CHAPTER - 2
DESIGN OF THE STUDY

2.1 HANDLOOM INDUSTRY

Handloom activity occupies a key position in the diversification of Indian rural economy and it plays a vital role in meeting the clothing needs of the people by producing about 19 per cent of the total cloth production (7352 million square metres), employing directly about 7 million workers. It has major advantages like less capital investment and more employment potential for rural masses. Its products are eco-friendly. Weaving is an art with cultural heritage woven into it and handed down over generations. Handloom products are quite famous for their artistic elegance and intricate designs. The New Textile Policy: 2000 has set forth the vision to make the textile sector increasingly contributes to the provision of sustainable employment and the economic growth of the nation. The major thrust areas of the Textile Policy are, technological upgradation, enhancement of productivity, quality consciousness, strengthening raw material base, product diversification, increased export, innovative marketing strategies, use of information technology, financing arrangements and production of more value added items in the handloom sector.

In spite of the above laudable vision and thrust, handloom industrial units face severe competition from the more powerful powerloom sector and mill sector which constitute 81per cent of the total production. The successful handloom units form only less than 50 percent of the total number of units. The profitable units too hold mounting stocks of finished products and face financi crunch even to pay the wages to its weavers. The Handle
industry, of which India has been proud of for centuries, is today facing a threat for its very survival. There are about 1382 primary handloom weavers' co-operative societies in Tamil Nadu covering nearly 3.44 lakh handlooms. They produce about 950 lakh metres of cloth (cotton and non-cotton blended items) per annum. They recorded a sales of Rs.4000 millions in the year 1999-2000. Evaluation of financial performance of these handloom societies will give a valuable feedback to the promotional agencies for further development of their activities in pursuit of integrated rural development. The researcher had undertaken a review of the literature in order to identify the problems and the scope for development of these activities. The review of literature also aimed at identifying the research gaps in the handloom sector.

2.2 REVIEW OF LITERATURE

2.2.1 Government Reports

The Committee on Cottage Industry in 1929 was the first committee that went into various problems of the handloom industry under the chairmanship of D.Narayana Rao. It recommended the extension of co-operative marketing scheme as the best method to expand the demand for handlooms and free the ordinary weaver from the control of weaving capitalists in the Madras Province.¹

A three member fact finding committee under the chairmanship of Dr.P.G.Thomas (1942) gave an authoritative report containing comprehensive information about various aspects of handloom industry. The most important recommendation of the committee was that an All India Handloom Board should be established whose main function should be research, supply of raw materials and marketing.²
Recommendations of the committee headed by Dr. B. V. Narayanaswamy Naidu (1947) were,

i) Compulsion must be adopted to bring all the weavers under co-operative fold,

ii) the Chain of middleman in the yarn and cloth business should be eliminated, and,

iii) Weavers' Co-operative societies should function as multipurpose societies with a credit department.³

Subsequently, The Textile Enquiry Committee under P.S. Joshi (1958) submitted a report on the state of handlooms in India and the major problems faced by handlooms in terms of yarn supply and marketing.

In 1964, the Government of India formed a committee called The Powerloom Enquiry Committee' under Sri Ashok Mehta (1964). The committee recommended that the production of colour sarees should be exclusively reserved for handloom production.⁴

In 1974, a high power study team on The Problems of Handloom Industries' under the chairmanship of Mr. B. Sivaraman studied the immediate problems of Handloom Industry in which the stress was on co-operativisation of handloom industry for bringing better fortunes to the weavers.

The Government of India appointed a high powered committee under the chairmanship Mira Seth, a member of the Planning Commission in July 1995 to review the performance of the handloom sector in the decade since the New Textile policy of 1985 and suggest measures for development. The committee submitted its report, which recommended the following:
1) Training to handloom weavers in computer aided designing/computerised colour matching and modern managerial practices.

2) Strict enforcement of Handloom Reservation Act.

3) A package of welfare measures to handloom weavers.

4) Input and marketing support.

5) Export promotional measures.

6) Composite growth oriented packages.

7) Publicity and other infrastructure supports.

8) Orienting the handloom sector to the globalisation process as a principal strategy for its survival.

In July 1998, Government of India appointed a 12 member committee headed by S.R. Sathyam, former Secretary of Ministry of Textiles, Government of India, to spell out policy issues on different segments of textile industries for making them competitive enough in the wake of globalisation. The major suggestion made in the report was to convert handlooms gradually into power looms and the use of cone yarn for handloom weaving. This report has yet to be made public.

2.2.2 Books

K. Sunder Singh in his book titled 'The Handloom Industry in Madurai City' has conducted a detailed study on the organisation, functioning, uniqueness and problems of handloom industry in Madurai in respect of raw materials, market and financing covering looms under co-operative sector, master weavers, petty master weavers and independent weavers and exporters.\(^5\)

Ram K. Vepa had elaborately discussed the role of handloom industries in India in terms of production, employment and export
earnings. The book also mentions various schemes of assistance extended by the Government of India in promoting handloom industry.

E.V. Ganapathy Iyer in his book 'Indian Industrial Development and its Problems' has identified that the limitations of this industry are, outdated techniques of production, lack of standards, poor distribution strategies, lack of design equipment in the dobbies and Jacquards and quality supply of yarn and other inputs.

Shanmuga Sundaram in his book titled 'Weavers' Co-operatives - A Study of their Utilisation in Coimbatore District' analysed the role of members in the functioning of selected Weavers Co-operative Societies in Coimbatore District and found that the directors of the society utilised more time in the administration of the society than the ordinary members and female members utilised the society more effectively than male members.

M.Ian, D. Little, Dipak Mazumdar and John M. Page Jr., in their work titled 'Small Manufacturing Enterprises: Comparative Analysis of India and other Economics' discuss elaborately the economic effects of Textile Policy on handlooms. They say that low wage earnings are reported in handlooms and powerlooms. They report low social profitability in handlooms, low productivity rates, and low cost of fixed capital and working capital requirements and the poor value addition of this sector. This book throws light on cost advantage of powerlooms over handlooms and mill made cloth.

Sri Anjaneyalu in his book titled 'Financial Management in the Handloom Co-operative Industry' has studied in detail the issues relating to finances of handloom industrial activity in
Guntur District covering inventories and financial structure of handloom cooperatives in the study area.  

R.S. Gandhi, et al., in their book titled 'Decentralised Sector of the Indian Textile Industry' have given a detailed account of the progress of handloom industry in India in the Five Year Plan Periods, technology used in handloom production, handloom processing throughout India, existing distribution channels for marketing and have concluded that the handloom sector has witnessed many ups and downs in the post-Independence era.

S.N. Dash, in his book titled 'Handloom Industry in India', has analysed the existence of the handloom sector in certain pockets of Orissa State despite heavy modernisation and growth of large scale textile mills. He has observed that dualism was present in the handloom sector. He has noted that the handloom sector is stratified and fragmented and that caste factor is dominating in Orissa in this trade.

Amrik Singh Sudan in his book titled 'Marketing Management of Handloom products in Jammu & Kashmir' has made a detailed analysis of marketing management of handloom products of J&K State Handloom Development Corporation and observed that the handloom products lacked quality control, testing and inspection. He has suggested to establish data banks to assess customers' preferences and speedy disposal of looms/sales rebates for strengthening the handloom marketing, apart from improving finishing operations and measures for incorporating variety of designs.

2.2.3 Research Reports on Handloons

G. Srikantaiah, et al., undertook a research work on 'A Study of Handloom Sector to Increase Productivity, Reduce Costs an' Improve Quality' which observed that overall loom efficiency
found to be extremely low at 30% in pit looms and 40-60% in frame looms. They have said that adoption of modified let-off and take-up motion, coupled with metallic healds, reeds and long warp length will help to improve loom efficiencies.14

G.Srikantaiah and N.Murugesan conducted a study on 'Sizing Practices in Handloom'. They suggested various measures to increase the strength of handloom warps and to reduce the cost of sizing. They also suggested vegetable tubers for starching the warps.15

K.Renganthan and P.V.Veeraragavan analysed the sectoral costs of mill sector, powerloom sector and handloom sector. They observed that the fabrics produced in handlooms are costlier on the average by 20% than those of powerlooms due to higher conversion cost consequent to low labour productivity.16

K.Renganathan and Murugasan conducted a study to assess the impact of modernisation and renovation on about 200 societies in Tamil Nadu. It was observed that 25% of the societies converted pit looms to frame looms and installed jacquards which receiving modernisation funds.17

P.V.Veeraraghavan conducted a study on 'Market Survey of Handloom Products'. He observed that a price was an important aspect influencing the sale of handloom goods. New colours and fastness properties, dimensional stability, uniform texture and appearance were the major factors affecting handloom goods marketability.18

SITRA—a Coimbatore based Textile Research Association has conducted a study on the use of dyed cone yarns instead of grey/hank dyed yarns in handloom. It observed that the major advantage of using dyed cone yarns will be consistency in shade and fastness properties better yarn quality and reduction in the
quantum of effluents produced at the decentralised process houses.

2.2.4 Dissertations

M.A. Aurlanadam, (1979) in his dissertation, 'A Study of Handloom Industry in Tamil Nadu', highlighted the problems of weavers' co-operatives in major weaving centers as shortage of quality inputs, technological stagnation and inadequate marketing techniques.\textsuperscript{19}

A. Seetha Raman (1987) in his work on 'Optimisation of Marketing, Production, Financing Systems for Handlooms' focussed on marketing practices adopted by co-optex in relation to the environment. He discussed that a) Cotton handloom fabrics showed a high rate of consumption, b) Product strategies were absent, c) The cash flow of the co-optex was very high during festival seasons, d) Require optimisation of production, marketing and finance was required in co-optex.\textsuperscript{20}

P. Arumukham (1990) in his Thesis on 'Tamil Nadu Khadi and Village Industries Board - A Study of Financial Management' dealt with the conditions of Khadi and Village Industries view by Tamil Nadu Khadi and Village Industries Board.\textsuperscript{21}

N. Thillainayagam (1991) in 'A Study of Manpower Resource Inventory in Kohima District, Nagaiand' made a detailed study of the manpower resource inventory patterns for undertaking rural development activities in Kohima District, Nagaiand.\textsuperscript{22}

N. Meenakshi Sundaram (1991) in his work on 'Khadi and Village Industries Institutions in Tamil Nadu - A Study of Financial Performance', examined the financial performance of selected agencies of Khadi and Village Industries in Tamil Nadu. It recommended the introduction of production and planning, inventory control and collection drive for rejuvenating the
management of working capital and improving them towards the benchmark level.  

B.Subburaj (1992) in 'A Study of Marketing Strategies of Handloom Weavers' Co-operative Societies in Tamil Nadu' analysed the nature and extent of marketing strategies by primary handloom weavers' co-operative societies. He suggested that for improving marketability of handloom fabrics the Government of Tamil Nadu should make efforts for supply of quality raw materials, dyes, other inputs, production of high value added items and training of weavers in modern methods of productions.  

Manas Kumar Hazra (1992) in his work on 'Financial Management in Public Sector-A Differential Study with reference to selected Central Government Companies' studied the management of working capital and discussed that in profit making companies along with increase in sales there was an increase in investments in working capital. In the loss making companies, the trend was inverse with high degree of volatility in working capital requirement. It also suggested that there was adequate scope for utilisation of working capital not only in the loss making units but also in the profit making companies.  

N.Chinta Rao, (1992) in his work on Working Capital Management: A Study of Selected State Enterprises of Karnataka' analysed working capital issues with special reference to size, adequacy and efficiency and its relationship to profitability. His major finds are as follows.

i. The ratio tests revealed the significant extent of money locked up in inventories in the study units.

ii. Lack of control in cash inflows and outflows.

iii. Financing pattern revealed the dominance of short term sources compared to long term sources.
iv. Recommended thorough revamping of inventory structure, levels of cash to be maintained and urged need to discontinue the practice of diversion of short term funds for long term purposes.\textsuperscript{26}

N.Kannan Nair (1998), in his study on 'Khadi and Village Industries in Dindigul District-A Study of Financial Performance', has analysed the trends in production and sales, fund flow pattern and profitability of four KVI institutions in Dindigul District. He suggested a marketing consortium in each District of Tamil Nadu to improve marketability of KVI goods.\textsuperscript{27}

2.2.5 Articles

C.K.Renukarya et. al. (1988) analysed the factors affecting the production of cotton handloom weavers' co-op societies using multi-regression model and found that positive correlation existed between yam supply and production of handloom fabrics. He also suggested that administered pricing system will help the societies.\textsuperscript{28}

B.G.Raghavendra (1992) analysed the profitability of silk industries particularly the cocoon rearing and reeling process through simulation models. The author has studied the effect of changes in one or several parameters on the overall profitability of operations of each segment of the industry. It was observed that as the cocoon price (and the associated silk price) increased, the profitability of the filature increased at a higher rate for bivoltine as compared to multivoltine. Incentives helped the rearers and reelers to undertake the silk activity. Finally it was observed that this segment of the silk industry is not getting good returns. The suggestion is to rationalise the costs and prices of the inputs.\textsuperscript{29}

Yan Laung Cheung and Nancy Ellis (1993) examined the ability of financial ratios to predict take-overs in Hong-Ko.'
Dichotomous tests on the selected financial ratios of the firms were performed to find out the combination of ratios with the best predictor power. They asserted that financial ratios are extensively used by researchers for many purposes. Besides predictions of corporate failure (Beaver 1966, Tafflow 1982), commercial credit rating (Apitado, Warner, 1974) and bond rating (Copland and Ingraw; 1982).

Rajesh Agarwal (1993) has studied the fund flow pattern in sugar, spinning and primary agriculture co-operatives and observed that all the study units largely relied on external funding and poor internal generations and discovered vast use of funds in fixed assets and poor increase in sales. He reported lack of uniformity in financial reporting.

P. Sanjay Roy (1993) conducted a study of the Performance of Weavers' Co-operative Societies in Tirupura and observed that the majority of the handloom societies have to improve production and sales, improve the quality of dyeing, upgrade the technology used and adopt innovative marketing strategies.

Anupama Jain (1994) has studied the status of Indian handloom industry and pointed out that technological stagnation, lack of pre-loom and post loom processing, lack of modernisation of designing units, inadequate finance and competition from power loom/mill sector were the major reasons for the declining growth of the handloom industry.

A.K. Mishra (1994) studied the 'Social impact of Handloom Weavers' Co-operative Societies in Orissa State'. The variables studied in his analysis were family size, educational status and caste groups and he found that women groups are dominating in Co-operatives.
G.N air (1994) had reviewed the handloom exports in 1993-94 and observed that handloom made-ups recorded 33.6% growth over the previous year. Cotton exports to Asia and European countries have shown increasing trends while there was a decline in exports to USA and the Oceanic regions.\(^3\)

N.C.Pillai et al. (1994) conducted financial analysis of women's industrial co-operative societies in Kerala and found that profitability ratios were negative and liquidity ratios were poor. In respect of industrial match co-operatives, the inventory turnover ratio was found to be low.\(^3\)

K.Srinivasulu (1994) has studied the problems of handloom industry and weavers and discovered that fluctuating yarn prices have imperiled the weaving community. He observed the root en use for such sharp price levels in the New Textile Policy announced by the Government of India in 1985.\(^3\)

S.Mohan (1995) has studied the liquidity ratios of co-operative spinning mills in Tamil Nadu and found that the mills are suffering from inadequacy rather than excessiveness. Many mills diverted short term funds for long term uses.\(^3\)

T.R.Gurumoorthy(1996) studied the Operational Efficiency of Tirubuvanam Silk Handloom Weavers' Co-operative Society for a period of five years (1990-95) and found that the financial position of the Society was strong and it had contributed to the socio economic development.\(^3\)

A.Vijayakumar and Venkatachalam (1996) studied the demand of working capital requirements of private sugar industries in Tamil Nadu investigating cash inventories, receivables, gross working capital and net working capital balances with the volume of sales. They evaluated the effect of capital cost on workir" capital holdings which had shown negative trend.\(^4\)
R.S. Agarwal (1998) had discussed the need for value added statement as the basis for performance appraisal and emphasised that value added statement is more appropriate than net profit concept. It gives absolute figures rather than relative index. It is widely used for managerial analysis.41

A. Vijayakumar (1998) studied the determinants of corporate size, growth and profitability—an Indian experience, and observed that growth has been significantly associated with profit. The variables analysed are, net assets/size, return on net worth and growth rate using linear models.42

Thirthankar Roy (Oct 1999) has tried to analyse the small-scale weaving factories in Tamil Nadu and their role in the economic growth. The entrepreneurs of powerloom units hailed from handloom group. Handlooms and powerlooms were used to produce the same goods. Particularly the goods produced in powerlooms are the items reserved for handlooms but this has been encroached on successfully by the powerlooms. He asserted that there are about 1,50,000 handlooms in non-competing items such as high quality silk sarees and bedspreads. He also suggested that Government intervention should come in the form of financial incentives for efficient production.43

B.H. Desai (2000) made an analysis about the significance of an appropriate fixed of capital structure to avoid the risk of under capitalisation or over capitalisation. Capital structure is a structure of funds raised to finance the fixed assets and current assets, which a company needs to maintain the business operations. He used Altman's 'Z' score to assess the low profitability and the findings are low ROI, imbalance financial plans and inefficient employment of funds.44
R.R.Krishna (2000) stressed the need for value added statements in financial reporting. He added that value added accounting is an innovative tool and adds a new dimension to the existing accounting systems. V.A. accounting gives the details of wealth created by the firm during an accounting period. Value added accounting is sometimes called an alternative approach to income measurement which give detailed information about business profitability rather than traditional profit/loss accounts.\(^{45}\)

V.Murthy and T.R.Madanmohan (2000) in their case study presented the problems associated with the distribution of handloom goods through co-optex, Tamil Nadu. They suggested measures are, (a) revamping of procurement warehouses to six centres instead of 15 regional warehouses (b) supplying 70% of the requirements of a showroom one month before starting of the season, (c) timely flow of information between regional warehouses and showrooms, (d) meeting sudden demands of the showrooms with personal direct contacts, (e) strengthening the information processing thro' installation of computers in showrooms and warehouses.\(^{46}\)

N.Rajeswari (2000) has attempted to evaluate the efficiency of liquidity management of Tamil Nadu Cement Corporation (TANCEM). The author had stated the importance of liquidity, as insufficient liquidity will result in bad credit ratings and excessive liquidity result in idle assets. Keeping this background in view, the researcher evaluated the efficiency of the liquidity management of the unit. She concluded that the unit has maintained excessive inventories in the first two years and it affected the profitability. In the following years, the liquidity has shown a fluctuating trend indicating the poor management of liquidity in the unit.\(^{47}\)

V.M.Rao, (2000) has conducted an analysis about the functioning of an all women handlooms and handicrafts Socie
a North Eastern State. The Society is being run under the guidance of an able and dedicated leader who hails from the same region. The Society helped many poor and helpless girls by providing employment and income generating activities. It has helped in developing self-esteem in those girl members. Due to the active involvement of the girl members, the Society is functioning efficiently. The management has emphasised quality products with the introduction of latest designs and tools arranged from other parts of India. The Society is helping the community by providing dress materials at reasonable rates. Financial transparency is maintained.48

R.K.Sahu (2000) made an empirical analysis of corporate profitability based on secondary data from financial companies in East India. Around eight profitability measures were used to arrive at a composite profitability index. He suggested that composite analysis is a potent tool for corporate planning.49

2.3 STATEMENT OF THE PROBLEM

Review of literature reveals that investigation into the status of handloom industries has highlighted the role of handloom industries in the development of the Indian economy, the need for co-operative organisations and technical means for improving the productivity of the handloom industry. Studies relating to the financial aspects of the handloom industry have been confined to the management of working capital. Little attention has been paid to the financial management of handloom industry. To fill this gap, the present study addresses itself to the financial management of selected handloom societies in Tamil Nadu.

2.4 OBJECTIVES OF THE STUDY

The present study proposes to examine all the issues relating to the financial management of the selected handloom...
co-operative societies in Tamil Nadu. It seeks to analyse and evaluate both long term and short term funds in addition to those factors, which are crucial for the financial health of the societies.

The specific objectives of the present study are

i. to measure the trends in production and sales over a period of time;

ii. to estimate the contribution of the handloom society in the form of value addition;

iii. to compute the profitability measures;

iv. to highlight the strategies adopted by the societies in the mobilisation and deployment of funds;

v. to assess the management of working capital; and,

vi. to gauge the financial health of the handloom societies.

2.5 HYPOTHESES

Perusal of literature in Management and Economics and preliminary study of the handloom industry enabled the researcher to formulate the following hypotheses.

i. Economies of scale would enable large co-operative societies to register better performance in respect of growth in production and sales, value addition, profitability, ploughback, management of working capital and overall financial health.

ii. In view of the competition from the powerloom sector and the mill sector, growth in production and sales will be very meagre though large co-operative societies may record higher growth rates than the small ones.

iii. Value addition, a crucial parameter of production operations, will be a function of the unit value of output and
therefore, economies of scale will give an advantage to the societies producing silk goods in general.

iv. Thanks to the economies of scale, larger societies will be more profitable than smaller societies and overall profitability will be modest because of competition from the powerloom sector and the mill sector.

v. Because of the meagre profitability most of the cooperative societies especially small societies would be unable to gather funds from within through ploughback. So they would depend on long-term and short-term loans for additional funds.

vi. Operating cycle of the working capital management would be very long because of long storage cycles caused by short marketing seasons and the cycle would be longer in small societies rather than the large societies.

vii. Owing to the above factors, the financial health of the societies will be weak, especially of the smaller societies.

The above hypotheses guided the researcher in deciding the direction and the thrust areas of inquiry.

2.6 METHODOLOGY

2.6.1 Scheme of Sample

This study covers a sample of selected handloom societies functioning in Tamil Nadu. The handloom societies have been classified into four categories on the basis of their line of output, namely handloom co-operative societies producing

1. pure silk goods, especially silk sarees;
2. pure cotton goods;
3. furnishing material like bedspreads, towels, screens, and tablemats; and,

4. blended goods using cotton and synthetic yarns.

The handloom societies in Tamil Nadu have been organised under fourteen circle offices. In the multi-staged sampling plan six circle offices were selected on the basis of the average value of production per Society. Thus, Kancheepuram Circle office and Kumbakonam Circle office were selected for the highest average value of production per Society producing pure silk goods from 1995-98; Trichirapalli and Madurai Circles were selected for the highest average value of production per Society producing pure cotton goods during 1995-98; and, Madurai and Dindigul Circles were selected for the highest average value of production per Society during 1995-98 of blended goods. From each of these circles the largest and smallest societies in terms of production and sales during 1995-98 were selected as sample. In the case of societies producing furnishing materials the two largest societies and the two smallest societies were chosen from Erode Circle, since other circle offices reported insignificant production of furnishing goods. Thus, in each category of output four societies, the two largest and the two smallest were selected and the total sample consisted of sixteen societies for the four categories of output as shown in Table 2.1.
Table 2.1
Sample of the study

<table>
<thead>
<tr>
<th>SI.No</th>
<th>Category</th>
<th>Name of the Society</th>
<th>Name of the circle office</th>
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<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
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<tr>
<td>I</td>
<td>Pure silk goods</td>
<td>1.1 Tirubuvanam Society</td>
<td>Kumbakonam</td>
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<td></td>
<td></td>
<td>1.2 Kalaivanar Society</td>
<td>Kumbakonam</td>
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<td>1.3 Arignar Anna Society</td>
<td>Kancheepuran</td>
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<td>1.4 Deerar Sathiyamurthy Society</td>
<td>Kanchipuram</td>
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<td>II</td>
<td>Pure cotton goods</td>
<td>2.1 Woraiyur Society</td>
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<td>2.2 Trichy Society</td>
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<td>2.3 Thottiapatty Society</td>
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<td>2.4 Balaji Society</td>
<td>Madurai</td>
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<td>III</td>
<td>Furnishing goods</td>
<td>3.1 Chennimalai Society</td>
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<td>3.2 Surampatty Society</td>
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<td>3.3 Chenkumar Society</td>
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<td></td>
<td>3.4 Veerappan Chatram Society</td>
<td>Erode</td>
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<tr>
<td>IV</td>
<td>Blended goods</td>
<td>4.1 Srimurugan Society</td>
<td>Madurai</td>
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<td></td>
<td></td>
<td>4.2 Krishnapuram Society</td>
<td>Madurai</td>
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<td>4.3 Gandhiji Society</td>
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<td>4.4 Kalaimagal Society</td>
<td>Dindigul</td>
</tr>
</tbody>
</table>
2.6.1.1 PROFILE OF THE SAMPLE HANDLOOM WEAVERS’ CO-OPERATIVE SOCIETIES

As per the sampling plan sixteen handloom weavers' co-operatives are selected from six circle offices for the study of financial management. The brief profile of the sixteen societies is furnished below.

2.6.1.1.1 PURE SILK CATEGORY

i. TIRUBUVANAM SILK HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY, KUMBAKONAM

Tirubuvanam Silk Handloom Weavers' Co-operative Society is located in Kumbakonam Circle and situated at a distance of 8 km from Kumbakonam Town. This is a famous centre for silk weaving for the past several centuries. The society was established in 1955 with 100 weavers as members and it has grown to a stupendous size with a present annual turn over of Rs. 250 millions. The sarees woven at Tirubuvanam by the traditional skilled weaver re pre-Bent the quitefmtmcc of the culture and tradition of Indian silk. These sarees possess good lustre, uniformity and fast colours. The society buys the best quality raw silk, zari and dyes. All the sarees are woven with Jacquards/Dobbies for extra figuring in the sarees. It has created a brand name called Thico Silks' for better marketing of its products.

ii. KALAIVANAR SILK HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY, KUMBAKONAM

This society was established in 1978 with 50 members. At present there are 1010 weavers on roll. However, the society has 92 active looms. Their main output is silk sarees with zari figuring. The society is in Kumbakonam Town, which has witnessed
frequent migration of its weavers to private master weavers who are
dominating the silk weaving activity in the city.

iii. ARIGNAR ANNA SILK WEAVERS' CO-OPERATIVE SOCIETY,

KANCHEEPURAM

Kancheepuram, celebrated for temples, about 75 kilometers
from Chennai was the historic capital of the Pallava kings. Metaphysicist Adi Sankaracharya established his Episcopal seat
here. The great Sanskrit poet, Kalidasa, sang poems in praise of
Kanchi. Adding sheen to the city is the silk industry, an ancient
enterprise flourished for several centuries. Kancheepuram silk
sarees are woven from pure mulberry silk in contrasting colours
and have enviable reputation for extra durability and finish. More
than 62000 silk handlooms are operating here providing livelihood
for one lakh people. Silk weaving in this place is carried out in
pitlooms only. There are two operatives working in a loom-one
throwing shuttle of the body weft while the assistant sitting at the
left operates the border shuttle. This process calls for considerable
skill and patience. In Kancheepuram, Arignar Anna Silk Handloom
Society was established in 1971 and has progressed for the past
thirty years. This society was established with 64 weaver members
and it now has 2164 weaver members. The society has
implemented several welfare schemes. It is one of the model silk
societies for the efficient functioning. The main output of the
society is pure silk intricate design Kanchi silk sarees. This society
owns a dye house with modern equipment for dying silk yarn. This
society has 15 own showroom in the southern parts of India
exclusively selling its silk sarees.
iv. DEERAR SATHIYAMOORTHY SILK WEavers' CO-OPERATIVE SOCIETY, KANCHEEPURAM

Deerar Salhiyamurthy Silk Hand loom Weavers' Co-operative Society, Kancheepuram, is functioning from 1987 and it has completed around .14 years of business operations. Its membership is around 1.021. Their main range of output includes pure silk sarees with overall motifs on the body and pallow. This society owns 6 showrooms in Tamil Nadu and has appointed many selling agents.

2.6.1.1.2 COTTON CATEGORY

i. WORAIYUR HANDLOOM WEavers' CO-OPERATIVE SOCIETY, TRICHIRAPALLI

Woraiyur Handloom Weavers' Co-operative Society is the largest society in Trichy district established in 1936, it has around 305 looms operating under its fold. This society has earned a name for its nine yard long Woraiyur sarees’ that have been sold throughout India up to the seventies. The society produces pure cotton nine yard sarees and has established its own showroom, at Trichy Bazaar for retail sales. This society owns a dye house for dying its raw materials. This society has made efforts in introducing azo-free dyeing to meet the eco-labeling. Due to declining sales in the domestic market, the society explores the possibilities in the production of export varieties.

‘ii. TRICHY HANDLOOM WEavers' CO-OPERATIVE SOCIETY, TRICHIRAPALLI

Trichy Society was established in 1947 in Trichy Town and at present there are around 207 members on its roll. The major output of the society is pure cotton sarees in the length of 9 yards and 6 yards using 90\textsuperscript{s} as warp and 84\textsuperscript{s} as weft in fine variety
weaving. It is having a powerloom unit, which has become dormant. This society has a housing colony with 66 houses. It has a retail sales depot in Trichy Main Bazaar.

iii. THOTTIAPATTY HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY, THOTTIAPATTY, MADURAI

This society was established in 1978 at Thottiapatty, Madurai. The membership in this society is 523 and its output are cotton based products like cotton lungies, dhoties, cotton sarees and other finer varieties like chuditar and fashion items woven using 90x80s, 40s x60 combed and carded cotton yarns. This society is the sole employment generation source in Thottiapatty Village helping the rural people to earn reasonable wages. The society sells the majority of its output through Co-optex and through exhibition sales.

iv. BALAJI HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY, MADURAI.

Balaji Society established in 1973 has its registered office at Madurai amidst the weaving agglomeration in the town. There are 285 members on roll in this society. The major varieties of production are cotton goods comprising Butterfly cotton dhoties, cotton angawasthrams and cotton sarees of finer counts using 90s x84s combed yarn. It functions in a rented building and has completed a housing colony project in a nearby village.

2.6.1.1.3 FURNISHING GOODS CATEGORY

i. CHENNIMALAI WEAVERS' CO-OPERATIVE SOCIETY, CHENNIMALAI

An eminent social activist in Chennimalai established this society in 1941. The present strength of weaver members is 1043. The major varieties of output include bedspreads, bed linens,
towels, napkins, tablemats, screens and many other items that are used in furnishing. This society functions in a two-storied building at Chennimalai. This society owns a dye house to dye the yarns with all facilities needed in wet processing including kiers for boiling of yarn to produce high quality goods. A medical care centre has been established in its housing colony for providing free medical aid to weaver families. The society also runs a primary school for providing quality education to the children of the weaving community. The society has three computers incorporating Textile CAD systems for developing innovative designs.

ii. SURAMPATTY HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY, ERODE.

Surampatty Society was established in 1978 with more than 700 weaver members. Its main output is bedspreads, towels, napkins and other furnishing materials. It was one of the leading societies up to 1993-94 in Erode Circle and thereafter it has met with misfortune lending to its slide and at present it is almost dormant. It still owns an administrative office and a dye house. This Society anticipates a revival package from the Government to sustain its operations.

iii. CHENKUMAR HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY, CHENNIMALAI.

Chenkumar Society was established in 1971 and has completed 30 years of existence. This society produces all types of furnishing materials comprising bedspreads, bed linens, towels, napkins, tablemats, pillow covers, floor coverings, floor mats etc. The society owns a two-storied administrative block and a finished goods warehouse to meet any sudden demands. It has participated in International Trade Fairs held during 1995-99 and won many
Citations for its achievements for producing innovative design goods and for higher value of exports. Further, it undertakes direct exports to European Union in recent times. In the domestic marketing, it owns 9 exclusive showrooms including the one at New Delhi. It has established a Computer Aided Textile design centre, modern dye house, solar heating plants and an effluent treatment plant for treating the dye house waste water. It has established a health care centre, housing colony, overhead tank and provided educational facilities.

iv. VEERAPPAN CHAT RAM HANDLOOM WEAVERS’ CO-OPERATIVE SOCIETY, ERODE

The society was established in 1973 and it has its own administrative building and godown. At present there are about three hundred weavers producing towels, bed spreads, shawls and other tablemats. Most of the sales are effected through Co-optex and the remaining through exhibition sales and consignment agents. The society faces severe competition from powerloom goods.

2.6.1.1.4 BLENDED GOODS CATEGORY

i. SRIMURUGAN HANDLOOM WEAVERS’ CO-OPERATIVE SOCIETY, MADURAI.

This society was registered in 1980, and it has a membership of about 400 weavers. It is operating at Kunnathur, Madurai. This society produces blended varieties comprising polyester cotton blended dhoties, shirtings, lungies and other finer blended goods. The society has undertaken several labour welfare measures like education to the children, medical facilities and housing schemes.
ii. KRISHNAPURAM HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY, MADURAI.

The society was established in 1947 and it was one of the major societies operating in Madurai upto 1980s. At present it has a membership of around 300 weavers and owns office building, powerloom weaving shed, art silk twisting plant, dye house, a modernised showroom, finished goods warehouse and vacant sites for expansion of production facilities. The Society produces art silk based Kodambakkam sarees using 75 denier viscose filament, yarn and 100s combed cotton yarn, Sarathy brand 80sx80s dhoties, blended varieties in sarees and shirtings. Most of their output is sold through Co-optex and retail/consignment sales.

iii. GANDHIJI HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY, CHINNALAPATTY, DINDIGUL

Gandhiji Society is operating in Chinnalapatty coming under Dindigul Circle and was established in 1973. This is one of the leading societies in Dindigul Circle and has earned a name for the production of blended goods like finer varieties of polyester/cotton-blended shirting, silk/cotton blended kora sarees, dhoties and other janatha materials. At present, there are about 500 members operating handlooms. Under loom modernisation scheme, about 250 looms were fitted with Jacquard designing systems and around 200 looms have Dobby designing systems for production of extra warp figured outputs to suit the customers' tastes and demand. It is functioning in its own building which has a pucca finished goods warehouse, yarn dyeing unit and other implements. The society has implemented several welfare measures like housing scheme, education and provision of drinking water supply to weavers' colony.
iv. KALAIMAGAL HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY, CHINNALAPATTY, DINDIGUL

Kalaimagal Handloom Society is functioning in Chinnalapatty under the control of Dindigul Circle office. It was established in 1975 and it has now 220 weaver members. This society produces blended goods similar to the output of Gandhiji Society comprising polyester/cotton shirting, polyspun and poly filament shirting, dhoties and other blended goods. The society has secured assistance from 'Handloom Development Centre' to upgrade their production facilities, improve the quality of the products and establish 'Quality Dyeing Unit'. This society is saddled with the problem of migration of member weavers to private master weavers and resultant declining sales.

2.6.2 DATA BASE

The study mainly uses secondary data on production, sales and finances of these institutions. These particulars were collected from the records of the societies including annual audited statement of accounts for a period of eleven years from 1988-89 to 1998-99—the period for which the financial performance is sought to be analysed in the present exercise.

2.6.3 VARIABLES STUDIED

The researcher analysed the following variables in the sample units.

i. Value of production and sales
ii. Value added by manufacture and surplus earned per Re. of VAM
iii. Gross profit ratios, Net profit ratios and Return On Investment
iv. Pattern of mobilisation and utilisation of funds
v. Operating cycle in the working capital analysis
vi. Altman's Z score to predict the financial health of the societies

2.6.4 TECHNIQUES AND TOOLS OF ANALYSIS

The study employs the following techniques of analysis.

i. Growth rates and 'm' values (in linear equations of \( y = a + mx \)) in production and sales

ii. Generation of value added by manufacture

iii. Measurement of gross profit, net profit ratios and return on investment through percentage values, and,

iv. Measurement of source of funds through increase in fixed liability and current liability, and decrease in current assets and fixed assets and measurement of uses of funds through decrease in fixed and current liabilities and increase in fixed and current assets

v. Estimation of component cycle in operating cycle and turnover of working capital ratios

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The tools of analysis employed in this study are linear equations (\( y = a + mx \)), polynomial equations (\( y = ax^3 + bx^2 + cx + d \)); value added by manufacture, fund flow analysis, operating cycle and Altman's Z score. In estimating the profitability, the time value of money has been incorporated in the form of compounding of capital at the lending rates. In the measurement of trends in production and sales over a period of time have been deflated to the constant prices with the help of whole sale price index. Multiple regression analysis is used for the measurement of the impact of selected variables in the financial performance.
2.7 PERIOD OF THE STUDY

The study covers the performance of the sample handloom societies for a period of eleven years from 1988-89 to 1998-99.

2.8 CHAPTER PLAN

The study consists of nine chapters.

1. First chapter deals with the handloom industry in India.
2. Chapter two covers review of literature and design of the study.
3. In chapter three trends in production and Sales have been estimated.
4. Chapter four is devoted to computation of value added by manufacture by the sample societies.
5. Chapter five addresses the profitability of the sample societies.
6. Chapter six carries fund flow analysis.
7. Chapter seven contains study of the operating cycles of the working capital management in the societies.
8. Chapter eight deals with the application of Altman's Z score for the diagnosis of the financial health of the handloom societies.
9. Chapter nine consists of summary of the findings and recommendations of the study.

2.9 SCOPE AND LIMITATIONS OF THE STUDY

The present study covers the financial performance of sixteen selected handloom societies producing four categories of goods, namely i) pure silk goods, ii) pure cotton goods, iii) furnishing goods, and, iv) blended goods. Since production of woollen goods is insignificant in Tamil Nadu, the study does not cover societies producing woollen goods. For each category of output two bigger societies and two smaller societies have been chosen as sample.
larger sample could not be adopted because of the resource constraints of the researcher.

2.10 OPERATIONAL DEFINITION OF CONCEPTS

1. Handloom: 'Handloom' means any cloth woven on handloom from cotton, silk, woolen yarn or a mixture of mill yarns. A handloom uses human power for undertaking all the motions in weaving operation.

2. Dobby: Dobby is a figuring device used in handloom to produce solid motifs with extra warp or extra weft figuring threads. However the designing capacity is limited to 48 shafts.

3. Jaquard: Jacquard is also a figuring device used in producing solid motifs on the surface of the handloom cloth through weaving. It has unlimited variations in designing where very big designs could be produced.


5. VAM: Value Added by manufacture (VAM) is the surplus of the ex-factory value of output over the value of consumption of raw materials, stores and fuel.

6. Rupee: Rupee is a unit of Indian Currency with Rupees for plural. One rupee is equal to US$=0.021 and one US dollar is equal to Rs. 48.01 (As on 30.9.2001).

7. Lakh: A Lakh is an Indian unit of number equal to one hundred thousand.
References


