



## **Performance assessment of handloom co-operative societies in Nellore district: A study**

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### **Abstract**

The development of handloom co-operative societies depends on the efficiency of its member weavers. The skillful, committed and efficient weavers can emerge only when handloom co-operative societies function efficiently. It implies that development of handloom co-operatives and the economic development of weavers are like two sides of the same coin. There is a correlation between proper functioning co-operative societies and economic development of weavers. The success of co-operatives ultimately depends on the commitment, efficiency and involvement of the weavers in their activity for the welfare of the society.

**Keywords:** handloom, co-operative societies, trends, business operations

### **Introduction**

The analysis of an efficiency of an organization is very much essential to assess its performance in its business operations. The assessment of performance can be made through some important tools like ratio analysis, trends in business operations. In this study the performance of handloom co-operative societies is analyzed in terms of its business efficiency in all aspects of their activity. If handloom co-operative societies are functioning on sound financial track, no doubt, the weavers ultimately get benefited and will consequently improve their standard of living. This sort of analysis would be highly useful to know the present state of affairs of the handloom co-operative societies.

### **Objective of the Study**

1. To study the performance of handloom co-operative societies in Nellore District.

### **Year of Study**

In the present study an attempt is made to cover the progress of the selected co-operative societies in three divisions of Sri. Potti Sriramulu Nellore District during the Period 2014-15 to 2018-19 in terms of membership, share, capital, sales, operational results and other related performance indicators are discussed to assess their efficiency.

### **Sample Design**

There are 53 handloom co-operatives in the district covering three division of Gudur, Nellore and Kavali. In which 27 (50%) handloom co-operatives are chosen for study covering 15 out of 29 in Gudur division, 4 out of 8 in Nellore division and 8 out of 16 co-operatives in Kavali division.

### **Growth and Progress of Selected Co-Operative Societies**

The detailed information about the progress of handloom co-operative societies is presented in table 1. It is observed from the table that in Gudur division, the membership of women weavers increased from 155 in 2014-15 to 160 in 2018-2019 on an average basis per society recording an increase of 3.22%. In Nellore division, there is no increase in membership of women weavers during that period. In Kavali division, the membership increased from 146 in 2014-15 to 150 in 2018-19 registering a marginal increase of 2.85%. On the whole there is not much enhancement in membership in Nellore district.

There is a substantial growth of 21.23% in total paid up share capital of sample co-operative societies in the district in Gudur division, followed by 7.60% in Nellore division and 5.94% increase is noticed in Kavali division during the period from 2014-15 to 2018-19. The Government contribution to the handloom co-operative societies has recorded a considerable increase of 28.26% in Nellore division but only 10.60% in Gudur division and a negative trend is observed in Kavali division, registered a negative growth of 7.14% during the same period. The percentage of government contribution to the share capital of the handloom co-operative societies in Nellore district recorded 19.10% increase in Nellore division, a negative growth of 8.76% in Gudur division and 12.35% negative growth in Kavali division. This indicates that the government contribution to the financial support to the societies is not much encouraging in Gudur and Kavali division.

The government financial assistance for working capital is also showing a negative trend in all the three division in Nellore district. The government assistance for housing to the weavers is high in Gudur division with 35.55%, where as 9.18% in

Nellore division and only a meager growth with 2.59% is recorded in Kavali division.

There is a considerable growth with regard to other loans in all three divisions.

**Table 1:** Division-wise progress of selected weavers co-operative societies in Nellore district (Average per society)

Sl. No	Particulars	Gudur Division		Nellore Division		Kavali Division		Percentage of Increase/Decrease		
		2014-15	2018-19	2014-15	2018-19	2014-15	2018-19	Gudur Division	Nellore Division	Kavali Division
1	Membership (in figures)	155	160	156	156	146	150	+3.22	0	+2.85
2	a. Total paid-up share capital	1.13	1.37	0.92	0.99	1.01	1.07	+21.23	+7.60	+5.94
	b. Government contribution	0.66	0.73	0.46	0.59	0.70	0.65	+10.60	+28.26	-7.14
	c. Percentage of Govt. contribution to share capital	58.40	53.28	50.0	59.59	69.30	60.74	-8.76	+19.10	-12.35
3	Financial assistance given by the government									
	a. Working capital loan	0.24	0.22	0.20	0.19	0.22	0.18	-8.33	-5.00	-18.9
	b. Loan for housing	0.90	1.22	0.98	1.07	0.77	0.79	+35.55	+9.18	+2.59
	c. Other Loans	0.22	0.30	0.24	0.32	0.21	0.29	+36.36	+33.33	+38.09
4	Reserves and funds	0.18	0.27	0.19	0.21	0.17	0.25	+50.0	+10.52	+47.05
5	Investments	0.17	0.37	0.32	0.39	0.36	0.42	+117.64	+21.87	+16.66
6	Borrowings	5.69	9.78	3.95	7.17	5.12	9.12	+71.88	+81.51	+78.12
7	Current liabilities	4.92	8.18	5.38	7.98	5.63	10.63	+66.26	+48.32	+88.80
8	Current assets	7.89	12.11	6.97	8.19	7.98	11.88	+53.48	+17.50	+48.87
9	Fixed assets	0.95	1.72	0.87	1.20	0.92	1.37	+81.05	+37.93	+48.91
10	Profit/Loss									
	a. Number of societies running in profit	6	8	1	2	4	3	+33.33	+100	-25.0
	b. Amount of profit	2.26	3.11	0.23	0.37	0.38	0.31	+37.33	60.0	-18.42
	C. Amount of loss	5.78	10.17	3.32	8.89	12.83	20.13	+75.95	+167.0	+56.89

**Source:** Researcher's compilation

The reserves and other funds of the sample co-operative societies during the periods 2014-15 and 2018-19 recorded a positive growth of 50% in Gudur division, 47.05% in Kavali division and 10.52% in Nellore division. In terms of investment there is a high growth recorded in Gudur division with 117.64%, where as in Nellore division it is 21.87% and only 16.67% in Kavali division. Consequently borrowing also increased at the rate of 81.51% in Nellore division, 78.12% in Kavali division and 71.88% in Kavali division, 66.26% in Gudur division and 48.32% in Nellore division during the same period. It can also be seen that current assets are increased by 53.48% in Gudur division, 48.87% in Kavali division and only 81.05% in Gudur division, 58.91% in Kavali division and 37.93% in Nellore division during the same period under the review.

The numbers of societies which are running on profit are increased by 100% in Nellore division, followed by 33.33% in Gudur division but there is a considerable decrease of 25% in Kavali division. Accordingly, profit also recorded a positive growth in Nellore and Gudur divisions but a negative trend is observed in Kavali division. The loss made by certain societies has also recorded an increase over the period of time in three revenue divisions in Nellore district. It reveals a mixed progress in its activities in the district.

### Performance of Handloom Co-Operative Societies in Nellore District

In addition to the overall progress of the handloom co-operative societies, the efficient measures in its business operations would also give a clear picture about the overall performance in Nellore district. The efficiency of the societies depends upon its business activities. It will be useful to analyze the performance of co-operatives by analyzing its purchases, sales, operating expenses, gross profit, establishment and other related charges. The detailed analysis is made pertaining to operational efficiency of the handloom co-operative societies and is presented in table 2.

### Purchases

The amount of purchases of raw material of the selected co-operative societies in Gudur division in the year 2014-15 is Rs.10.51 lakhs. It increases to 13.20 Lakhs in the year 2018-19, showing an increase of 25.59%. The amount of purchases of the handloom co-operative societies of Nellore division is Rs.2.69 lakhs in 2014-15 and it increased to 3.07 lakhs in the year 2018-19, showing a marginal growth of 14.12%, while in Kavali division the amount of purchases is decreased from Rs.2.52 lakhs in the year 2014-15 to Rs. 2.01 lakhs in 2018-19, thus registering a 20.23% negative growth. It may also be noted that the amount of purchases showed a considerable growth in Gudur and Nellore divisions over the period. The societies reported that the cause for the slow progress in terms of purchases during the period of study is only due to lack of adequate finance. It is a major problem of declining the demand for the products which ultimately influences the purchases. Generally purchases would be made based on demand for the final product and in the attitude of the women weavers towards under take their weaving activity.

### Sales

Sales are the major financial resource of development of co-operative societies, as they mainly depend upon the weaving activity of the weavers. The sales of the societies in Nellore division was Rs.4.12 lakhs in 2014-15 and it increased to Rs. 5.69 lakhs in 2018-19, showing an increase of 38.10% and growth in sales in Gudur division is recorded with 13.38%. But the sales performance of the societies of Kavali division is in declining trends with 24.37%. As discussed above, the sales performance of handloom co-operatives societies in Nellore district is not showing any appraisable results in order to improve the sales performance, weavers should be encouraged by providing them all the required facilities, because the sales performance of any such society ultimately depends on the weaving efficiency of weavers.

**Table 2:** Performance of the Selected Handloom Co-Operative Societies in Nellore District (Rs. in lakhs)

Sl. No	Particulars	Gudur Division			Nellore Division			Kavali Division		
		2014-15	2018-19	Growth (%)	2014-15	2018-19	Growth (%)	2014-15	2018-19	Growth (%)
1	Purchase	10.51	13.20	+25.29	2.69	3.07	+14.12	2.25	2.01	-20.23
2	Sales	13.90	15.76	+13.38	4.12	5.69	+38.10	2.79	2.11	-24.37
3	Gross profit	3.12	4.09	+31.08	0.87	1.12	+28.73	0.23	0.14	-39.13
4	Gross Profit as percentage to sales	22.44	25.95	+15.64	21.11	19.68	-6.77	8.24	6.63	-19.532
5	Net profit/Loss	2.26	3.11	+37.61	0.23	0.37	+60.00	0.38	0.31	-18.42
6	Net profit/Loss percentage to sales	16.25	19.73	+21.41	5.58	6.5	+16.48	13.62	14.69	+7.85
7	Establishment and contingency	0.30	0.61	+103.33	0.15	0.22	+46.67	0.92	0.97	+5.43
8	Percentage of establishment and contingency charges to sales	2.17	3.89	+79.26	3.62	4.02	+11.04	32.97	45.97	-39.42
9	Capital turnover Ratio	12.30	11.50	-6.50	4.47	5.74	+28.41	2.76	1.97	-28.62
10	Current Ratio	1.60	1.48	-7.50	1.29	1.03	-20.15	1.41	1.12	-20.56

Source: Researcher's compilation

### Gross Profit

The amount of gross profit is the difference between the amount of sales and the cost of goods sold. It can be calculated on the percentage of sales, and only then one can measure its profitability. The amount of gross profit of the co-operative societies of Gudur division is Rs.3.12 lakhs in 2014-15, and it has gone up to Rs.4.09 lakhs in 2018-19 recording 31.08% growth. The gross profit of the societies in Nellore division is Rs.0.87 lakhs in 2014-15 is increased to Rs.1.12 lakhs in 2018-19 showing an increase of 28.73%. The gross profit of the societies in Kavali division is decreased from Rs.0.23 lakhs in 2014-15 to 0.14 lakhs 2018-19 showing the decline of 39.13%. All the handloom co-operative societies in Gudur and Nellore division are showing positive result concerning gross profit, which is an indication of reduction of cost of goods sold.

### Gross Profit as Percentage to Sales

The gross profit percentage can be ascertained from the formula i.e., Gross profit is divided by sales and multiplied by hundred. Gross profit as percentage to sales of the handloom co-operative societies in Gudur division increased from Rs.22.44 lakhs in 2014-15 to Rs.25.95 lakhs in 2018-19, showing an increase of 15.64%. In the case of Nellore division it is decreased from Rs.21.11 lakhs in 2014-15 to Rs.19.68 lakhs in 2018-19 showing a decline of 6.77% and in Kavali division there is also decrease from Rs.8.24 lakhs in 2004-05 to Rs.6.63 lakhs in 2018-19 showing a decline of 19.53%. It can be noted that the high amount of trade charges has its own impact in reducing the gross profit.

### Net Profit/Loss

It can be observed that the co-operative societies in Nellore division recorded 60% growth in net profit and in Gudur division accounted 37.61% growth, there is a declining growth with 18.42% in Kavali division. Since there is declining trend in sales and gross profit naturally it has own influence on net profit.

### Establishment and Contingency Charges

The establishment and contingency charges as an average per society recorded in the increasing trend during the study period. In case of handloom co-operative societies of Gudur division, it is recorded Rs.0.30 lakhs in 2014-15 and it increased to Rs.0.61 lakhs in 2018-19 indicating a 103.33% increase in establishment charges in relation to sales. In case of Nellore and kavali divisions also shown the same tendency and registered an increase from Rs.0.15 lakhs in

2014-2015 to Rs. 0.22 lakhs in 2018-19 and Rs.0.92 lakhs to Rs.0.97 lakhs showing an increase of 46.67% and 5.43% respectively.

### Capital Turn-Over Ratio

Capital turnover ratio is the ratio between the funds available for business operations and turnover in the way of sales. The ratio between capital and turnover indicates how best the handloom co-operative societies are utilizing the available funds in order to improve their performance of sales. The capital turnover on an average of the handloom co-operative societies in Nellore division worked out at 4.47 times in 2014-15 and it increased to 5.74 in 2018-19 showing an increase of 28.41%. The decrease in the handloom co-operative societies of Gudur and Kavali divisions recording a negative trend i.e., decrease from 12.3 times in 2014-15 to 11.5 times in 2018-19 and from 2.76 times to 1.97 times recorded a decline of 6.5% and 28.62% respectively. It reveals that the handloom co-operative societies in Nellore division recorded a good performance in utilizing the available funds in order to augment their levels of sales.

### Current Ratio

Current ratio an absolute measure of liquidity which refers to the ability of an enterprise to pay off its short term liabilities. It is the ratio between the current assets and current liabilities. The ideal current ratio is 2:1, it means an enterprise should have for every one rupee worth of current liabilities, two rupees worth of current assets. The handloom co-operative societies in kavali division on an average per society registered 1.41 in 2014-15 which declined to 1.12 in 2018-19 indicating a negative growth of 20.56%, the current ratio in the case of the societies of Nellore and Gudur divisions are also showing declining trend from 1.29 in 2014-15 to 1.03 in 2018-19 and from 1.6 2014-15 to 1.48 in 2018-19 showing a negative growth of 20.15% and 7.5% respectively. It may be noted that all the handloom co-operative societies in all the three divisions of Nellore district have not yet reached the standard current ratio of 2:1. It indicates an unsound liquidity position of the societies.

### Division-Wise Profitability of the Handloom Co-Operative Societies

Profitability of the societies indicates good performance in operational transactions. In other words, the high the profitability of the societies resulted in good operational

performance. Division-wise profitability of the handloom co-operative societies in Nellore district is presented in table 3. The vertical analysis reveals that out of the 27 sample handloom co-operative societies, 16 societies (59.26%) are in loss zone, the remaining 11 societies (40.74%) are profit zone during the year 2014-15. But some changes were observed that, 14 societies (51.85%) are in loss zone and 13 societies (48.15%) are in profit zone, indicating a small progress in profitability of the societies during 2018-19.

Regarding the division-wise analysis, out of total 15 societies in Gudur division in the year 2014-15, 9 societies (60%) are in the loss ranging from Rs.5 lakhs to 20 lakhs and above in the year 2014-15 and 6 societies (40%) are in the profit zone ranging from one lakh to three lakhs and above in the same period. But, during the year 2018-19, out of total 15 societies in Gudur division, 7 societies (46.67%) are in loss zone and 8 societies (53.33%) are in profit zone.

**Table 3:** Division-Wise Profitability of the Handloom Co-Operative Societies (No. of societies)

Profit/Loss (in Rs.)	2014-15				2018-19			
	Gudur Division	Nellore Division	Kavali Division	Total	Gudur Division	Nellore Division	Kavali Division	Total
Loss								
Less than-5 lakhs	1 (33.33) (6.67)	1 (33.33) (25.0)	1 (33.34) (12.5)	3 (100) (11.11)	2 (25.0) (25.0)	1 (25.0) (25.0)	1 (25.0) (12.5)	4 (100) (14.81)
5 lakhs – 10 lakhs	2 (100) (13.33)	-	-	2 (100) (7.41)	1 (33.33) (6.67)	1 (33.33) (25.0)	1 (33.34) (12.5)	3 (100) (11.11)
10 lakhs – 15 lakhs	4 (57.14) (26.67)	1 (14.29) (25.0)	2 (28.57) (25.0)	7 (100) (25.92)	2 (50.0) (13.33)	-	2 (50.0) (25.0)	4 (100) (14.81)
15 lakhs – 20 lakhs	1 (50.0) (6.67)	1 (50.0) (25.0)	-	2 (00) (7.41)	2 (100) (13.34)	-	-	2 (100) (7.41)
Above 20lakhs	1 (50.0)	-	1 (50.0) (12.5)	2 (100) (7.41)	-	-	1 (100) (12.5)	1 (100) (7.41)
Total societies in Loss zone	9 (56.25) (60.0)	3 (18.75) (75.0)	4 (25.0) (50.0)	16 (100) (59.26)	7 (50.0) (46.67)	2 (14.29) (50.0)	5 (35.71) (62.5)	14 (100) (51.85)
Profit								
Less than-1 lakhs	3 (50.0) (20.0)	1 (16.67) (25.0)	2 (33.33) (25.0)	6 (100) (22.22)	2 (66.67) (13.33)	-	1 (33.33) (12.5)	3 (100) (11.11)
1 lakhs – 2 lakhs	2 (66.67) (13.33)	-	1 (33.33) (12.5)	3 (100) (11.11)	3 (60.0) (20.0)	1 (20.0) (25.0)	1 (20.0) (12.5)	5 (100) (18.52)
2 lakhs – 3 lakhs	1 (50.0) (6.67)	-	1 (50.0) (12.5)	2 (100) (7.41)	2 (50.0) (13.33)	1 (25.0) (25.0)	1 (25.0) (12.5)	4 (100) (14.81)
Above 3 lakhs	-	-	-	-	1 (100) (6.67)	-	-	1 (100) (3.71)
Total societies in Profit zone	6 (54.54) (40.0)	1 (9.09) (25.0)	4 (36.37) (50.0)	11 (100) (40.74)	8 (61.54) (53.33)	2 (15.38) (50.0)	3 (23.08) (37.5)	13 (100) (48.15)
Grand total	15 (100)	4(100)	8 (100)	27 (100)	15 (100)	4 (100)	8 (100)	27 (100)

**Source:** Researcher's compilation

**Note:** Figures in parentheses indicate percentage to total

## Conclusion

The development of handloom co-operative societies depends on the efficiency of its member weavers. The skillful, committed and efficient weavers can emerge only when handloom co-operative societies function efficiently. It implies that development of handloom co-operatives and the economic development of weavers are like two sides of the same coin. There is a correlation between proper functioning co-operative societies and economic development of weavers. The success of co-operatives ultimately depends on the commitment, efficiency and involvement of the weavers in their activity for the welfare of the society. The weaver's co-operatives carry out and monitor the weaving activities of weavers so as to increase production and profitability to strengthen the financial base of the member weavers of the society. It is the fact that the improper and inefficient management of handloom co-operatives are responsible for slow progress in the performance of the societies in the study area of the district. The performance of co-operative societies in the district is not good and their financial position is not on sound lines due to various reasons. Lack of sufficient financial resource could damage the production and the interests of the weavers to continue in the weaving activity. They face serious problems of production and marketing of their

products. Most of the co-operative societies in the district have got into trouble because of lack of loyalty and commitment in the member weavers to the co-operations. Therefore, it needs help and support from the government and allied agencies which mean to promote and improve the performance of the co-operative societies.

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