Added value plays a considerable part in the measurement of operational performance and productivity. The use of added value facilitates changes in production to be expressed in value terms.\(^1\)

Added value is defined in Engineering Employer's Federation Handbook, 1979 as "The value added to materials and other purchased items which provides as a result of productive activities in the firm, the sum of which wages, salaries and administrative overhead expenses are paid leaving any surplus as profit".

A value added report draws attention to the excess of a company's sales revenue over the expenses attributable to all materials and services purchased from outside suppliers. The difference is therefore, the portion of sales revenue equal to the value added by the enterprise.\(^2\)

According to John Black, 'Value Added' is the total sales of a firm minus purchase of inputs from other firms or sources --what is left for the wages of the employees and the profits of its owners.\(^3\)

Gary K. Meek and Sydney J. Gray, specialising in international accounts, argue that the introduction of value added statement as a supplementary disclosure would enable more informed judgments about the broader role that companies play in the society.\(^4\)

The UK's Accounting Standards Committee in 1975 asserted that Value added statement is useful addition to the financial information produced by companies'.\(^5\)

It is essential in a profit making organisation to minimise the cost of utilisation of resources and maximise the difference between
such usage and price obtained for commodities. There are many methods of measuring the difference between resource usage and results. The two recommended methods are 'Added Value' and 'Contribution'. There is a basic similarity between these two. In Added Value the inputs to a process are measured e.g. power, raw materials, etc. The result of the activity, e.g. sales revenue, is then calculated. The difference between these two is added value. When the added value is compared with the value of production, value of trade charges and value of current assets employed etc., will be a useful indication of resource usage. Contribution costing is the system of costing by which the costs of each process or production unit are established. The difference between the sales and the variable cost is the contribution to the recovery of fixed expenses and profit.\(^6\)

A concern may exist; without earning profits but it cannot exist without adding value to its wealth. Value added accounting is sometimes called an alternative approach to income measurement, which gives more detailed information about business profitability than traditional profit/loss accounts. Like other financial measurements, added value measurement plays an important in the role in the analysis of the performance of the firm.\(^7\) E.G.Wood suggests that added value is a fully stable measure for analysing the productivity of firms. Wherever the value addition is high, there will be scope for sizeable employment, wages, and profits and a spectrum of opportunities for managerial manoeuvres for enhancing the productivity, efficiency and profitability.\(^8\) Decisions related to buy or make could be made on the basis of value added by manufacture. Products yielding low value addition to the firm would be bought from out sources whereas products that yield higher value addition would be undertaken for production in the firm.
The researcher has employed a single measure to assess the effect of value added by manufacture in estimating the unit's performance through 'surplus earned per Re. of VAM'. From value added by manufacture, the share of manufacturing charges and trade charges are subtracted and then the overheads which include interest charges and establishment charges are also subtracted and the balance left after meeting the above will be available for apportionment of funds to dividends and to reserves. The detailed methodology is given in Exhibit 4.1.

**Exhibit 4.1**

1. Net Sales = S.
2. Total Purchase = P.
3. Value added by manufacture = S-P
4. Manufacturing and Trade charges = M
5. Manufacturing and Trade Charges per Re of VAM = M/VAM
6. Overheads (Estt. Charges & Interest charges) = 0
7. Overheads Per Re of VAM = 0/VAM
8. Surplus earned per Re of VAM = 1-(M/VAM+0/VAM)

If the surplus makes positive value between 0 and 1, it is an indication that the firm has performed well and VAM has contributed to increase in its wealth. A surplus value of 0 indicates that, the unit has just achieved break-even without resulting in any contribution to profits. A negative surplus value will indicate that the unit has not earned sufficiently to cover its expenses and it is a matter of concern. This will also indicate the operating inefficiencies and poor management of assets.
Hence surplus per Re. of VAM reflects the velocity of wealth generation in all manufacturing firms. This measure has been used in this study to evaluate the rate of success of the business operations and to make comparative analysis among the sixteen societies under study.

Among handloom products pure silk goods have higher unit sale value yielding high value addition whereas the cotton goods have low unit sale value yielding correspondingly low value addition. Hence, the study of value added by manufacture in the handloom co-operative societies under study will throw light on their performance and provide useful strategic direction for future planning. In the present study estimates of value of addition, its percentage share in the value of production and the charges involved are reckoned. This exercise will enable us to assess the scope for value addition in each of the four lines of activities under study and the consistency of performance in maintaining it, since unit value of output is high in silk, least in cotton and in between the two in the other two lines of output.

4.1 ANALYSIS OF VALUE ADDED BY MANUFACTURE

4.1.1 Handloom, Weavers' Cooperative Societies dealing with Pure Silk Goods

With regard to the four societies producing pure silk goods, data on the amount of value added by manufacture (VAM) and its percentage share in the value of production, manufacturing and trade charges per Re of VAM and overheads per Re of VAM are furnished in Table 4.1.

In all the four societies fluctuations can be found both in value of VAM in its share of value of production. The mean value for the period of 11 years indicates that Tirubuvanam and Arignar Anna Societies are far ahead of the other two societies in terms of
<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
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</thead>
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<tr>
<td>1</td>
<td>1988-89</td>
<td>348.75</td>
<td>49.91</td>
<td>0.60</td>
<td>0.10</td>
<td>0.30</td>
<td>21.24</td>
<td>44.81</td>
<td>0.65</td>
<td>0.18</td>
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</tr>
<tr>
<td>2</td>
<td>1989-90</td>
<td>433.63</td>
<td>60.63</td>
<td>0.52</td>
<td>0.09</td>
<td>0.39</td>
<td>14.72</td>
<td>42.62</td>
<td>0.68</td>
<td>0.31</td>
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<td>3</td>
<td>1990-91</td>
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<td>0.30</td>
<td>20.66</td>
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<td>0.74</td>
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<tr>
<td>4</td>
<td>1991-92</td>
<td>616.45</td>
<td>53.42</td>
<td>0.61</td>
<td>0.09</td>
<td>0.30</td>
<td>24.54</td>
<td>37.55</td>
<td>0.77</td>
<td>0.14</td>
<td>0.0</td>
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<td>5</td>
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<td>0.83</td>
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<td>(-) 0.0</td>
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<td>6</td>
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<td>0.63</td>
<td>0.11</td>
<td>0.26</td>
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<td>0.80</td>
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<td>0.62</td>
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<td>0.27</td>
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<td>43.16</td>
<td>0.83</td>
<td>0.14</td>
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<td>1996-97</td>
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<td>0.65</td>
<td>0.13</td>
<td>0.22</td>
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<td>39.06</td>
<td>0.93</td>
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<td>0.08</td>
<td>22.10</td>
<td>44.12</td>
<td>1.18</td>
<td>1.03</td>
<td>(-) 1.2</td>
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<td>1998-99</td>
<td>1679.88</td>
<td>67.72</td>
<td>0.76</td>
<td>0.15</td>
<td>0.09</td>
<td>47.59</td>
<td>44.77</td>
<td>0.91</td>
<td>0.48</td>
<td>(-) 0.3</td>
</tr>
<tr>
<td>12</td>
<td>Mean</td>
<td>860.06</td>
<td>59.66</td>
<td>0.66</td>
<td>0.13</td>
<td>0.21</td>
<td>29.66</td>
<td>41.75</td>
<td>0.83</td>
<td>0.31</td>
<td>(-) 0.1</td>
</tr>
</tbody>
</table>

*Table 4.1

Pure Silk Societies

Intra Group Comparative Statement

Value Added by Manufacture and Surplus Earned

(Rs in Lakhs)

Continue...
### Table 4.1
**Pure Silk Societies**

**Intra Group Comparative Statement**

**Value Added by Manufacture and Surplus Earned**

(Rs in Lakhs)

<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1988-89</td>
<td>245.27</td>
<td>57.30</td>
<td>0.57</td>
<td>0.36</td>
<td>0.04</td>
<td>1.29</td>
<td>33.09</td>
<td>0.59</td>
<td>0.42</td>
<td>(-) 0.0</td>
</tr>
<tr>
<td>2</td>
<td>1989-90</td>
<td>254.17</td>
<td>51.02</td>
<td>0.51</td>
<td>0.40</td>
<td>0.09</td>
<td>2.24</td>
<td>33.9</td>
<td>0.71</td>
<td>0.28</td>
<td>0.0</td>
</tr>
<tr>
<td>3</td>
<td>1990-91</td>
<td>337.57</td>
<td>57.27</td>
<td>0.57</td>
<td>0.42</td>
<td>0.01</td>
<td>5.34</td>
<td>47.20</td>
<td>0.57</td>
<td>0.20</td>
<td>0.2</td>
</tr>
<tr>
<td>4</td>
<td>1991-92</td>
<td>382.47</td>
<td>54.20</td>
<td>0.54</td>
<td>0.23</td>
<td>0.23</td>
<td>9.64</td>
<td>44.26</td>
<td>0.61</td>
<td>0.13</td>
<td>0.2</td>
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<td>1992-93</td>
<td>372.28</td>
<td>49.8</td>
<td>0.49</td>
<td>0.24</td>
<td>0.27</td>
<td>9.34</td>
<td>33.89</td>
<td>0.89</td>
<td>0.23</td>
<td>(-) 0.1</td>
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<td>6</td>
<td>1993-94</td>
<td>402.24</td>
<td>65.01</td>
<td>0.64</td>
<td>0.24</td>
<td>0.12</td>
<td>14.27</td>
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<td>0.69</td>
<td>0.15</td>
<td>0.1</td>
</tr>
<tr>
<td>7</td>
<td>1994-95</td>
<td>413.02</td>
<td>67.05</td>
<td>0.67</td>
<td>0.22</td>
<td>0.11</td>
<td>24.32</td>
<td>47.40</td>
<td>0.76</td>
<td>0.11</td>
<td>0.1</td>
</tr>
<tr>
<td>8</td>
<td>1995-96</td>
<td>408.10</td>
<td>59.19</td>
<td>0.59</td>
<td>0.38</td>
<td>0.03</td>
<td>32.06</td>
<td>48.48</td>
<td>0.73</td>
<td>0.13</td>
<td>0.1</td>
</tr>
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<td>9</td>
<td>1996-97</td>
<td>455.71</td>
<td>57.68</td>
<td>0.57</td>
<td>0.40</td>
<td>0.03</td>
<td>38.03</td>
<td>47.33</td>
<td>0.68</td>
<td>0.20</td>
<td>0.1</td>
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<tr>
<td>10</td>
<td>1997-98</td>
<td>591.86</td>
<td>60.75</td>
<td>0.66</td>
<td>0.38</td>
<td>0.02</td>
<td>44.35</td>
<td>47.07</td>
<td>0.89</td>
<td>0.22</td>
<td>(-) 0.1</td>
</tr>
<tr>
<td>11</td>
<td>1998-99</td>
<td>976.65</td>
<td>65.79</td>
<td>0.65</td>
<td>0.29</td>
<td>0.06</td>
<td>69.16</td>
<td>51.77</td>
<td>0.80</td>
<td>0.23</td>
<td>(-) 0.0</td>
</tr>
<tr>
<td>12</td>
<td>Mean</td>
<td>492.11</td>
<td>58.67</td>
<td>0.58</td>
<td>0.32</td>
<td>0.09</td>
<td>22.08</td>
<td>44.41</td>
<td>0.72</td>
<td>0.21</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**Source:** Computed by the researcher from the Statement of Annual accounts of Pure Silk Societies.
The two societies having higher value of VAM have greater capacity to meet other expenses and earn profits. The strength of Tirubuvanam and Arignar Anna Societies is further evident in the higher mean values of the share of VAM in the value of production at 59.66 per cent and 58.66 per cent respectively as against 41.79 per cent and 44.41 per cent in the case of Kalaivanar Society and Deerar Sathiyamurthy Society.

Tirubuvanam Society and Arignar Anna Society, enjoying relatively higher value of transaction, could produce higher mean value of VAM at Rs.860.06 lakhs and Rs.440.12 lakhs respectively, as against Rs.29.61 lakhs and Rs.22.02 lakhs produced by Kalaivanar Society and Deerar Sathiyamurthy Society respectively.

In addition, thanks to efficient management of prime cost in Tirubuvanam Society and Arignar Anna Society, the percentage share of VAM in the value of production stood at 59.66 per cent and 58.67 per cent respectively as against 41.79 per cent and 44.41 per cent respectively in the case of Kalaivanar Society and Deerar Sathiyamurthy Society, which failed to control their prime cost. Therefore, Kalaivanar and Deerar Sathiyamurthy Societies have to improve their production and sales for the twin purpose of improving the value of VAM and management of prime costs.

It is obvious that the pool of VAM meets all expenses other than material cost and what remains after meeting these obligations becomes the net profit. Therefore, profitability may be seen as a function of the share of expenses other than material costs in VAM. Estimates of wages and trade charges per Re of VAM and of overheads per Re of VAM are furnished in Table - for the four societies. It is found that both Tirubuvanam and Arignar Anna Societies have registered lower amounts of wages and trade charges per Re of VAM at 0.68 and 0.58 respectively, as against 0.83 and 0.72 in the case of Kalaivanar and Deerar Sathiyamurthy
Societies respectively. Regarding overheads per Re of VAM, Tirubuvanam Society has the lowest average of 0.13 followed by 0.21 in Deerar Sathiyamurthy Society, 0.31 in Kalaivanar Society and 0.32 in Arignar Anna Society. Thus, overheads are higher in Arignar Anna Society and Kalaivanar Society. However, when wages, trade charges and overheads per Re of VAM are aggregated Tirubuvanam Society emerges as the most efficient in the management of operations, followed by Arignar Anna Society, Deerar Sathiyamurthy Society and Kalaivanar Society. Consequently, surplus from VAM also is the highest in Tirubuvanam Society at 0.29 followed by Arignar Anna Society at 0.092, Deerar Sathiyamurthy at 0.071 and Kalaivanar Society at -0.142.

Whereas the surplus per Re of VAM which the indicator of management efficiency and total net profit is a function of surplus per Re of VAM and total amount of VAM. Therefore, it can be seen that total profit in some years may be high despite low surplus per Re of VAM because of high amount of VAM as in Tirubuvanam Society between 1994-95 and 1997-98. Total profit can be low despite substantial surplus per Re of VAM because of low amount of VAM as in 1989-90 in Tirubuvanam Society. Therefore, consistency in profitability depends on (a) generation of substantial amount of VAM, higher production and efficient management of production costs, and, (b) control over the manufacturing and overhead charges.

This was evident from multiple regression analysis of the four silk goods societies furnished below. The regression model was constructed with the surplus per Re of VAM as dependent variable (Y) and wages and trade charges (xi) and overheads (X2) as independent variables.
The Tirubuvanam Society recorded the following multiple regression model

\[
Y = 0.999 - 1.000 x_1^{**} - 0.994 x_2^{**} \\
\quad (0.004) \\
R^2 = 0.998 \\
F_{2,8} = 176219.048
\]

Figures in parenthesis represent the standard error

** .. Significant at 1% level

In Tirubuvanam Society, 99.8 per cent of the variation in the dependent variable is collectively explained by the two independent variables, \( x_1 \) and \( x_2 \). A unit increase in \( x_1 \) (wages and trade charges) will result in unit decrease in the surplus per Re of VAM. Similarly, a unit increase in \( x_2 \) (overheads) will result in 0.994 decrease in surplus per Re of VAM. This is in accordance with the theoretical assumption that manufacturing charges \( (x_1) \) and overheads \( (x_2) \) will have negative influence on the surplus per Re of VAM \( (Y) \).

Kalaivanar Society recorded the following regression model for the surplus earned per Re of VAM:

\[
Y = 1.005 - 1.009 x_1^{**} - 0.994 x_2^{**} \\
\quad (0.014) (0.007) \\
R^2 = 0.996 \\
F_{3,8} = 7824.1
\]

Figures in parenthesis represent the standard error

** .. Significant at 1% level

According to the regression model recorded by Kalaivanar Society a unit increase in the manufacturing and trade charges \( (x_1) \) will reduce the surplus per Re of VAM by one unit and a unit increase in the overheads \( (x_2) \) will reduce the surplus by 0.994
units. It is evident that the society has exceeded the optimum level of manufacturing charges, immediate attention of the management is called for.

Arignar Anna Society recorded the following regression model for surplus per Re of VAM against the mentioned independent variables

\[
Y = 0.999 - 0.995 x_1 + 1.016 x_2
\]

\[
R^2 = 0.989
\]

\[
F_{2, 8} = 372.527^{**}
\]

Figures in parenthesis represent the standard error

** .. Significant at 1% level

According to the regression model recorded by Arignar Anna Society a unit increase in the manufacturing charges \(x_1\) will reduce surplus per Re of VAM by 0.995 units and a unit increase in overheads \(x_2\) will result in 1.016 unit decrease in the surplus. This society should make efforts to reduce overheads to strengthen VAM.

Deear Sathiyamurthy Society recorded the following regression model for surplus per Re of VAM against the mentioned independent variables

\[
Y = 0.984 - 0.982 x_1 + 0.986 x_2
\]

\[
R^2 = 0.999
\]

\[
F_{2, 8} = 4291.86^{**}
\]

Figures in parenthesis represent the standard error

** .. Significant at 1% level
As per the model, this society, though small in size, recorded moderately good performance in terms of surplus per Re of VAM. A unit increase in $x_1$ will decrease surplus per Re of VAM by 0.982 units and a unit increase in overheads ($x_2$) will result in 0.986 unit decrease in the surplus. This society has achieved good control over manufacturing charges and overheads.

The above analysis shows that the large societies managed to contribute more value in the form of value addition than the small (jne.s. They also generated more surplus therefrom than the small societies thanks to efficient management of prime costs, fixed costs and prices. The large societies, banking upon their trade links confidently produce sarees of very high value, yielding higher VAM, since they are able to sell them in a larger market than that available to the small societies.

4.1.2 Haixidloom. Weavers' Cooperative Societies dealing with Pure Cotton Fabrics

For the four societies producing pure cotton goods, data on VAM percentage share of VAM in production, and claims of wages, trade charges and overheads per Rupee of VAM and surplus of VAM can be found in Table 4.2.

Thottiapatty Society and Woraiyur Society are the major players in the sample followed by Balaji society and Tiruchy Society. All the four societies encountered fluctuations in the value of VAM during the period under study. Occurrence of upward and downward fluctuations in the four societies in different years can be noticed. For instance, in Woraiyur Society, VAM declined in 1997-98 and 1998-99 while the other societies registered increase in VAM during those two years. In 1991-92 and 1992-93 Thottiapatty Society doubled the value of VAM while the other societies could not achieve as much. These fluctuations, due to
<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
</tr>
</thead>
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<tr>
<td>1.</td>
<td>1988-89</td>
<td>15.14</td>
<td>71.75</td>
<td>0.70</td>
<td>0.32</td>
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<td>0.64</td>
<td>66.41</td>
<td>0.68</td>
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<td>15.24</td>
<td>65.75</td>
<td>0.64</td>
<td>0.34</td>
<td>0.02</td>
<td>0.81</td>
<td>76.41</td>
<td>0.65</td>
<td>1.54</td>
<td>(-) 0.19</td>
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<td>3.</td>
<td>1990-91</td>
<td>18.08</td>
<td>69.00</td>
<td>0.69</td>
<td>0.30</td>
<td>0.01</td>
<td>1.43</td>
<td>54.71</td>
<td>0.86</td>
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<td>4.</td>
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<td>68.67</td>
<td>0.66</td>
<td>0.33</td>
<td>0.01</td>
<td>2.39</td>
<td>72.64</td>
<td>0.71</td>
<td>0.26</td>
<td>(-) 0.03</td>
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<td>5.</td>
<td>1992-93</td>
<td>25.08</td>
<td>67.88</td>
<td>0.66</td>
<td>0.28</td>
<td>0.04</td>
<td>1.90</td>
<td>71.16</td>
<td>0.78</td>
<td>0.38</td>
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</tr>
<tr>
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<td>28.27</td>
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<td>0.64</td>
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<td>0.01</td>
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<td>0.83</td>
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<td>(-) 0.07</td>
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<td>11.</td>
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<td>0.02</td>
<td>2.48</td>
<td>72.48</td>
<td>0.75</td>
<td>0.57</td>
<td>(-) 0.22</td>
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</tbody>
</table>

(Rs in Lakhs)

Table 4.2
Pure Cotton Societies
Intra Group Comparative Statement
Value Added by Manufacture and Surplus Earned

Continue...
<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
</tr>
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<tr>
<td>1</td>
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<td>9.86</td>
<td>66.86</td>
<td>0.83</td>
<td>0.08</td>
<td>0.09</td>
<td>10.30</td>
<td>67.05</td>
<td>0.86</td>
<td>0.10</td>
<td>0.04</td>
</tr>
<tr>
<td>2</td>
<td>1989-90</td>
<td>6.17</td>
<td>36.11</td>
<td>0.82</td>
<td>0.17</td>
<td>0.01</td>
<td>13.02</td>
<td>73.64</td>
<td>0.97</td>
<td>0.08</td>
<td>0.15</td>
</tr>
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<td>70.02</td>
<td>0.81</td>
<td>0.13</td>
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<td>10.17</td>
<td>68.72</td>
<td>0.79</td>
<td>0.15</td>
<td>0.06</td>
</tr>
<tr>
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<td>0.10</td>
<td>0.11</td>
<td>16.46</td>
<td>74.28</td>
<td>0.84</td>
<td>0.11</td>
<td>0.05</td>
</tr>
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<td>0.81</td>
<td>0.13</td>
<td>0.06</td>
</tr>
<tr>
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<td>0.82</td>
<td>0.14</td>
<td>0.04</td>
<td>9.99</td>
<td>70.50</td>
<td>0.84</td>
<td>0.35</td>
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<tr>
<td>7</td>
<td>1994-95</td>
<td>33.40</td>
<td>73.16</td>
<td>0.82</td>
<td>0.13</td>
<td>0.05</td>
<td>13.29</td>
<td>63.86</td>
<td>0.79</td>
<td>0.25</td>
<td>(-) 0.04</td>
</tr>
<tr>
<td>8</td>
<td>1995-96</td>
<td>40.67</td>
<td>62.47</td>
<td>0.84</td>
<td>0.14</td>
<td>0.02</td>
<td>18.57</td>
<td>76.48</td>
<td>0.83</td>
<td>0.20</td>
<td>(-) 0.03</td>
</tr>
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<td>9</td>
<td>1996-97</td>
<td>33.51</td>
<td>45.48</td>
<td>0.90</td>
<td>0.20</td>
<td>(-) 0.10</td>
<td>22.59</td>
<td>73.78</td>
<td>0.86</td>
<td>0.18</td>
<td>(-) 0.04</td>
</tr>
<tr>
<td>10</td>
<td>1997-98</td>
<td>39.21</td>
<td>44.34</td>
<td>0.82</td>
<td>0.18</td>
<td>(-) 0.15</td>
<td>28.81</td>
<td>72.90</td>
<td>0.85</td>
<td>0.25</td>
<td>(-) 0.20</td>
</tr>
<tr>
<td>11</td>
<td>1998-99</td>
<td>47.78</td>
<td>64.76</td>
<td>0.82</td>
<td>0.20</td>
<td>(-) 0.02</td>
<td>37.21</td>
<td>63.56</td>
<td>0.80</td>
<td>0.26</td>
<td>(-) 0.006</td>
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<tr>
<td>12</td>
<td>Mean</td>
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<td>63.96</td>
<td>0.80</td>
<td>0.14</td>
<td>0.06</td>
<td>18.19</td>
<td>69.16</td>
<td>0.82</td>
<td>0.18</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: Computed by the researcher from the Statement of Annual accounts of Pure Cotton Societies.
corresponding changes in production and sales, should be attributed in the internal factors like managerial efficiency, productivity of workers and lines of output and not to external factors like market conditions. For the four societies under study, VAM constituted between 44.34 and 88.80 per cent in Thottiapatty Society during the period under study.

The regression models for the four cotton societies are given below.

Woraiyur Society

\[ Y = -0.995 - 1.00 \times_1 + 1.015 \times_2 \]

\[
\begin{align*}
0.072 & \quad (0.05) \\
R^2 & = 0.989 \\
F_{2,8} & = 1221.03**
\end{align*}
\]

Figures in parenthesis represent the standard error

**.. Significant at 1% level

The model indicates that Woraiyur Society has to control both manufacturing charges and overheads considerably as they have negative impacts higher than unity to earn substantial surplus per Re of VAM.

In respect of Trichy Society the estimators have no standard error (S.E) the model could not explain the relationship between \( Y \) and \( x_1 \) and \( x_2 \). Hence the society had recorded fluctuating trends in VAM.

In the case of Thottiapatty Society the regression model is recorded as shown hereunder.
\[ Y = 0.999 - 0.894 x_1 - 0.725 x_2 \]
\[ (0.02) \quad (0.059) \]
\[ R^2 = 0.929 \]
\[ F_{2,8} = 311.98^{**} \]

Figures in parenthesis represent the standard error

**  ** Significant at 1% level

As per the model a unit increase in the manufacturing charges will reduce surplus per Re of VAM by 0.894 units and a unit increase in overheads charges will reduce surplus by 0.725 units. Thus the society had better control over costs and prices.

Balaji Society had recorded the following regression model indicating the need for immediate actions to reduce costs and overhead charges.

\[ Y = 1.139 - 1.164 x_1 - 1.072 x_2 \]
\[ (0.312) \quad (0.129) \]
\[ R^2 = 0.934 \]
\[ F_{2,8} = 516.57^{**} \]

Figures in parenthesis represent the standard error

**  ** Significant at 1% level

A unit increase in the manufacturing cost will reduce surplus by 1.164 units and a unit increase in overheads will reduce surplus by 1.072 units.

In this group of societies, wages and trade charges make a heavy claim on VAM. Consequently the share of wages and trade charges per Re of VAM averaged at 0.66 in Woraiyur Society, Re 0.75 in Tiruchy Society and Re. 0.82 in Balaji Society. Only
Woraiyur Society and Thottiapatty Society could report surplus VAM in eight out of eleven years. In the remaining societies negative value of surplus per Re of VAM was encountered in more years-5 years in Balaji Society and in all the years in Tiruchy Society. Even though the percentage share of VAM in production was substantial the quantum of VAM was very modest in most of the societies, especially in Tiruchy Society and, consequently, VAM could not yield adequate surplus after meeting the claims of wages, trade charges and overheads.

In the case of cotton goods the amount of VAM was very modest because of the low unit value of output and low ex-factory value of output. Consequently these societies are unable to post, substantial profit after paying for manufacturing charges and overheads. Therefore, these societies have to raise sales significantly and control costs of production in order to generate substantial amount of VAM and profits.

4.1.3 HancUoom Weavers' Cooperative Societies dealing with Ptiisliiag Goods

Data on value added by manufacture and its percentage; share in production for four societies producing furnishing materials are furnished in Table 4.3. Of the four societies, two, namely Chennimalai and Chenkumar Societies achieved far higher level of performance than the other two, namely Surampatty Society and Veerappanchatram Society. Chenkumar Society alone has a record of continuous increase in the value of VAM during the period under study, especially between 1994-95 and 1998-99. The society also has the largest turnover among the four societies. In the other three societies, there have been fluctuations in the amount of VAM.
<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
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<td>9.97</td>
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<td>0.31</td>
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<td>1989-90</td>
<td>188.50</td>
<td>74.30</td>
<td>0.69</td>
<td>0.13</td>
<td>0.18</td>
<td>12.59</td>
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<td>0.27</td>
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<td>208.32</td>
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<td>45.09</td>
<td>0.70</td>
<td>0.28</td>
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<td>0.17</td>
<td>21.76</td>
<td>48.10</td>
<td>0.86</td>
<td>0.26</td>
<td>(-) 0.15</td>
</tr>
<tr>
<td>5</td>
<td>1992-93</td>
<td>289.57</td>
<td>75.85</td>
<td>0.79</td>
<td>0.14</td>
<td>0.07</td>
<td>14.37</td>
<td>52.64</td>
<td>0.81</td>
<td>0.49</td>
<td>(-) 0.30</td>
</tr>
<tr>
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<td>86.15</td>
<td>0.67</td>
<td>0.15</td>
<td>0.18</td>
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<td>0.79</td>
<td>0.61</td>
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<tr>
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<td>0.55</td>
<td>0.38</td>
<td>0.07</td>
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<td>7.00</td>
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<td>(-) 4.01</td>
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<td>3.13</td>
<td>(-) 3.81</td>
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</table>

Table 4.5
Furnishing Goods Societies
Intra Group Comparative Statement
Value Added by Manufacture and Surplus Earned

(Rs in Lakhs)

Continue...
### Table 4.3
Furnishing Goods Societies

**Intra Group Comparative Statement**

Value Added by Manufacture and Surplus Earned

<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
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<td>1.</td>
<td>1988-89</td>
<td>188.28</td>
<td>67.58</td>
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<td>0.09</td>
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<td>0.55</td>
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<td>0.26</td>
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<td>1990-91</td>
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<td>0.17</td>
<td>0.08</td>
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<td>0.83</td>
<td>0.23</td>
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<td>0.09</td>
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<td>0.71</td>
<td>0.20</td>
<td>0.09</td>
</tr>
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<td>7.</td>
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<td>413.66</td>
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<td>0.71</td>
<td>0.20</td>
<td>0.09</td>
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<td>(-) 0.10</td>
</tr>
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<td>477.50</td>
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<td>22.81</td>
<td>1.05</td>
<td>0.29</td>
<td>(-) 0.34</td>
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<td>1.80</td>
<td>0.72</td>
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<td>0.10</td>
<td>15.75</td>
<td>33.43</td>
<td>0.81</td>
<td>0.28</td>
<td>(-) 0.09</td>
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</tbody>
</table>

Source: Computed by the researcher from the Statement of Annual accounts of Furnishing Goods Societies.
Among the four, Surampatty Society is at the bottom, showing near dormancy in its operations. Even though the four societies are producing almost identical lines of output, lack of dynamism in the management of Surampatty and Veerappan Chatram Societies kept the level of operations low and consequently, they could not get cash credit for expansion as credit facilities are given on the basis of past performance. The two societies suffer from the vicious circle of low production, modest credit facilities and low volume of output. Construction of office block and finished goods godown in Veerappan Chatram Society and building of group houses for weavers in Surampatty Society diverted a major part of their own resources. Financial bungling including misappropriation in Surampatty Society in 1994-95 proved to be the proverbial last straw.

The percentage share of VAM in production indicates the real contribution by the societies under study in the conversion of yarn in to furnishing materials. The share of VAM in the value of production averaged 73.60 per cent for Chenkumar Society followed closely by Chennimalai Society and at a distant by Surampatty Society and Veerappan Chatram Society. Both Chennimalai and Chenkumar Societies export 30 per cent to 40 per cent of their production thus, earning higher unit value in sales than the other societies, which do not export. So, there is considerable difference in the percentage share of VAM in production between Chennimalai and Chenkumar societies on the one hand and Surampatty and Veerappan Chatram societies on the other. Fluctuations in sales and production often affect the percentage share of VAM in production. When sales fall, the closing stock of the current year becomes the opening stock in the next year bringing clown the value of VAM for the second year. Especially in Surampatty Society production nearly stopped from
1995-96 onwards and VAM became very thin as can be seen in Table 4.3.

The analysis reveals that the successful performance of two societies namely Chenkumar and Chennimalai in maintaining significant level of VAM was due to the efficiency of management. On the other hand, lack of dynamism, financial indiscipline and inappropriate allocations of fund caused dormancy in Surampatty society and lacklustre performance in Veerappan Chatram Society.

With regard to the adequacy of the VAM to meet expenses other than material cost and yield surplus, we have to look into the share of these expenses in VAM. The share of wages and trade charges per Re of VAM averaged at a comparatively low amount of Rs.0.72 in Chennimalai Society followed by Chenkumar Society (0.73), Veerappan Chatram Society (0.81) and Surampatty Society (Re 1.68). Wages and trade charges exceeded VAM in two of the four societies-in Surampatty Society from 1995-96 and 1998-99 and in Veerappan Chatram Society from 1996-97 to 1998-99. So, there were gross losses in trading accounting from 1992-93 onwards in Burampatty Society and during 1990-9? and .199H-99 in Veerappan Chatram Society which achieved a reduction of share of wages and trade charges in 1998-99. The share of overheads per Re of VAM averaged Re 0.13 in Chennimalai Society, Re.0.17 in Chenkumar Society, Re.0.81 in Veerappan Chatram Society and Rs.3.13 in Surampatty Society. Overheads were disproportionately high in Surampatty Society from 1995-96 onwards, though it has tried to rectify the situation from 1996-97 onwards Veerappan Chatram Society performed better than Surampatty Society, but it was far behind Chennimalai Society and Chenkumar Society. Consequently, Veerappan Chatram Society posted negative surplus of VAM in six out of eleven years, while Surampatty Society suffered negative surplus in nine out of eleven
years. Chennimalai Society encountered negative surplus of VAM in 1995-96 because of high incidence of trade charges. Chenkumar Society alone could produce surplus in all the years during the period under study. Sharp and wide variations in wages, trade charges, and overheads were due to fluctuations in production and VAM as well as lack of control over trade charges and overheads. Even in the well managed Chenkumar Society overheads per Re of VAM remained constant at Re.0.13 from 1996-97 to 1998-99 even though the value of VAM rose from Rs.536.10 lakhs in 1996-97 to Rs.636.52 lakhs in 1998-99. In Chennimalai Society overheads per Re of VAM stood at Re.0.14 in 1995-96 and at Re.0.13 in 1996-97, which witnessed an increase of nearly 60 per cent in VAM. This shows the need for control over overheads even in well managed societies not to speak of ill managed Surampatty Society and Veerappan Chatram Society. Therefore, the management has to pay more attention to costs and prices.

The regression models for the four societies producing furnishing goods are shown here under.

Chennimalai Society recorded the regression model as,

\[
Y = 0.995 - 0.996 \times x_1^{**} - 0.988 \times x_2^{**}
\]

\[
R^2 = 0.997
\]

\[
P_{0.0} = 3926.413^{**}
\]

Figures in parenthesis represent the standard error

** .. Significant at 1% level

This society has performed moderately well where it reached its optimum through controlling the manufacturing costs and overheads. Both explanatory variables \(x_1\) and \(x_2\) resulted
corresponding decrease in the surplus per Re of VAM by 0.996 and 0.998 respectively.

Surampatty Society recorded the following regression model calling for attention in controlling overheads

$$\begin{align*}
\hat{Y} &= 0.997 - 1.031 x_1^{**} - 1.11 x_2^{**} \\
&\quad (0.09) \quad (0.003) \\
R^2 &= 0.979 \\
F_{2,8} &= 1660.73^{**}
\end{align*}$$

Figures in parenthesis represent the standard error

** .. Significant at 1% level

A unit increase in the manufacturing charges reduced surplus per Re of VAM by 1.031 units and a unit increase in overheads reduced surplus per Re of VAM by 1.11 units.

Chenkumar Society recorded the regression model here under.

$$\begin{align*}
\hat{Y} &= 0.989 - 0.963 x_1^{***} - 0.91 x_2^{**} \\
&\quad (0.04) \quad (0.006) \\
R^2 &= 0.99 \\
F_{2,8} &= 1134.11^{**}
\end{align*}$$

Figures in parenthesis represent the standard error

** .. Significant at 1% level

For Chenkumar Society a unit increase in the manufacturing charges reduced surplus per Re of VAM by 0.963 units and a unit increase in overheads reduced surplus per Re of VAM by 0.91 units. This is the only society, which reported surplus per Re of VAM in all the eleven years under study.
Veerappan Chatram Society recorded the regression model here under.

\[
\begin{align*}
Y &= 0.995 - 0.924 x_1^{**} - 1.075 x_2^{**} \\
&\quad (0.064) \quad (0.114) \\
R^2 &= 0.977 \\
F_{2, 8} &= 170.66^{**}
\end{align*}
\]

Figures in parenthesis represent the standard error

** .. Significant at 1% level

Veerappan Chatram Society has been good at controlling manufacturing costs \( (x_1) \). A unit increase in the manufacturing charges reduced surplus per Re of VAM by 0.924 units and a unit increase in overheads reduced surplus per Re of VAM by 1.075 units requiring attention to control over interest and establishment charges.

The analysis reveals that the societies under study did not have clear norms about wages, trade charges and overheads in relation to VAM. Therefore, wide fluctuations of VAM occurred in the societies weakening the profitability. Therefore the management has to pay more attention to costs and prices. However, only increase in production, sales and VAM can improve the performance of the societies and their profitability. Societies like Chenkumar and Chennimalai, which export their products, have derived the benefits of higher unit value in sales. Surampatty Society and Veerappan Chatram Society ought to increase their organising capabilities in order to export the goods thro' Co-optex.
4.1.3 Handloom Weavers' Cooperative Societies dealing with Blended Goods

Particulars of VAM, share of VAM in the value of production and share of wages and trade-charges and overheads and availability of surplus in VAM for the four societies producing blended goods are to be found in Table 4.4.

Krishnapuram Society achieved the largest amount of VAM averaging Rs.57.70 lakhs for the period under study followed by Gandhiji Society (Rs.27.97 lakhs), Srimurugan Society (Rs.18.06 lakhs) and Kalaimagal Society (Rs.10.85 lakhs). Diversification of output, involving items other than blended goods like production of powerloom goods and pure silk goods, was responsible for high amount of VAM in Krishnapuram Society during 1994-95. Srimurugan Society and Gandhiji Society, achieve steady progress in VAM during the period under study. In Krishnapuram Society, fluctuations in VAM were due to lack of management of diversification. In Kalaimagal Society migration of workers was the major factor responsible for the reduction of scale of operations. AIBO, chalet! of uminInnble itturin for production led to huRe stocks, eventually leading to fall in production. Here again, it is largely managerial efficiency that has been instrumental in the fortunes of the society. Even diversification of output, when ill managed, can weaken the organisation and its sustenance as seen in Krishnapuram Society. In respect of share of VAM in the value of production Srimurugan Society and Gandhiji Society achieved more consistent performance than the other two societies wherein wide fluctuations can be seen during the period under study'. For example, in Kalaimagal Society, the VAM as percentage of production could rise from 28.76 per cent in 1991-92 and again gradually came to 29.82 per cent in 1998-99. Lack of understanding of the market, trends caused wide fluctuations in
### Table 4.4

Blended Goods Societies

Intra Group Comparative Statement

Value Added by Manufacture and Surplus Earned

(Rs in Lakhs)

<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1988-89</td>
<td>6.25</td>
<td>32.80</td>
<td>0.92</td>
<td>0.24</td>
<td>(-) 0.16</td>
<td>65.46</td>
<td>94.56</td>
<td>0.79</td>
<td>0.13</td>
<td>0.08</td>
</tr>
<tr>
<td>2</td>
<td>1989-90</td>
<td>9.58</td>
<td>48.63</td>
<td>0.68</td>
<td>0.16</td>
<td>0.17</td>
<td>66.06</td>
<td>76.69</td>
<td>0.75</td>
<td>0.15</td>
<td>0.10</td>
</tr>
<tr>
<td>3</td>
<td>1990-91</td>
<td>11.28</td>
<td>46.55</td>
<td>0.65</td>
<td>0.14</td>
<td>0.21</td>
<td>57.10</td>
<td>72.71</td>
<td>0.74</td>
<td>0.16</td>
<td>0.10</td>
</tr>
<tr>
<td>4</td>
<td>1991-92</td>
<td>11.13</td>
<td>44.93</td>
<td>0.66</td>
<td>0.23</td>
<td>0.11</td>
<td>79.75</td>
<td>86.16</td>
<td>0.73</td>
<td>0.13</td>
<td>0.14</td>
</tr>
<tr>
<td>5</td>
<td>1992-93</td>
<td>14.55</td>
<td>47.52</td>
<td>0.60</td>
<td>0.17</td>
<td>0.23</td>
<td>93.68</td>
<td>75.22</td>
<td>0.72</td>
<td>0.15</td>
<td>0.08</td>
</tr>
<tr>
<td>6</td>
<td>1993-94</td>
<td>17.07</td>
<td>50.03</td>
<td>0.58</td>
<td>0.30</td>
<td>0.12</td>
<td>61.12</td>
<td>73.02</td>
<td>0.81</td>
<td>0.28</td>
<td>(-) 0.09</td>
</tr>
<tr>
<td>7</td>
<td>1994-95</td>
<td>18.48</td>
<td>48.51</td>
<td>0.58</td>
<td>0.24</td>
<td>0.18</td>
<td>56.75</td>
<td>75.56</td>
<td>0.76</td>
<td>0.35</td>
<td>(-) 0.11</td>
</tr>
<tr>
<td>8</td>
<td>1995-96</td>
<td>24.68</td>
<td>56.58</td>
<td>0.58</td>
<td>0.20</td>
<td>0.22</td>
<td>67.62</td>
<td>82.43</td>
<td>0.75</td>
<td>0.31</td>
<td>(-) 0.06</td>
</tr>
<tr>
<td>9</td>
<td>1996-97</td>
<td>29.56</td>
<td>58.72</td>
<td>0.60</td>
<td>0.26</td>
<td>0.14</td>
<td>75.60</td>
<td>75.14</td>
<td>0.80</td>
<td>0.36</td>
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<td>10</td>
<td>1997-98</td>
<td>28.10</td>
<td>50.40</td>
<td>0.63</td>
<td>0.28</td>
<td>0.09</td>
<td>40.26</td>
<td>64.12</td>
<td>0.99</td>
<td>0.75</td>
<td>(-) 0.74</td>
</tr>
<tr>
<td>11</td>
<td>1998-99</td>
<td>28.02</td>
<td>51.20</td>
<td>0.74</td>
<td>0.26</td>
<td>0.00</td>
<td>46.77</td>
<td>59.80</td>
<td>0.71</td>
<td>0.77</td>
<td>(-) 0.48</td>
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<tr>
<td>12</td>
<td>Mean</td>
<td>18.06</td>
<td>48.71</td>
<td>0.66</td>
<td>0.24</td>
<td>0.10</td>
<td>57.73</td>
<td>75.90</td>
<td>0.78</td>
<td>0.32</td>
<td>(-) 0.10</td>
</tr>
</tbody>
</table>

Continue.
<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
<th>VAM in Rs.</th>
<th>VAM as % of production</th>
<th>Wages &amp; trade charges per Re. of VAM</th>
<th>Overheads per Re. of VAM</th>
<th>Surplus per Re. of VAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
<td>(10)</td>
<td>(11)</td>
<td>(12)</td>
</tr>
<tr>
<td>1.</td>
<td>1988-89</td>
<td>13.59</td>
<td>43.18</td>
<td>0.72</td>
<td>0.24</td>
<td>0.04</td>
<td>6.69</td>
<td>28.96</td>
<td>0.64</td>
<td>0.33</td>
<td>0.03</td>
</tr>
<tr>
<td>2.</td>
<td>1989-90</td>
<td>12.14</td>
<td>41.66</td>
<td>0.78</td>
<td>0.27</td>
<td>(-) 0.05</td>
<td>5.81</td>
<td>35.41</td>
<td>0.93</td>
<td>0.22</td>
<td>(-) 0.15</td>
</tr>
<tr>
<td>3.</td>
<td>1990-91</td>
<td>17.81</td>
<td>42.16</td>
<td>0.80</td>
<td>0.19</td>
<td>0.01</td>
<td>8.43</td>
<td>34.97</td>
<td>0.73</td>
<td>0.28</td>
<td>(-) 0.01</td>
</tr>
<tr>
<td>4.</td>
<td>1991-92</td>
<td>20.12</td>
<td>43.46</td>
<td>0.75</td>
<td>0.21</td>
<td>0.04</td>
<td>11.50</td>
<td>70.07</td>
<td>0.75</td>
<td>0.17</td>
<td>0.78</td>
</tr>
<tr>
<td>5.</td>
<td>1992-93</td>
<td>21.35</td>
<td>44.98</td>
<td>0.71</td>
<td>0.23</td>
<td>0.07</td>
<td>13.62</td>
<td>39.00</td>
<td>0.72</td>
<td>0.28</td>
<td>0.00</td>
</tr>
<tr>
<td>6.</td>
<td>1993-94</td>
<td>26.61</td>
<td>52.39</td>
<td>0.72</td>
<td>0.17</td>
<td>0.11</td>
<td>18.89</td>
<td>41.06</td>
<td>0.71</td>
<td>0.22</td>
<td>0.07</td>
</tr>
<tr>
<td>7.</td>
<td>1994-95</td>
<td>33.40</td>
<td>49.45</td>
<td>0.77</td>
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<td>45.04</td>
<td>0.74</td>
<td>0.33</td>
<td>(-) 0.07</td>
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<td>8.</td>
<td>1995-96</td>
<td>53.54</td>
<td>75.50</td>
<td>0.55</td>
<td>0.14</td>
<td>0.31</td>
<td>20.00</td>
<td>55.09</td>
<td>0.73</td>
<td>0.30</td>
<td>(-) 0.03</td>
</tr>
<tr>
<td>9.</td>
<td>1996-97</td>
<td>31.81</td>
<td>73.91</td>
<td>0.57</td>
<td>0.27</td>
<td>0.16</td>
<td>16.25</td>
<td>62.67</td>
<td>0.66</td>
<td>0.38</td>
<td>(-) 0.04</td>
</tr>
<tr>
<td>10.</td>
<td>1997-98</td>
<td>31.36</td>
<td>72.10</td>
<td>0.52</td>
<td>0.29</td>
<td>0.19</td>
<td>7.08</td>
<td>39.93</td>
<td>0.85</td>
<td>0.91</td>
<td>(-) 0.76</td>
</tr>
<tr>
<td>11.</td>
<td>1998-99</td>
<td>45.97</td>
<td>56.29</td>
<td>0.51</td>
<td>0.10</td>
<td>0.39</td>
<td>7.41</td>
<td>29.90</td>
<td>0.78</td>
<td>0.82</td>
<td>(-) 0.60</td>
</tr>
<tr>
<td>12.</td>
<td>Mean</td>
<td>27.95</td>
<td>46.82</td>
<td>0.63</td>
<td>0.22</td>
<td>0.15</td>
<td>10.85</td>
<td>43.86</td>
<td>0.68</td>
<td>0.38</td>
<td>(-) 0.06</td>
</tr>
</tbody>
</table>

Source: Computed by the researcher from the Statement of Annual accounts of Blended Goods Societies.
production and sales, VAM, and, consequently, in the share of VAM in the production.

The share of wages and trade charges per Re of VAM averaged Re.0.63 in Gandhiji Society, followed by Srimurugan Society with Re.0.66, Kalaimagal Society with Re.0.68 and Krishnapuram Society with Re.0.78. Uncontrolled diversification in Krishnapuram Society was responsible for the disproportionately large share of wages and trade charges in VAM. With regard to overheads as percentage of VAM, Gandhiji Society posted the top performance followed Srimurugan Society and Kalaimagal Society. Sharp increase in the share of wages, trade charges, and overheads were more due to fall in VAM rather than increase in these items of expenditure. Consistency in the performance of production, sales and VAM alone will bring down the cost and improve the profitability.

The regression models for the four societies are given here under with the explanatory variables $x_1$ and $x_2$ and independent variable - surplus per Re of VAM($Y$).

Srimurugan Society recorded following regression model with better showing in the variables taken into consideration.

\[
Y = 0.946 - 0.969 \, x_1 \, ** - 0.877 \, x_2 \, ** \\
(0.056) \quad (0.114)
\]

$R^2 = 0.977$

$F_{2,8} = 170.66^{**}$

Figures in parenthesis represent the standard error

**. Significant at 1% level

Srimurugan Society has been good at controlling manufacturing costs ($x_1$) and overheads ($x_2$). A unit increase in the
manufacturing charges reduced surplus per Re of VAM by 0.969 units and a unit increase in overheads reduced surplus per Re of VAM by 0.877 units. This was quite possible because of their consistent performance in earning surplus per Re of VAM.

Krishnapuram Society recorded following regression model.

\[
Y = 0.980 - 1.015 x_1^{**} - 1.012 x_2^{**}
\]

\[
\begin{align*}
R^2 &= 0.969 \\
F_{2,8} &= 2266.88^{**}
\end{align*}
\]

Figures in parenthesis represent the standard error

**.. Significant at 1% level

Unitary increase in \(x_1\) and \(x_2\) in the society resulted in the decline of surplus per Re of VAM by 1.015 units and 1.012 units respectively. This indicates that both manufacturing charges and overheads should be brought down through rationalisation of its operation costs and establishment overheads.

Gandhiji Society recorded following regression model.

\[
Y = 0.927 - 0.933 x_1^{**} - 1.00 x_2^{**}
\]

\[
\begin{align*}
R^2 &= 0.929 \\
F_{2,8} &= 227.04^{**}
\end{align*}
\]

Figures in parenthesis represent the standard error

**.. Significant at 1% level

This society was efficient in controlling manufacturing charges, since a unit increase in \(x_1\) resulted in 0.933 unit decline in surplus per Re of VAM. But, with regard to overheads a unit
increase in $x_2$ resulted in a unit decrease in surplus per Re of VAM which requires pruning.

Kalaimagal Society recorded following regression model.

\[
Y = 0.999 - 0.959 \, x_1 \, ** - 1.10 \, x_2 \, **
\]

\[
\begin{array}{cc}
(0.02) & (0.042) \\
\end{array}
\]

\[R^2 = 0.95\]

\[F_{2, 8} = 387.04**\]

Figures in parenthesis represent the standard error

**Significant at 1% level

This society was good at managing manufacturing expenses. A unit change in the manufacturing charges resulted in 0.959 unit decrease in the surplus per Re of VAM. But, a unit change in the overheads resulted in 1.10 unit decline in the surplus per Re of VAM. Hence action is needed to control overheads.

In all the four societies, the claims of wages, trade charges and overheads exceeded the VAM in some years though Krishnapuram Society and Kalaimagal Society found themselves in the negative situation more frequently. Therefore, increase in production and sales alone will enhance VAM and yield profit. Especially Krishnapuram Society and Kalaimagal Society should raise their scale of operations from their unviable levels. The two societies diverted funds for the construction of houses for weavers and consequent inadequacy of funds was the factor for crippling the societies. Replenishment of funds from the Government of Tamil Nadu against allocation of housing should be expedited and the financial climate has to be improved for revamping of the production and sales operations.
4.2 SUMMARY

With regard to the dependence of VAM on unit value the preceding section shows that the share of VAM in ex-factory value of production is higher in pure cotton goods and furnishing goods than in silk goods carrying higher unit value because of the higher input cost of the silk goods. Investigation also shows that VAM has been determined more by the efficiency of the management than by the size of the organisation. Consequently, VAM as percentage of value of production is higher in some small societies like Balaji, Trichy and Krishnapuram Societies.

The analyses reveal that those societies, which have efficient and dynamic management have performed better than the other two societies. In each of the four categories, two societies outdistanced the other societies thanks to efficient management and utilisation of resources. The efficient societies conserved their resources for expansion of production and sales, generating sufficient VAM, which would yield profit after meeting wages, trade charges and overheads. Innovative management also participated in the export drive, securing thereby higher unit price for the products and larger profits. On the other hand, societies having managerial inadequacies incurred losses due to locking up of funds in the development of housing colonies for the weavers and financial bungling. The poorly performing (small) two societies in each category should have their management revamped and this alone will enable them to turn a new leaf and turn the corner, raising their scale of operations. This alone will help them to achieve the goals for which the societies were established.
References