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APPLICATION OF BUDGETING AS A TOOL FOR IMPROVING PROFITABILITY IN FARMING

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Abstract

Agriculture in developing countries is not considered to be profitable in real terms due to the multiplicity of the factors like small size of holdings, monsoon, interference of middle men, outdated technology, poor concentration towards land improvement, improper fertilization, lack of interest in farming, illiteracy, lack of future prediction, lack of irrigation, poor knowledge about cultivation of profitable crops etc. One of the important factors that affects the profitability is the adoption and application of professionalism where the farmers uses the advanced and scientific techniques like soil testing, nursery management, plant protection, nutrition management, expert advices, labour management in a systematic order that enhances productivity. Under professionalism one of the important factor that is identified is the adoption and application of farm budgeting template that helps to record the expenses involved in the agricultural operations. Such recording of the expenses will help in the proper utilization of the monetary and physical resources to a great extent. The application of budgeting in real terms will help in doubling the income of the farmers. This study reveals that the application of budgeting in the chilli farmers operations enhanced the profits of the marginal farmers by 37.03%, small farmers by 36.20 % and large farmers by 38.12 % respectively.

Keywords: Farm budgeting, Professionalism, Profitability, Doubling Farmers Income.

Introduction

India from ancient times is a land of agriculture where agriculture and related activities are the major sources of employment. Even though the largest employment provider since its initialization from ancient times till today is not considered as a profitable occupation due to multiplicity of factors like monsoon failure, market imperfections,

middlemen exploitation, insect and pest attack etc. The green revolution has increased the production by many folds but the improved production was always not favorable to the farmers especially for small and marginal farmers. The large farmers who normally follow a systematic planned production and marketing also experienced it to great extent as most of the agricultural operations are

controlled by non-farmers from production till the marketing of the produce. In order to avoid such problems one of the effective ways is the adoption of professionalism in the field of farming. Professionalism is earned on account of competence and competence refers to be properly qualified for a particular task. It makes farmers empowered and adopt better practices in the selection of the seeds like the branded seeds, test the soil for its nutritional content and identifying the suitable crops that can be cultivated or the quantity of fertilizer for each crop, establishing improved nursery to grow crop in the initial stage, advanced plant protection mechanism, seeking the advice of experts, improved labour management practice and much more where each process is undertaken with a proper systematic approach that adds to the profitability of the farmers. Under professionalism, one of the most effective tools is adoption and implementation of a systematic budget for the whole farm activity. Such budget helps the farmers to be planned in their expenses helping them to avoid the unwanted expenses and use the current funds effectively.

Farm budget helps the farmers in multiple ways in the pre-cultivation, cultivation and post-cultivation. In general it helps the farmers to have a sequential set of the activities that has to be executed from the initial stage of farming i.e. preparing the nursery till the harvest, drying, storage and marketing. It helps to avoid the unwanted expenses that are incurred during the farming operation due to ignorance or due to lack of awareness. It helps to have a full control over the farming operation such that he will be in a position to identify the level of profit he can earn by selling the produce at various prices. In certain cases it makes the grower to reduce the cost to the level that even the prices are low in the market he will make farming profitable. During the pre-cultivation stage it helps to guide the activities like preparation of the nursery, main land preparation, manuring of main land and irrigation of nursery and main land. During cultivation it helps to guide the farmers regarding the time of irrigation, manuring, application of pesticides, weedicides, harvesting, drying etc. finally during the post-cultivation it helps in the proper packaging, storing of the produce, identifying the right time to market the goods. Thus it acts as a complete

manual for the farming practice. On the whole the application of farm budgeting helps the farmers to improve the farming practice that enhances their profitability.

Singh. (1977) in his book "Elements of Farm Management Economics" stated that agriculture in India is becoming more commercial from the state of subsistence level. Farmers are investing more in agriculture than before. Due to these reasons they plan well in farming their crop and use farm plan, budgets and cash flow statements and other tools of farm management that has resulted in better output and increases revenue. Such implementation requires proper education among the farmers related to farm management. Claude Culpin. (1975) the author of the book "Profitable Farm Mechanization", stated the importance of mechanization of the farms that lead to the profitable output. But implementing this is not enough a proper budgeting with relation to the cost involved helps in calculation of the cost and help to fix the profit level of the farms. Thus the need of a proper farm budget is consisting of the complete record of the financial movement is to be recorded. This helps in reducing the cost of cultivation and avoids the unwanted cost involved in the process. The record maintenance also is helpful for the small farmers with limited size of holdings to have a close check on the cost of cultivation and to make sensible decision relating to the selection of the crops which may be most profitable in future. Damona Doye. (2014) in his publication entitled "Budgets: Their Use in Farm Management" stated that farm budgeting is an effective tool in the hands of the farm managers that help in providing basis for answering different questions like how to utilize the resources in the best manner, which crop will provide better return to the farmers, requirement of input, production process involved, etc. The farm managers can use the farm budget in different ways not only to maintain records and identify the cost of cultivation but to make possible alterations in farming that will improve profitability as well as adopting the innovative mechanism for improving the farming operations considering the cost of cultivation.

Doubling Farmers Income

With a long list of challenges in the agriculture sector the farmers are facing loss in their operations. The unprofitable nature of the

agriculture sector is creating a situation of, more and more farmers to exit farming operations that has created serious impact over production and creating inflation in agricultural output that is favorable to middlemen neglecting the farmers. In order to overcome such situations the farmers has to be more professional where they can apply the use of a systematic budget that helps in increasing the income of the farmers. As in the present there is a great stress in the doubling the farmers income which is possible by way of systematic application of budgets in the farming operation that helps in controlling the expenses and other operations improving the farmers income.

Objective of the study

1. To identifying the extent to which the adoption and application farm budgeting is profitable to the farmers.
2. To identify the other benefits that can be enjoyed due to the application of farm budgeting.

Methodology

The study was conducted in Tirunelveli district of Tamil Nadu in India. The study is based purely on the primary data collected from the chilli farmers. Ten chilli farmers each from marginal, small and large grower category was selected by the way of applying snow ball sampling technique. Their initial cost of

cultivation incurred by the thirty farmers in a particular season per acre was recorded and then they were provided with a systematic farm budget template designed for chilli and were asked to record the transactions in the in the next crop season from the initial stage till the final stage. The farmers were also provided with an on the spot session to enable them to be through with the entry of the expenses in the template so that the possibility of errors can be minimized. The farmers used the template to record the cost incurred in the cultivation. The output was consolidated to fix the extent to which the budgeting is helpful to the farmers. Only the farmers who were found fit to make entry were selected for the purpose.

Findings

The results of the study is presented in the below table. The pre-budget cost is presented in the first part of the table in the consolidated form in six category like nursery, mainland preparation, transplanting to the main field, crop protection and harvesting, post harvesting and marketing is presented as the grower has only a rough idea about the expenses made. The post budget where the whole farm budget template results is been consolidated into same six category as in case of pre-budget so that it can be used for comparison with the later one.

Table.1
Cost of cultivation incurred by farmers before and after the adoption of budget

Expenses category	Category of farmers					
	Marginal		Small		Large	
	Before adopting budget	After adopting budget	Before adopting budget	After adopting budget	Before adopting budget	After adopting budget
Nursery (A)	3470.00	3086.00	3965.00	3710.00	4283.00	4036.00
Main land preparation (B)	10844.00	9802.00	11247.00	10648.00	12840.00	11245.00
Trans planting to the main field (C)	2570.00	2160.00	2370.00	2160.00	2940.00	2730.00
Crop protection and harvesting (D)	18730.00	16497.00	19270.00	17797.00	20370.00	18835.00
Post harvesting (E)	3740.00	3420.00	3750.00	3580.00	3890.00	3785.00
Marketing (F)	1561.00	1322.00	1530.00	1329.00	1750.00	1516.00
Total interest paid on borrowed funds	1640.00	1440.00	1240.5.00	1102.5	315.00	315.00
Total expenses	42555.00	37727.00	43372.5	40326.5	46388.00	42462.00
Decline in exp. in %		10.79		7.55		9.24
Total output (in kgs)	754	763	739	748	738	751

Per unit price received per kgs (Farm gate prices)	73.20	75.75	74.60	78.55	77.25	79.40
Revenue (Total output x per unit cost)	55192.8	57797.25	55129.4	58755.4	57010.5	59629.4
% Increase in revenue		4.50		6.17		5.39
Total profit (Total revenue – total expenses)	13637.8	20070.25	12756.9	18428.9	11622.5	17167.4
% increase in profits		37.03		36.20		38.12
Profit Rupees per kgs (Total profit / total output)	17.87	27.16	17.05	24.97	15.48	22.86
Excess profit in Rs / kgs		10.59		9.25		8.71

Source: Primary data

The study revealed that the adoption and application of a systematic farm budgeting template helped the marginal farmers to reduce the total expenses incurred in farming operation from Rs.42555.00 to Rs.37727.00 in post adoption of budgeting which constitute a reduction of 10.79 % in the total expenses. In case of small farmers application of farm budgeting template has helped to reduce the total expenses from Rs.43372.5 to Rs.40326.5 a reduction of 7.55 % in total expenses. Finally in the case of large farmers the total expenses has reduced from Rs.46388.00 to Rs.42462.00 a saving in total expenses by 9.24 %.

It is to be noted that there was an increase in output due to the adoption and application of a systematic farm budgeting template in the case of marginal farmers from 754 kgs/ acre to 763 kgs/ acre i.e. 9 kgs increase, in the case of small farmers from 739 kgs/ acre to 748 kgs/ acre i.e. 9 kgs increase and in the case of large farmers from 738 kgs/ acre to 751 kgs/ acre i.e. 13 kgs increase in output.

Budgeting practices has helped in the increase in revenue of the marginal farmers compared to before adoption of budgeting from 55192.8Rs to 57797.25Rs i.e. a 4.50 % increase in revenue. In case of small farmers it has increased the revenue from 55129.4Rs to 58755.4Rs i.e. a 6.71 % increase in revenue. Finally in the case of large farmers it has increased the revenue from 57010.5Rs to 59629.4Rs i.e. a 5.39 % increase in revenue.

Further the budgeting practices enhanced the profits of the marginal farmers from 13637.8 Rs to 20070.25Rs, a total of 37.03% increase in profits. In case of small farmers it has enhanced the profits from 12756.9Rs to 18428.9Rs, an increase of 36.20 %. Finally in case of large farmers budgeting

practices has increased the total profit from 11622.5 Rs to 17167.4 Rs by 38.12 % respectively. In case of profits per Kgs the marginal farmers profits increased from 17.87 Rs / Kgs to 27.16 Rs / Kgs, helped in earning an excess profit of 10.59Rs/ kgs. In case of small farmers profits increased from 17.05 Rs / Kgs to 24.97 Rs / Kgs, helped in earning an excess profit of 9.25Rs / kgs.

Suggestions

In order to double the income of the farmers it is advisable to adopt and implement a systematic farm budget during the pre-cultivation, cultivation and post cultivation phases so that the operations in cultivation can be controlled and executed easily thus the monetary resources employed can be effectively utilized, reducing the expenses and increasing the income of the farmers.

Conclusion

The adoption and application of farm budget helps the farmers to reduce the cost of cultivation of all categories of farmers, which was most beneficial to marginal farmers followed by the large farmers and small farmers respectively. Budgeting has increased the output of all categories of farmers especially it has highly benefited the large farmers, marginal and small farmers whom were benefited equally.

Adoption and application of systematic farm budgeting practices has helped in the increase in revenue of all category of farmers, it was most beneficial to small farmers followed by large farmers and marginal farmers respectively. Budgeting has enhanced the profits of all categories of farmers also; it was most beneficial to large farmers followed by marginal farmers and small farmers respectively. In case of increase in profits per

Kgs the highest beneficiaries were marginal farmers followed by the small farmers and large farmers respectively.

On the whole the study reveals that adoption and application of a systematic farm budgeting template and proper recording helps the grower not only to reduce the cost of production in real terms but also helped in increasing the revenue through increase in output and the per unit price received by him. It has enhanced the profits of all categories of farmers and per kg price received. On the whole it improved the profitability of the farmers by more than 35 % in each category.

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