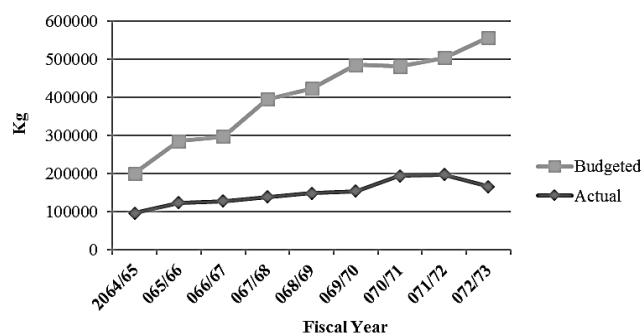


Figure 6: Budgeted and Actual Sales of DDC Paneer

Source: Annual Reports, 2064/65 to 2072/73

3.7 Budgeted and Actual Sales of Ice-cream

DDC experienced fluctuations in both actual and budgeted sales of ice cream in the fiscal year 066/67. The company achieved approximately 90% of its sales target, surpassing its previous highest achievement. However, there was a significant discrepancy between the actual sales and the budgeted sales. DDC only achieved about 35% of the budgeted sales, which is the lowest compared to the target. This indicates that the company fell short of its projected sales by a significant margin. DDC's actual sales performance was relatively strong, reaching 90% of the target.

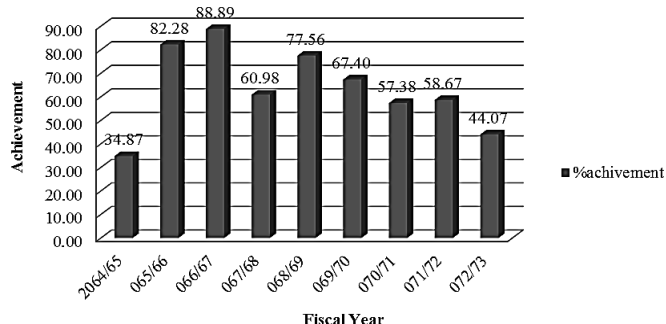


Figure 7: Budgeted and Actual Sales of DDC Ice-cream

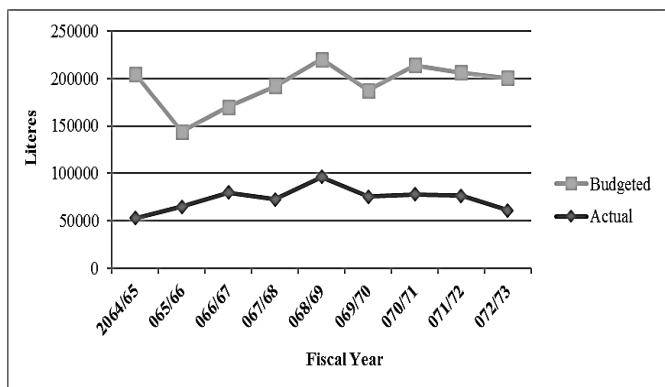


Figure 8: Budgeted and Actual Sales of DDC Ice-cream

Source: Annual Reports, 2064/65 to 072/73

4. CONCLUSION

The analysis of budgeted and actual sales performance in the dairy industry, with a specific emphasis on the Dairy Development Corporation (DDC) in Nepal, provided valuable insights into the challenges and opportunities within the sector. The study evaluated the sales performance of various dairy products, including milk, ghee, makhan, curd, cheese, and paneer, over a nine-year period. The findings revealed fluctuations in sales performance for different dairy products, with some years witnessing successful achievement of sales targets while others falling short. The analysis highlighted the need for improved sales strategies and interventions to address the challenges faced by the DDC and the dairy sector in Nepal. The study emphasized the importance of bridging the gap between budgeting and actual sales performance to develop evidence-based strategies for enhancing financial management and sales planning in the dairy industry. The insights derived from this research supported the development of policies and interventions aimed at achieving financial stability and improved performance in the dairy

industry in Nepal. The study contributed to a better understanding of budgeting and resource allocation practices within the dairy industry. The findings can guide policymakers, stakeholders, and the DDC in developing effective strategies to enhance the financial stability and performance of the dairy sector in Nepal, ultimately benefiting farmers, rural livelihoods, and the overall economy.

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