BUSINESS PERFORMANCE ANALYSIS OF MALNAD ARECA MARKETING CO- OPERATIVE SOCIETY LTD., SHIMOGA

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MBA 819

DEPARTMENT OF AGRICULTURAL MARKETING, CO-OPERATION AND BUSINESS MANAGEMENT

UNIVERSITY OF AGRICULTURAL SCIENCES

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Project Report submitted to the

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in partial fulfillment of the requirements

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in

Agri. Business Management

Bangalore **July, 2010**

Affectionately dedicated to

My parents

Virupakshagowda somanakatti *and Parvathamma,*

My family members

And

My Chairman

Dr. M.S. Ganapathy

DEPARTMENT OF AGRICULTURAL MARKETING, CO-OPERATION AND BUSINESS MANAGEMENT, GKVK
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BANGALORE- 560 065

CERTIFICATE

This is to certify that the Project Report entitled, "BUSINESS PERFORMANCE ANALYSIS OF MALNAD ARECA MARKETING CO-OPERATIVE SOCIETY LTD., SHIMOGA**"** Submitted by **Mr. SHANMUKHANAGOWDA, V.S, ID NO. MBA 819** in partial fulfillment of the requirement for the degree of **MASTER OF BUSINESS ADMINISTRATION (AGRI-BUSINESS MANAGEMENT)** to the University of Agricultural Sciences, Bangalore, is a record of bonafide research work done by him during the period of his study in this University under my guidance and supervision and the Project Report has not previously formed the basis for the award of any degree, diploma, associate ship, fellowship or other similar titles.

Bangalore
July, 2010

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JULY, 2010 **(SHANMUKHANAGOWDA V.S)**

BUSINESS PERFORMANCE ANALYSIS OF MALNAD ARECA MARKETING CO-OPERATIVE SOCIETY LTD., SHIMOGA

Shanmukhanagowda, V.S.

ABSTRACT

The Malnad Areca Marketing Co-operative Society Ltd, which is popularly known as MAMCOS, has the revenue districts of Shimoga and Chickkamagalur and revenue Taluks of Honnali and Channagiri of Davangere District as its jurisdiction. The area is famous for areca production. The society perform the function of collection of Arecanut from growers on behalf of the society for onward transportation of the same to the market for trading. In addition to this, they will also discharge the task of distributing the chemicals, and disbursing the financial assistance as per the directions of the society from time to time. So it necessitates the study of business performance of MAMCOS could be of greater utility to evaluate whether the society follows the financial management principles and efficiency in achieving the cherished goals. So a project titled Business Performance analysis of Malnad areca marketing co-operative society Ltd., Shimoga was conducted during 2009-10. Primary data regarding the benefits and opinion were obtained from the selected 60 members by canvassing pre-tested questionnaires. The secondary data regarding the physical and financial performances of the society were obtained from the annual reports of the society for the period between 2004-05 and 2008-09. Results of the study revealed that all the financial indicators of the society such as Share capital, reserve fund, owned fund, working capital, deposits, total sales and net profit are in a increasing trend during the study period. Among the selected members, 70 per cent of members sold their produce through the MAMCOS and 23.33 per cent through commission agents, 4 per cent through village traders. It was noticed that the members sold the major quantity of arecanut through the MAMCOS. The percentage of members borrowed loan from the MAMCOS is higher. Interest charged by the MAMCOS was comparatively less than commission agents. Cent percent of the members facing the problem of fluctuation of market prices. 55 members (91.66%) out of 60 faces the timely non availability of labor.

Dr. M. S. Ganapathy

Signature of the student Chairman

CONTENTS

LIST OF TABLES

CHAPTER I

INTRODUCTION

Arecanut commonly known as betel nut or commercially named, as supari is the fruit of arecanut palm (*Areca catechu L.*,) of Palmae family. It has a record history of use for nearly 3500 years in India. It plays a prominent role in the religious, social and cultural functions and the economic life of people in India. The habit of chewing arecanut is typical of the Indian sub continent and its neighborhood. It is an important and traditional and customary product, used largely by Indians as Tamboola and consumed after food as a religious custom as masticatory. As days passed on people began to chew betel leaf and nut along with tobacco then later it got a new name as Pan masala. At present it is commercialized and popularly known as Gutkha.

Eventhough production is concentrated in few regions, the commercial products of arecanut are widely distributed and consumed all over the country. It is estimated that nearly ten million people in India are engaged in production, processing and trade of arecanut. Its value addition into branded products (Gutkha, Scented supari etc) encourages not only big entrepreneurs, but also small business enterprises called pan shops.

1.1 Arecanut on Natural Economics

Arecanut is grown principally in the hot and humid regions of the world. The production of arecanut in the world in 2008-09 was about 9,11,600 tonnes from an area of 7,29,395 hectares. India alone contributes 5,59,200 tonnes from 3,96,800 hectares which is approximately 61 percent of the world production and

55 per cent of world area. Other countries, which produce arecanut in the world, are Indonesia (16% in area and 6.07% in production), China (9.82% in area and 18 % in production), Bangladesh (7.7% in area and 6.5 % in production), Myanmar (04% in area and 6.7% in production), Thailand (2% in area and 3% in production) and Srilanka (1.5% in area and 3% in production). The world productivity of arecanut is 1249 kg/ha. China ranks first in arecanut productivity with 2885 kg/ha. India ranks fourth in terms of productivity (1409 kg/ha) *(Appendix I)*.

India is the largest producer and consumer of arecanut in the world. Among the arecanut producing states Karnataka stands first with a share of 40 per cent (2,24,000 tonnes) followed by Kerala (20 %), West Bengal (19 %) and Assam (12 %) of total India's production. Remaining nine per cent of production is distributed among the western states of India. In India productivity ranges from 915 kg per hectare (Assam) to 6500 kg per hectare (Nagaland). Though Karnataka contributes significantly to the arecanut sector, its productivity is low (1333 kg/ha) compared to national average (1409 kg/ha) *(Appendix II)*.

Karnataka is the largest producer of arecanut in India by contributing 42.34 per cent area (1,68,000ha) and 40.06 per cent production (2,24,000 tonnes). In Karnataka the major production is from Dakshina kannada (18 % area and 24 % production) and Shimoga (19 % area and 22 % production), which contributes 46 per cent of the state production and other districts like Davanagere, Tumkur, Uttara kannada and Chikkamagalur which contribute 38 per cent and rest from Udupi, Hasan, Bangalore rural, Mandya and others. Even though Dakshina kannada and Shimoga contribute significantly

to production, the productivity is very low (550 kg/ha) compared to Karnataka state average (1333 kg/ha) *(Appendix III).*

Arecanut brings some foreign exchange and contributes considerable amount to GNP. In addition, it brings revenues to the state and central governments in the form of sales tax, custom duty and agricultural income tax.

1.2 Arecanut Trade

Arecanut is a commodity, which has a very limited export potential. The bulk of arecanut is consumed within the country. However a small quantity of arecanut is exported mainly meant for the Indian settlers abroad. The main countries to which arecanut are exported are Nepal, UK, Singapore, Maldives, Saudi Arabia, Russia, Thailand, Australia, USA etc. Quantity of export was at a range of 330 to 823 tonnes during the period 1994-95 to 2000-01. But the export increased substantially during the last couple of years. During 2007-08 India exported 5336 tonnes which is valued at Rs.2293 lakhs. Arecanut is mainly exported in the form of betel nut whole, betel nut split, betel nut grounds, pan masala and other betel nuts. During the year 2007-08, major share of our arecanut export was in the form of betel nut ground and that was mainly to Vietnam. Other major destinations of our arecanut export are Indonesia, Malaysia, UAE, Maldives, UK, Singapore etc.

During fifties, arecanut production in the country was not sufficient to meet the internal requirements and huge quantities were imported. Thereafter the imports gradually declined due to the decision of Government of India to restrict the import with a view to give incentive to the arecanut farmers. From 1974-75 to 1993-94 there was no import of arecanut into the country. However, since 1994-95 India started importing arecanut due to

meet the domestic demand. During 2007-08, import of arecanut in the country reached at all time high of 76,768 tonnes valued at Rs.11,065 lakhs. The imported arecanut were in the form of betel nut whole and betel nut splits. Major source of our arecanut import is Indonesia, with a share of 77 per cent, Bangladesh, Thailand, Myanmar etc are other sources.

1.3 Consumption of Arecanut in India

Consumption of arecanut in the country steadily increased from 0.114 million tonnes during 1956-57 to 0.336 million tonnes during 1998-99. Similarly domestic production increased from 0.07475 million tonnes to 0.330 million tonnes for the same period. The gap between production and consumption was very wide during late fifties and early sixties and thereafter production was sufficient enough to meet the consumption up to 1993-94 and thereafter consumption requirement was satisfied through import in moderate quantities varying from 545 tonnes during 1994-95 to 10,823 tonnes during 1997-98. Up to august import data available, the domestic consumption requirement was satisfied through moderate quantity of imports (Rethinam, 2001).

During 1956-2004 average consumption of arecanut was 88,309 quintals, with 3.18 per cent growth rate and average production was 82,711 quintals, with a growth rate of 4.10 per cent. The forecasted demand of arecanut in 2005-06 was 1.69 lakh quintals, that will increase 1.92 lakh quintals in 2010-11 and 2.24 lakh quintals in 2014-15. The forecasted production of arecanut in 2005-06 was 1.93 lakh quintals and will increase 2.26 lakh quintals in 2010-11 and 2.27 lakh quintals in 2014-15. The gap between the demand and production will reach a peak of 52,340 quintals during 2014-15 (Shruthi, 2008).

1.6 Medicinal and Nutritive Values of Arecanut

Arecanut is rich in several essential nutrients such as calcium, phosphorous and vitamins. The details of nutrient contents in arecanut are given in Table 1.1.

Table 1.1: Nutrient Contents in Arecanut

Every 100 gm of arecanut contains	
Carbohydrate	46.2 g.
Protein	4.2 g.
Fat	4.2 g.
Calcium	48 mg.
Phosphorus	119 mg.
Iron	1.4 mg.
Vitamin A	Trace
Vitamin B6	Trace
Digestive Time	3 hours
Calories	245

Source: Prakash, 2006

1.4 Alternative uses of Arecanut

At present, arecanut is mainly used for chewing with betel leaves, lime with or without tobacco. The value added form of consumption is by way of Pan masala and Gutkha. The trade, commerce and economy of the country are depending on arecanut production and its price structure. The area under arecanut cultivation is being expanded and the production is

increasing sharply. Arecanut has got some medicinal properties as reported in several Ayurvedic literatures. Arecanut is health activator, mouth freshener and has digestive properties. Arecanut can be used for the following purposes: Masaj powder, Toothpaste and powder, soaps and shampoos, cosmetics, athelmintic and anti-diabetic, Ayurvedic type of tamboola for chewing purpose, ulcer healing combination, hair oil and dyes, food colors and skin ointments (Prakash, 2006).

1.5 Arecanut Demand

Demand for value added products is fast growing globally also. Our neighboring Pakistan, Middle East and other neighboring countries became an assured destination for arecanut products. As result of which the export of value added arecanut products from India has almost doubled in a span of just five years. Interestingly, the demand is increasing gradually in the developed world including US, UK, Canada and France that too for the value added products such as Ghutka and Panmasala. Given its capacity to generate income, employment and the precious foreign exchange, arecanut is seen as having all the potential to emerge as an ideal Swadeshi traditional industry.

Arecanut promises to be a lucrative enterprise in view of its increasing consumption, particularly among the youth and middle age groups for varieties like scented supari, zarda and gutka, which are prepared from ripe arecanut and are made available under different brand names in the market (Anita, 1997). About 90 per cent of the arecanut produced in India is consumed domestically. The consumption is increasing at the rate of three per cent annually, while the production is rising by

1.25 per cent. The per capita availability of arecanut is around 1.58 grams per day (Vigneshwara, 1990).

1.6 Importance of efficient marketing system

Efficient marketing system is a vital link between the farmer and the consumer was recognized way back in 1928 by the Royal Commission on Agriculture. Since then various forms of interventions were made by the government in organizing agricultural marketing by the adoption of various administrative and legislative measures. Encouragement of various “co-operative marketing” is one such form of government intervention. It has been recognized that the co-operative form of organization can a play a significant and predominant role in improving the present defective system of agricultural marketing.

The word Co-operation itself indicates the broad intention of "Living together by joining hands". The Co-operative movement had envolved with the aim of eradicating the exploitation prevailing in the private sector. To remember the co-operative movement so developed in Karnataka, as early as 1905 itself, "Mysore Co-operative Regulation Rules" of the Mysore Government was enacted. In fact, money lending Co-operative had paved the way for the commencement of Co-operative movement in Karnataka. By that time, the co-operative movement developed on the basis of the separate co-operative rules of different States which were in force in the different parts of Karnataka.

The broad aim of co-operative marketing societies is to strengthen the bargaining capacity of the farmer so as to secure him better price, to eliminate the superfluous middleman. To provide him needed finance , to persuade him to grow better

qualifying of products and to stabilize price by an orderly and judicious supply of commodities in the market.

Though it is true that the Co-operative sector developed in different dimensions after 1951 due to the economic planning, the report containing valuable suggestions submitted by the Co-operative committees under the chairmanship of Samal Das in 1920 and Chandrashekar in 1935 emphasising the necessity of developing Co-operation in the state, cannot be forgotten. During the period, many Co-operatives were born in order to provide agricultural laon, and to undertake processing and marketing of agricultural produces. Of such, the Malnad Areca Marketing Co-operative Society which has now reached the peak is also one.

1.7 Malnad Areca Marketing Co-operative Society Ltd, Shimoga

The Malnad Areca Marketing Co-operative Society Ltd, which is popularly known as MAMCOS, Established in 1939 has the revenue districts of Shimoga and Chickkamagalur and revenue Taluks of Honnali and Channagiri of Davangere District as its jurisdiction. The area is famous for areca production.

The Society, which is the ray of hope of areca growers, has head office at Shimoga and 10 branches at Shimoga, Channagiri, Bhadravathi, Tarikere, Birur, Sringeri, Koppa, Thirthahalli, Hosanagara and Sagar for its smooth functioning and for the systematic implementation of the schemes. Besides, there are 22 Commission agencies in various parts of Shimoga and Chickmaglur districts which perform the function of collection of Arecanut from growers on behalf of the society for onward transportation of the same to the market for trading. In addition to this, they will also discharge the task of distributing the

chemicals, and disbursing the financial assistance as per the directions of the society from time to time.

The MAMCOS, which has a turnover of more than 100 crores annually, has captured around 30% of total Areca nut business of Shimoga and Chickmaglur districts. During the last year, i.e. (2008-09) 2,01,900 bags of Areca were pooled and it need not to be repeated, that any increase or decrease in the profit depends on the variations in the prices of Areca nut, In 1997-98, the society had earned a net profit of Rs. 250.40 Lakhs and for the first time in its history dividend @ 25% was declared, a feather on the cap of the Society. Likewise the growth of the society by earning a net profit of Rs. 200.45 lakhs in 2008-09 is not a small achievement.

Being a prestigious organization of major part of Malnad, MAMCOS has 19084 members with a share capital of Rs. 437.94 lakhs (As on 31-03-2009).The deposit amounting to Rs. 17.01 lakhs collected by the society shows the confidence of the members in the society. The society has maintained a Reserve Fund of Rs. 889.59 lakhs for the purpose of having a strong base.

1.8 Need for the study

A critical study of business performance and growth of a co-operative society which has already in good progress in the area of agricultural marketing could be of a great utility to evaluate whether the management principles and efficiency in achieving their cherished goals. Such as the analysis of financial performance, the relationships and trends among various financial components of marketing co-operative would help the management bodies of such co-operatives to increase the efficiency and effectiveness of decision making process.

1.9 Objectives of the study

The present study is thus aimed at evaluating physical, financial performance and to know the benefits realized and problems faced by the members of a co-operative society dealing with the arecanut marketing. For this purpose the "Malnad Areca Marketing Co-operative Society Ltd.," Shimoga (MAMCOS) was selected. The overall objective of the study is to evaluate the business performance of MAMCOS. Following are the specific objectives of the study.

1. To study the growth and development of MAMCOS.
2. To analyze the financial performance of MAMCOS.
3. To examine the benefits realized by the members of the society.
4. To document the constraints faced by the members of the society.

1.10 Limitations of the study

Primary data collected from the members of the society who sells arecanut to the MAMCO were surveyed with pre-scheduled questionnaire to examine the benefits realized by the farmer members.

The secondary data pertaining to financial performance of the society was drawn from the published Annual accounts, Income statements and Balance Sheets of the society.

The Malnad Areca Marketing Co-operative Society Ltd, which is popularly known as MAMCOS, has the revenue districts of Shimoga and Chickamaglur and revenue Taluks of Honnali and Channagiri of Davangere District as its jurisdiction. The society is providing systematic marketing facility for selling the areca and other sub-crops grown by the members and agriculturists, to store their products free of cost and to sell the same at an agreed rate.

CHAPTER II

REVIEW OF LITERATURE

In this chapter, an attempt has been made to critically review the literature of the past research work in relevance to the present study. The reviews are presented under the following heads.

2.1 Growth and development

2.2 Ratio analysis

2.3 Benefits accrued and Constraints faced by the members

2.1 Growth and development

Bhalerap et al (1981) studied the growth of arecanut marketing societies in India for the period 1967 to 1977. The analysis of yearwise growth in number of societies, membership, share capital, working capital etc. The study indicated that the growth was not consistent and there were annual fluctuations in growth of the societies.

Khatkar *et al.* (1994) employed compound growth rate technique to study the trends in advances outstandings and overdues of Primary Agricultural Credit and Service Societies in Haryana pertaining to the period 1981-82 to 1990-91. He found that the overdues and loans outstandings has raised at 13.62 per cent and 11.34 per cent, respectively as compared to loans advanced and loans recovered, 6.76 per cent and 7.15 percent, respectively. The total overdues increased from 21.79 per cent to 58.17 per cent between 1966-67 to 1990-91.

Reddy *et al.* (1994) assessed the working of Malkanoor Co-operative Rural Bank considering variables like share capital reserve, deposits and borrowings for the period from 1978-79 to 1992-93. The compound growth rates calculated by least square

method of fitting an exponential function revealed that the growth rates were relatively higher for deposits, reserves and investments. However, higher growth rates were observed for credit and non-credit services of the bank.

Shakeel *et al.* (2000) evaluated the performance of Gulbarga Co-operative Milk Producers Union using various parameters viz. Dairy Co-operative Societies (DCS) milk procured, milk sold, total membership, share capital, member and non members supplying milk and technical services provided by the union. The secondary data for seven years was considered from 1990-91 to 1996-97. The study revealed that registered DCS increased with compound rate of 5.28 per cent per annum where as growth in de-functioning of DCS was 31.06 per cent per annum. However, the technical services provided were inadequate.

Ashoka (2009) in his study of business performance of Paiyur fruit products pvt. Ltd. on fruit processing Krishnagiri district, Tamil Nadu, used the compound growth rate analysis for various physical indicators of the selected Paiyur fruit products pvt.Ltd. to estimate growth rates he employed exponential function of the following of the following type

$Y = ab^t$

Where, Y = indicator

a = constant

b = regression co-efficient

t = time in years.

2.2 Ratio analysis

Ananth (1984) evaluated the performance of the Grape Growers Marketing and Processing Cooperative Society, Bangalore from 1958-59 to 1980-81 by employing the ratios such as solvency ratios, liquidity ratios, profitability ratios and turnover ratios. The study revealed that the management efficiency of the society has improved over the years, a large addition to fixed assets to owned funds ratio (9.0349) during consolidation phase was a desirable improvement. The study indicated that the society showed an impressive record of performance during the last four years of study. It was also revealed that the society achieved a ratio of 20 and 18 per cent during 1979-80 and 80-81 with regard to net profits to fixed assets.

Subramanyam *et al.* (1994) conducted a case study of horticultural produce cooperative marketing and processing society, Ltd (HOPCOMS) Bangalore during 1987-88 to 1992-93, to assess the sales performance of the society. It is observed that the progress of sales during the last six years (1987-88 to 1992-93) of the items handled by the society viz., sales of fruits and vegetables and inputs. It may be observed that fruits and vegetables accounted for over 88 percent of the total sales and there was more than two folds increase in the sales of fruits and vegetables from 1987-88 to 1992-93 registering an annual growth rate of 22 per cent. Similarly the sales of inputs which accounted for 8-10 percent of the total sales was sales registered an impressive compound growth rate of 25 percent.

Reddy (1994) studied the financial performance of Mulkarnoor Co-operative Rural Bank with the help of different financial ratios and revealed that the institution had very acceptable and appreciable values for different ratio (2.09) and quick ratio (1.74). The future, he also showed that the profitability ratios were not up to the desire levels.

Arora *et al* (1996) in their study on rural food processing in Rampur district of Uttar Pradesh concluded that even with low levels of operation, rural food processing complexes were making profit. Their annual net returns, operating profit to revenue ratio, net profit to revenue ratio, operation ratio and operating efficiency were 23.70, 25.03, 34.49 and 58.18, respectively. The working capital intensity, operating profit to capital employed, net profit to capital employed and interest coverage ratios of 51.16, 68.38, 57.01 and 5.90, respectively indicate their financial soundness.

Waris and Choudhary (1997) studied the economic efficiency of milk products through co-operative societies in Northern Bihar concluded that the society was performing at level far below the minimum levels presented for different industries. They arrived at liquidity, profitability and debt-equity ratio for period of five successive years.

Ashraf (2000) used financial ratio as the main tool for analyzing and appraising the business performance of co-operative oil mill in Gadag district of Karnataka and found that on the whole, the condition of large scale unit was very unsatisfactory while that of the medium scale unit was just satisfactory.

Rao and Madhu (2001) studied the financial performance of dairy co-operative (URMUL) in Rajastan. The study revealed

that milk products showed an annual growth rate of 11.22 per cent in milk price, that total amount paid to products per year increased from Rs. 8.40 crores to Rs. 34.39 crores over the period depicting compound growth rate of 14.84 per cent per year. Milk products sales increased at the rate of 69.33 per cent.

Amit Basak (2009) studied the performance of an urban cooperative bank in west Bengal: an appraisal. He used statistical tools like ratios, percentages, averages and trend analysis. The study revealed that trend values of loans and advances are significant and they have no arisen due to sampling fluctuations.

Amuthan (2010) studied the performance of Cuddalore District Central Cooperative Bank in Tamil Nadu. The study revealed that solvency ratios indicate the banks inability to meet its medium and long term obligations. The total assets were not sufficient to satisfy the total liabilities of the bank throughout the study period.

2.3 Benefits accrued and Constraints faced by the members

Lal and Brahma Prakash (1996) in their study on economic constraints in pulse marketing mentioned low marketable surplus and large price –spread as the problems in marketing. Most of the farmers grow pulses of their own domestic requirement on al limited area. These results in low marketable surplus and the farmers sell the produce at the village level only to the village traders who offer lower price for the produce. The data collected d on price –spread at Kanpur revealed that the producer's share i n the consumer's rupee remained as low as 60.69 and 50.78 paise in pigeon pea and chickpea respectively. The constraints can be eradicated by appropriate transfer of technology for cultivation of pulses under dry farming

of limited irrigation agriculture, expansion of crop insurance schemes to cover pulse crops and improving the market efficiency so that producers could get their due share in the prices paid by the ultimate consumer.

Kandarpa Kumar Barmon (1997) identified some constraints in increasing pulse production in five villages of Assam namely, pathika, tengabari, biswannath dagaon, silamri and gualtolli. For this purpose he interviewed sixty pulse growers. the major problems identified were lack of irrigation facilities(only 13.2%of total pulse area is under irrigation), non – availability of suitable fertilizers , use of primitive techniques and non adoption of modern technology, absence of credit and marketing facilities, preference to farmers to grow rice for their subsistence , yield losses due to insects , pests , diseases and flood and poor extension services.

Thamilarasan (2004) studied the aspects reveal that the members of the diary co-operatives are likely to have greater perception on the social, democratic and empowerment benefits of co-operation than the non members. He concluded that the average level of agreement score on social, economic and empowerment benefits differ significantly among fully, partially and not at all repaid respondents.

Chockalingam and Nagarajan (2008) studied the constraints faced by the Sugarcane growers and co-operative sugar mills of Tamil Nadu. The study revealed that the growers are expected to adhere sincerely the conditions imposed by the sugar mills. From the point of co-operative sugar mills the growers are expected to have active involvement in the welfare of sugar mills and thereby must avoid selling sugarcane in open market.

Vijay Gorakh Patil (2009) studied the constraints faced by the dairy farmers in Shirpur Tahsil of Dhule District of Maharashtra. In his study he found that low price of milk was the most important problem followed by non labour availability, high price of cotton seed cake, irregular veterinary aids, delay in payments, inadequate of water for animals, small quantity of marketable surplus, lack of all weathered roads. Hence efforts should be made to solve all constraint.

CHAPTER III

METHODOLOGY

The source and nature of data for the study and the analytical tools employed in the study are presented in this chapter. The details of methodology are presented in the following sub headings.

3.1 Description about MAMCOS

3.2 Sampling Design

3.3 Nature and Sources of data

3.4 Analytical tools used in the study

3.5 Opinion survey

3.1 Description about MAMCOS

The Malnad Areca Marketing Co-operative Society Ltd, which is popularly known as MAMCOS, has the revenue districts of Shimoga and Chickkamagalur and revenue Taluks of Honnali and Channagiri of Davangere District as its jurisdiction. The area is famous for areca production. The society started in 1939 with a share capital of Rs. 16,031/- earned a net profit of Rs. 3867 in the year of inception and was able to declare dividend at the rate of 6.25per cent.

The main functions of the society are

1. To arrange the sale of Areca, Pepper and Cardamom of the grower members of the institution.
2. To advance the produce loans of 60 per cent to the members and others who pledges their produce.
3. To undertake the processing activities of Areca, pepper and cardamom.
4. To supply Areca mixture fertilizers to the growing members and others.
5. To supply Kole chemicals (copper sulphate, lime, and rala) required by the areca growers.

6. To mobilize deposit from the grower members and other.
7. To act as an agent of the CAMPCO, Mangalore.

3.1.1 Share Capital

Share capital is the major source of fund to the society. During 2004-05, the society had membership of 16218 and the paid up share capital was Rs 271.91 Lakh. The membership rose to 19084 and Rs. 437.94 Lakh respectively during 2008-09.

3.1.2 Management

Since inception the society, Deputy Commissioner of Shimoga District was its ex-officio president and 17 elected directors for its smooth administration. The directors are being elected by segregating the jurisdiction of the Society i.e., Shimoga and Chickmaglur districts and Channagiri and Honnali taluks of Davangere districts into three constituencies of five seats each and one seat each for women and SC/ST. In addition to that, there will be a nominated representative from Shimoga District Central Co-operative Bank (which is the central financing agency) and a Managing Director (to be posted by State Government) who is not below the rank of Joint Registrar of Co-operative Societies from Co-operation Department. The managing Committee so constituted has supplemented to the constructive and smooth functioning of the society. Once in every 5 years, elections to the Managing Committee will be held and an Vice-president among the elected directors elected on rotation basis from each constituency in order to provide an opportunity to all the 3 constituencies. Various sub committees will also be constituted and their rights and powers enunciated by framing subsidiary rules in this regard.

3.1.3 Activities of the Society

The main objective of the society is to provide systematic marketing facility for selling the areca and other sub-crops grown by the members and agriculturists, to store their products free of cost and to sell the same at an agreed rate, to provide crop loan according to their extent of property and level of transactions made and giving advance to the extent of 60% of the goods brought in etc.,

The factors responsible for the growth of the image/prestige of the - 65 years old society are that it has protected the interests of areca nut growers since from its inception, provided service, exhibited the Co-operative vision and earned faith from among the members without neglecting the small farmers and not yielding to any political pressures.

The various attractive and useful schemes launched by the society has also motivated in attracting more and more number of areca nut growers. They include sanctioning of 375 ghatar rocking sprayers per year at a subsidy of Rs. 500 each, sanctioning of Rs. 500 subsidy to those members who have built fuel-economy Astra oven, sanctioning of Rs 5000 subsidy (after due verification) to the "Drier" which are built on 'Astra' model to dry the Arecanut through non-conventional system, disbursement of bonus @ 0.50% of sale proceeds out of Members Welfare Fund, provision of loan at lesser rate of interest when compared to private mandies, supplying the pesticides timely on service motto without getting profit. Perhaps there may not be any evidence on the part of any organization situated around the area for having provided so many facilities in its annals of performance.

Moreover on the basis of Research fund the society is conducting studies and organizing seminars about the arecanut diseases which are haunting the plantations of growers. Likewise

the persons who are involved in the fabrication of areca peeling machines are being encouraged by the society by providing them with financial assistance. The members are being given an attractive rate of interest by the society on the deposits, made by them.

3.2 Database and sampling procedure

3.2.1 Primary data

To elicit the opinion of the members regarding the performance of the society and benefits accruing to them and to find out the constraints faced by the members, selected members were interviewed with the help of a pre-tested questionnaire. All those variables which were found to be relevant for the study were included in the questionnaire.

3.2.2 Secondary data

The secondary data relating to the physical performance of the society were collected from the annual reports of the society. Three performance indicators were identified for the purpose. Financial performance indicators were identified. The data relating to the financial performance were extracted from the trading account, profit and loss account and balance sheet of the society for the last 5 years.

3.3.3 Period of study

The data pertaining to 5 years from 2004-05 to 2008-09 were considered for the study.

3.4 Analytical Tools used in the study

To analyze the various dimensions of performance of the society, simple averages, percentages, and ratios, were used throughout the study. Financial ratio analysis technique was used to evaluate the financial performance of the society. Principal component analyses were used to identify the various factors governing the performance. The functional analysis

technique was employed to estimate the growth rate of different dimensions of the performance. Tabular presentation was done to consolidate the opinions of the members.

3.4.1 Financial ratio analysis

The financial ratio analysis was considered to be the most useful tool in evaluating the performance of the co-operatives. It gives a summary of performance of a business enterprise. In this study the ratio analysis technique has been heavily relied upon to test the solvency, liquidity, profitability, efficiency and some other dimensions of the society.

3.4.1.1 Test of solvency

The solvency ratios of the society would indicate the ability of the society to meet its medium term and short term obligations. Two solvency ratios like ratios of total liability to owned fund and ratio of fixed assets to owned funds were worked out.

a) Ratio of total liability to owned fund

This ratio would reflect the total commitments the society owes to creditors as compared to owned funds of the society. This ratio was obtained by dividing the total liability by the owned fund.

$$\text{Total liability to owned funds ratio} = \frac{\text{Total liability}}{\text{Owned fund}}$$

The total liability included all items under the liability column of balance sheet except the net profits, subsidies and

owned fund. Owned funds of the society include paid up share capital, reserve fund and other funds.

b) Fixed assets to owned fund

This ratio would indicate the extent of owned fund invested in fixed assets. Ratio was obtained by dividing the fixed assets by owned funds.

$$\text{Fixed asset to owned fund ratio} = \frac{\text{Fixed assets}}{\text{Owned fund}}$$

Fixed assets include the value of sites buildings, furniture, fixtures, vehicles, books etc.

3.4.1.2 Test of liquidity

The liquidity ratios were used to measure the ability of an institution to meet immediate maturing obligations. These ratios are also called as balance sheet ratios. Three types of ratios were calculated in the study.

a) Ratio of liquid assets to total assets

The ratio shows the liquidity preference of the society. It indicates the portion of the total assets maintained in liquid form which would help the society to meet its immediate maturing obligation.

$$\text{Ratio of liquid assets to total assets} = \frac{\text{Liquid assets}}{\text{Total assets}}$$

The total asset of the society includes all the items under the assets column of the balance sheet. Liquid assets include cash on hand, cash in bank, short term loans, short term deposits, fixed deposits, K.E.B., Telephone and A.P.M.C. deposits, shares in other co-operatives etc. It was obtained by deducting the fixed assets from the total assets.

b) Ratio of current assets to current liability

This ratio represents the relationship between the current assets and current liabilities of the society and it was computed as follows:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Current liability of the society was obtained by deducting long term loans and long term deposits from the total liability.

The current ratio has two principal attributes. It is a barometer of the short term solvency of the working capital. If this ratio happened to be greater than one it could be presumed that the society has sufficient current assets to meet its current obligations. It is believed that a current ratio of 2:1 may be regarded as an acceptable standard. Generally, higher the ratio better would be the margin and technical solvency of the society.

3.4.1.3 Test of profitability

The profitability ratio is a meaningful measure which can be used to diagnose the financial status of the society and the overall efficiency. These ratios were used to compare the returns

over the investments made in the business. Following ratios were adopted to study the profitability of the society.

a) Net profits to Total Assets Ratio

This ratio indicates the rate of profit earned on the total assets employed and was computed as under.

$$\text{Net profit to total assets} = \frac{\text{Net profits}}{\text{Total assets}}$$

An increase in the ratio indicates an improvement in the overall efficiency.

b) Net profits to working capital ratio

This indicates the rate of profit earned on the working capital of the society and was computed as under.

$$\text{Net profits to Working Capital Ratio} = \frac{\text{Net profits}}{\text{Total Working Capital}}$$

c) Net profits to owned funds ratio

This ratio indicates the profits earned by the society on the owned funds invested in the business.

$$\text{Net profit to owned funds ratio} = \frac{\text{Net profit}}{\text{Owned funds}}$$

d) Net profits to total sales ratio

This ratio is also known as net profit margin. It was computed as follows.

$$\text{Net profit to total sales ratio} = \frac{\text{Net profit}}{\text{Total sales}}$$

Total sales here includes the sale of kole chemicals, ghatar sprayers, barrels, old and new gunny bags, fertilizers and commission sales of arecanut.

3.4.1.4 Miscellaneous ratios

These ratios indicate the efficiency of institution regarding sales and investments on fixed assets and to test the sales turnover of owned funds.

a) Sales to fixed assets

This ratio is designed to test the utility and importance of fixed assets in the business.

b) Sales to owned funds ratio

This ratio was used to test the sales turnover of owned funds. It indicates the velocity of turnover of the owned funds.

3.4.2 Compound growth rates

The compound growth rates for various physical and financial indicators were worked out using the exponential function of the following type.

$$Y=ab^t$$

Where Y= The given indicator under study

a= Constant

b= Regression coefficient

t= Time (years)

Annual average compound growth rate (r) is given by;

$r = (b-1) \times 100$

The annual growth rate of each variable gives the rate of change of that variable each year. The exponential function assumes a constant growth rate and it is obtained by deducting unity from the coefficient 'b'. Hence if 'b' is greater than one, the growth rate would be positive.

The indicators whose compound growth rates were attempted are as follows:

Membership, Sales, Current liability, Other liability, Total liability, Current assets, Fixed assets, Total assets, Share capital, Owned funds and Inventories.

3.5 Opinion survey

Opinions of MAMCOS members were collected to assess the benefits realized by the society and to find out the constraints faced by the members.

The opinions from the 60 members who sold their produce through MAMCOS were collected on the aspects such as the reasons for selling their produce through MAMCOS and whether they are satisfied with the performance of the institution and suggestions, if any, for improvements and to document the constraints faced by the members of the society.

CHAPTER IV

RESULTS

The results of the study are presented in chapter, under the following headings.

4.1 Performance of the MAMCOS

4.2 Pattern of Growth rates

4.3 Financial analysis of MAMCOS

4.4 Benefits realized by the members of the society

4.5 constraints faced by the members.

4.1.1Physical performance of the MAMCOS

The data regarding number of members and collection and areca sales are presented in Table 4.1 It is evident from the table that the membership of the society was 16218 in the base year which showed an increasing trend and reached 19084 in the terminal year of the study period.

The society procured 67,550 quintals of arecanut during 2004-05 which increased to 1,34,747 quintals during 2008-09. Likewise the areca sales also increased from 78,798 quintals in 2004-05 to 1,32,028 quintals in 2008-09.

4.1.2 Financial performance of MAMCOS

The data on Share capital, reserve fund, owned fund, working capital, deposits, total sales and net profit are presented in Table 4.2.

The share capital of the society was Rs. 276.92lakhs during 2004-05 which rose to Rs. 437.94lakhs during 2008-09.

The owned fund and the working capital of the society in 2008-09 were Rs. 1635.09lakh and Rs12001.98lakhs

respectively as against Rs. 16.41lakhs and 31.05lakhs in 2004-05.

The total sales were Rs.6605.69lakhs during 2004-05. It continuously increased and reached all time high level of Rs.13311.07lakhs during 2008-09.

The net profits earned by the society shown a increasing trend. The society earned net profit of Rs.118.98 lakhs during 2004-05. During 2008-09 the net profit of the society reached a record level of Rs. 200.45 lakhs.

The Fixed assets of the society, which was Rs. 472.81 lakhs in 2004-05, rose to Rs. 577.98 lakhs during 2008-09.

The Total liability of the society was Rs. 1163.75 akhs during 2008-09 as against the 1220.34 lakhs in 2004-05.

The inventory has increased from Rs.19.10lakhs in 2004-05 to Rs 91.75 lakhs in 2008-09.

The working capital has increased from Rs.5930.77 lakhs Rs in 2004-05 to Rs.12001.98 lakh in 2008-09.

4.2 Pattern of Compound growth rate of MAMCOS

The Compound growth rates achieved with respect to certain vital financial attributes were calculated and the results are presented in table 4.3. It can be seen from the table that the society has positive growth rate in all aspects. Membership, share capital, owned fund, total sales, inventories, fixed assets, current assets, total assets and total liabilities have recorded the growth rates of 4.81, 13.2, 9.4, 16.7, 56.76, 4.30, 32.81, 16.75, 13.20 per cent respectively. whereas in respect of other financial attributes like Other Liabilities and Current Liabilities the growth rate is negative (-51.25% and -0.19%).

4.3 Financial analysis of MAMCOS

The financial ratio analysis was found to be effective tool in measuring the performance of an institution. Various financial ratios and their trend are presented under different.

4.3.1 Test of solvency

Two different solvency ratios were calculated to evaluate the financial structure of the society. These ratios indicate the share of the members of the society against funds provided by its creditors. The solvency ratios are presented in Table 4.4.

a) Ratio of total liability to owned fund

The ratio of total liabilities to owned funds has registered a steady decline from 2.0516 in 2004-05 to 1.7259 in 2008 -09. This ratio indicates the extent of debt per rupee of owned funds of MAMCOS. The decrease in this ratio over the years shows that the MAMCOS dependence on external funds has decreased over the years (Table 4.3).

b) Ratio of Fixed assets to Owned funds

The ratio of fixed assets to owned funds was also decreased from 0.4074 in the year 2004-05 to 0.3535 in the year 2008 -09. This ratio shows the extent to which each rupee of owned funds of the MAMCOS has decreased substantially over the years.

The debt-equity ratio shows the MAMCOS dependency on borrowed funds to run the business than the equity. The debt – equity ratio has decreased over the years from 0.0078 in 2004-05 to 0.0017 in 2008-09. This shows that over the years MAMCOS has built up equity substantially in relation to its long term obligations.

4.3.2 Liquidity Ratios

These ratios were used to measure the ability of MAMCOS to meet its current obligations. Since liquidity is basic to continuous operation, it was found necessary to examine the degree of liquidity of the MAMCOS in meeting its current financial obligations. Three commonly used Liquidity ratios are:

1. Liquid assets to total assets
2. Current ratios.
3. Acid test ratio or quick ratio.

These ratios are presented in Table 4.5.

The ratio of liquid assets to total assets shows the proportion of liquid assets in total assets. The ratio was 0.7706 in 2004-05 and it showed an increasing trend of 0.8895 in 2008-09. This shows that the portion of the assets held in the form of liquid assets has increased over the years from 2004-05 to 2008-09. During 2008-09, The MAMCOS held about 88 percent of its assets in the form of liquid assets.

The ratio of current assets to current liabilities is termed as current ratio. This ratio generally showed an increasing trend from 2004-05. This ratio showed an increase from 1.3012 in 2004-05 to 3.9207 in 2008 -09. This clearly indicates that the ability of the MAMCOS to meet its short term obligation has increased over the years.

Acid test ratio or quick ratio provides a better measure of liquidity than the current ratio as inventories are deducted from current assets for calculation of this ratio. Like the current ratio, this ratio has also increased over the years from 2004-05 to 2008 -09. Highest ratio (3.88) was found in 2008-09 as against the 1.29 in 2004-05. In the initial years, the current liabilities of

MAMCOS were more to meet its current obligations and now the values of this ratio is more than the standards norm of equity.

4.3.3 Profitability ratios

The profitability ratios provide a fairly sound method of diagnosis of the financial health of MAMCOS. The following ratios were computed to study the profitability of the MAMCOS.

1. Net profits to total assets
2. Net profits to total working capital
3. Net profits to fixed assets
4. Net profits to owned funds
5. Net profits to total sales

The ratio of net profits to total assets was 0.0577 i.e., 5 percent in 2004-05 (Table 4.6). In later years this has shown a fluctuating trend, reaching a peak during 2005 -06 with a value of 0.0659 i.e., 6 percent, then declined to 0.0613, 0.0451, 0.0383 in 2006-07, 2007-08 and 2008-09 respectively. This indicates that profits over the assets increased from 2004-05 to 2006-07 and declined later.

The ratio of net profits to total working capital ranged from 0.0201 in 2004-05 to 0.0231 in 2007-08 and reached 0.0167 in 2008-09. This ratio has shown fluctuation and the values differed quite significantly over the years. This shows that the average rate of return on working capital is showing a increasing trend after reaching the bottom during 2007-08.

The ratio of net profits to fixed assets indicates the average rate of return on fixed assets over the years. The ratio was 0.2516 in 2004-05 and has reached a peak value of 0.3895 in 2007-08 and decreased to 0.3468 in 2008-09. This shows that average rate of return, after increasing upto 2007-08, is showing decreasing a trend.

The ratio of net profits to owned funds indicates various from 0.1025 on 2004-05 to 0.1226 in 2008 -09. This ratio has increased during 2004-2005 to 2006-07 and over the years the ratios decreased to up to 0.1226 in 2008-09. This shows that the owned funds have increased during the recent years, resulting in decreased rate of return on owned funds.

The ratio of net profits to sales indicated the efficiency of the firm after considering all expenses .This is a more specific profitability ratio. This ratio was 0.018 in 2004-05 and has shown constant over the years to reach a decreased value of 0.015 in 2008-09. The average rate of return has decreased after reaching a peak of 0.023 during 2007-08.

4.3.4 Turnover ratios

These ratios which are known as activity ratios reflect how efficiently MAMCOS maintained its resources. These ratios viz., working capital – turnover ratio and Inventory –turnover ratio are presented in table 4.7 Working capital –turnover ratio which was 1.1138 in 2004-05 decreased to 1.0167 and 0.9467 in 2005-06 and 2006-07 respectively. The increase of this ratio has not been uniform over years, but had shown a fluctuating trend over the years. From the last two years the society exhibited a increasing trend and reached a record value of 1.1091 in2008-09.

4.3.5 Miscellaneous ratios

These ratios were used to measure the overall efficiency of MAMCOS regarding sales and investments on fixed assets and owner's equity. The ratios that are presented in Table 4.8 are (a) sales to fixed assets and (b) sales to owned funds.

The ratio of sales to fixed assets has shown an increasing trend in the earlier years it was 13.9710 in 2004-05 and it

peaked to 23.0303 in 2008-09. The sales to fixed assets ratio shown an increasing trend over the years.

The ratio of sales to owned funds has fluctuated over the years from the value of 5.69 in 2004-05 to reach 5.42 in 2007-08, but later it recovered to reach 8.1409 in 2008-09. This fluctuation is mainly due to increase in owned funds during the respective years. An increasing trend compared to earlier years is again a desirable sign.

4.4 Benefits realized by the members of the society

4.4.1 General characteristics of the arecanut growers

The general characteristics of the areca growers are presented in Table 4.9. The table revealed that on an average the sample members owned 6.23 acres of arecanut garden and produced 75.13 quintals of arecanut per member. The average distance from the collection centre was 13.36 kms. The average income of the member was 6.96 lakhs.

4.4.2 Sales transactions of the sample members in different channels

The sales transactions of the members are presented in Table 4.10. It is evident from the table that out of 60 members selected, 42 members ((70 per cent) sold, their produce through MAMCOS. The average quantity of arecanut sold per member was 54.76 quintals which accounted for 73.01 per cent of the average total production per member.

Out of 60 members 14 (23.33 %) of the members sold, on an average 18.35 quintals through commission agents and remaining 4 out 60 members sold an average 2 quintals arecanut through village traders.

Hundred percent of the members who transacted through MAMCOS and 78 % of the members who sold through commission agents received the sales proceeds immediately. 75% of the members received their sales proceeds immediately from village traders.

4.4.3 Credit facilities availed by the members

The information regarding the credit facilities availed by the sample members were presented in Table 4.11. The table depicts that out of 42 members who sold their produce through MAMCOS, 40 members (95.33 per cent) were getting loan from the MAMCOS and out of 14 members who sold through commission agents, 12 members (85.71%) were getting loan. The average amount borrowed per borrower from MAMCOS was RS. 30349 and that from commission agents was Rs. 21250. Rate of interest charged by the MAMCOS was 11 % as against 18 %.

Average time taken to get loan by the member is less than a week in both the cases. 90% of the members who sold arecanut through MAMCOS are receiving the loan immediately and remaining 10% members receiving the same within a week. 84% of the members who sold arecanut through commission agents are getting the loan immediately and remaining 16% members receiving the same within a week.

4.4.4 Storage and transport facilities availed by the member

The information regarding storage andtransport facilities availed by the members are shown in Table 4.12. It is clear from the table that 36 members ie. (85.71%) out of 42 members who sold their produce through the society are storing their produce in MAMCOS.

11 members (ie. 78.57%) out 14 members who sold their produce through commission agents are storing their produce in

commission agents. On an average they stored 125 days with MAMCOS and 92 days with commission agents in a year. No storage cost was incurred by the members in either case.

The members who stored their produce with MAMCOS obtained the advance to the extent of 60 % of the value of the stored produce, whereas those who stored with the commission agents obtained on an average 50% of the value of the stored produce.

None of the agencies has provided any transportation facilities to the members.

4.4.5 Supply of Farm Inputs, Extension Service and Hospitality

Table no 4.13 indicates the supply of farm inputs, extension services and hospitality provided by the different agencies. It could be seen from the table that the commission agents have not supplied any farm inputs to the members. On the other hand, MAMCOS supplied pesticides like kole chemical (copper sulphate, lime) and Ghatar sprayer to the members for the control of disease called “kole Roga”. However, MAMCOS has not supplied any fertilizers to the sample members.

Among 60 member farmers, 36 members purchased the pesticides, from MAMCOS. 12 members were who purchased the Ghatar sprayer enjoyed the subsidized price.

38 members were getting timely information with regard to cultivation aspects and all the members are availing a good hospitality and lodging facilities by the society.

4.4.6 Constraints faced by the members of the society

Table 4.14 reveals that the constraints that cent percent of the members facing the problem of fluctuation of prices in the market. 55 members (91.66%) out of 60 faces the timely non availability of labor, 52 members (86.66%) faces the attack of kole roga disease which results in low yield of arecanut or even it causes the death of palm. 43 members (71.66%) feels that the credit given by the society was inadequate. Now the society is providing loan amount to a maximum of Rs. 1,00,000.

38 members faces the constraint of high processing cost and 32 members faces the problem of high rate of interest on loan. 25 members face the constraint related to transportation of their produce to the society.

CHAPTER V

DISCUSSION

In this chapter, the results of the study presented in the previous chapter are discussed in details. The reasons for major fluctuations observed in the result are explained which would help in identifying some of the policy measures to be adopted to overcome the constraints.

The results are discussed under the following heads.

5.1 Compound growth rate

5.2 Financial ratio analysis

5.3 Benefits realized by the members of the society

5.4 Constraints faced by the members

5.1 Growth rate Analysis

5.1.1 Physical performance indicators

Table 4.3 revealed the compound growth rates of the physical performance indicators. Highest growth rate of 14.68 was found in areca collection as compared to 4.81 per cent and 13.57 per cent growth rate of membership and areca sales. The higher growth of areca collection over the membership signifies the increasing transaction of the members with the society.

The areca collection increased at a much faster rate than that of membership which signified that the members sold more and more quantity of arecanut through MAMCOS over the years. It is a good indication of the increasing faith and affinity of the members towards the MAMCOS.

5.1.2 Financial performance indicators

The compound growth rate of the share capital was 13.208 per cent which was highly significant. The steady increase and a significant growth rate in the share capital indicated the management efforts to attract the growers and build up share capital. A comparison of growth in membership and share capital showed that the growth rate of paid up share capital was higher than that of membership. This result is in contradictory with the findings of Subba Rao (1985) who reported that the growth of share capital of CAMPCO ltd was less than that of membership. The higher growth rate in share capital was due to higher contribution by individual members and the government. Members have faith in the society because, society had never undergone loss. Meanwhile, the members were receiving the dividend as high as 6 % of share capital.

A close examination of the movement of the owned fund (Table 4.2) and its compound growth rate (Table 4.3) revealed that the owned fund grew steadily and it was significant. It indicated the managements concern over the achievement of self-sufficiency. When the growth rate of owned fund and share capital were compared, it was noticed that the owned fund grew at a slower rate than the share capital. It meant that, the share capital had contributed to fullest extent towards the owned fund. But the slow growth in the owned fund was due to the relatively slow growth in the reserve fund and other funds which as in turn due to slow growth in the net profit.

The comparison of owned fund with the working capital revealed that the working capital had grown at a faster rate than the owned fund which signified that the working capital of the

society was partially contributed by the external sources of funds.

The total asset represents the aggregate activities of the organization (Subba Rao, 1985). The total assets of the society have shown a steady increase over the years. The compound growth rate of total assets was 16.75 %. This significant increase in the total assets revealed the increased activities of the MAMCOS.

At the same time fixed assets of the society also had increased. But the compound growth rate of fixed assets was slightly less than that of total assets, which justified relatively less importance given to the fixed assets. However fixed assets have also shown a steady increase over the study period. Sudden jump in the fixed assets during some years was due to expansion of branches, construction of Godowns, sales yard and administrative buildings whenever felt necessary. By this discussion it could be concluded that the society had maintained an optimum level of fixed assets which were necessary for the performance of its activities.

A comparison of growth rates of total assets and total liability revealed that the total assets were increasing at a faster rte. This tendency was also revealed by current ratio. The reason for this was the increased borrowing under the cash credit arrangement as an interim arrangement for making payment of sales proceeds to the members. However, for the benefit of the society it is better to maintain a balanced growth of these two items.

The total sales of the society also shown significant growth rate (16.754) over the years. It is an indication of the sales promotion activities resorted to by the society to fulfill the

aspirations of members in securing competitive price for their produce.

5.2 Financial ratio analysis

The different dimensions of the financial performance of MAMCOS like solvency, liquidity, profitability, Turn-over and miscellaneous ratios were analyzed and presented for discussion in the following sequence.

5.2.1 Solvency Ratio

The total liabilities to owned funds indicate the extent of debts (in rupees) per rupee of owned funds. The computed ratios show that this ratio has declined from 2.05 in 2004-05 to 1.72 in 2008-09 (Table 4.4). This shows that the liabilities have decreased over the years and also that there is a substantial rise in owned fund. This decrease further reveals that MAMCOS is increasingly relying on funds, which is desirable. A value over a unity of this ratio for a non-banking institution indicates poor financial structure (Foulke, 1945 and page *et al* 1970). In the present analysis, declining trend in the values of ratios indicates the right approach of the organization towards attaining a sound financial structure.

The fixed assets of MAMCOS in relation to its owned funds have steeply come down over years and this is reflected in a decline of this ratio from 0.40 in 2004-05 to 0.35 in 2008-09. This is mainly because of increase in owned funds of the society. But still there is a lot of scope to acquire more fixed assets to increase its activities. Page et al (1970) indicated that a higher ratio is associated with problems of liquidation because the claims of the owner have to be met by sale of fixed assets which are in non-liquid form. However, sridharan (1975) observed the gradual rise in the value of this ratio as a clear indication of the manifold expansion of the services provided by the institution.

The debt-equity ratio which reached a level of 0.78 during 2004-05 has decreased to 0.17 by 2008-09, which is a sign of good management. This trend will help to safe guard the twin objectives of members that it avoids the threat of liquidation and helps to enhance the rate of dividend by reducing fixed charges. The debt-equity ratio is less than standard of 3:1, which signifies financial soundness of the organization. The debt equity ratio and the ratio of total liabilities to owned funds project that debt are well within manageable limits, which is a healthy sign. The position of MAMCOS was for from satisfactory during initial stages, as the organization was forced to borrow heavily to meet the inceptional and expansion activities but in later years addition of more owned funds has bought these ratios to manageable levels. The declining ratio of fixed assets to owned funds clearly indicates there is a scope for increasing infrastructure facilities, which act as a spring board for increasing business activities of any organization.

5.2.2 Liquidity ratios

The concept of liquidity has more relevance in banking institutions than in commercial and cooperative institutions. These ratios measure the ability of any organization to cover its short term obligation out of its short-term resources.

The ratio of liquid assets to total assets has increased from 0.77 in 2004-05 to 0.88 in 2008-09. The increase in liquid assets in proportion to total assets is a healthy sign, as any trading organization has to have more working capital for its expansion (Table 4.5).

The current ratio showed a general increasing trend over the years from 1.30 to 3.92. This ratio indicates that ability of MAMCOS to meet its short-term obligation has increased over the years. It may be pointed out that in respect of joint

companies; generally a standard ratio of 2 is preffered. Hence the organization should make efforts to maintain its current assets, though no standard form is prescribed for cooperative institutions. Natarajan et all (1980) and Foulke(1945) considered that a current ratio of 2 is ideal. Flink and Grunewald (1969) observed that value above unity indicates a firm's ability to meet current obligation. Thus it can be concluded that MAMCOS has maintained a good liquidity position.

The acid test ratio (ratio of current assets less inventories to current liabilities) also shows an increasing trend over the years. This ratio was 1.28 in 2004-05 which increased to 3.88 in 2008-09. This ratio has crossed the standard norm of unity. The increase of this ratio over the years was due to the maintenance of adequate cash balance to meet its daily activities and the relative decline of current liabilities. The value of this ratio is above the standard norm of unity as indicated by Natarajan et al (1980). On the whole, the liquidity ratios clearly indicate that the MAMCOS has made considerable progress in achieving the standard norms.

5.2.3 Profitability ratios

The profitability ratios are used to study the overall efficiency of any business organization. Though service occupies a prime place in any cooperative set-up, the importance of profits cannot be ignored, as profit is a measure of efficiency of any organization and is important for survival and expansion of the organization. The ratios of net profits to total assets, working capital, fixed capital, owned funds and total sales were computed (Table 4.6).

The net profits to total assets ratio has shown a fluctuating trend over the years in comparison to 0.038 in 2008-09. But even this rate of return on assets of 3.8 percent indicates a marginal profit. Further, the results indicates that profit level has been increasing in relation to total assets from 2007-08 onwards. Natarajan *et al* (1980) observed similar phenomena for consumer co-operative in Andhra Pradesh for the period from 1970-71 to 1976-77.

The ratio of net profits to working capital has shown fluctuation over the years to reach a peak of 0.023 during 2007-08 from 0.020 in 2004-05 which came down to 0.016 in 2008-09. This decrease is mainly slow growth of profits as the overall expenditure in relation to total turnover has increased during the recent years

The ratio of net profit to fixed assets shows the average rate of return on fixed assets over the years. This ratio which was 0.25 in 2004-05, reaches a peak of 0.38 in 2007-08 but declined to 0.34 in 2008-09. Though fixed assets have less importance in a trading organizations than in manufacturing concerns, its role in increasing trading activities has to be given due recognition.

The ratio of net profits to owned funds which was 0.10 in 2004-05 showed a constant trend over the years to reach a peak of 0.126 in 2006-07 but declined to 0.122 in 2008-09. This decrease is mainly due to increase in owned funds during recent years with higher equity participation by Government but the profits have increased proportionately. Though this ratio is a reliable measure of the performance of a business organization as put forth by page et al (1970), it is considered only as a supplementary measures in case of cooperative institutions because of their stress in social objectives (Anand, 1981 and Rama,1984).

The ratio of net profits to sales is declined in the recent year. This was 0.018 in 2004-05 but later showed a fluctuating trend to attain a value of 0.015 in 2008-09. The figure show that though sales has increased tremendously over the years, net profits are also has increasing trend. A similar trend was noticed by Rama (1984) in his study on the Farmers Service Co-operative Society Limited, Singanayakanahalli and Bangalore Disrict.

However, increase in turnover and expansion of its activities throughout its operational areas may help to further increase in the profitability of the organization.

5.2.4 Turnover ratios

The turnover ratios namely working capital- turnover ratio and inventory- turnover ratio reflect how efficiently the society is maintaining its resources in the key areas of sales, working capital and inventory management. Working capital- turnover ratio measures the efficiency of employment of the working capital. Generally speaking, the higher the turnover, greater the efficiency and higher the rate of profits. This ratio had a value of 1.1138 in 2004-05 and has attained a figure of 1.1091 in 2008-09 (Table 4.7). The society was maintained a constant turnover ratio. This is clear indication of proper management of working capital by MAMCOS.

Inventory- turnover of MAMCOS which was 345.92 during 2004-05 has attained a figure of 145.07 in 2008-09. This is a clear indication of smaller amount of capital tied up in inventory. But the declines of this ratio from 2005-06 shows that inventory levels have increased in recent years. Thanulingom and Gurumoorthy (1987) indicated that financial performance of the handloom cooperative societies in Tamilnadu state was poor because of accumulation of stocks. Higher inventory- turnover ratio is desirable (Natarajan *et al* 1980).

5.2.5 Miscellaneous ratios:

The other ratios viz., sales to fixed assets and sales to owned funds portray the efficiency of net earnings.

The ratio of sales to fixed assets has increased from its value of 13.97 in 2004-05 to 23.03 in 2008-09 (Table 4.8). This increase in the ratio was mainly due to proportionately higher in sales compared to fixed assets. Thus shows a increasing trend mainly because of investments in fixed assets like sales outlets, vehicles, buildings etc., during the recent years of expansion. However, the quantum of sales is the result of many factors like ability and efficiency of the management, demand creation, etc (Myer, 1974). Higher value of this ratio is an indication of proper management policy in maintaining a low amount of fixed assets, which is just sufficient enough to carry on business. Hence it is a reflection of proper asset management of the cooperative.

The ratio of sales to owned funds has shown increasing values over years. The value was 5.69 in 2004-05 and it attained a value of 8.14 in 2008-09. This shows that the sales have increased a higher proportion than that of owned funds. Hence MAMCOS should strive Further to expand its activities to increase the turnover. The ratio of sales to owned funds is an indicator of the velocity of turnover of owned funds (Krishnarao, 1963).

5.3 Benefits realized by the members of the society

Table 4.10 revealed the multi channel transaction of the members. They sold their produce in different channels like MAMCOS, Commission agents, Village traders. From Table 4.10 it is clear that 70 per cent of the sample members sold their produce through the society. Others have not transacted with the society. The main reason for this was existence of village sales. Traders who visited the market, also gone to the door step of the nearby growers and purchased their produce by providing

a premium price. It is also clear from the table that the members sold 73 per cent of their produce through MAMCOS. Major quality, 24.42 per cent was channelized through commission agents. The result is in conformity with Subba Rao, 1985. Some members also sold through another co-operative society viz., APSCOS Ltd., Sagar existing under the area of operation of MAMCOS.

There was no much difference between the prices received in these two channels. Because, members did not sell all the produce on the same day in both the channels, instead he sold different quantity and quality in different days in different channels. The payment of sales proceeds by the MAMCOS was satisfactory. 100 per cent of the members received their sales proceeds immediately.

The results showed (Table 4.11) that 95.23 per cent of the members borrowed from the MAMCOS. On an average, each member obtained the credit from MAMCOS, to the tune of Rs.30349. The credit extended by the MAMCOS was inadequate. It is evident from the fact that 85.7 per cent of the members borrowed also from the commission agents, to the tune of Rs. 21250 per member. Subba Rao (1985) reported that, in Sirsi market 90 per cent of the member obtained credit from the 'Totagar's sales society (TSS), on an average, to the tune of Rs. 9469. Whereas as only 3.3 per cent of the member borrowed from private traders. The reasons attributed for this was an effective linkage of credit with marketing by TSS.

The MAMCOS was providing credit to its members based on their land holding (areca garden) and previous three years transactions with the Society. However the maximum limit was fixed at Rs.1,00,000 out of which Rs. 10000 as 'Kole Sala' in the form of kole chemicals and Rs. 25000 as produce loan. The

members who have larger transactions with the society do not have any special advantage. Hence, a tendency was developed among the big farmer members to channelize only a minimum quantity of their produce through MAMCOS so as to get the credit. They channelized major portion of their produce through commission agents, where they could get easy credit to the maximum extent. This was the main reason for selling through commission agents.

Lakshmanachar (1973) recommended that for the co-operative marketing societies, to collect a large portion of marketable surplus of the area, it would be necessary to establish effective linkage at village level, preferably through appointing primary credit societies affiliated to them as their local agents for collection of the produce. In this background MAMCOS instead of increasing the number of branches which adds to the establishment and administrative expenses, could appoint the primary societies as their agents for collection of the produce.

The storage is an economic activity which adds time utility to the produce, it was commonly found in arecanut market that, the producers stored there produce with the expectation of higher prices in future. It was observed in the study that almost all members stored their produce with both the agencies (Table 4.12). However, more number of members stored their produce with MAMCOS, as compared to the private agencies.

The MAMCOS provides advance on the stored produce to the extent of 60 percent of the value of the produce at current market price. No such norm was fixed by commission agents. The members obtained more advance from MAMCOS rather than from commission agents. It is interesting to note that the members stored their produce for longer period with MAMCOS. It

may be due to comparatively lower interest charged by MAMCOS on the advance provided on the stored produce. Majority of the member found no difference between these two agencies with regard to the protection of their produce.

The average period of storage of arcanut in the MAMCOS is 125 days as against the 92 days in commission agents (table 4.12).

Due to huge quantity of produce stored in the MAMCOS, many members found it very difficult to find their lots to offer for sale on time. Many a times they won't get back their empty bags after sale, when they are selling in their absence, for which the society is paying only five rupees. No such difficulties were found with commission agents.

It was observed that the commission agents have not supplied any farm inputs to the members (Table 4.13). MAMCOS supplied pesticides (Kole chemicals) like copper sulphate, lime and rala, Ghatar sprayer and barrels. Though the prices of pesticides were not subsidized, it was known for its quality. Member heavily relied upon it. These chemicals are supplied on no profit no loss basis. Hence the prices were normally ruled below market price. As it was delivered through local agents and branches, members were able to get them at their door steps. Ghatar sprayers were supplied by MAMCOS at a subsidized price. MAMCOS has not supplied any fertilizers to the sample members. The society could think of supplying fertilizers along with the pesticides. Such fertilizers would certainly attract the members to sell their produce through co-operative and would imbibe co-operative spirit. The study of Subba Rao (1985) has also indicated this. His study also revealed that the co-operative Sirsi provided all the possible consumer services to its members including supply of domestic requirements, which may be one of the factors that have made the producers in Sirsi areas to sell

most of their produce through the co-operative channel. He also suggested other co-operatives to emulate such an exemplary services of Totagars Sales Society so as to achieve the objectives.

The MAMCOS has prevailed information regarding cultivation aspects, Boardeaux mixture preparation and other crop cultivation. This information has been provided in the dairy and calendars given to the members every year. However the members maintained that these information were outdated ones. On the other hand commission agents have not provided any extension service except the marketing aspects occasionally (Table 4.13).

Among the reasons quoted for selling through MAMCOS, supply of farm inputs, better price, better marketing facilities and co-operative spirit are major ones. And the major reasons for selling through commission agents are credit facility, better price and dealing since long period. From these discussions it is clear that both the agencies are providing better price. It indicated the healthy competition between the two agencies. Members admitted that it was only due to the existence of MAMCOS they were able to get competitive price.

Except few branches like Sagar and Birur other branches are transacting once in a week during the season. Sufficient numbers of traders are not coming to branches due to which members are not getting competitive price.

5.4 constraints faced by the members

Table 4.14 revealed the constraints faced by the members of the MAMCOS. Cent percent members who sold their produce through the society and commission agents faced the problem of price fluctuation in the market. Nearly 92 % of the members faced the non-availability of labor problem. Now a day the labors are migrating to towns and cities to earn a better income, so in

village side members are facing a big problem of non availability of labor. The credit amount given by the society is not adequate, 71 percent member's feel that the society should increase the credit amount.

5.4.1 Weak points in the working of MAMCOS

Inadequate credit: The credit (produce loan) provided by the society was inadequate. The maximum limit was fixed at Rs. 1,00,000 which was very low compared to the requirements of the members. Hence, they were barrowing from commission agents.

Except Sagar, Birur and Tarikere branches, other branches are transacting only in the glut season. But the price remained high during off season when the branches were not transacting. Even during the season, sufficient number of traders was not coming due to which members are deprived of competitive prices. Because of these difficulties, members are reluctant to sell their produce in these branches.

Many times members found it difficult to locate their lot and bags in the godown and offer for sale on time.

When the members sell their produce in their absence, their empty bags are not kept separately after the sale, as a result, they won't get back their bags. They have to select good bags from the heap. In case he won't get any good bags, the society pays him Rupees five per bag which was far below the market price.

Since from the beginning, the society has not diversified the activities. Important marketing functions like transportation, processing, members education was not touched by the society.

CHAPTER VI

SUMMARY AND POLICY IMPLICATIONS

Though the production of agricultural commodities in our country has significantly increased, thanks to the green revolution of mid-sixties and the advanced technologies of the following decades, the benefits are not passed on to the farmers. Most of the major ills in the economy could be attributed to the absence of an orderly marketing arrangement for agricultural produce. The benefits of the technological break-through in agricultural production could be passed on to the farmers only by providing an efficient marketing system for agricultural produce.

In India, the importance of an efficient marketing system as a vital link between the farmer and the consumer was recognized way back in 1928 by Royal Commission on Agriculture.

The objective of economic development and social justice can be achieved by channelizing the agricultural produce through co-operatives. The broad aim of co-operative marketing societies is to strengthen the bargaining capacity of the cultivator so as to secure him better price.

Though the number of co-operative marketing societies and their activities have been significantly increased over the years, their performance is far from satisfactory. Barring few successful marketing societies most of the societies are suffering from ill management, poor financial structure, inadequate technical staff and outdated business practices.

A critical study of business performance and growth of a co-operative marketing society which has already registered good progress in the area of agricultural marketing could be of greater utility to evaluate whether the society follows the financial management principles and efficiency in achieving the cherished goals. Such an analysis of financial performance, relationship and trends among various components of business of a marketing co-operative would help the management bodies of such co-operatives to increase the efficiency and effectiveness of decision making process. It would also serve as a guide to external improves their performance. Hence the present study was conducted with an overall objective of evaluating the performance of the Malnad areca marketing Co-operative Society Ltd., Shimoga (MAMCOS). Following are the specific objectives of the study.

1. To study the growth and development of MAMCOS.
2. To analyze the financial performance of MAMCOS.
3. To examine the benefits realized by the members of the society.
4. To document the constraints faced by the members of the society.

Methodology

The Malnad Areca Marketing Co-operative Society was the focus of the study and hence it was purposively selected to evaluate the performance.

To obtain a representative sample for collecting the data regarding the opinion of the members about the performances of the society and also to analyze the benefits accruing to them by selling through the society. Primary data regarding the benefits

and opinion were obtained from the selected 60 members by canvassing pre-tested questionnaires.

The secondary data regarding the physical and financial performances of the society were obtained from the annual reports of the society for the period between 2004-05 and 2008-09.

The analytical tools used were simple averages, percentages and ratios. Financial ratio analysis technique was used to evaluate the performances of the society. Principal Component Analysis was done on the selected financial indicators to identify the factors governing the performance and the functional analysis technique was employed to evaluate the growth rate of various indicators of the society.

Findings of the study

Physical performance of the MAMCOS

The membership of the society was 16218 in the 2004-05 which showed an increasing trend and reached 19084 in the 2008-09.

The society collected 67,550 quintals of arecanut during 2004-05 which increased with a marginal variation over the years and reached 1,34,747 quintals during 2008-09. Likewise the areca sales also increased from 78,798 quintals in 2004-05 to 1,32,028 quintals in 2008-09.

In almost all the years in the study period, the society distributed dividend to the share holders.

Financial performance of MAMCOS

All the financial indicators of the society such as Share capital, reserve fund, owned fund, working capital, deposits,

total sales and net profit are in a increasing trend during the study period.

The net profits earned by the society shown an increasing trend. The society earned net profit 118.98 lakh during 2004-05. During 2008-09 the net profit of the society reached a record level of Rs. 200.45 lakh.

The Fixed assets of the society, which was Rs. 472.81 lakh in 2004-05, rose to Rs. 577.98 lakh during 2008-09.

Compound growth rate analysis

The compound growth rate analysis on three physical performance indicators revealed that they increased significantly. The compound growth rate analysis on 12 financial indicators indicated that, almost all the variables had a higher growth rate above 13 per cent.

Financial ratio analysis

The ratio of total liability to owned fund indicates the extent of debt per rupee of owned funds of MAMCOS. The decrease in this ratio over the years shows that the MAMCOS dependence on external funds has decreased over the years.

The ratio of fixed assets to owned fund showed that the MAMCOS has maintained an optimum level of fixed assets to perform the business operations. This shows that over the years MAMCOS has built up equity substantially in relation to its long term obligations.

The ratio of liquid assets to total assets revealed that the MAMCOS has maintained a high liquidity ratio which represented a sound liquidity management of the society.

The MAMCOS maintained a high level of current ratio. This clearly indicates that the ability of the MAMCOS to meet its short term obligation has increased over the years.

The profitability ratios of MAMCOS like ratio of net profits to total assets, net profits to working capital net profits to owned fund and ratio of net profit to total sales revealed that the MAMCOS has maintained an optimum level of profitability ratio indicating its concern over the service rather than the profit.

The ratio of total sales to fixed assets shown that the society has maintained a optimum level of fixed assets (godowns, sales yard, administrative buildings etc.) which were necessary for the business operations. The additional fixed assets were created whenever necessary. The satisfactory level of this ratio indicated that the fixed assets have been efficiently utilized in the business.

The ratio of total sales to owned funds showed the sound utilization of owned fund in the business. This ratio was very high during the terminal years. The rule of thumb is, higher the ratio, higher would be the efficiency of owned fund utilization.

Benefits realized by the members of the society

It is apparent from the survey that on an average the members had 6.23 acres of arecanut garden. The members produced on an average 75.13 quintals of arecanut per member. The average distance from the collection center was 13.36 kilometers.

Among the selected members, 70 per cent of members sold their produce through the MAMCOS, 23.33 per cent through

commission agents, 4 per cent through village traders. It was noticed that the members sold the major quantity of arecanut through the MAMCOS.

The percentage of members borrowed loan from the MAMCOS is higher, the average amount borrowed per member is Rs 30340. Interest charged by the MAMCOS was comparatively less than commission agents. The time taken to get loan from the MAMCOS was one week and the MAMCOS provided credit for kole chemicals and crop loan, whereas the commission agents provided credit for consumption purpose. The result indicated that the members are not satisfied with the credit facility of the MAMCOS as it was inadequate.

All the members stored their produce either with the MAMCOS or with the commission agents. On an average they stored 125 days with MAMCOS and 92 days with commission agents in a year. No storage cost was incurred by the members in either case.

The MAMCOS has supplied pesticides (kole chemicals) farm implements like Ghatar sprayer and Barrels. The supply of pesticides benefited only 50 per cent of the members as it was required only by the members of heavy rain fall areas for the control of 'kole roga'.

Extension service was provided by the MAMCOS in the farm of information regarding cultivation aspects. Boardeaux mixture preparation and other information on crop cultivation. The aforesaid information is provided through calendars and diaries provided to the members in the beginning of each year. No other forms of extension service were provided. The commission agents have not provided any type of extension

service except the market information which was provided occasionally.

The major reasons quoted by the members for selling their produce through MAMCOS were supply of farm inputs, better marketing facilities and co-operative spirit. Reasons for selling through commission agents were credit facilities, better price and dealing since long.

Constraints faced by the members of the society

Cent percent of the members facing the problem of fluctuation of market prices. 55 members (91.66%) out of 60 faces the timely non availability of labor, 52 members (86.66%) faces the constraint of kole roga disease which results in low yield of arecanut or even it causes the death of palm. 43 members (71.66%) feels that the credit given by the society was inadequate. Now the society is providing loan amount to a maximum of Rs.1,00,000.

38 members face the constraint of high processing cost and 32 members face the problem of high rate of interest on loan. 25 members face the constraint related to transportation of their produce to the society.

Policy implications

1) Credit limit of the member should be raised and linked with his transaction. The average transaction of a member with the society in previous three years should be used as a basis to sanction produce loan. By doing so, member will transact more and more with the society to get more credit at a lower rate of interest.
2) Instead of increasing the number of branches the society can think of appointing primary societies as collecting agents so as to have an effective link between credit and marketing which also reduces the establishment and administrative expenses.
3) Society can send the gunny bags of its own to each members prior to the harvesting season, as it is followed by the coffee curing works.
4) The transportation facility may be provided by the society to its members.
5) Scientific storage of the produce should be followed. Produce should be properly stacked lot wise and number wise so as to minimize the difficulties in locating the bags.
6) Member's education programme should be undertaken by the society. It should arrange for training the members regarding aspects like cultivation, marketing and need for co-operative spirit.

CHAPTER VII

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APPENDICES

APPENDIX I: Arecanut World Area, Production and Productivity in comparison with India

Year	World			India			Share to world production (%)
	Area (ha.)	Production (tonnes)	Productivity (kg/ha.)	Area (ha.)	Production (tonnes)	Productivity (kg/ha.)	
2001-02	549200	646480	1177	289000	334400	1157	51.73
2002-03	596580	707860	1187	315200	373100	1184	52.71
2003-04	628450	740090	1178	340900	403100	1182	54.47
2004-05	653970	762690	1166	354260	415880	1174	54.53
2005-06	674340	794520	1178	365040	439150	1203	55.27
2006-07	691300	819760	1186	37406	456340	1220	55.67
2007-08	702890	854200	1215	381100	483140	1268	56.56
2008-09	729395	911600	1249	396800	559200	1409	61.34

Source: DES. New Delhi & FAO, Rome

APPENDIX II: State wise area and production of Arecanut in India for the Year 2008-2009

States	Area ('ooo ha.)	Production ('ooo tonnes)	Productivity (kg/ha.)	Share (%)
Andra pradesh	0	0	0	0
Assam	71	65	915	12
Goa	1.7	2.6	1529	0
Karnataka	168	224	1333	40
Kerala	102.1	110	1077	20
Maharashtra	2.3	3.6	1565	1
Meghalaya	12	16.6	1383	3
Mizoram	2	5.3	2650	1
Nagaland	0.2	1.3	6500	0
Tamil nadu	5.5	11.9	2164	2
Tripura	3.4	6.9	2029	1
West Bengal	24.4	106.1	4348	19
Andaman Nicobar	4.1	5.8	1415	1
Pandichery	0.1	0.1	1000	0
All India	**396.8**	**559.2**	**1409**	**100**

Source: DES, New Delhi

APPENDIX III: District-wise Area, Production and Yield of Arecanut in Karnataka (2004 -2005)

Districts	Area (ha.)	Production (tonnes)	Yield (tonnes ha.)
Bagalkot	2	3	1.50
Bangalore (Rural)	1975	2763	1.40
Bangalore (Urban)	233	326	1.40
Belgaum	8	11	1.38
Bellary	32	46	1.44
Chamarajannagar	309	219	0.71
Chikmagalur	16616	19032	1.15
Chitradurga	14498	13965	0.96
Dakshinakannada	27209	48540	1.78
Davangere	22015	21206	0.96
Dharwad	11	15	1.36
Gadag	3	4	1.33
Hassan	3483	3403	0.98
Haveri	717	1002	1.40
Kodagu (Coorg)	1386	1939	1.40
Kolar	54	76	1.41
Mandya	879	1229	1.40
Mysore	676	480	0.71
Shimoga	29150	43865	1.50
Tumkur	16197	19867	1.23
Udupi	5019	8954	1.78
Uttarakannada	12287	16701	1.36

Source: www.indiastat.com