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An Analysis of Profitability in Financial Performance of Selected Silk Co-Operative Societies in Kumbakonam Cluster, Tamilnadu

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Abstract

The Handloom co-operative sector assumes a significant part in a country's financial turn of events. This paper assessed the monetary execution of ten chosen silk co-operative societies in kumbakonam cluster by examining evaluated fiscal summaries of a long term period from 2010 to 2020. The insightful strategies utilized incorporate unmistakable measurements of monetary totals and proportions and correlation investigations. The monetary totals dissected incorporated all things that sway pay age as well as things that address the financial position of the chose societies. The discoveries highlighted that they chose silk co-operative societies in kumbakonam cluster accomplished great monetary outcomes and were in solid monetary position. The outcomes additionally demonstrated a huge connection between Net Profit proportion and Capital Employed Ratio to illuminate that the Net Profit Ratio was the most significant explainer of Return on Capital Employed. They would likewise then prevail with regards to drawing in more individuals and in this way fundamentally contribute towards destitution decrease and financial enhancement drives in the country.

Keywords: Profitability, Silk Co- Operative Societies, Financial Performance, Accounting Ratios, Correlation

Introduction

Handloom sector, with its long tradition of excellence in craftsmanship, occupies a place of eminence in preserving heritage of our state and plays an important role in the economy of the State. Tamilnadu has the pride for its unique Handloom products like Silk Sarees, Cotton Sarees, Dhoties, Lungies, Towels, Furnishing Materials, etc. There are 21.46 lakh handlooms in India, of which 1.89 lakh handlooms are in the State. Handloom sector in Tamilnadu, is unique in the sense that majority of the handloom weavers are in the Cooperative fold. The State handloom sector provides employment

to around 3.19 lakh handloom weavers, which occupies third position in the co. The handloom industry study focus in Vision 2023 envisages a 14% annual growth in the manufacturing sector and an investment of Rs.15 lakh crore in the next 10 years. In order to attain the growth targets fixed for the respective economic indicators, the formulation of a new policy for the textile sector has become imperative. 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. Textiles is requesting substantive inputs and suggestions from all stakeholders including individuals and associations on various topics like wool, cotton, silk, jute, manmade fibre, handloom, handicraft, powerloom, infrastructure, investment, apparel, exports, branding and quality control, technical textiles, human resource, technology and machinery up-gradation to take forward various sub sectors of the textile industry to a level where production, exports and employment grows at a faster pace.

Statement of the Problem

Helpful development in India overall and in Tamilnadu specifically has shown a sensational development in number as well as in participation size, capital and functional variety. This predominantly properties to the endeavors applied by the public authority and different partners. Co-operatives have been considered by the public authority as a strong instrument to lift the poor out of the domain of destitution and are tremendously expected to add to the nation's Growth and Transformation Plan. Cooperatives in India overall and in Tamilnadu specifically need to reasonably serve their individuals and meet what they are generally anticipated to contribute towards the country's public turn of events. Basically, it is essential to screen how these individuals' associations are monetarily working. Finance is a blood for corporate organizations as well as for agreeable societies. Except if the monetary position and monetary execution of cooperatives are solid, it could be a bad dream for agreeable societies to adequately serve their individuals and add to the public financial turn of events. Up until this point not many endeavors are made to analyze the monetary exhibition of helpful associations in Kumbakonam cluster. No endeavor is up until this point made to look at the monetary exhibition of multipurpose agreeable associations in Kumbakonam cluster. The shortage of study incorporating the monetary presentation of agreeable associations in Kumbakonam cluster in the writing has started the specialist to look at the monetary exhibition of the helpful associations in Kumbakonam cluster. Consequently, this study investigates the monetary exhibition of multipurpose helpful associations in Kumbakonam cluster over the period 2010 to 2020.

In any case, studies on the monetary execution of cooperatives at group level are not embraced up until this point. Considering understanding this hole, the analyst is inspired to attempt this examination study to investigate the monetary exhibition of multi-reason agreeable associations in Kumbakonam cluster.

Objectives of the Study

The expansive goal of this study is to give exact proof on the monetary execution of chosen silk co-operative societies in kumbakonam cluster through proportion examination and other logical techniques. The particular objectives include:

- To analyse the explore in profitability ratios over a ten years in period of the study, to reflect on the trend of these ratios and assess the financial performance of the selected societies.
- To measure and interpret the degree of relationships between these ratios.

- To determine the sign of growth trend in profit, assets and liabilities of the selected silk handloom Co-operatives over a ten years in the period of overall study.

Significance of the Study

Monetary execution examination through fiscal summary investigation is the most common way of inspecting connections among budget report components and making correlations with significant data. Thus, such outcomes are important apparatuses which can be utilized by individuals, investors and lenders, monetary examiners, and others in their dynamic cycles connected with the helpful associations under this review.

The primary objective of this examination is to dissect fiscal reports of the associations from the past exhibition and current monetary position to make forecasts regarding the future monetary presentation of the associations. This Study will help the associations being scrutinized to recommend available resources to work on the proficiency of the associations. Besides, the review will fill in as a kind of perspective material for the two scholastics and experts.

Scope of the Study

The focal point of the review was on examining monetary execution of chosen silk co-operative societies in kumbakonam cluster. Nonetheless, because of absence of complete review reports of the relative multitude of 17 helpful societies in the cluster, the review winds up with 10 societies with complete decade's review reports. The review has managed the monetary execution, as far as monetary efficiencies of the ten selected silk co-operative societies in kumbakonam cluster. The investigation covers the new ten years simply because the fiscal summaries.

Review of Related Literature

As per Yuvaraj and Biruk (2013), the monetary wellbeing on the liquidity position of Gohe cooperatives saving and credit association showed that unfortunate condition. As per WOCCU proposed norms the association might neglect to fulfil the store withdrawal demand because of the way that the association has no fluid hold assets to go over the solicitation; crumbling liquidity position furnishes individuals with hazardous spot to store their cash. Dissolvability or assurance of Gohe cooperatives saving and credit association for delinquent advance is more noteworthy than a year and 1 a year. There is 100 percent assurance of delinquent advances remarkable that empowers the association is get by in a protected status on insurance in the review time frame and the dissolvability position likewise follow the WOCCU model. Notwithstanding, Gohe cooperatives saving and credit association has not followed the predefined strategy for advance misfortune arrangement, awful obligation composed of, and no misconduct report because of the way that the credit strategy continued in the association is severe and they make advance recuperation for any advance delinquent from the equilibrium of defaulters or from the records of underwriters which empowers to have hundred percent dissolvability or insurance to cover the conceivable advance misfortunes from far-fetched advances.

As per Nadezhda (2009), the monetary presentation of promoting helpful endeavors working in the agro-food market was analyzed observationally inferred that there are numerous different variables which influence the monetary exhibition of the food cooperatives. Some of them are powerless administration, which brings on some issues of incapable asset distribution in their utilization; high credit troubling and low liquidity levels; immature advertising the executives, including the shortfall of specific market specialties and non-unmistakable brand names; and absence of information concerning the rustic culture. Besides, the shortfall of cutthroat market procedures like item separation, market division, specialization, and broadening, forestalls expansions in overall revenues and extensions popular. To defeat the issues which were referenced

above, changes inside the ventures, yet additionally government and helpful authoritative backings are required.

As portrayed by Tsegay, (2008) the arrangement of cooperatives is enduring by numerous issues like unfortunate administration and debasement. Moreover, notwithstanding of its inborn qualities of agreeable, the facts confirm that different social, social, financial and political situations decide their prosperity and disappointment. For the most part the capability of cooperatives and the degree of their improvement have as a rule flopped because of low norm of execution and awful administration.

As indicated by Alema (2008), the liquidity proportions of the cooperatives were fluctuating during the back to back years. This is a direct result of the distinction in how much the credit from one year to another with the outcomes for fluctuating in interest payable. Here, the effect of acquiring has displayed in diminishing the liquidity proportion. Along these lines, cooperatives should expand their cash-flow to limit the credit.

Jemal, (2008) additionally utilized proportions investigation to assess exhibitions of cooperatives requiring the two years monetary information (2001/2 and 2002/3) in the review regions. The liquidity examination showed that the cooperatives being scrutinized were underneath the palatable rate (a current proportion of fewer than 2.00) for two sequential years. Every one of the cooperatives being scrutinized in the two regions utilize monetary influence (financed a greater amount of their absolute resource with bank's asset that is on normal 89.35 percent of the resources of the cooperatives was financed with leasers store in the two years). The benefit proportion of the cooperatives being scrutinized in the two regions showed that the productivity of the cooperatives was powerless. Every one of the cooperatives procures return on their resource underneath the loan cost the monetary foundations expand credit. The obligation proportion shows the monetary gamble that is as obligation turns into an expanding level of the cooperatives' financing source, the cooperatives face failure to meet obligation commitments (Jemal, 2008).

Methodology of the Study

Kumbakonam Taluk was purposely selected for the study as it is a prominent silk producing place in Thanjavur district of Tamil Nadu. All the 10 co-operative societies registered with Tamilnadu silk Handloom Board were selected by using simple random sampling method. The period of study analysis in a period of 10 years from 2010-2011 to 2019-2020. Pure silk Goods, Exclusive for silk.

The gathering important information at one moment from an example chose to depict same enormous populace at a time. For this examination, quantitative information was utilized and within regards to the wellspring of information, this study utilized just auxiliary wellsprings of information. Secondary sources information was gathered especially from the decade 2010 to 2020 reviewed monetary reports from chosen societies from Kumbakonam cluster helpful office.

The number of inhabitants in the review was silk co-operative societies in Kumbakonam cluster. Despite the fact that there are 17silk co-operative societies in Kumbakonam cluster, large portion of them were not routinely audited. The analyst considered multi-reason cooperatives which have been consistently reviewed for a long time. Consequently, the review manages just ten silk co-operative societies in Kumbakonam cluster which are appropriately evaluated in the review period. The gathered information were broke down utilizing the methods of proportion investigation and correlation examination to discover the genuine image of the monetary presentation of the co-operative societies over the decade.

Profitability Ratios

Profitability ratio connect with a bunch of proportions that are utilized to survey the capacity of a business venture to create pay when contrasted with their costs and other related costs that are

brought about during a given timeframe. Productivity is critical to the idea of dissolvability and going concern. The review thought about Gross Profit Ratio, Net Profit Ratio and Return on Capital Employed proportions for estimating productivity of chosen silk co-operative societies.

Return on Investment

The profitability of an undertaking is also measured in relation to investment .the term investment may refer to capital employed or the shareholders equity. Accordingly, two profitability ratios in relation to investment can be calculated. These are: Return on Capital Employed: This ratio indicates the effective utilisation of funds (supplied by creditors and owners) invested in business in terms of profits earned on it. It can be calculated as follows: $\text{Net Profit/Net capital employed} \times 100$. Return on shareholder’s Equity- It is the ratio of net profit to profit earned by the shareholders on the amount invested by them in the business.

Net profit is the residual of the gross profit after the fixed costs are paid for. Therefore the ratio of net profit to sales helps in assessing the feasibility of the scale of operations and management of overheads.

The return on investment will enable us to find out whether the precious capital has been profitability employed in the business. Therefore, ratio of gross profit to sales, ratio of net profit to sales, ratio of net profit to sales and ratio of net profit to investment have been chosen in the study for evaluating the management of prime cost and overheads; viability of scale of operation and utilization of investment.

- Socio Economic conditions of the handloom weavers could be important area need to be probed
- Government Handloom policies in the new economic policy regime is an another vital area need introspection
- Transition of clothing pattern and the silk sarees consumption could be an another area which deserved assessment

Results and Discussions

This part manages the investigation and aftereffects of the study. Tables with rates were utilized to examine the proportions that are connected with liquidity; influence, benefit proportion, and normal size pay proclamation and pattern of the monetary presentation of multipurpose helpful associations.

Table 1 Gross Profit Ratio of Sample Societies

S.No	Year	1	2	3	4	5	6	7	8	9	10
1.	2010-11	14.59016	30.0741	24.90659	17.91591	12.91857	6.767715	59.07731	27.92154	15.8284	28.84937
2.	2011-12	25.69062	22.76153	19.46178	22.33016	9.469998	8.927898	46.45106	2.032455	17.43373	3.986315
3.	2012-13	22.76091	23.70101	20.26902	4.003182	11.78727	12.39017	0.360908	13.6342	17.40516	7.006518
4.	2013-14	27.19595	17.54969	21.75049	13.72299	0.637306	14.31141	12.0372	10.70309	9.592934	19.41053
5.	2014-15	19.62579	16.58632	16.13689	9.589502	20.09762	6.453652	9.395561	6.340008	5.508552	5.17926
6.	2015-16	22.44024	24.81112	16.17322	1.134905	16.10112	10.28381	11.8878	5.46059	3.497495	1.321304
7.	2016-17	20.13026	25.69378	25.18878	15.74571	13.77052	0.998521	0.641907	4.471707	26.75978	32.9825
8.	2017-18	16.93589	21.62839	25.24851	3.624627	14.45598	9.369007	13.1242	10.24301	13.69669	20.12754
9.	2018-19	18.20173	19.39406	16.83601	9.943036	12.78601	11.88209	7.264761	0.10591	12.03019	20.6336
10.	2019-20	17.32623	22.33029	20.04969	11.37262	11.44813	14.34414	19.61088	2.931766	11.9829	1.921044

Source: Annual Reports of Sample Societies during 2010 to 2020

Table 2 Net Profit Ratio of Sample Societies

S.No	Year	1	2	3	4	5	6	7	8	9	10
1.	2010-11	9.775348	0.916621	-11.8812	-52.8984	0.07159	-15.7114	-32.4763	-7.71948	0.385315	-24.099
2.	2011-12	16.87248	0.412524	-15.077	-61.4824	-2.96201	-18.1805	29.65073	-36.7163	0.169112	-15.9732
3.	2012-13	18.48031	3.496796	-10.5753	-45.7289	-8.39441	-8.94581	0.070181	-3.21275	-3.24179	-12.5042
4.	2013-14	19.68093	1.417198	4.539309	-2752.26	6.670188	-12.6154	-43.01	7.759156	-49.1898	15.4638
5.	2014-15	0.236121	2.326046	0.435819	-14.8407	2.206367	-15.9528	-19.3877	9.154428	-32.3881	-33.2345
6.	2015-16	16.24526	2.378603	2.547085	-16.8011	2.309035	-13.7772	-4.91179	-28.4425	10.35687	6.505709
7.	2016-17	15.86745	2.137333	0.923473	-4.38907	0.581448	-7.08185	-37.6229	-4.83311	5.865227	-5.95103
8.	2017-18	14.97007	0.10481	0.23871	-88.6366	0.950881	-6.87769	-0.57615	-29.0407	3.407438	-4.67157
9.	2018-19	16.1876	0.213492	0.046266	-78.5716	0.981328	-7.73236	-37.6229	-6.96095	4.875362	-15.5351
10.	2019-20	15.12234	2.614311	1.984774	-14.7616	-4.16118	-6.99552	-6.94611	22.33273	6.102232	7.676419

Source: Annual Reports of Sample Societies during 2010 to 2020

Table 3 Return on Investment of Sample Societies

S.No	Year	1	2	3	4	5	6	7	8	9	10
1.	2010-11	11.84357	0.591593	-2.05332	-12.9905	0.034974	-20.3362	-26.3732	-48.8059	0.073653	-54.1123
2.	2011-12	19.26514	0.259963	-1.29238	-13.6227	-1.57017	-20.6433	21.32615	-32.0218	0.036761	-53.0159
3.	2012-13	19.49891	1.918841	-3.88779	-11.2852	-3.9762	-14.3303	5.383663	-2.412	-0.53652	-45.9497
4.	2013-14	19.97691	0.794333	113.6497	-305.711	1.60379	-19.0754	-8.95894	31.36475	-3.67458	26.31597
5.	2014-15	0.240392	1.919073	0.126029	-4.85676	1.905249	-3.39111	-3.49407	4.55549	-5.89334	-8.63946
6.	2015-16	15.98551	2.001528	0.935591	-4.78729	2.042322	-4.44632	-4.917	-1.74534	2.956067	2.908447
7.	2016-17	14.98462	1.63871	0.301214	-1.20991	0.487411	-2.32553	-11.6759	-2.92249	2.191213	-1.78855
8.	2017-18	13.70328	0.083095	0.069565	-28.5388	0.851208	-3.48839	-0.4585	-11.9298	1.024579	-1.79209
9.	2018-19	12.94788	0.156648	0.014979	-34.0151	1.022966	-0.15399	-8.44966	-42.2901	1.610219	-4.47162
10.	2019-20	11.86614	1.722723	0.203506	-5.36326	-3.78696	-37.6458	-8.78146	8.585437	4.855816	2.482283

Source: Annual Reports of Sample Societies during 2010 to 2020

Analysis and Interpretation

That inspected co-agents accomplished a decent profit from capital utilized. Generally speaking, this proportion developed from 15% in 2018 to 29% in 2020 preceding somewhat dropping to 27% in 2012. The most elevated changes from the mean were recorded in 2010 (SDV = 38%) and the least (SDV = 11%) in the year 2018; a year that likewise had the most minimal profit from capital utilized (15%). In the entire ten years student, the profit from capital utilized stayed above 10.86 % which was the normal financing cost in THICO somewhere in the range of 2016 and 2018. This implies that co-agents yielded more profit from individuals' speculation than what individuals might have acquired assuming they had put their money in business banks. Return on capital utilized is the capacity of net revenue and resource turnover. For this situation, the profit from capital utilized would be affected by contrasts between interest charged on advances and interest paid on individuals' investment funds and how effectively the administration utilized the resources available to its. It is noticed that the primary resource of the silk co-operative societies in Kumbakonam cluster is cash and in light of the degree of return on capital utilized accomplished, it tends to be securely contended that the co-agents under concentrate on used their money adjusts effectively.

Taking a gander at benefit from another point, a profit from Investment (ROI) communicated as a level of net benefit over the complete resources. Return for capital invested measures the viability

of the element’s administration in utilizing the resources under its removal to produce benefits. Results shows a developing pattern of ROI as it expanded from 3.73% in 2010 to 5.53%in 2012, at a normal pace of 4.6%. A positive ROI implies that co-agents’ administration is conveying current resources and non-current resources in a more successful way. All the more explicitly, it would imply that advances gave were gathered on schedule to permit incessant turnover of money and that defaults were limited through powerful credit control instruments.

The capital utilized turnover pursued similar direction of the resources turnover albeit the previous was clearly higher than the last option. The capital utilized turnover proportion showed that the income produced by co-agents under study was great and on the expansion. The proportion found the middle value of 76 thebe of income for each every pula of capital utilized. It rose from the most reduced degree of 54 thebe in 2018 to most elevated level of 86 thebe in 2020.

All things considered, the three monetary proportions registered to gauge the strength of silk co-operative societies in Kumbakonam cluster, demonstrate that these co-agents are accomplishing great monetary outcomes and are in solid monetary position. Keeping up with ideal harmony between the premium on advances and premium on individuals’ reserve funds, and putting their overabundance cash in expanded portfolio to decrease the gamble openness will make the silk co-operative societies in Kumbakonam cluster develop further and more grounded. Co-operative can then draw in more individuals and become one of the huge supporters of neediness decrease drive.

Statistical Tools used in Correlation Analysis

The correlations between various financial ratios over the ten years period of silk co-operative societies in Kumbakonam cluster.

RATIOS	GPR	NPR	ROI
GPR	0.28*	-	-
NPR	0.38**	0.46**	
ROI	0.21	0.78**	0.75**

* Correlation is significant at the 0.05 level; **. Correlation is significant at the 0.01 level

Around 35% of relationships were huge at 1% level and 11% of them were critical at 5% level while the rest were immaterial. A solitary solid positive relationship ($x \geq 0.90$) was found between net book esteem per share and profit per share. Likewise, moderate positive connections ($0.90 > x \geq 0.65$) were found between net benefit proportion and return on capital utilized and between net benefit proportion and fixed interest cover. Again, interest on advances over interest on investment funds proportion gave off an impression of being in moderate positive relationship with premium cover proportion. Frail positive connection ($0.35 > x < 0.65$) was found between return on capital utilized and premium cost rate. Similarly, complete resource turnover, interest on advances to intrigue on investment funds and return on absolute resources showed a frail positive relationship with net benefit proportion. Fixed interest cover likewise showed a powerless positive relationship with return on capital utilized and all out resource turnover. Return on all out resources showed a frail positive relationship with net benefit proportion, fixed interest cover, interest on credits to intrigue on reserve funds and current proportion. Strangely, the vast majority of the frail positive affiliations were measurably critical at 1% level.

Conclusion

This study was embarked to quantify the monetary exhibition of chosen silk co-operative societies in Kumbakonam cluster through proportion and relationship investigations with a perspective on

deciding if these societies could in any case be perceived as going concern substances in the midst of the haze of underperformance drifting over the co-operative development around the world. The review uncovered that the chose co-agents yielded amazing working outcomes and were in solid monetary situation over the time of five years. Every one of the three classifications of benefit proportions inspected displayed a rising pattern. The review uncovered that the chose silk co-operative societies in Kumbakonam cluster had calculable productivity potential which could be related with compelling use of assets, controlled spending on authoritative and monetary costs and powerful command over credit. The discoveries of this concentrate additionally uncovered that the chose silk co-operative societies in Kumbakonam cluster had a sound present moment and long haul dissolvability positions upheld by tremendous money and money comparable equilibriums and exceptionally low outer assets.

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