

## Financial Sustainability of Cooperative Dairy Models: A Comparative Study of Amul and Aavin

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**Abstract** — In India, dairy cooperative is an important part of the rural economy as it provides employment, support to the farmers and also nutritional security. The purpose of this study is analysing the financial sustainability of two bigger cooperative dairy models in India, which include Amul and Aavin. The study seeks to assess the financial performance, efficiency of operation, and sustainability of these cooperative institutions by making a comparative analysis. The information in this study is secondary only, which comes from annual reports, government publications, journals and official websites for five years from 2020-21 to 2024-25. Data has been interpreted using various analytical tools like comparative financial statement analysis, ratio analysis, trend analysis, and percentage analysis. The results indicate that Amul's financial sustainability is higher because of its higher revenue growth, profitability, liquidity position, operational efficiency, and diversified product portfolio. Although Aavin is a smaller market, it continues to grow in a stable manner and remains a significant part of the dairy industry in the region. The study has established that efficient cooperative governance, cost control, technological improvement, and product diversification are important determinants of long-term sustainability of dairy cooperatives. The research also offers recommendations to enhance operational and financial efficiency of the regional cooperative dairy system.

**Keywords:** *Financial Sustainability, Dairy Cooperatives, Amul, Aavin, Profitability Analysis, Cooperative Governance*

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### 1. INTRODUCTION

As one of the major sectors of the Indian economy, the dairy industry not only matters a lot in the development of rural India but also helps in maintaining agricultural sustainability. India is the largest milk producer in the world, and the dairy sector is contributing to the livelihoods of millions of people with stable income and employment. Cooperative dairy models have had a significant contribution to the organization of milk procurement, processing and distribution in the country. These co-operative societies remove the intermediaries, provide milk at reasonable prices to the consumers and ensure proper remuneration for the milk producers.

Amul and Aavin are among the most successful dairy co-operatives in India, but they represent two quite different models. The Gujarat Co-operative Milk Marketing Federation (GCMMF) is one of the biggest and most successful dairy cooperatives in India, known for its strong presence in the domestic and international markets. Aavin is a Tamil Nadu regional cooperative society under the management of Tamil Nadu Cooperative Milk Producers' Federation, mainly catering to the milk demand in the Tamil Nadu region. Both are instrumental in the welfare of the farmer, the development of rural communities, and the growth of the dairy industry.

Due to increasing competition from private dairy firms, escalating operational costs, changing consumer preferences, and environmental issues, dairy cooperatives must focus on financial management. Financial

sustainability is the capacity of an organisation to create regular income, earn profits, control costs, and ensure continuity of growth without financial stress. Thus, it is crucial to assess the financial sustainability of cooperative dairy systems for their long-term economic development.

This study has highlighted the comparative study of Amul and Aavin with the aim of measuring their financial performance, operational efficiency, profitability, liquidity, solvency, and revenue growth in the past five years. The study also looks at the effects of cooperative governance, procurement systems, and cost structures on financial sustainability. Through detailed financial scrutiny, the research identifies the strengths, weaknesses, and best practices that might improve the lasting viability of cooperative dairy organizations in India.

## 2. REVIEW OF LITERATURE

Most studies on dairy cooperatives have concentrated on the level of satisfaction among customers, preferences, operational efficiency, and marketing performance. Naveen Venkata Prasanna (2003) did a study on customer satisfaction on Aavin milk at Coimbatore and revealed that the customers preferred Aavin milk because of its purity, taste, and quality. Riyas Mohammed (2003) concluded the comparative study of three milk brands, namely Aavin, Arokya and Sakthi, and found that Aavin was most preferred due to its quality and low cost, while it had marketing and distribution problems.

C. Gnana Desigan (2004) emphasized the need to modernize milk procurement systems and use modern technologies in order to strengthen dairy cooperatives. E. Sulaiman and Vijaya Chandran Pillai (2006) studied the quality of services rendered by the dairy cooperatives in Kerala and found that delays in procurement price, non-transparency in quality inspection, and delayed payments were some of the problem areas.

Dr. Dash Ganesh (2008) highlighted the role of dairy cooperatives such as Amul in promoting rural development and adding value to the products for producers and consumers. Boddu Divya (2009) did a competitive analysis of Amul and found that the strong procurement network, technological advancement, and organized marketing system played a major role in the success of Amul. Suparna Dutta and Rohit Gunjan (2010) investigated consumer preference towards dairy products and market competition among dairy brands.

Santhosh T. M. Laxman Kumar et al. (2013) studied consumer preference for milk and milk products, which revealed that taste, quality, and price played a significant role in consumer preference. Elangavan and Gomatheswaran (2015) investigated the consumer behaviour towards different milk brands and found that demographic and psychological factors are also important in consumer purchase decisions. While there is some work done from a marketing and consumer angle, very little research has been done on the financial sustainability of dairy cooperatives comparatively. Hence, the present study makes an effort to fill this research gap through detailed comparative financial analysis.

## 3. OBJECTIVES OF THE STUDY

- To examine the financial sustainability of cooperative dairy models, particularly Amul and Aavin.
- To analyse and compare the financial performance including revenue growth, profitability, liquidity, and solvency.
- To evaluate operational efficiency and cost management practices of both cooperatives.
- To understand the effect of cooperative governance, procurement systems, and management practices on financial performance.
- To identify the strengths, weaknesses, and challenges of cooperative dairy institutions and offer recommendations.

## 4. ANALYSIS

The analysis draws on secondary data from annual reports, government publications, journals, and official websites covering the period 2020-21 to 2024-25. Both financial ratios and revenue indicators are examined to build a comprehensive picture of each organization’s performance.

### 4.1 Revenue Comparison

The revenue of Amul has seen prominent growth over the given period from ₹39,248 crore in 2020-21 to ₹65,911 crore in 2024-25. This reflects good market expansion, efficient procurement, and a diversified product offering. Aavin also showed consistent growth from ₹3,180 crore to ₹4,420 crore, reflecting the strength of the regional market. The significant difference in revenues clearly shows Amul’s superior financial strength and market reach.

**Table 1: Revenue Comparison (₹ Crore) – Amul vs Aavin (2020–25)**

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Amul Revenue (₹ Cr)	39,248	46,481	55,055	59,545	65,911
Aavin Revenue (₹ Cr)	3,180	3,420	3,780	4,050	4,420

### 4.2 Profitability Ratio Analysis

Amul’s Net Profit Margin has been improving constantly as a result of cost optimisation and increasing contribution of value-added dairy products. Aavin has also enhanced profitability over the years, although its profit margins remain relatively lower due to higher reliance on liquid milk sales and the public welfare pricing policy.

**Table 2: Net Profit Margin (%) – Amul vs Aavin (2020–25)**

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Amul (%)	4.8	5.2	5.9	6.1	6.4
Aavin (%)	2.1	2.3	2.5	2.7	2.9

### 4.3 Liquidity Ratio Analysis

The current ratio analysis shows that both organisations have good liquidity ratios. Amul’s liquidity ratio is higher, implying stronger working capital management and better short-term financial stability. Aavin’s liquidity situation has also improved over time but remains at a moderate level.

**Table 3: Current Ratio – Amul vs Aavin (2020–25)**

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Amul	1.82	1.88	1.95	2.02	2.08
Aavin	1.34	1.39	1.44	1.48	1.54

### 4.4 Solvency Ratio Analysis

Amul has a better debt-equity ratio and low reliance on external borrowings, indicating a strong capital structure. The declining debt-equity ratio indicates better internal capital generation and lowered financial risk. Aavin has also enhanced its solvency position but remains slightly more leveraged than Amul.

**Table 4: Debt-Equity Ratio – Amul vs Aavin (2020–25)**

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Amul	0.42	0.40	0.37	0.34	0.31
Aavin	0.71	0.68	0.65	0.61	0.58

#### 4.5 Operating Efficiency Analysis

The operating expense ratio analysis shows that Amul has improved in the efficiency of its operations through economies of scale, automation, and cost control. Aavin’s operational costs are relatively high, indicating a need for modernization and more efficient use of resources.

**Table 5: Operating Expense Ratio (%) – Amul vs Aavin (2020–25)**

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Amul (%)	82	80	78	77	75
Aavin (%)	90	89	88	87	86

### 5. FINDINGS

- The financial growth of both Amul and Aavin was steady over the study period, reflecting the resilience of cooperative dairy systems in India.
- Amul showed much better results in terms of revenue generation, profitability, liquidity, solvency, and efficiency of operations.
- Amul’s wide product diversification, cost management, economies of scale, and efficient procurement network are responsible for its increased profitability and better financial sustainability.
- Aavin experienced modest but consistent financial expansion, remaining a key player in promoting dairy development and farmer welfare in Tamil Nadu.
- High operating expenses, lack of diversification, and regional market concentration have negatively impacted Aavin’s profitability and financial flexibility.
- Efficient cooperative governance, technological development, value-added product development, and effective resource utilization are critical for the long-term financial sustainability of dairy cooperatives.

### 6. CONCLUSION

From the comparative analysis of Amul and Aavin, it can be concluded that both organisations have been stable in terms of financial growth and operations throughout the study period. Nevertheless, Amul has much higher revenue generation, a diversified product range, efficient cost control, strong liquidity status, and lower financial leverage, which makes it well financially sustainable. Its large-scale operations and infrastructure strengthen its resilience and long-term potential.

Although Aavin is a smaller institution from a financial point of view, it remains an important cooperative institution in the region, contributing to the development of Tamil Nadu’s dairy industry and farmer welfare. Despite challenges and competition, the organisation has maintained stable and consistent

financial performance. However, Aavin needs to be more focused on modernization, optimization of operational efficiency, expansion of value-added products, and reduction of costs to improve long-term sustainability.

The study underscores that sustainable dairy practices in cooperatives rely on efficient governance, use of technology, procurement systems, control over production, and competitiveness in markets. Improving these aspects will ensure the financial viability and competitiveness of cooperative dairy institutions in the changing dairy sector. Both Amul and Aavin, in their own ways, offer important lessons for the future of cooperative dairying in India.

## **ACKNOWLEDGEMENT**

The authors express sincere gratitude to the Department of Management Studies, School of Management Studies, Vels Institute of Science Technology and Advanced Studies (VISTAS), Pallavaram, for their guidance and support throughout the research. Special thanks to the faculty members and all those who provided valuable inputs for this study. The authors also acknowledge the availability of published secondary data from annual reports, government sources, and research journals that made this comparative analysis possible.

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