ABSTRACT

The handloom sector plays a vital role in India’s rural economy. It is one of the largest economic activities, providing direct employment to over 65.51 lakh persons engaged in weaving and allied activities. As a result of effective government intervention through adequate financial assistance and implementation of various developmental and welfare schemes, this sector has been able to withstand the competition from the power loom and mill sectors. Consequently, the production of handloom has gone up to 6108 million sq. metres in 2005-06, from 500 million sq. meters in the early 1950s. This sector contributes nearly 19 per cent of the total cloth produced in the country and also adds substantially to the export earnings. This sector is drawing the attention of the planners and other developmental activists due to its massive employment generation capability. The inputs and grants provided by the Government of India to handloom industry has been increasing year after year. Despite such massive infusion of funds, there was a deceleration in the share of handloom sector to the total clothing production of the country. Periodical reviews and researches are essential to assess the status of this sector it’s dynamics towards new marketing environment and the factors responsible for the development. Particularly micro level studies in the functional areas of management of the handloom societies will help in identifying the issues that are contributing or hindering their growth and development. Such analytical framework will assume greater significance in the process of providing livelihood support to millions of handloom weavers operating in remote parts of the country.

The studies undertaken so far were confined to the sociological and the developmental aspects of the handloom industry and the impact of handloom activities at macro level. During the X Five Year Plan period (2002-07) the growth rate of the Indian textile industry in respect of production of fabrics was at
28.00 percent. And the rate of growth of the handloom sector was very meager at 9.30 percent during the same period. The other sub-sectors namely mill sector, power loom sector and hosiery sector have shown high growth trajectory while the handloom sector witnessed deceleration and was lagging behind in the race. In the given backdrop, a thorough analysis of the handloom sector assumes greater significance which will bring out the factors that influence its deceleration particularly in the functional areas of management. Micro level studies are essential to formulate appropriate policies to strengthen the sector.

In Karur District, studies on marketing and the sociological impact of the handloom industry have been conducted but there was no exercise in evaluating the financial performance of this sector in the district. Review of literature by the researcher also identified this research gap.

The present study on ‘Financial Performance of Handloom Weavers’ Co-operative Societies in Karur District’ aims at examining the activities of the Handloom Weavers’ Co-operative Societies in the district, with special reference to the financial condition of the societies.

The specific objectives of the study are;

1. to measure the production and sales performance, of the Handloom Societies;
2. to evaluate the profitability of the selected Handloom Societies in the district;
3. to measure the financial health of the Handloom Societies;
4. to analyse the strategies adopted by the societies in the mobilization and deployment of funds;
5. to assess the management of the working capital in the Handloom Societies; and
6. to suggest suitable measures for the development of Handloom Cooperative Societies
There are 36 Handloom Weavers’ Co-operative Societies in Karur District, registered with the Assistant Directorate of Handlooms and Textiles, Government of Tamil nadu, Karur. These 36 societies have been classified into three categories on the basis of their volume of sales and from each group, three societies were selected randomly as below:

Societies which have recorded sales more than Rs.100 lakhs in last three years have been classified as group - I category. They have the advantage of economics of scale of operations which decide the success of operations. Societies which have recorded sales more than Rs.50 lakhs to Rs.100 lakhs sales in last three years have been categorized as Group - II societies. Those societies which have recorded sales less than Rs.50 lakhs during the last three years are classified as group - III societies. They suffer economies of scale of operations.

The study mainly used secondary data collected from registers and annual audited statements of final accounts of the sample societies. In addition, particulars of the performance of the handloom industry at State and national level were secured from annual reports of the Ministry of Textiles, Government of India.

Group - I societies which are known for their economies of scale of operations, witnessed robust growth rates in the value of production and sales as measured in linear, polynomial models and CGRs. These societies have increased their operational efficiencies both in mobilization of resources and inputs and in identifying right avenues of marketing when opportunities opened up through global marketing for home textiles.

Group - II societies which have recorded moderate scale of operations, have shown positive and high growth rates in terms of value of production and value of sales during the study period particularly after 2003-04. These societies
have adequate opportunities for enlarging their business like the societies of group - I. Sustained efforts in identifying right marketing avenues and in expanding of operations are the major strategies needed by these societies.

Among group - III societies, which have posted low scale of operations (sales value less than Rs.50.00 lakhs) during the study period, two societies namely Perichipalayam and Thogamalai Padmasala societies have recorded moderate performance in terms of value of production and value of sales with low positive growth rates in linear, polynomial models and CGRs. But Rajendram Sachidanantha society exhibited declining trends and negative CGRs percentages in production and sales. They have to enlarge their scale of operations through expansion of production facilities and improving the operational efficiencies. Further these societies must work for establishing networking with the buyer agencies to support their operations.

Thus, the first hypothesis stating that all the handloom societies will show declining trend has been disproved in respect of group - I and group II societies that have respectively posted robust and reasonable growth. And the hypothesis was partly proved by group - III societies which have shown very moderate growth rates or declining rates as recorded by Rajendram Sachidanantha society.

In terms of gross profit percentages all societies in group - I, group - II and group - III categories have equally performed well and economies of scale of operations do not have any major impact on gross profit.

With regard to net profit percentages, group - I societies have recorded net profits in all the years during the study period. And higher scale of operations helped them to sustain reasonably good net profit percentages. Whereas in group - II societies, the net profit percentages were highly influenced by the value of sales. Societies incurred losses when the values of sales were
inadequate. They have to enhance their sales for improving profitability. Group - III societies suffered net losses in most of the years due to low volume of sales coupled with higher interest and establishment charges.

Considering the financial health analysis of the societies, group - I societies have managed themselves successfully to secure high ‘Z’ scores exceeding ‘2.63’ and the sound financial status was due to higher sales volumes, better liquidity and earnings in all the years. Group - II societies met with mixed trends as two societies were just above the score of 2.63 indicating their ability to achieve favourable healthy ‘Z’ scores through enhancing sales volumes and sustained earnings. Group - III societies with low scale of operations could get low ‘Z’ scores particularly two societies namely Rajendram Sachidanantha and Thogamalai Padmasala societies were near bankruptcy levels with low ‘Z’ scores indicating their weak financial status and related threats. But Perichipalayam society managed to score better even with lesser sales volumes.

Thus, the hypothesis stating that due to globalization and competitive forces, the financial health of the handloom societies will be weak has been disproved in respect of group - I and group - II societies while partly proved by group - III societies.

All the three societies in group - I category generated major part of its financial resources from its operations (net profits and reserves) and used the funds in current assets for further growth of operations.

Group - II societies, which have shown moderate scale of operations have managed resources quite effectively. Kattipalayam society and Mahakavi Bharathiya society generated substantial funds from its operations instead of depending on external borrowings. In respect of uses, they spent in expanding the current assets to support growth of operations.
But Sri Mariamman society depended in loans and sundry creditors and used in expansion of sundry debtors.

Societies in Group - III suffered from low scale of operations. They were dependant on external sources of funds to sustain their operations as they could not generate funds from operations due to inadequate or declining sales.

In respect of uses of funds, discharging of current liabilities namely working capital loans and sundry creditors took a major share in Perichipalayam society.

And Thogamalai Padmasala society used funds for expansion of sundry debtors and to write off losses incurred in eight years. All the three societies felt the impact of low scale of operations and were caught in the vicious circle of raising loans and repayment in the succeeding years.

Thus, the hypothesis stating that handloom societies endowed with better economies of scale of operations will be using retained earnings or funds from operations for the expansion of business had been proved as in group - I and group - II societies (Except Sri Mariamman Society). And group - III societies which suffered due to low scale of operations had to depend on external sources or borrowings to sustain their operations also prove the hypothesis.

Among group - I societies, only Athur Anna society had positive net raw material cycles in all the years and the remaining two societies posted negative net raw material cycle days in some of the years due to long trade credit cycle. They had to pay the sundry creditors in time; all the three societies have shown crisp conversion cycles thanks to the efforts of the weavers and management. Similarly the storage cycle days were also quite moderate and were shortened when they improved the volume of production and sales. But all the societies
posted very long durations of collection cycles exceeding an average of 300 days.

In respect of group - II societies, all of them had negative net raw material cycles in some of the years indicating the use sundry creditors for managing the financial needs of the societies. And all of them have effectively managed the conversion and storage cycles in short durations.

But for the known reasons, all the societies have posted long collection cycles exceeding 300 days in most of the years. As discussed earlier, collection cycles need to be controlled and brought down through appropriate measures.

In respect of group - III societies, Perichipalayam and Rajendram Sachidananth society had negative net raw material cycles in two or three years out of ten years. But Thogamalai Padmasala society posted very long negative net raw material cycles in all the years affecting its goodwill and was in trouble due to lack luster performance. Performance in respect of conversion cycle was found to be managed fairly well but had shown high variability in between the years.

The collection cycles were unduly long in all the three societies leading to longer total operating cycles and lower ratios of turnover of working capital.

Thus, the hypothesis stating that irrespective of scale of operations, all the societies will have longer durations of operating cycles particularly in collection cycles due to seasonality in the sale of textile goods has been proved as all the societies had posted longer durations of collection cycles during the study period.