CHAPTER IV

PROFILE OF AMMAPET HANDLOOM WEAVERS

CO-OPERATIVE SOCIETY IN SALEM DISTRICT –

AN ANALYSIS

The Ammapet handloom weaver's cooperative society is in south India. It is situated in Salem district. Today this is the fast going society in Salem district. Let's we know about the society.

HISTORY OF THE SOCIETY

Mr. Arunachala Mudaliar National patriot was the founder of the society. In the year 1938-39 he started the society admitting 53 members, with a paid up share capital of Rs.1, 107 to render service to the handloom weavers, who were suffering to market the handloom goods, in the open bazaars. It was registered under the Tamil Nadu society registration Act on 17-8-38 as S.532 with 53 members and started its work on 14-9-38. The area of operation of the society is confirmed to salem municipal ward number 21, 22 Kamarajar Nagar weavers colony in Ammapet south Panjayat and existing members of mallur and mattur kumarapalayam.

At the time of starting the value of each share was minimum Rs.25. But due to the increase of cost of raw material and other items now it has been raised to Rs.100 year after year. It has grown on its own strength and at present a total number of the society 6000 weavers have got enrolled themselves as members of the society.
The society so far, has collected share capital from 1938 to 1971 the administration of the society was governed by the board of directors lead by the president, one vice-president and seven directors who were all elected by the 'A' class share holders namely 'A' class share holder and 'B' class share holders. The 'A' class shareholders should be of minimum 18 years old, and 'B' class shareholders are below 18 years old. The share value of both classes of members is equal. But only 'A' class shareholders are having votting power. Mr. A. Marriappan was the president of the society from 1951-71 and he was the only person who managed the society for about 20 years.

OBJECTS OF THE SOCIETY

The object of the society is to improve the handloom industry and the economic condition of the weavers residing in the area of operation mentioned in the by law of the society. The Salem municipal limit word number 21,22, Kamarajar Nagar, weavers colony in Ammapet south Panjayat and Malur and Mallur Kumarapalayam are deemed to be the area of operation, of the society. The member residing in these areas are only eligible to become the member of the society.

1) To raise the money required for remaining the society from the weavers and others by issuing shares by borrowing by government and others.

2) To purchase raw material and appliances as may be required for the industry and retail the same either for cash or credit to the weavers members residing in the area of operation of the society.
3) To purchase yarn and other raw materials and advance some weaver members who shall convert them into finished goods and deliver the same society. To pay wages for such conversion and the arrange for such marketing of the finished goods to the best advantage of the society.

4) To purchase and hold in common or let on hire improved appliances connected with the industry.

5) To act as a agent for the purchase of the domestic and other requirements for its members and for the sale of their finished products.

6) To open sales depots to market the product of the society in places selected by the previous approval of the register.

7) To run a dye factory to dye-yarn required for the society and other weavers co-operative societies for the benefit of the society.

8) To appoint agents wherever necessary to sell the goods produced by the society subject to the conditions prescribed by the board of directors of the society from time to time.

9) (a) To acquire land by purchase of gift or otherwise in order in provide housing accommodation to the weaver members of the society.

   (b) To built or rebuilt residential houses for the weaver members of the society with the necessary amenities such as roads, parks play-grounds, schools, hospitals, market, common hall, handloom factory, office, premises, etc.,
(c) To hold sell outright or sell on hire purchase system or otherwise dispose of land or rent or ware houses, house sites and buildings.

(d) To do all other things as may be necessary for carrying out the objects stimulated in classes (a) and (b) above

TRADE

1) It shall be the duty of board to arrange for the purchase for cash or weaver members and if necessary for the sale of appliances to weaver members for cash or on credit on such terms as may appear to it responsible.

2) The board shall arrange for the sale of the goods produced by the member of the society. All sales will be for cash or payment through bankers. Credit sales may be allowed to the Tamil Nadu handloom to Co-operative society ltd, NHDC aid to the all India handloom fabrics marketing Co-operative society Ltd., The board may however dispose of the finished goods to other weaver co-operative institutions such as co-operative stores, Multipurpose societies etc, on Consignment Basic according to the regulations framed by it and approved by the registrar the board may open and the society may dispose its products by appointing selling agents and canvassing agents subject to the previous approval of the registrar.

3) The board shall be lay down regulations to regulate the advance of yarn and other materials or sale of appliances to weaver members of the society and the recovery of the cost of the same.
PRESENT POSITION

As on 31.8.2001, there are 4481 members are working with a paid-up share capital of Rs.44,92,605.00. The Tamil Nadu Government has also purchased shares worth of Rs.75000. Now the government has taken several steps to improve the working to the Apex societies and it has also introduced several schemes such as housing scheme, security fund scheme, contribute thrift fund etc., to product the interest of the weavers. All the above said schemes are being implemented by the Ammapet society. In addition the government also is assisting to modernise the existing handlooms.

FINANCIAL RESOURCES

Finance is the life, blood to run any business smoothly. As for the handloom following industry is concerned, to overcome the raw materials. Inadequate finance, problems in marketing of finished goods the government co-operative societies to get financial assistance from Reserve Bank of India (RBI) through central co-operative bank to help these societies. Reserve bank of India introduced a scheme in the year 1956 and was implemented in the year 1957-58 onwards. According to the scheme the reserve bank provides finance facilities to state co-operative bank for financing the procurement and the marketing of cloth by apex weavers co-operative societies it also provides funds on behalf of the central Co-operative bank to finance for the production and marketing activities or primary weavers co-operative society. Also gives refinancial assistance on government guarantee to those societies which are carrying on sales and production this loan is given for only one year that is from 1st April or 31st March under this scheme financial accommodation has been provided to state co-operative bank at
1½% below bank interest ratio the rate interest at present is 2½% below the bank rate is 7½% with effect from 1.3.1978. An interest subsidy of finance is provided by the Government of India at present in respect of finance is provided to Handlooms.

NABARD

This society is also getting financial assistance upto 50% of the value of the anticipated production during the year (that is production during the previous year + 20%) provided sales during the previous year were 60% of production. Where sales are less the limit for the year will be reduced proportionately. This society is paying interest for every 3 months. Actually an interest on this loan is 9.5 and the government of India sanctions 3% as subsidy.

PRODUCTION

This society produce handloom cotton, sarees, bedsheets, lungies and hard kerchief with extra weft or extra warp, printed sarees etc., The finds count dress, sarees etc. A society have earned unique name all over India. The society provided continuous work to its member through out the year, irrespective of the fluctuations in the handloom market. Now the society produces quality fabrics, it gets average profit every year. Its monthly average production comes around Rs.29 Lakhs as present. In addition to sarees, dhoties, angavasthrams the society also produces towels, shalls, kerchiefs, Bed sheets, etc. the production of the society for the five years is given in table 4.1.
### TABLE 4.1

**PRODUCTION OF THE SOCIETY**

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Production Value</th>
<th>Trend percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1996-1997</td>
<td>227.00</td>
<td>100</td>
</tr>
<tr>
<td>2.</td>
<td>1997-1998</td>
<td>262.00</td>
<td>115</td>
</tr>
<tr>
<td>3.</td>
<td>1998-1999</td>
<td>240.00</td>
<td>105</td>
</tr>
<tr>
<td>4.</td>
<td>1999-2000</td>
<td>298.31</td>
<td>131</td>
</tr>
<tr>
<td>5.</td>
<td>2000-2001</td>
<td>215.92</td>
<td>95</td>
</tr>
</tbody>
</table>

**Source:** a.h.w.c.s

The 4.1 clearly indicate that the production of the society fluctuates widely. The fluctuations are due to rise in wages of the employees, increase in cost of the raw material. In the year 2000 – 01 the production decreased to 95% it clearly indicates that there is constant productivity in the society.

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**Note:** a.h.w.c.s, is Stands for, ammapet handloom weaver's co-operative society ltd., in Salem District.
Production of the Society for the Five Years is showing in a bar-diagram.
MARKETING

In order to provide continuous employment to labouring, it is necessary to market the finished goods produced by any mill or industry as early as possible without any stock. It is very obvious that the handloom goods had full stiff competition from ill and power loom goods as far as price quality is concerned. So, it is the deity of the management to adopt more techniques of marketing to exploit the market it time. Producing quality goods at competitive sales will alone not help to keep the industry alive. It is equally important to concentration on marketing side is to help the industry safe running.

THE SOCIETY ADOPTS THE FOLLOWING METHODS TO MARKET ITS GOODS.

1. Supply to Co-optex

2. Supply to handloom house

3. By opening the retail sales depots at various places

4. By employing sales agents at different places of the country

1. Co – optex Sales units

This society supplies the finished products to co-optex were houses according to their requirements with a forget of 12%. There are 22 were houses functioning in Tamil Nadu under co-optex.
2. Handloom Houses

This society supplies finished goods to all India handlooms fabrics marketing cooperative society Ltd., according to their procurement with a profit of 14%.

3. Retail sales depots

The society is also opened retail sales depots at the following places for marketing its products.

4. Retail sales depots

1. Head office, Ammapet.

2. Salem town.

3. Loom World, Erode.

4. Loom world, MDS.

5. Trichy.

6. Dharmapuri marketing complex.

7. Co-optex marketing complex at Egmore.


9. Neyveli Township (S.A. Dt)

10. Coimbatore.

11. Tirupathur (N. A. Dt).

12. Bangalore (Malleswarm)
In addition to these there are two whole sales godowns at head office. Above all the society has appointed as many as places in the state to sell the goods on behalf of the society.

**TABLE 4.2**

**SALES OF THE SOCIETY**

(Rs. In lakhs)

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Sales Value</th>
<th>Trend Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1996 - 1997</td>
<td>266.30</td>
<td>100</td>
</tr>
<tr>
<td>2.</td>
<td>1997 - 1998</td>
<td>164.53</td>
<td>96</td>
</tr>
<tr>
<td>3.</td>
<td>1998 - 1999</td>
<td>373.90</td>
<td>140</td>
</tr>
<tr>
<td>4.</td>
<td>1999 - 2000</td>
<td>303.36</td>
<td>114</td>
</tr>
<tr>
<td>5.</td>
<td>2000 - 2001</td>
<td>313.50</td>
<td>117</td>
</tr>
</tbody>
</table>

Source: a.h.w.c.s, Salem District

The above table clearly shows that the sales during 1997 - 98 Sales dropped by 4% but in the year 1998 - 99 there is a spectacular increase in sale value due to good demand for handloom products. However there is more (or) less constant sales in the rest of the period.
Sales of the Society for the Five is showing in a bar-diagram

Year
1996 - 1997
1997 - 1998
1998 - 1999
1999 - 2000
2000 - 2001

Value in Lakhs

Sales Value  Trend Percentage
TABLE 4.3

PROFIT / LOSS OF THE SOCIETY

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Sales Value</th>
<th>Profit</th>
<th>Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1996 – 1997</td>
<td>266.30</td>
<td>--</td>
<td>12.00</td>
</tr>
<tr>
<td>2.</td>
<td>1997 – 1998</td>
<td>254.53</td>
<td>3.02</td>
<td>--</td>
</tr>
<tr>
<td>3.</td>
<td>1998 – 1999</td>
<td>373.90</td>
<td>1.64</td>
<td>--</td>
</tr>
<tr>
<td>4.</td>
<td>1999 – 2000</td>
<td>303.60</td>
<td>--</td>
<td>12.95</td>
</tr>
<tr>
<td>5.</td>
<td>2000 – 2001</td>
<td>312.50</td>
<td>1.30</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: a.h.w.c.s, Salem District

The above table shows clearly that there is profit for three years to the external of Rs.5.96 lakhs whereas the society incurred loss of Rs.24.95 lakhs for two years. The loss is higher than the profit earned by the society. This indicates that the society's profitability is very low. Hence it requires more attention to avoid the losses.
Profit and Loss of the society is showing in a bar-diagram.
# TABLE 4.4

SHARE CAPITAL POSITION OF THE SOCIETY

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>A Class Shares</th>
<th>B Class Shares</th>
<th>Government Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1996 - 1997</td>
<td>1217255</td>
<td>42341</td>
<td>26250</td>
</tr>
<tr>
<td>2.</td>
<td>1997 - 1998</td>
<td>1193008</td>
<td>36864</td>
<td>26250</td>
</tr>
<tr>
<td>3.</td>
<td>1998 - 1999</td>
<td>1409900</td>
<td>28753</td>
<td>26250</td>
</tr>
<tr>
<td>4.</td>
<td>1999 - 2000</td>
<td>1528165</td>
<td>24745</td>
<td>26250</td>
</tr>
<tr>
<td>5.</td>
<td>2000 - 2001</td>
<td>1566479</td>
<td>22811</td>
<td>26250</td>
</tr>
</tbody>
</table>

Source: a.h.w.c.s, Salem District

A class shares are showing an increasing trend but whereas the B class shares are showing a decreasing trend. The society has to take necessary steps to improve the 'B' class members.
Share Capital Position of the Society is showing in a bar-diagram.
TABLE 4.5
RESERVE FUND AND INVESTMENT OF THE SOCIETY

(Rs. In lakhs)

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Reserve Fund</th>
<th>Separately Inverted</th>
<th>% of Rf Inverted</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>1999 - 2000</td>
<td>40.52</td>
<td>9.20</td>
<td>22.72</td>
</tr>
<tr>
<td>5.</td>
<td>2000 - 20001</td>
<td>40.50</td>
<td>9.20</td>
<td>22.72</td>
</tr>
</tbody>
</table>

Source: a.h.w.c.s, Salem District

The table 4.5 reveals that the investment out of reserve fund shows a decreasing trend. The investment position of the society is not satisfactory. It must improve the amount of investment out of reserve fund to earn more revenue for the society.
Reserve Fund and Investment of the Society is showning in a bar-diagram.
To evaluate the performance of the society certain ratio analysis is adopted. Accordingly the gross profit ratio for the study period is given in Table 4.6.

### TABLE 4.6

**GROSS PROFIT TO SALES**

(Rs. In lakhs)

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Gross Profit</th>
<th>Sales</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1996 – 1997</td>
<td>55.06</td>
<td>273.65</td>
<td>19.69</td>
</tr>
<tr>
<td>3.</td>
<td>1998 – 1999</td>
<td>59.27</td>
<td>379.79</td>
<td>15.60</td>
</tr>
<tr>
<td>4.</td>
<td>1999 – 2000</td>
<td>50.04</td>
<td>316.30</td>
<td>15.82</td>
</tr>
<tr>
<td>5.</td>
<td>2000 – 2001</td>
<td>42.75</td>
<td>321.69</td>
<td>13.30</td>
</tr>
</tbody>
</table>

Source: a.h.w.c.s, Salem District

Table 4.6 discloses that the GP ratio for the 96 – 97 and 97 – 98 is almost constant. But from 98 – 99 to 99 – 00 to GP ratio falls by 4%. More over in the 2000 – 01 the GP Ratio further falls by 6%. This fluctuations show that the society is not earning uniform Gross Profit. There fore more attention is required to concentrate on Sales promotion of the society.
Gross Profit to Sales is showing in a bar-diagram

- Gross Profit
- Sales
- Ratio

Year
1996 – 1997
1997 – 1998
1998 – 1999
1999 – 2000
2000 – 2001
2. The Net profit ratio to sales is related in the table 4.7

**TABLE 4.7**

**NET PROFIT TO SALES**

(Rs. In lakhs)

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Net profit</th>
<th>Sales</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1996 – 1997</td>
<td>(-) 12.00</td>
<td>279.65</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>1997- 1998</td>
<td>0.3.02</td>
<td>276.14</td>
<td>1.09</td>
</tr>
<tr>
<td>3.</td>
<td>1998 – 1999</td>
<td>01.64</td>
<td>379.79</td>
<td>0.43</td>
</tr>
<tr>
<td>4.</td>
<td>1999 – 2000</td>
<td>(-) 12.95</td>
<td>316.30</td>
<td>-</td>
</tr>
<tr>
<td>5.</td>
<td>2000 – 20001</td>
<td>01.30</td>
<td>321.69</td>
<td>0.40</td>
</tr>
</tbody>
</table>

*Source: a.h.w.c.s, Salem District*

Table 4.7 clearly indicates that the society performance is not satisfactory during 96 – 97 and 99 – 00 the society incurred total net loss of Rs.24.95 lakhs. Whereas another three-year periods the society showed a meager net profit. The two years loss in more than the total net profit of three years. The net profit ratio of the society during the study period is showing the decreasing trend. Hence it requires more attention to improve its performance on every respect.
Net Profit to Sales of the Society for the five years
Showing in a bar-diagram

Value in %

Year
Net profit Ratio

WELFARE SCHEMES

The Co-operative handloom weaver's servings and security scheme was introduced in the year 1975 for the benefit of handloom weavers within the co-operative fold and is being continued till date. This scheme is just like a group insurance scheme under which Master Group Insurance Policy covers all the member weavers. As on date 1,12,673 weavers are covered under the scheme. Each weaver who has joined the scheme is contributing 10 paise for every rupee of wages earned from his respective co-operative society and the state government is contributing 5 paise for every rupee. If a weaver member dues his nominee gets the accumulations in the fund including government contribution with interest, along with a sum of Rs.5000 from life insurance corporations.

1. Share Capital Loan

The weaver's those who are unable to remit the entire share to the society are selected and such weaver's are sanctioned with 75% of shares to be remitted for utilization of the society.

2. Savings and security scheme

a. After one year of enrolement, and regular utilization of the society, a member is eligible to join in the sowings and security scheme as per the conditions laid down in the scheme is as follows.

8% of the wages earned by the weaver is deducted by the society and the same is sent to the Government on member's name and when a weaver attains the age 60 the
whole amount deducted by the society with interest is repaid to him. If he wants to go out of this society before this age, then the number will be paid the remaining amount after deducting the debts payable to the society. This is for the members, only those who are interested in this scheme.

b. The weaver's who have not joined in the saving security scheme can not join in thrift fund scheme. Under this scheme 10% of the wages earned by the weaver is going on deducted by the society until it reaches Rs.100/-

When the total amount deducted reaches Rs.100/- it is added to his share capital thus the share capital of the weaver is increased by this scheme automatically.

3. Housing scheme

The weavers housing scheme was introduced in the year 1957. Under this join together, purchase lard end handover the same to the society. The society internally approaches the HUDCO. Through state Government for construction of the weavers under his scheme. The society has constructed a weaver's colony with facilities like road, part etc., for the benefit of its member weavers.

4. Festival such Advance

The society sections advance upto Rs.500 at the time of festivals such a Devali, Pongal and it also permits the weaver member to take cloths worth upto Rs.500 for his family, from its sales depots on credit basis. The amount has to be repaid in 24 equal installments, suppose if a weaver is unable to repay the loan within the stipulated time, the society also allows grace time to repay the amount.
5. Saving scheme

If a weaver, who is a member of the saving scheme dies the society sanctions a sum of Rs.2000 for immediate relief to his nest of heir and the Government also sanctions Rs.3000. The society after deducting all the dues from the deceased member from the amount sanctioned to him thereby by the Government, handover the remaining amount to his family members.