2.1 Introduction

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, its 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.

2.2 Review of Literature

The researcher undertook a review of literature in order to learn the development of the activities of the handloom sector, the problems faced, their periodic reviews and remedial action. The review of literature also aims at identifying any gap in the research efforts made by various scholars and at deciding the thrust area of the present work.

Manikam Ramaswami (2005) in his article in “Sustainable Global Competitiveness of Textile Industry” said that the large outdated weaving sector needs to modernize. The knowledge based south has to leverage on its abundant technical manpower and add value through technology and produce technical textiles. Handlooms do not have to provide us our day-to-day clothing as was necessary during the freedom struggle. Handlooms do not have to provide entry level jobs as the textile industry is all geared to provide employment to crores of people at much better wages than what handloom weavers weaving non exclusive products can get after working for long hours.¹

Anjaneyalu (1990) in his book titled “Financial Management in the Handloom Cooperative Industry” has studied the issues relating to finances of Handloom industrial activity in Guntur District covering inventories and financial structure of handloom co-operatives in the study area.²
Dash (1995) in his book titled “Handloom Industry in India” has analysed the existence of the handloom sector in certain pockets of Orissa state in spite of heavy modernization 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 was stratified and fragmented and that caste factors was dominating in Orissa in this trade.³

Y.R.Shah (1996) in his study, “Importance of Raw-material manufacturing in Textile Industry” observed that the profitability of any establishment depended on its capacity to market more profitable products followed by an excellent raw-material management. As listed that, management of raw-material covered types of raw-material and other aspects such as technical, commercial, financial and administrative the study noted that the cost of material formed 60 to 75 percent of the cost of production.⁴

R.T.Thiwari and R.L.Sinha (1979) analysed the various factors affecting the earnings of the cotton textile workers in their study entitled “Factors Affecting the Earnings of the Cotton Textile Industry in India” revealed that labour productivity, cost of living and degree of unionization had positive relationship with workers earnings during the study period. There was an increase in the real earnings of the workers and a decline in real productivity.⁵

Sundarsingh (1979) in his book titled “The Handloom Industry in Madurai City”, has conducted a detailed study on the organization, functioning, uniqueness and problems of handloom industry in Madurai in respect of raw-materials, market and financing, covering looms and cooperative sector, master weavers, petty master weavers and independent weavers and exporters.⁶
Pieter Kildruff (2000) in his study “Textile in the New Environment” traced the strategy, structure and performance for textiles in a complex and turbulent situation. He focused on the collapse of the transaction costs, environmental changes taking place in the market, competition, customer taste and preferences, expectations, demand supply position, quality invasion, marketing and retaining and the future changes likely to take place in the industry. He underlined the role of strategy in textile and apparel products. He suggested openness, development of new strategies, structure and capabilities. Companies that failed to adopt could fall either through bankruptcy or acquisition.7

Kanakaiatha Mukund (1992) in the study entitled, “Indian Textile Industry in Seventeenth and Eighteenth Centuries” stated that in pre-industrial India, textile production followed agriculture as the most productive sector, and by the early years of the eighteenth century it was virtually clothing the world. The study throws light on indigenous techniques used in textile production. It also discussed productivity and cost effectiveness in the indigenous system. The study concludes that the cost of textile declined internally due to technological improvement and organizational changes. Further, it pointed out that the traditional industries could not continue as a viable system unless it adopted its production process to the changing technology.8

Pradip Kumar Dutta (1995) in his article on “Social and Economic Value of Textile Fibres” analyzed the role of synthetics in the exporting community. He suggested that the Indian Textile Industry should concentrate
Thomas Varghese (2004) Executive President, Grasim Industries said that weaving along with processing emerged as the weak link in the Indian textile industry. These sectors had become a bottleneck in the production of high quality and product, as well as meeting the increasing demands of the garment industry. The Indian industry would have to become competitive to face the international competition, both the domestic and export markets. This could require massive inputs, dedicated efforts, initiatives and support from both the government and industry. Further, he pointed out that the weaving industry would have to meet the requirements of the readymade garment sector for wider width and defect less fabrics, which was possible only with the installation of shuttle less looms and modern technologies.¹⁰

K. Kanaka Durga (2003) in her study on “Marketing of Handloom in Andhra Pradesh” analyzed that due to lack of efficient production policies and absence of technical knowledge, handloom is failing in introducing new products.¹¹

Ravinder Vinayak (1986) has examined major marketing problems and marketing practices of handloom manufacturers and dealers. The study has revealed that one fourth of the production units were manufacturing export varieties of popular design, which were already in vogue. A variable price based on cost plus profit was used in price determination. A high degree of price competition was observed. Most of the handloom units have made use of the dual distribution channels, namely, the direct and the indirect channels.¹²
John **D.K. Sundar** Singh (1987) has made a comparative analysis of co-operative and private sectors on the cost structure, profit, physical output, productivity, sales, wages and reinvestment. It has been found that master weavers have produced 87.80 per cent of handloom products and the co-operatives have produced only 12.20 per cent of the products. The production of fine varieties of saree by the weavers was relatively low, compared to production of coarse varieties. The weavers in the co-operative sector got better wages than the weavers working under master weavers. Consequently, the master weavers earned greater profit than the co-operatives.\(^{13}\)

**C.K. Renukarya and B. Niranjan Raj Urs (1988)** have made an attempt to analyse the factors affecting the production of cotton handloom weavers' societies. Their study has revealed that there was positive relationship between supply of raw materials and production of handloom fabrics. It is a discouraging fact that the co-operative structure had very little control over the production of fabrics as well as the price of raw materials.\(^{14}\)

**B. Subburaj (1990)** has made a study of the sales performance of Co-optex. It is learnt from the study that 92.28 per cent of sales is done only during festival days, mainly by way of credit sales. The highest proportion of sales is accounted for cotton and art silk fabrics, followed by polyester and Janatha varieties. Only 55.2 per cent of the fabrics are ‘fast moving’ and the rest are ‘non-moving’ varieties.\(^{15}\)

**A. Shankaraiah and Rudra Saibaba (1992)** have studied the marketing problems with particular reference to sales performance, pricing, distribution channels, promotion and other functions of handloom weavers’ co-operative
societies. The sale of handloom fabrics has been affected heavily by stiff competition from the local retail cloth merchants who sell mill made clothes at cheaper rates. Hence, stock accumulation in weavers’ co-operatives has increased and this has led to the dormancy of societies, though various promotional programmes have been undertaken.\textsuperscript{16}

The Committee on Cottage Industry of 1929 was the first committee that went into the 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.\textsuperscript{17}

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 the 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.\textsuperscript{18}

The recommendations of the committee headed by Dr. B.V. Narayanaswamy Naidu (1947) were:

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

ii) The chain of middlemen in the yarn and cloth business should be eliminated, and,
iii) Weavers’ co-operative societies should function as multipurpose societies with a credit department.\textsuperscript{10}

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 the handloom sector.\textsuperscript{20}

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 the handloom industry, in which the stress was on co-operativisation of the handloom industry for bringing better fortunes to the weavers.

The Government of India appointed a high power committee under the chairmanship of 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/computerized colour matching and modern managerial practices.

2) Strict enforcement of the Handloom Reservation Act.
3) A package of welfare measures for 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, the Government of India appointed a 12 member committee headed by S.R. Sathyam, former Secretary of the 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 was conversion to powerlooms and the use of cone yarn for handloom weaving. This report has yet to be made public.

Ram K. Vepa, (1980) has 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 the handloom industry.²¹

Shanmuga Sundaram, (1987) 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 utilized more
time in the administration of the society than the ordinary members and that females utilized the society more effectively than the males.\textsuperscript{22}

**R. Seerangarajan, (2001)** in his study titled “Financial Management of Selected Handloom Societies in Tamil Nadu” and found that the adoption of marketing information system with use of computers can also improve the marketability of the goods and such a package of measures will enhance the turnover of the working capital and profitability of the handloom societies.\textsuperscript{23}

**M. Kannadhasan, (2007)** in his work on “Measuring Financial Health of A Public Limited Company Using ‘Z’ Score Model - A Case Study” and observed that efficiency of the company was mainly the matter of management of working capital, which helps the company to maintain the good financial health.\textsuperscript{24}

**Amrik Singh Sudan, (1997)** 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.\textsuperscript{25}

**G. Srikantaiah et al., (1978)** undertook ‘A Study of Handloom Sector to Increase Productivity, Reduce Costs and Improve Quality,’ which observed that overall loom efficiency was found to be extremely low at 30 percent in pit looms
and 40-60 percent 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 efficiency.26

K.Renganthan and P.V.Veeraragavan (1985) 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 percent than those of powerlooms due to higher conversion cost consequent to low labour productivity.27

M.A.Aurlanandam (1979), in his disseration, ‘A Study of Handloom Industry in Tamil Nadu,’ highlighted the problems of weavers’ co-operatives in major weaving centres as shortage of quality inputs, technological stagnation and inadequate marketing techniques.28

A. Seetha Raman (1987), in his work on ‘Optimisation of Marketing, Production, Financing Systems for Handlooms,’ focused on marketing practices adopted by Co-optex in relation to the environment. His findings are: a) cotton handloom fabrics showed a high rate of consumption, b) product strategies were absent, c) the cash flow of Co-optex was very high during festival seasons, and, d) optimization of production, marketing and finance was required in Co-optex.29

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 in Tamil Nadu.30
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 planning, inventory control and collection drive for rejuvenating the management of working capital and improving them towards the benchmark level.31

B.Subburaj (1992), in his work ‘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 the 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 production.32

Manas Kumar Hazra (1993), in his work ‘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 a high degree of volatility in working capital requirement. It also suggested that there was adequate scope for utilization of working capital not only in the loss making units but also in the profit making companies.33
N.Chinta Rao (1993), 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 findings 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. Need for thorough revamping of inventory structure, levels of cash to be maintained and need to discontinue the practice of diversion of short-term funds for long-term purposes.  

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 has suggested a marketing consortium in each district of Tamil Nadu to improve the marketability of KVI goods.

Yan Laung Cheung and Nancy Ellis (1993) examined the ability of financial ratios to predict takeovers in Hong-Kong. 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, Taffflow 1982), commercial credit rating
(Apitado, Warner, 1974) and bond rating (Copland and Ingraw, 1982).36

**P.Sanjay Roy (1993)** conducted a study of the performance of weavers’
co-operative societies in Tripura 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.37

**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.38

**K.Srinivasulu (1994)** has studied the problems of the handloom
industry and weavers and discovered that fluctuating yarn prices have
imperilled the weaving community. He has observed that the root cause for
such sharp price levels is the New Textile Policy announced by the
Government of India in 1985.39

**S.Mohan (1990)** has studied the liquidity ratios of co-operative spinning
mills in Tamil Nadu and found that the mills are suffering from inadequacy
rather than excess. Many mills diverted short-term funds to long term uses.40

**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 contributed to socio economic development.41
A.Vijayakumar and Venkatachalam (1996) studied the demand for working capital 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 working capital holdings which had shown a negative trend.\(^{42}\)

A.Vijayakumar (1998) studied the determinants of corporate size, growth and profitability and observed that growth has been significantly associated with profit. The variables analysed were, net assets, size, return on net worth and growth rate, using linear models.\(^{43}\)

Thirthankar Roy (1999) has tried to study the small scale weaving factories in Tamil Nadu and their role in economic growth. The entrepreneurs of powerloom units hailed from the handloom group. Handlooms and powerlooms were used to produce the same goods. Particularly, the goods produced in powerlooms were the items reserved for handlooms, but had been encroached upon 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.\(^{44}\)

B.H.Desai (2000) made an analysis of the significance of an appropriate fixed capital structure to avoid the risk of under capitalization. Capital structure is a structure of funds raised to finance the fixed assets and current assets, which a company needs to maintain business operations. He used Altman’s T score to assess the low profitability and the findings are low ROI, imbalanced financial plans and inefficient employment of funds.\(^{45}\)
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. The suggested measures are: (a) revamping of procurement warehouses to six centres instead of 15 regional warehouses, (b) supplying 70 percent of 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, and, (e) strengthening the information processing through installation of computers in showrooms and warehouses.46

V. M. Rao (2000) has conducted an analysis of the functioning of an all women handlooms and handicrafts society in 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 girls. Due to the active involvement of the girls, the society is functioning efficiently. The management has concentrated on quality products with the introduction of the 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.47

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.48
2.3 Statement of the Problem

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.

2.4 Objectives of the Study

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

2.5 Hypotheses

A preliminary review of the performance of the Handloom Weavers’ Co-Operative Societies enabled the researcher to formulate the following hypotheses;

- The production and sales of handloom goods will show declining trend due to competition from the products of mill and power loom sectors.

- Economies of scale of operations will have direct bearing on profitability, i.e., societies having higher volume and value of sales will show better profitability and vice-versa;
Due to globalization and competitive forces, financial health of the Handloom Societies will be weak,

Societies endowed with economics of scale will be using retained earnings for expansion of business and vice-versa;

Irrespective of scale of operations, Handloom Societies will have longer duration of operating cycle particularly in collection cycles due to seasonality of sales of textile goods.

2.6 Methodology

2.6.1 Scheme of the Sample

There are 36 Handloom Weavers’ Co-operative Societies in Karur District, registered with the Assistant Directorate of Handlooms and Textiles, Government of Tamilnadu, 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.
Fig. 2.1

Sampling Scheme

- Group – I
  > Rs.100 lakhs
- Group – II
  Rs.50 lakhs to Rs.100 lakhs
- Group – III
  < Rs.50 lakhs

Table – 2.1

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Name of the society</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Athur Anna Handloom Weavers’ Co-operative Society</td>
<td>Group – I</td>
</tr>
<tr>
<td>3.</td>
<td>Manmangalam Cauvery Handloom Weavers’ Co-operative Society</td>
<td>Group – II</td>
</tr>
<tr>
<td>5.</td>
<td>Mahakavi Bharathiyar Handloom Weavers’ Co-operative Society</td>
<td>Group – II</td>
</tr>
<tr>
<td>7.</td>
<td>Perichipalayam Handloom Weavers’ Co-operative Society</td>
<td>Group – II</td>
</tr>
</tbody>
</table>
2.7 Karur District Profile

2.7.1 History

The Pasupatheesvarar temple sung by Thirugnana Sambhandar, in Karur was built by the Chola kings in the 7th century. Karur is one of the oldest towns in Tamil Nadu and has played a very significant role in the history and culture of the Tamils. Its history dates back over 2000 years, and has been a flourishing trading centre even in the early Sangam days. It was ruled by the Cheras, Gangas, Cholas, the Vijayanagara Nayaks, Mysore and the British successively. Epigraphical, numismatic, archaeological and literary evidence have proved beyond doubt that Karur was the capital of early Chera kings of Sangam age. It was called Karuvoor or Vanji during Sangam days. There has been a plethora of rare findings during the archaeological excavations undertaken in Karur. These include mat-designed pottery, bricks, mud-toys, Roman coins, Chera Coins, Pallava Coins, Roman Amphorae, Rasset coated ware, rare rings, etc.

Karur may have been the centre for old jewellery-making and gem setting (with the gold imported mainly from Rome), as seen from various excavations. According to the Hindu mythology, Brahma began the work of creation here, which is referred to as the "place of the sacred cow."

Karur was built on the banks of river Amaravathi which was called Aanporunai during the Sangam days. The names of the early Chera kings who ruled from Karur, have been found in the rock inscriptions in Aru Nattar Malai close to Karur. The Tamil epic Silapathikaram mentions that the famous Chera King Senguttuvan ruled from Karur. In 150 BC Greek scholar Ptolemy mentioned "Korevora" (Karur) as a very famous inland trading centre in the
ancient division of Tamil Nadu. After the Sangam Cheras, Kongus (Gangas), a Chera related native clan ruled Karur. After them, the arch rivals Chozhas conquered Karur and ruled it for forty years. The Kongus (Gangas) again conquered Karur as vassals of Hoysalas. The Muslim looter Malik Kafur ended the Hoysalas and Vijayanagara empire absorbed Karur. Thereafter, Karur was a part of the Mysore state. The hanging of Tipu and defeat of Dheeran Chinnamalai broke up Kongu Nadu and Karur was absorbed into the Tiruchirapalli district by the British.

Karuvoor Thevar born in Karur, is one among the nine devotees who sung the divine Music Thiruvichaippa, which is the ninth Thirumurai. He is the single largest composer among the nine authors of Thiruvichaippa. He lived during the reign of the great Raja Raja Chola-I. In addition to the famous Siva temple,.there is a Vishnu temple at Thiruvithuvakkodu suburb of Karur, sung by famous Kulasekara Alwar [7-8th century AD], who was the ruler of Kongu nadu. The same temple is presumably mentioned in epic Silappadikaram as Adaha maadam Ranganathar whose blessings Cheran Senguttuvan sought before his north Indian expedition.

Later the Naickers followed by Tipu Sultan also ruled Karur. The British added Karur to their possessions after destroying the Karur Fort during their war against Tipu Sultan in 1783. There is a memorial at Rayanur near Karur for the warriors who lost their lives in the fight against the British in the Anglo-Mysore Wars. Thereafter Karur became part of British India and was first part of Coimbatore District and later Tiruchirappalli District.

Karur is also a part of Kongunadu. The history of Kongunadu dates back to the 8th century. The name Kongunadu originated from the term "Kongu", meaning nectar or honey. Kongu came to be called as Kongunadu with the
growth of civilization. The ancient Kongunadu country was made up of various
districts and taluks which are currently known as Palani, Dharapuram, Karur,
Namakkal, Thiruchengodu, Erode, Salem, Dharmapuri, Satyamangalam,
Nilgiris, Avinashi, Coimbatore, Pollachi and Udumalpet.

2.7.2 Karur District

at Karur, is the most centrally located district of Tamil Nadu. It is bounded by
Namakkal district in the north, Dindigul district in the south, Tiruchirapalli district
on the east and Erode district on the west.

Karur district has 4 Municipalities (Karur, Inama Karur, Thanthoni,
Kulithalai) 10 Town Panchayats and 158 Village Panchayats and 203 Revenue
Villages. Karur District has 4 Assembly constituencies of which, one is a
reserved constituency namely Krishnarayapuram. Karur Parliamentary
constituency constitutes 6 Assembly constituencies; 2 are from Tiruchirappalli
revenue district, namely Marungapuri and Thottiam and 4 Assembly
Constituencies from Karur.

Taluks

Karur District consists of 4 Taluks: Karur, Kulithalai, Krishnarayapuram
and Aravakurichi

2.7.3 Population and Literacy

Karur has a population of 70,328 Males constitute 50 percent of the
population and females 50 percent. Karur has an average literacy rate of 78
percent, higher than the national average of 59.5 percent: male literacy is 84
percent, and female literacy is 72 percent.
<table>
<thead>
<tr>
<th><strong>Area (Sq. Km.)</strong></th>
<th>2,895.57</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td>9,35,686</td>
</tr>
<tr>
<td>Male</td>
<td>4,65,538</td>
</tr>
<tr>
<td>Female</td>
<td>4,70,148</td>
</tr>
<tr>
<td>Rural</td>
<td>7,24,856</td>
</tr>
<tr>
<td>Urban</td>
<td>2,10,830</td>
</tr>
<tr>
<td><strong>Density (Sq. Km.)</strong></td>
<td>323</td>
</tr>
<tr>
<td><strong>Literates</strong></td>
<td>6,41,888</td>
</tr>
</tbody>
</table>

**Main Workers (2001 Census)**

| **Total Workers** | 4,96,464 |
| **Male**          | 2,94,150 |
| **Female**        | 2,02,314 |
| **Rural**         | 3,59,637 |
| **Urban**         | 1,36,827 |
| **Cultivators**   | 1,00,875 |
| **Agricultural Labourers** | 1,52,993 |
| **Household Industry** | 18,228 |
| **Other Workers** | 1,73,354 |
| **Marginal Workers** | 51,014 |
| **Non-Workers**   | 4,39,222 |

**Languages spoken in the District** Tamil, Telugu, English, Urdu.
2.7.4 Geography

Karur is located at 10°57'° N 78°4'° E.[2] It has an average elevation of 122 metres (400 feet). Its about 371 km south west of Chennai (Madras), the capital of Tamil Nadu.

2.7.5 Climate

The highest temperature is obtained in early May to early June usually about 34 °C, though it usually exceeds 38 °C for a few days most years. Average daily temperature in Karur during January is around 23 °C, though the temperature rarely falls below 17 °C.

The average annual rainfall is about 725 mm. It gets most of its seasonal rainfall from the north-east monsoon winds, from late September to mid November.

2.7.6 Agriculture

Utilisation of land area in Karur district is up to 44.59 percent. 4.76 percent of the land area remains as other uncultivated land. 2.74 percent is forest area in Karur district.

Black soil is the predominant soil type in this district accounting for 35.51 percent followed by lateritic soil for 23.85 percent. The remaining 20.31 percent is comprised of sandy, coastal and alluvium soil. The main crops are Paddy, Banana, Sugarcane, Betel leaf, Grams&Pulses, Tapioca Kora grass, Groundnuts, Oilseeds, Tropic-Vegetables, Garland Flowers, Medicinal Herbals etc.
2.7.7 Industries and Trade

Home Textiles

Karur is famous for its home textiles. Karur has a niche in five major product groups – bed linens, kitchen linens, toilet linens, table linens and wall hangings. Overall Karur generates around Rs.6000 crores ($1200 million dollars a year) in foreign exchange through direct and indirect exports. Allied industries like ginning and spinning mills, dyeing factories, weaving etc employs around 300,000 people in and around Karur.

On the international textile map Karur has become synonymous with hand-loom “made-ups” first as Tirupur in the hosiery product. The weaving industry came to Karur from Kerala and has earned a reputation for its high quality hand-loom products today. Hand-loom exports from Karur began on a modest scale with just 15 exporters in 1975 and today Karur has 1000s of exporters and the products are supplied to world leading chain stores like J.C. Penny, WalMart, Target, IKEA, Ahlens etc.

The hand-loom products being exported have been broadly classified under three heads viz., kitchen, bathroom and bedroom furnishing items. Some of the hand-loom made-ups exported from Karur are Bedspreads, Sheet sets, Towels, Floor rugs, Tea towels, Napkins, Aprons, Kitchen towels, Pot holders, Plate mats, Bathmats, Tea mats, Curtains, Pillow covers, Quilt covers and Shower curtains. Some of the leading exporters of Karur are Sabari international, Atlas exports, Aravind A traders, Asian exports, VKS Fabrics and Sethman exports etc.
## 2.7.8 Paper

TNPL is promoted by the Government of Tamil Nadu with loan assistance from the World Bank. Today, TNPL is the largest producer of bagasse (sugarcane waste from Sugar mills) based paper in the world and the 2nd largest paper producer in Asia. TNPL produces 230,000 tons of Printing & writing paper and consumes 1 million tones of bagasse every year.

## 2.7.9 Bus body building

Karur is a renowned centre for bus building industries. This is a unique feature of Karur and almost 90 percent of south Indian private bus bodies are being built here. The total business is estimated to be around Rs.750 crore per annum.

## 2.7.10 Cement

Karur is also home to Chettinad Cements. It has an installed production capacity of 600,000 tons per annum, with another 1.1 million tons expansion in the pipeline.

## 2.7.11 Sugar

EID Parry has a sugar factory in Pugalur, Karur. It has a capacity of 4000 TCD per year. It also has a 22 MW co-generation Power plant, with TNPL.

## 2.7.12 Banking

Karur is the home town of India’s oldest private scheduled banks, The Karur Vysya Bank and The Lakshmi Vilas Bank.
2.7.13 Transportation

ROAD

Karur is well connected with rest of India through all modern means of transportation. There are 2 National highways NH-7 (North South Corridor(Kashmir to Kanyakumari)) Varanasi - Kanyakumari) and NH-67 (Nagapattinam - Trichy - Karur - Coimbatore - Ooty) that ply through Karur. And directly connect with other major town like Erode, Tiruppur, Pollachi, Namakkal, Dindigul, Theni, Palani, Karaikudi, Kumbakonam, Pondicherry etc.

TRAIN

Karur (Station Code - KRR) is connected to the Indian Railways network. Trains from Mysore to Tuticorin, Mangalore to Chennai, Coimbatore to Kumbakonam Janshatabdi Express and Mysore to Mayiladuthurai travel via Karur. Karur is connected to major towns like Coimbatore, Madurai, Chennai, Trichy, Salem, Erode, Bangalore and almost north India via rail network.

AIR PORT

The nearest airport is in Trichy (78 km), Coimbatore (122 km) and Madurai (135).

SEA PORT

The nearest major sea port is at Cochin (280 km), Thoothukudi (344 km) and Chennai (332 km).
2.8 Profile of the Selected Handloom Societies

2.8.1 Group -1 Societies

(i). Athur Anna Handloom Weavers’ Co-operative Society

Athur Anna handloom weavers society is the largest society in Karur District established in 1982 and it has completed around 15 years of business operation. Its membership is around 155. Their main range of output includes ribbed mat and runner products for spreads. This society has implemented several welfare measures. The society faces severe competition from power loom goods.

(ii). Amman Handloom Weavers’ Co-operative Society

This society was established in 1973 and at present there are around 104 weavers on roll. The society explored the possibilities in the production of export varieties only due to declining sales in the domestic market. The major output of the society is ribbed mat varieties. The society sells its products through a retail sales depot and majorities are dealt through Buying Houses.

(iii). Manmangalam Cauvery Handloom Weavers’ Co-operative Society

Manmangalam Cauvery Weavers’ society was established in 1977 in Vengamedu, Karur. The membership in this society is 80 and its output are ribbed mat and runner. The society has undertaken several labour welfare measures like education to the children, medical facilities, housing schemes and insurance scheme etc., It has a retail sales depot in Karur in order to promote the local sales.
2.8.2 Group - II Societies

(iv). Kattipalayam Handloom Weavers' Co-operative Society

Kattipalayam society was established in 1955 and has completed 27 years of existence and its membership is around 47. This society produces only pipe product. Most of the sales are effected through exports, Co-optex and exhibition sales. This society anticipates a revival package from the government to sustain its operations.

(v). Maha Kavi Barathiya Handloom Weavers' Co-operative Society

Maha Kavi Bharathiyar society was established in 1969. At present there are around eighty three weavers producing ribbed and fabric products in this region. This society has implemented overall welfare measures to promote the weavers standard of living.

(vi). Sri Mariamman Handloom Weavers' Co-operative Society

Sri Mariamman society was established in 1982 with 25 members in Uppidamangalam, Krishnarangapuram Taluk, Karur District and at present there are around 57 members on its roll. The major output of the society is ribbed and fabric products. The society faces severe competition from mill and power loom goods. This society has undertaken several welfare measures in order to uplift the weavers' life.

2.8.3 Group - III Societies

(vii). Perichipalayam Handloom Weavers' Co-operative Society

This society was established in 1982. The membership in this society is 110 and its output is cotton based ribbed, runner and other mat products. This society is the sole employment generation source in Perichipalayam village helping the rural people to earn reasonable wages. This society sells the majority of its output through export sales and through exhibition sales.
(viii). Rajendram Sachidananda Handloom Weavers Co-operative Society

Rajendram Sachidananda Handloom Weavers’ production and sales society, Thanneerpalli, Kulithalai Taluk, Karur was functioning from 1971 and at present it has about 40 members. This society’s output is fabrics of home furnishing only. This society is also anticipating a revival package from the government to sustain its operations.

(xi). Thogamalai Padmasala Handloom Weavers Co-operative Society

This society was started in 1937 with 15 members. At present there are 50 weavers who have registered their names in this society. This society produces fabrics products. This society has earned Rs.3.91 lakhs through fabrics production during the year 2006-07. This society has implemented several welfare schemes to promote the weavers in their day-to-day life.

2.9 Data Base

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.

2.10 Tools of Analysis

The study has employed the following tools for analyzing the financial performance of the handloom co-operative societies and for verifying the hypotheses.

1. Linear and polynomial equations and compounded growth rates have been used for evaluating growth rates in production and sales;
2. Gross profit percentages and net profit percentages have been used for measuring profitability. Altman’s ‘Z’ score has been employed for predicting the financial health of the societies under study;

3. 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;

4. Turnover of working capital and operating cycle have been estimated through calculation of component cycles namely, Net raw material cycle, conversion cycle, storage cycle and collection cycle;

Apart from the above tools, averages, percentages and simple growth rates were also used. In production and sales analysis the trends over a period of time have been deflated to constant prices with the help of the Wholesale Price Index published by the Reserve Bank of India.

2.11 Period of the Study


2.12 Limitations of the Study

The present study highlights the overall performance of nine selected Handloom Weaver’s Co-operative Societies segmenting three categories in terms of sales volume, the study attempts to analyse the production and sales performance, financial profitability and health, movement of funds and position of working capital over the period of ten years of the selected societies, it does not cover major areas like, production planning, quality control, cost reduction and cost control and performance appraisal due to resource constraints of the researcher.
2.13 Chapter Scheme

Chapter 1 deals with the introduction about the Textile and Handloom industries,

Chapter 2 presents the review of literature and design of the study,

Chapter 3 covers the analysis of production and sales performance of the societies,

Chapter 4 deals with the profitability and financial health of the societies,

Chapter 5 carries the fund flow management of the societies,

Chapter 6 deals with the working capital management of the societies and

Chapter 7 ensures the summary of findings and suggestions

2.14 Operational Definition of Concepts

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

2. **Handloom Weavers’ Co-operative Society**: It means a primary handloom weavers’ co-operative production and sales society, registered under the Societies Act of the Government of Tamil Nadu, 1975. These societies are governed by the Co-operatives Act of the Government of Tamil Nadu.

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


