ABSTRACT

The survival, continued existence and the sustainability of the cooperative tea factories largely depend on their effective service to their members which in turn hinges, among other things, on effective financial management encompassing four functional areas, namely, capital budget decision, capital structure decision, working capital decision and surplus decision. The first two functional areas are quite important in any organization and are interrelated, but they are not routine in nature. Such decisions are not taken quite often. The last one may not pose much problem as surplus decision in cooperative organization is largely influenced by the provisions of the Cooperative Societies Act.

The working capital decision is a very crucial decision as it affects the day to day affairs of the organization. The gross working capital (current assets) constituting 45 to 60 per cent of the total assets in the cooperative tea factories requires serious attention, as it has its strong influence over the liquidity and profitability of the factories. Neglect of any one of the components of the current assets is likely to affect the profitability and also the liquidity of the factory. Hence, adequate attention needs to be paid on the management of working capital.

It is against this backdrop present study is set out. The primary objective of the study is to evaluate the efficiency of working capital management in cooperative tea factories. The study, based on survey
method is empirical in nature. Confined to 15 Cooperative tea factories in Nilgiris, the study covers a period of 10 years.

The performance of the cooperative tea factories in terms of procurement of tea leaves, production and sales is satisfactory. However, the profit position provides a dismal picture. Many of the tea factories are not financially healthy. The fund flow analysis reveals the failure in effective utilization of funds. Most of the factories were found to have excessive gross working capital than the required. Delay in payment of dues and collection of dues was a serious problem affecting the cash resources. The working capital ratio which influences the operating profit are net liquid balance to total assets, accounts payable turnover and sales to net working capital turnover. Effective management of these variables and timely payment of dues to creditors and collection of dues from debtors are likely to improve the operating profit.

The study has also offered suggestions such as fixing of subsidy linked statutory minimum price to the member - growers, adoption of scientific planning and control of inventories, receivables and cash, promotion of export of tea by offering competitive price and enhancing the quality restriction of import of tea by increasing import duty, promotion of sales in the internal market by opening retail outlets and professionalisation of management for improving the functioning of the cooperative tea factories.