

**ARECANUT BUSINESS BY COOPERATIVES IN
KARNATAKA – A MANAGEMENT PERSPECTIVE**

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in

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By

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CERTIFICATE**

This is to certify that the thesis entitled "ARECANUT BUSINESS BY COOPERATIVES IN KARNATAKA – A MANAGEMENT PERSPECTIVE" submitted by Miss HARSHITA T. D. for the degree of MASTER OF BUSINESS ADMINISTRATION in AGRIBUSINESS to the University of Agricultural Sciences, Dharwad, is a record of bonafide research work done by her during the period of her study in this University, under my guidance and supervision and the thesis has not previously formed the basis of the award of any degree, diploma, associateship, fellowship or other similar titles.

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CONTENTS

Sl. No.	Chapter Particulars
	CERTIFICATE
	ACKNOWLEDGEMENT
	LIST OF TABLES
	LIST OF FIGURES
1.	INTRODUCTION
2.	REVIEW OF LITERATURE
	2.1 Organizational management in cooperative organisations
	2.2 Business performance of the organisations
	2.3 Activities undertaken by the organizations
	2.4 Strength, Weakness, Opportunities and Challenges analysis of cooperatives
3.	METHODOLOGY
	3.1 Description of the study area.
	3.2 Description and functions of the two cooperative sales societies
	3.3 Sampling design adopted.
	3.4 Nature and source of data
	3.5 Identification of indicators of business performance.
	3.6 Analytical tools used to evaluate the objectives of the study
4.	RESULTS
	4.1 Organizational management in cooperative organisations
	4.2 Business performance of the organisations
	4.3 Activities undertaken by the organizations
	4.4 Strength, Weakness, Opportunities and Challenges analysis of cooperatives
5.	DISCUSSION
	5.1 Organizational management in cooperative organisations
	5.2 Business performance of the organisations
	5.3 Activities undertaken by the organizations.
	5.4 Strength, Weakness, Opportunities and Challenges analysis of cooperatives
6.	SUMMARY AND CONCLUSIONS
	REFERENCES

LIST OF TABLES

Table No.	Title
4.1	Organizational structure of Totgars' Cooperative Sale Society Ltd., Sirsi
4.2	Organizational structure of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.3	Solvency ratios of Totgars' Cooperative Sale Society Ltd., Sirsi
4.4	Liquidity ratios of Totgars' Cooperative Sale Society Ltd., Sirsi
4.5	Profitability ratios of Totgars Cooperative Sale Society Ltd., Sirsi
4.6	Turnover ratios of Totgars Cooperative Sale Society Ltd., Sirsi
4.7	Efficiency ratios of Totgars Cooperative Sale Society Ltd., Sirsi
4.8	Sales ratios of Totgars Cooperative Sale Society Ltd., Sirsi
4.9	Tests of strength of Totgars Cooperative Sale Society Ltd., Sirsi
4.10	Benefit Cost ratios of Totgars Cooperative Sale Society Ltd., Sirsi
4.11	Compound Annual Growth Rates of Totgars Cooperative Sale Society Ltd., Sirsi
4.12	Solvency ratios of Malnad Areca Marketing Cooperative Society Ltd., Sirsi
4.13	Liquidity ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.14	Profitability ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.15	Turnover ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.16	Efficiency ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Contd.....

Table No.	Title
4.17	Sales ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.18	Test of strength of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.19	Benefit cost ratio of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.20	Compound Annual Growth Rate of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.21	Comparative analysis of the Totgars' Cooperative Sale Society, Ltd., Sirsi and Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.22	Comparative analysis of Totgars' Cooperative Sale Society Ltd., Sirsi and Malnad Areca Marketing Cooperative Society, Ltd., Shivamogga – Compound Annual Growth Rate
4.23	Net profit of different sections in Totgars' Cooperative Sale Society Ltd., Sirsi
4.24	Net profit of different sections in Malnad Areca Marketing Cooperative Society Ltd., Shivamogga
4.25	SWOC analysis of Totgars' Cooperative Sale Society Ltd., Sirsi
4.26	SWOC analysis of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

LIST OF FIGURES

Figure No.	Title
1	The organization structure of Totgars Cooperative Sale Society, Ltd. Sirsi, Uttara Kannada
2	The organization structure of Malnad Areca Marketing Cooperative Society, Ltd. Shivamogga

1. INTRODUCTION

Co-operation is an activity of the people. It is a self-generated, voluntary and self-sufficient activity. Cooperation has always been a feature of humankind. Essentially co-operation is an activity of the people for mutual help and collective progress.

Cooperative movement took its birth in England for the first time in the 18th century. Robert Owen, a labour leader introduced cooperative movement to the world. Then in Germany, Denmark, Russia and Japan cooperative movement was started. In India cooperative movement came in existence in 1904. The first ever credit cooperative societies act facilitated to make credit available to the farmers affected by consistent drought conditions. This was the beginning of cooperative movement. The object of cooperative credit society act was to wean away farmers and artisans from the clutches of local money lenders. In order to provide further strength to the base level cooperative, "Cooperative Societies Act 1912" was enacted for setting up non-credit cooperatives in the spheres of marketing, consumers, textiles and housing etc.

The establishment of co-operative marketing societies was another step which has been taken to overcome the problems arising out of the present system of marketing of agricultural produce. The objectives of economic development and social justice can be furthered by channelising agricultural produce through cooperative institutions. The International Cooperative Alliance (ICA) defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise.

The origin of the co-operative movement in world is not on one single line. It differs from continent to continent, from country to country and even from place to place. Co-operatives subsist within several different sectors of the economy. Co-operatives are engaged in agriculture, industry and in service sector with the ultimate goal to lift up the living standard of the members of the societies through increase in level of production and productivity, employment, technology and several other useful services.

Co-operatives are essential self-help groups of people who get together to meet their needs. Consumer co-operatives provide their members with food and other products they need, while housing co-operatives provide shelter and workers co-operatives provide decent work, credit co-operatives provide saving and credit, while agricultural co-operatives helps farmers to organize inputs they need to grow crops and keep livestock and then help them to market and process their products.

India is mainly an agrarian society with more than half of its population still residing in the villages. Rural sector is the major contributor to the overall GDP of the nation and hence lack of development in villages means lack of development in India. Cooperative societies are playing significant role in this and share a major credit in the growth of rural sector which along with government and private sectors contribute to the overall economy of India. Cooperatives cover more than 97 per cent of Indian villages, some run by its members and some by the government.

Cooperatives originated in the west during the middle of the last century and from there these came to India. Formally co-operatives were introduced to India in 1904 when the Indian Co-operative societies act was promulgated. Initially these were just to provide credits to the farmers in the form of credit societies and gradually these start working in other fields such as banking, processing and marketing. The meagre funds of farmers were pooled in to run cooperative and it was an attractive way to solve their financial problems. After independence role of cooperative societies grew to encompass socio-economic development and eradication of poverty in rural India. It became an integral part of five year plans in the country. With this co-operative societies have become a fundamental part of our economy.

The history of co-operative marketing in India dates back to 1912, when the Co- operative Marketing Societies Act was passed. The first co-operative society was formed in Hubli in 1915 to encourage cultivation of improved cotton and to sell it collectively. In 1918, The Dakshina Kannada Planters Co-operative Sale Society was formed in the then composite Madras Province for joint sale of arecanut.

Cooperative movement which started with enactment of cooperative credit societies act of 1904 has already completed 100 years of its eventful existence. During this long period cooperative movement has struggled hard and diversified manifold in terms of numbers, membership, deposits and working capital and has extended its reach to credit and banking, fertilizers, sugar, dairy, marketing, consumers, housing, labour, fisheries and handlooms etc. They have done commendable work for the upliftment of downtrodden and weaker sections of the society.

1.1 The Totgars' Cooperative Sale Society Ltd., Sirsi (Uttara Kannada)

Credit cooperative societies were started in 1905 at Sirsi, Uttara Kannada district with the aim of rescuing agriculturists from clutches of local money lenders. Cooperative societies act 1912 was passed for setting up non-credit cooperatives in the field of marketing and supplying domestic items and agricultural materials. On those days financing the farmers for the purpose of production of arecanut, pepper and cardamom and marketing of these agricultural produces were under the control of private money lenders, land lords and commission agents.

The agriculturists especially small land holders were being exploited. They could not get better price, actual weight for their produce. They should have paid higher price for consumer items and other essential commodities. Neither producer nor consumer could get better incentives or yield for their efforts and honesty. In order to get a solution to this problem, "Sirsi Totgars' Cooperative Purchase Distribution and Credit Society Ltd., Sirsi" was established at Sirsi in 1913. But even after 10 years' business, the society collected only share capital of ₹3700/- and reserve fund of ₹.2500/-, with this meagre fund, it was not possible to carry on both activities of providing loan to farmers and marketing their produce. So only financing to farmers was continued. So as to overcome this problem this society was divided into "credit society" in the year 1922 and in 1923 "The Totgars' Cooperative Sale Society took its birth and started its activities on 24-11-1923.

The Totgars' Cooperative Sales Society Ltd., Sirsi, popularly known as "TSS" was started initially with 28 share members and share capital of ₹.280/- only. Now it has become one of the biggest, renowned cooperative society in the state, with varied activities in the field of marketing and financing. Initially the society started activities at Nadig galli which was very narrow and compact. Then office and other activities were shifted to Namaj Gudda now called A.P.M.C yard, which is having spacious and beautiful area with wide roads. The society opened branches at Yellapura and Siddapura and started rice mill, medical stores, grocery section, arecanut trading section, Samrat guest house section, sweet supari section and van section.

The area of operation of Totgars' Cooperative Sales Society Ltd., includes whole parts of Sirsi, Yallapura and Sidapura taluks, revenue circles of Ankola and Belale of Ankola taluk, revenue of Kumbarwada of Joida taluk, revenue circle of Pala of Mundagod taluk.

TSS playing a major role in safeguarding the interest of its members since many years. It has contributed so much for the overall economic development of its members. More than eighteen thousand agriculturists are the members of this institution at present.

The Totgars' Cooperative Sales Society Ltd., Sirsi, has head office at Sirsi, is operating with the following broad objectives like, providing marketing facilities to the members; giving financial assistance to the members in the form of production loan, deposits loan, pledge loan and education loan etc.; Supplying groceries, cattle feeds and other consumer goods; providing paddy dehusking facilities; accept deposits from the members; conducting processing activities and providing storage facilities to the members apart from performing several activities for the welfare of the members.

The society is also extending several facilities to its members. Good marketing facility is the important one where in it help the members to sell the produce that they have grown on their farms. It provides financial assistance to the members for various the form of production loan on the value of sales, deposit loans on the amount of money deposited by them and also the pledge loan on the stock of produce deposited with them. The TSS also extends full day payment facility through ATMS. The society has extended the transport facility at reasonable freight to its members for easy movement of agricultural produce, cattle feed, fertilizer and other domestic goods. It has provided godown facilities to store the produces of the members without any godown rent. It also purchases and sells produce of the members to maintain stability in market price. The society also performs banking functions and accept deposits from the members. It has facilitated the grading facility for grading of arecanut. It supplies grocery, cattle feed, agricultural inputs like fertilisers, chemicals, agricultural implements and medicines etc. to the members at competitive prices. For the quick service, the society has gone for computerisation of many of its sections. It also provides bonus to its members on their sales.

The society distributes the profit to its members in the form of dividend on the shares. To serve the members better, the society has opened a high-tech hospital at Sirsi and issues health cards to the members and there by facilities for availing of rebate in medical treatment bills. The society has opened a well-equipped and well-furnished lodging facility, "Samrat guest house" at Sirsi for providing them at lower rentals. The society organises several cultural and social programmes for

the benefit of the members and also conducts seminars, symposia, conference on agriculture and horticulture based issues. It also supplies the fertilizers and chemicals to other primary cooperative societies and there by helps indirectly to the fellow farmers of the region. Geared up with the information technology, the society has also adopted electronic media like sending information to the members through SMS and installation of IVRS and Kiosk technology to impart market information and intelligence to the farmers of the region.

1.2 Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

The cooperative movement had evolved with the aim of eradicating the exploitation, then deep rooted in the private sector. To remember the origin of cooperative movement which is now so developed in Karnataka, as early as 1905 itself, "Mysore Cooperative Regulation Rules" was enacted by then Mysore Government. In fact, money lending Cooperatives had paved the way for the commencement of cooperative movement in Karnataka. By that time, the cooperative movement developed in different parts of Karnataka and in the areas, which were then in different states, on the basis of the separate cooperative rules prevailing in those states.

Though it is true that the cooperative sector developed in different dimensions after 1951 due to the economic planning, the report containing valuable suggestions submitted by the cooperative committees under the chairmanship of Samal Das in 1920 and Chandrashekar in 1935 emphasising the necessity of developing cooperation in the state. During the period, many cooperatives were born in order to provide agricultural loan, to undertake processing and marketing of agricultural produces in order to prevent the exploitation by traders and middlemen, in the absence of institutional financing and marketing facilities one amongst those was Malnad Areca Marketing Cooperative Society which was established in 1939 and is working for the welfare of the farming community.

The Malnad Areca Marketing Cooperative Society Ltd, Shivamogga which is popularly known as "MAMCOS", was established in 1939 under the chairmanship of Mr S. Sheshadri, the then Deputy Commissioner of Shivamogga, with the purpose of safeguarding the interest of arecanut growers. There were only 659 members and 5121 bags of arecanut were collected at the start of the society. The society started with a share capital of ₹. 16,031 and earned a net profit of ₹. 3867 in the year of inception and was able to declare dividend at the rate of 6.25 per cent. Since then MAMCOS has come up a long way with a membership of about 19000 and a strong financial base. From inception till now the society is working under profit and declaring dividend every year.

The various attractive and useful schemes and programmes launched by the society has also motivated in attracting more and more number of arecanut growers. They include providing katav loan, produce loan at competitive rate of interest, timely supplying of quality kole chemicals at competitive rates, providing storage facilities to members produce, offering attractive rate of interest on the members deposit, providing bonus on the areca sold through society and providing subsidy on gutter sprayers, astra oven, driers under "members welfare fund", providing financial assistance to persons who are involved in the invention and development of areca peeling machines and other equipments and for research activities under areca research fund, cash incentives to the children of members who secure highest marks in academic qualifications, conducting co-operative training programmes and also conducting awareness programmes to the members regarding various aspects.

Malnad Areca Marketing Cooperative Society Ltd, Shivamogga the society has Head Office at Shivamogga and 10 branches offices at Birur, Koppa, Sringeri, Tharikere, Channagiri, Bhadravathi, Hosanagar, Sagar, Shivamogga and Thirthahalli.

Area of operation of Malnad Areca Marketing Cooperative Society Ltd, Shivamogga extends to the revenue districts of Shivamogga and Chikkamagaluru and revenue taluks of Honnali and Channagiri of Davangere district.

Malnad Areca Marketing Cooperative Society Ltd, Shivamogga (MAMCOS) and Totgars' Cooperative Sales Society Ltd., Sirsi, (TSS) playing major role in helping the arecanut farmers to overcome their problems during production and marketing of arecanut in Shivamogga, Uttar Kannada and other districts. But the documentation of the business performance of these cooperatives is lacking. Such a study would through adequate light on the policies to be taken up by the societies in various aspects, which would improve the overall performance of the societies. Hence an attempt is made to study the business performance of MAMCO and TSS with the following objectives.

1.3 The specific objectives of the study

1. To study the organizational management in Malnad Areca Marketing Cooperative Society Ltd, Shivamogga and Totgars' Cooperative Sales Society Ltd., Sirsi.
2. To analyse and compare the business performance of the organisations over the years.
3. To analyse various activities undertaken by the organizations.
4. To conduct Strength Weakness Opportunities Challenges analysis and suggest policy measures.

1.4 Hypotheses

1. The organizational management varies considerably in both organizations.
2. There is a steady growth and high business performance in the societies.
3. The organizations carry out various activities successfully over the years.
4. There are many strength, weakness, opportunities and challenges in each of the organizations considered.

1.5 Presentation of the study

The study has been presented in seven chapters as indicated below.

Chapter-I deals with the nature, importance and specific objectives of the study.

Chapter-II describes comprehensive review of relevant research studies connected with the objectives.

Chapter-III outlines the features of the study area and outline of the study. The nature and sources from which relevant data have been collected and the various tools and techniques employed in the study for evaluating the objectives are included.

Chapter-IV is devoted to the analysis of the data through a variety of tables into which relevant details have been compressed and summarized under appropriate heads and presented in the form of tables and figures.

Chapter-V discusses the results of the study.

Chapter-VI provides summary of the whole study and also suggest the policy implication based on the findings of the study.

Chapter –VII important reference has been listed relating to the present study.

2. REVIEW OF LITERATURE

This chapter is intended to report the theoretical views and empirical evidences to the present study from the past findings and documentation. A review of the past research in the field has been done to enable a better understanding of the subject and concepts.

2.1 Organizational management in cooperative organisations

2.2 Business performance of the organisations

2.3 Activities undertaken by the organizations

2.4 Strength, Weakness, Opportunities and Challenges analysis of cooperatives

2.1 Organizational management in cooperative organisations

Sidhu and Sidhu (1990) conducted a research on the Primary cooperative service society and milk producers cooperative society in Punjab. The study concluded that cooperative can be understood on the basis of parameters such as consistency in the growth rate of the membership and later in the stability of the membership. They took the indicators such as average lending of the member, pattern of over dues, capital formation, the business expansion patterns and the measures of income, expenditure and profits, etc. The capital formation was reflected by capital contributed by the members and to determine the ratio of borrowings against the capital contributed by the members, debt/equity ratio was also used

Kumar (1992) studied on evaluation of the business performance of the Horticultural Producers Cooperative Marketing and Processing Society limited, Bangalore. Researcher studied the organisation set up of HOPCOMS. It is managed by the board of management. Board of management consisting of 15 directors, eleven directors are elected out of 'A' class members and the remaining four are nominees of the state government. The director of the state department of horticulture is ex-officio president and senior officer of the same department is deputed to serve as managing director of HOPCOMS. The organization has 867 employees in different cadres.

Dutta (1994) conducted a research on evaluation of the Primary Agricultural Cooperative Credit Societies in the district of Birbhum. In the research work he tried to ascertain the present position of (PACS). Researcher found that during the period of study the number of members were increasing, quantum of credit was increasing but there were constraints in functioning of PACS i.e. poverty, illiteracy, lack of funds, over dues and excessive control. He suggested that there should be professionalization of management and there should be single PACS for every gram panchayath and an independent election commission should conduct elections.

Ramandev (1998) carried out management appraisal of cashew processing industry in Uttar Kannada district of Karnataka. The study found the line type of organization structure in cashew processing industry which has simple and clear cut responsibility and authority, with fast and early feedback from the employees. The discipline among employees was maintained easily and efficiently. Their salary expenditure increased with increase with size of unit.

Ashraf (2000) analysed the business performance of cooperative oil mills- A management appraisal. Researcher studied the organization structure of the cooperative oil mills. Both the mills have similar cooperative organizational structure with board of Directors at the apex level, mill's management team at the middle level and farmer and non-farmers members at the gross root level. The board headed by the chairman, while the management led by managing director of the mill. The board of directors under the direction of the chairman and with help of mills management team steer the business activities of the mill.

Mane (2000) studied business performance analysis of agro based industries in Belgaum district of Karnataka. The researcher observed that both small and large starch units follow the line organization type of structure because of less number of activities and high investment in these industries. Study revealed that in lone type organization, communication was fast and easy and feedback from the employees can be easily obtained and immediate correction measures can be applied.

Feng (2010) analysed the financial cooperative controlling mechanism of enterprise group. This paper puts forward a system model of financial cooperative control. It also gives a system analysis including system hierarchy analysis, synergy analysis and coupling analysis. All of these can provide a decision making support for the collaborative management of enterprise group.

Mundada (2011) studied organizational structure of the selected Farmer Commodity Interest Group (FCIG) indicating the line type of organizational structure was seen in FCIG Katol, Warad and Kalameshwar. Investment were also low in these FCIG. The structure was simple, the authority and responsibility were clear cut, easily assignable and traceable.

Shreedevi (2013) conducted a research on bussiness performance of Malaprabha cooperative sugar factory Ltd., M. K. Hubli. Researcher conducted a study on organizational structure of the Malaprabha cooperative sugar factory Ltd. The existing organization structure consist of general body and board of directors at the top and other consist of paid management that is manager, technician and workmen.

Srikrishna (2013) carried out business performance of Tur board in Karnataka. The study revealed that line type of organizational structure was present mainly in the Tur board. Line organization is the clear and simplest form of organization and is the most common among low investment organization.

Ebe (2014) studied comparative analysis of organizational structure and operations of modern and traditional cooperatives on mobilization of savings in South-East, Nigeria. The result revealed that the organizational structure showed that the officials of the associations included president, secretary and treasurer.

Virupaksha (2014) analysed performance of Belgaum gardeners co-operative society – a management appraisal. The study revealed that organizational structure of the society consist of the general body which is the supreme policy making body of the society consists of class A and class B members. The executive management of the society lies with the board of directors which consists of 12 directors. Among them 9 directors are elected from the members. Three directors are government nominees, one each from the department of agriculture, horticulture and co-operatives.

2.2 Business performance of organizations

Natarajan and Gnanashyamdas (1980) studied working of consumers cooperative in Andhra Pradesh and observed that the current ratio of 2:1, quick ratio of 1:1, inventory ratio, net profit margin, return on assets and return on share capital were the best standards of evaluation. The results of their analysis showed that the liquidity position was not satisfactory. Financing in excess of equity, poor inventory turnover, heavy establishment and contingent expenses in proportion to sales, huge stocks of inventory and ineffective utilization of funds were the major causes for the poor performance of consumers cooperative in Andhra Pradesh.

Rao *et al.* (1981) analysed the business performance of the Central Arecanut Marketing and Processing Co-operation limited, using the financial statement analysis technique. Solvency, liquidity, profitability and other performance variables were used to measure the overall performance. To measure solvency of the society, ratios of total liabilities to owned funds were used. To measure liquidity, ratios of liquid assets to total assets, current assets to current liabilities and total assets to total liabilities were used. To measure profitability, ratios of net profits to total assets, net profits to total working capital, net profits to owned funds, net profits to sales and net profits to net worth were used.

Ananth (1984) evaluated the business performance of the grape grower's marketing and processing co-operative society in Bangalore by employing the ratios such as structural, liquidity ratio, profitability ratio, turnover ratio, total sales to fixed assets ratios and total sales to owned funds ratio in order to study the financial position at the various stages of the growth of the society.

Rama (1984) evaluated the performance of a Farmers Service Cooperative Society (FSCS) in Karnataka, using the solvency ratios, such as total liability to owned funds and fixed assets to owned funds; the liquidity ratios like liquid assets to total assets, current assets to current liabilities and acid test ratio. He also used profitability ratios such as net profits to total assets, net profits to working capital, net profits to owned funds and net profits to fixed assets and the turnover ratios like efficiency of capital, inventory turnover ratio, working capital turnover gross ratio percentage and operating ratio. Current ratio more than unity indicate the efficiency of the society in its business performance.

Rayadu (1985) studied the working of industrial co-operative from 1977-78 to 1981-82 using various financial ratios. Study has found that all the industrial co-operatives had more solvency than liability but was less than the established standard of 2:1. The study revealed that they were not in a position to meet all current obligation immediately. Since the aggregated acid test ratio worked out to 0.46:1. It shows business performance is not satisfactory.

Shankaramurthy (1986) conducted a study on performance of the Karnataka state co-operative marketing federation limited and its impact on farm market. The researcher used various financial ratios like solvency, liquidity, profitability and turnover ratio for the analysis of the study. Researcher also used compound growth rate analysis for the selected financial and physical indicators. The study analysed the response from three different groups of respondents by employing cluster analysis technique.

Thanulingam and Gurumurthy (1987) conducted a research on handloom cooperatives for the period 1980-84 by using liquidity and profitability and turnover ratios. The study revealed that financial performance of the societies was poor due to the factors such as accumulation of heavy stocks, very low gross profit margin and large number of debtors created high current ratio resulting in inability of handloom sectors to meet short term obligations.

Mattigati (1990) while conducting a study on the performance of milk producers co operative societies in Dharwad district, made use of different financial ratios to assess the financial position of the societies. The researcher found that, increasing trend of gross ratio was due to the increase in the business turnover, net worth of the societies was lower but positive and net capital ratio was more than unity. The researcher inferred that the lower net worth did not affect the strength of the below average societies.

Patil (1991) conducted a research on Karnataka State Cooperative Milk Producer's Federation Ltd and its impact on dairy development by using different ratios such as solvency, liquidity, profitability, turnover and efficiency, etc. The study revealed that there was a decreasing trend in the liquidity ratio due to accumulation of fixed assets. There was an increase in liabilities representing the increased trend of solvency of the organisation. Also higher inventory turnover represented the higher existence of stock carrying or unsalable units which would not adversely affect the organisation.

Chavan (1992) evaluated financial management in dairy enterprises-an inter –Sectoral comparison. Researcher studied the financial management in dairy enterprises. The study made an inter-sectoral comparison between Warana milk union, Warananagar (cooperative unit) and Government scheme Miraj. The researcher observed that the Warana milk union has taken intensive efforts for the procurement and marketing of milk. But it is absent in the Government scheme, as a result the Warana Milk Union is working successfully without any support from Government. The researcher found that the Warana milk union has utilized its capacity much better than Government scheme Miraj. The study concluded that the financial management in the co-operative sector is more efficient than that in the public sector. There is a good opportunity and scope for the development to co-operative sector in the future.

Padmini and Lekha (1992) studied the financial performance of Shree Narayana power loom industrial co-operative society by employing various financial ratios such as turnover ratio, liquidity ratio, sales ratio, etc. The analysis revealed that the liquidity position of the society was very poor thus financial performance of the society was not up to the level.

Devaraja (2000) evaluated the performance of HOPCOMS, Karnataka. For the study he collected data relating to physical and financial indicators of the society from balance sheet, annual reports, records and audit reports of the society for a period of 38 years. For financial ratio analysis he used structural ratio, liquidity ratios, profitability ratios and turnover ratios. The study concluded that there were substantial increase both in the physical indicators and the financial indicators of the society over the operational period of study that is growth in membership, rental outlets, share capital, owned funds, total assets, long-term and investments etc.

Smitha *et al.* (2003) studied eight fishery cooperatives of eleven existing primary cooperative societies in Vasai taluk of Maharashtra. Financial ratio analysis technique was used to study financial performance of fishery cooperatives. Vasai zone with a production of 32,643 tons had contributed to the tune of about 32 per cent of the total marine fish in 1995-96, which has come down to about 9,943 tons by the year 2002-03. This decline was due to over exploitation of fish and loss of fish stock due to increasing population level in the area.

Harshitha (2007) conducted a study on management appraisal of District Central Cooperative bank- A case of DCC Bank Shimoga, Karnataka. Financial ratio analysis technique was used to study the financial management of DCC bank. The study revealed that the current ratio was found to be more than one for all the periods and fluctuated over the years. The ratio was highest for the year 2001-02 (5.22) and lowest for the year 1992-93 (1.99).

Kannapiran (2010) conducted a research on financial performance of Nilgiris district central cooperative bank Ltd. Secondary data were collected from the annual report for a period of eight years from 2001-02 to 2008-09. Ratio analysis was employed for analysing the data. The study revealed that the financial performance of the NDCC is satisfactory because it maintains the standard liquidity and current ratio.

Ravi (2011) carried out a study to analyse financial efficiency, profitability and contribution of by-products in the profitability of the Ugar sugar works, Ltd, Athani. Descriptive statistics and growth rates were computed for various performance indicators. The growth in physical performance indicators like duration of crushing season (4.84%) and average sugar recovery (-1.28%) which were not significant during 2009-10 period. The compound growth rate of financial indicators *viz*; share capital (6.923%), reserve funds (11.53%), owned funds (10.93%) and current assets (15.86%) were significant except current liabilities. The current ratio was greater than unity in all the years.

Srikrishna (2013) analysed the business performance of Tur board in Karnataka. Liquidity ratio and profitability ratio are used for the study. The study revealed that the ratio of current assets to current liability of the board ranged from from 1.06 to a maximum of 2.46 with an average value of 1.62 over the study period.

Patel (2013) conducted a research on empirical study of profitability analysis in cooperative societies in Karprada taluka. The study aims at analysing the overall financial profitability of the Shree Mandava Vibhag Bagayathi Sahkari Mandli and Shree Dixal Vibhag Bagayathi Sakkari Ltd in Karprada taluka by using financial tools. The study concluded that Dixal cooperative society has efficient management, effectively performing while taking into consideration concluded that the financial return in capital employed position of Dixal cooperative society is better than Mandava cooperative society in term of return in capital employed ratio.

2.3 Activities undertaken by the organizations

Sridharan (1975) analysed business performance and growth of a service-cooperative: A case study of Tudiyalur cooperative agricultural services Ltd, Tudiyalur, Coimbatore taluk, Tamilnadu.

From the available literature conclude that fertiliser mixing, pesticide formulation, pesticide retailing, giving cotton cultivation loan to the farmers, sale and service of sprayers and agricultural implements, machinery hire- service, livestock feed mixing unit, petrol bunk-cum-service and operating a cotton ginning unit. These are all the major activities performed by the society.

Subba Rao (1985) conducted a study on an appraisal of business performance of the Central Arecanut Marketing and Processing Cooperative Ltd. Mangalore, Karnataka. The study revealed that procurement of arecanut, marketing of arecanut and processing of arecanut were the major activities of the cooperative society.

Mohamed (1992) conducted a research on an analysis of fruit and vegetable processing- A comparative study of private and public sector units. From the study it was revealed that manufacturing of squashes, juices syrup, jam, jelly, canned fruits and also preparation of wheat based products like biscuits, vermicelli etc were the major activity performed by the unit.

Kumar (1992) in his study on evaluation of the business performance of the Horticultural Producers Cooperative Marketing and Processing Society limited, Bangalore, revealed that procurement of fruits and vegetables from the members and supply of farm inputs such as manures, fertilizers, plant protection chemicals, gibberlic acid, secatures etc to the growers were the major activities of the cooperative society. The society also undertakes supplying of fruits and vegetables prepare juice out of fruits like grapes, mango and orange etc for selling through retail outlets.

Niranjana (1993) studied the business performance of the Kodagu coffee growers cooperative society. The study revealed that procurement of coffee, processing of coffee, marketing of coffee, supply of farm implements to the members of the society and operating petrol bunk in Hunsur were the major activities carried out by this society.

Ajith (1998) worked out the procurement strategy for Horticultural Producers Cooperative Marketing and Processing Society Limited, Bangalore. The study revealed that procurement of fruits and vegetables, price fixation, disposal of produce, processing activities, supplying production requisites like vegetable seeds, fertilisers, plant protection chemicals and garden implements were the major activities of HOPCOMS.

Ashraf (2000) carried out a study on business performance of cooperative oil mills- A management appraisal. From the literature it was revealed that pre-processing, mechanical crushing, solvent extraction and refinery are the major activities conducted by the cooperative oil mills.

Metthews *et al.* (2003) conducted a study on performance evaluation of women cooperative society in Owerri agriculture zone of IMO state, Nigeria. The study revealed that channeling loans to rural women through cooperatives, adequate and timely provision of agriculture input to cooperatives, creation of link between local government, agriculture extention and state cooperatives were the major activities performed by the cooperative society.

Mundada (2011) conducted a research on Marketing management in farmers commodity interest groups- A case in Maharastra. By the available literature it was revealed that conducting periodical meettrings, keeping farmers engaged in information sharing, receiving, technical training

from experts of different field, conducting field trails, organizing bulk selling, purchasing, developing market networks, making market assessment, identifying technical and product opportunities were the major activities which were carried out in farmers commodity interest groups.

Tarsem (2012) conducted a study on Customer perception towards the various marketing mix activities of Jammu and Kashmir co-operatives supply and marketing federation limited in Jammu district of Jammu and Kashmir state. Distribution of chemical fertilizer to farmers, procurement and marketing of agricultural produce, channelizing flow of credit through cooperative credit societies and state cooperative bank, distribution of essential commodities like sugar, kerosene oil, salt, cooking gas, Janta cloth etc. through JAKFED, CONFED, Primary Cooperative are the major activities carried out by the society.

Shreedevi (2013) studied the bussiness performance of Malaprabha cooperative sugar factory Ltd., M. K. Hubli. The study revealed that procurement management of sugarcane and processing of sugarcane were the major activities conducted by cooperative society.

Shah (2014) conducted a research on assessing success of marketing cooperatives through leadership and governance — A Case Study. The study has evaluated the functional dimensions, management efficiency and strengths of a multipurpose agro-processing marketing cooperative society — The Deogad Mango Growers' Co-operative Sale Purchase Society (DMGSS). The evaluation of DMGSS has revealed that timely delivery of inputs to farmer-members, reasonable rates of fertilizer, remunerative prices for the farmers produce and fair weighing practices were the activities performed by the society.

Virupaksha (2014) studied the performance of Belgaum gardeners co-operative society – a management appraisal. The study revealed that arrange for sale of garden produce of the members and non- members to the best advantage, to supply inputs such as seeds, insecticides, fertilizers and other agricultural implements as per their requirements and to provide cold storage facilities to its A class and B class members were the main activities of the cooperative society.

2.4 Strength, Weakness, Opportunities and Challenges analysis of cooperatives

Satyasai and Badatya (2000) conducted a study regarding restructuring rural credit co-operative institutions. The study conclude that the factors like internal (rising transaction cost, declining business level, mismanagement of overdues) and external (excessive bureaucratization, politicization) are the major weaknesses of the cooperative society.

Koli and Pawar (2002) studied dairy development in India, challenges before co-operatives. The study revealed second grade milk are the major challenge faced by the milk societies.

Prasad (2005) conducted a research on co-operative banking in a competitive business environment. The study concluded that the technology had made tremendous impact on entire banking sector, which had thrown new challenges, due to which co-operative banks were constantly exposed to competition and risk management. Researcher felt an urgent need for transformation in the mindset, identity, business operations, governance and systems and procedures, which will definitely boost the morale of co-operative banks to face environmental challenges.

Rauch (2007) analysed the SWOT strategy formulation for forest owner cooperations in Australia. The study concluded that applying SWOT analysis provides a good overview and makes it easy to pinpoint important problem areas, reflecting on the FOC's situation using SWOT including internal and external success factors which provides a solid basis for strategic thinking. The major advantage is that formulation of strategies is directly connected to the SWOT analysis providing a rational reproducible result.

Bishal (2012) carried out the study on roles of cooperatives in poverty reduction: A case of Nepal. SWOT analysis is used for the study. The researcher found that the strength of the cooperative were nearest financial support centre and accessible firm to the household. The weakness of the society were no awareness and knowledge about the principle and values of cooperatives among the members.

Anonymous (2013) studied the consumer cooperation in Europe: Challenges and future potential. The researcher found that the economic crisis and competition pressure are the major challenges faced by the consumer cooperatives.

Chang and Yang (2014) conducted a study on empirical study of fitness industry cases based on SWOT. Researcher found that the strength of fitness industry were rapid economic development, good social and cultural environment. The weaknesses of the Qingdao impulse fitness were the market share of the club is not high and lack of deep investigation. The threats of the club were lack of professionals, price competition among clubs and the simple management programs could not attract consumer enthusiasm.

Bala and Nambi (2014) studied the a conceptual outlook on time management at small scale industries, Puducherry. The researcher analysed the strength of time management helps to enhance the performance level of the employees. The weakness of the industry were work not prioritized based on the importance. The threat were increased stress and frustration of the employees. The opportunities were provide counselling to the employees to reduce stress and frustration.

Munyanyi (2014) analysed the challenges opportunities faced by SACCOS in the current developed system of government of Kenya: A case study of Mombasa country. The challenges was to improve their service delivery. This paper recommends policy makers and governments to come-up with policies and strategies that will support the growth of SACCOS which is a alternative solution for financing micro and small businesses.

Akpofur (2015) studied the oil spill management in Nigeria: SWOT Analysis of the Joint Investigation Visit (JIV) Process. The researcher found that the strength of the JIV were its participatory nature and the well-defined legal structure of the process. Weaknesses were lack of independence, oversight, technical competence. The opportunities of the JIV process were increasing community awareness, growing consciousness through Non-Governmental Organisations (NGOs) and capacity building of stakeholders. Threats of the JIV were poor governance and corruption.

3. METHODOLOGY

This chapter deals with the description of the study area, sampling procedure adopted, methods of data collection, nature and sources of data used and the statistical tools and techniques employed for analyzing the data. The methodology is presented under the following major heads.

- 3.1 Description of the study area
- 3.2 Description and functions of the two cooperative sales societies
- 3.3 Sampling design adopted
- 3.4 Nature and source of data
- 3.5 Identification of indicators of business performance
- 3.6 Analytical tools used to evaluate the objectives of the study

3.1 Description of the Study Area

An assessment of any development activity can be made only with a detailed understanding of the physical and natural characteristics and socio-economic status of the region. Hence, an attempt has been made to describe the physical, natural and socioeconomic features of Shivamogga and Uttara Kannada districts of Karnataka.

3.1.1 Location

Karnataka state is situated in west central part of the peninsular India. It consists of a narrow elongated belt between the Arabian sea and western ghats and enhancing coastline of about 400 km. The state has an area of 1, 19,257 sq. km and is situated between 11°5' and 18°45' North latitude and 74°12' and 78°40' East longitudes. The state is bounded by Maharashtra and Goa states on the north and the Arabian sea on the west. It has a common border with Telangana state on the east and with Tamil Nadu and Kerala on the south.

Uttara Kannada district lies between 13° 55' and 15°31' North latitude and between 74°05' and 75°05' East longitude and extends in an area of 10,327 Sq. km. The district which has long and narrow strip of territory surrounded by Belgavi district and Goa territory in the north, Dharwad district in the east, Udupi and Shivamogga districts in the south and Arabian sea in the west. Uttara Kannada district comprising of 11 taluks viz., Sirsi, Siddapur, Yallapur, Honnavar, Kumta, Mundgod, Bhatkal, Joida, Ankola, Karwar and Haliyal.

Shivamogga district lies between the 13°27' and 14°39' North latitude and between 74°38' and 76°04' East longitude at a mean altitude of 640 metres above sea level. The district bounded by Haveri district, Davanagere district, Chikkamagaluru district, Udupi district and Uttara Kannada district. Shivamogga district comprising of seven taluks viz., Shivaamogga, Bhadravathi, Thirthahalli, Sagara, Shikaripura, Soraba and Hosanagara.

3.1.2 Population and demography

Total population of Karnataka state is 6.10 crore (2011 census) with literacy rate of 75.60 per cent. The population density of Karnataka state is 319 people per sq.km. Uttar Kannada district has the total population of 14,37,169 (2011 census), with literacy rate of 84.06 per cent. Shivamogga district has the total population of 1,755,512 (2011 census), with literacy rate of 80.5 per cent. The district has a population density of 207 people per square kilometre.

3.1.3 Climate, rainfall, soil type and rivers

Karnataka state, experiences climatic variation that range from arid to semi- arid in the plateau region, sub-humid to humid tropical in western ghats and humid tropical monsoon in coastal plains with the average rainfall of the state is 1139 mm. The state receives rainfall both from southwest and northeast monsoons. The mean temperature ranges from 21.5°C to 31.7°C. The soils of the states are red soil, lateritic soil, black soil, alluvio- colluvial soil, forest soil and costal soil.

The main geographic feature of the Uttara Kannada district is the western ghats or Sahyadri range, which runs from north to south through the district, coastal plain and hot humid climate. Uttara Kannada district receives heavy rainfall during monsoon with an average annual rainfall of 2835 mm. the mean temperature ranges from 20 °C to 33 °C. The soils of the district are red loamy soil, black soil saline sandy soil, lateritic soil. Important rivers flowing in the district are Kali Gangavati, Aghanashini, Sharavati, Varada and Bedti rivers.

The main geographical features of Shivamogga district is the Western Ghats. Shivamogga district lies in the tropical region, rainy season occurs from June to October. Shivamogga receives an average annual rainfall of 1813.9 mm with an average of 86 days in the year being rainy days. The average annual temperature of ranges from 26 °C to 40 °C.

The district has the soil types such as red gravelly clay soil, red clay soil, lateritic gravelly clay soil, lateritic clay soil, medium deep black soil, non-saline and saline alluvo-colluvial soil and brown forest soil. The major rivers flowing in the district are Tunga, Bhadra, Sharavathi, and Varada.

3.1.4 Major crops

The cropping patterns in the Karnataka state reveal that cereals crop like rice, ragi sorghum and maize; pulse crops like black gram and chick pea; oilseeds like ground nut, sunflower and safflower; commercial crops like cardamom, arecanut, coconut, sugarcane, tobacco, cotton and chilly are grown in state.

Agriculture and animal husbandry are the major occupation in Shivamoga district. The Crops cultivated in this district are rice, arecanut, cotton, maize, oil seeds, cashewnut, pepper, chili, ginger and ragi.

The crops cultivated in Uttara Kannada district are rice and areca nut along with a great diversity of other crops. Tree crops include coconut, cocoa, cashew, mango, banana, garcinia and sapota; vegetables like onion, radish, cucumber, cauliflower, sweet potato, eggplant (brinjal) and amaranthus; spices include pepper, cardamom, ginger and nutmeg. Millet and cotton are grown in the drier portion of the district east of the western ghats.

3.1.5 Transportation

In Shivamogga district, NH 206 and NH 13 pass through the district. Nearest port is at Mangaluru. Shivamogga has railway station with 13 railways facilities with a railway route length of 32 kms. Nearest airport is the Mangaluru airport which is 200 kms from Shivamogga. In Uttara Kannada district NH-66, NH-206, NH-63, NH-17 pass through district. Nearest port is at Karwar. Uttara Kannada has 6 railway stations with 7 railways facilities.

3.2 Description and functions of the two cooperative sales societies

3.2.1 Description of Totgars' Cooperative Sales Society Ltd., Sirsi, Uttara Kannada

Totgars' Cooperative Sales Society Ltd., Sirsi, Uttara Kannada started in the year 1923 with varied activities in the field of marketing and financing. The society opened branches at Yellapura and Siddapura and started rice mill, medical stores, grocery section, arecanut trading section, Samrat guest house section, sweet supari section and van section.

The area of operation of Totgars' Cooperative Sales Society Ltd., includes whole parts of Sirsi, Yallapura and Sidapura taluks, revenue circles of Ankola and Belale of Ankola taluk, revenue circles of Kumbarwada of Joida taluk, revenue circle of Pala of Mundagod taluk.

The Totgars' Cooperative Sales Society Ltd., Sirsi has head office at Sirsi, is operating with the following broad objectives like providing marketing facilities to the members; giving financial assistance to the members in the form of production loan, deposits loan, pledge loan and education loan etc.; Supplying groceries, cattle feeds and other consumer goods; providing paddy dehusking facilities; accept deposits from the members in the ; conducting processing activities and providing storage facilities to the members apart from performing several activities for the welfare of the members.

3.2.2 Descriptions of the Malnad Areca Marketing Cooperative Society Ltd, Shivamogga

The Malnad Areca Marketing Cooperative Society Ltd, which is popularly known as "MAMCOS", was established in 1939. The society has Head Office at Shivamogga and 10 branches offices at Birur, Koppa, Sringeri, Tharikere, Channagiri, Bhadravathi, Hosanagar, Sagar, Shivamogga and Thirthahalli.

Area of operation of Malnad Areca Marketing Cooperative Society, Ltd. Shivamogga extends to the revenue districts of Shivamogga and Chikkamagaluru and revenue taluks of Honnali and Channagiri of Davangere district.

The various attractive and useful schemes and programmes launched by the society has also motivated in attracting more and more number of arecanut growers. They include providing katav loan, produce loan at competitive rate of interest, timely supplying of quality kole chemicals at competitive rates, providing storage facilities to members produce, offering attractive rate of interest on the members deposit, providing bonus on the areca sold through society and providing subsidy on

gutter sprayers, astra oven, driers under “members welfare fund”, providing financial assistance to persons who are involved in the invention and development of areca peeling machines and other equipments and for research activities under areca research fund, cash incentives to the children of members who secure highest marks in academic qualifications, conducting co-operative training programmes and also conducting awareness programmes to the members regarding various aspects.

Malnad Areca Marketing Cooperative Society, Ltd (MAMCOS) and Totgars’ Cooperative Sales Society, Ltd (TSS) playing major role in helping the arecanut farmers to overcome their problems during production and marketing of arecanut in Shivamogga, Uttar Kannada and other districts. But the documentation of the business performance of these cooperatives is lacking. Such a study would through adequate light on the policies to be taken up by the societies in various aspects, which would improve the overall performance of the societies. Hence an attempt is made to study the business performance of MAMCO and TSS.

3.3 Sampling design adopted

Totgars’ Cooperative Sales Society Ltd., Sirsi of Uttara Kannada district is working successfully since 1923 in its area of operation with wide range of activities apart from carrying out arecanut marketing business Malnad Areca Marketing Cooperative Society, Ltd. Shivamogga is operating since 1939 in arecanut business. These two cooperatives are the leading players in arecanut business in Karnataka. Therefore, these two cooperative societies were purposively selected to make in depth study on arecanut business by cooperatives in Karnataka.

3.4 Nature and source of data

The study is mainly based on secondary data maintained by the cooperative societies. The secondary data relating to the financial aspects of the arecanut cooperative sales societies, such as profit and loss account, trading account and balance sheet were abstracted from annual reports for a period of 15 years from 2000-01 to 2014-15 for constructing the business performance indicators of the societies.

3.5 Identification of indicators of business performance

Business performance indicators

The indicators belonged to financial aspects of the society were termed as business performance indicators and are specified in the table below.

Business performance indicators

Sl. No.	Indicators
1.	Paid up share capital
2.	Reserve funds
3.	Other funds
4.	Owned funds
5.	Liquid assets

6.	Fixed assets
7.	Current assets
8.	Total assets
9.	Current liabilities
10.	Total liability
11.	Total working capital
12.	Inventory
13.	Operating expenses
14.	Total expenses
15.	Total sales
16.	Gross income
17	Net profits

3.6 Analytical tools used to evaluate the objectives.

To analyse the various dimensions of the business performance of the societies, tabular analysis, simple averages, percentages, different financial ratio analysis and benefit cost ratio were used throughout the study. The functional analysis technique was employed to estimate the growth rate of different indicators of business performance. SWOC analysis was used to evaluate the strengths, weaknesses, opportunities and challenges of the two cooperative societies.

3.6.1 Financial Ratio Analysis

The analysis pertaining to financial efficiency of arecanut cooperative sales societies was assessed by computing certain performance ratios.

Ratios are the measures of results obtained from a business. In order to know the performance of the arecanut cooperative sales societies, the financial ratio analysis, an effective tool providing the summation of the performance of a business organizations, has been heavily relied upon. The ratios relating to solvency, liquidity, profitability, turnover, efficiency and financial strength of the arecanut cooperative sales societies had been analyzed. To highlight each of the above aspects, different ratios under each category had been worked out.

The secondary data drawn from the audited annual statements of the balance sheet, annual reports, receipts and payment account, profit and loss account of the arecanut cooperative sales societies for a period of fifteen years from 2000-01 to 2014-15 were subjected to rigorous financial ratio analysis. The following financial ratios are used for the present study.

1. Tests of solvency
2. Tests of liquidity
3. Test of profitability
4. Tests of turnover
5. Tests of efficiency
- 6 .Sales ratios
7. Tests of strength

3.6.1.1 Tests of solvency

Two types of test of solvency ratios were considered :

- 1) Total liability to owned fund ratio
- 2) Fixed assets to owned funds ratio

The solvency ratios would reflect on the medium and long term solvency position of the arecanut cooperative sales societies, indicating its ability to meet the medium and long term obligations and these ratios would provide basis for measuring the leverage effect on the performance of the cooperative societies. The solvency position of arecanut cooperative sales societies was computed by employing the following ratios.

a) Total liabilities to owned fund ratio

This ratio is a reflection of the commitments of the arecanut cooperative sales societies to its creditors compared to its owned funds. This ratio is obtained by dividing the total liabilities of the arecanut cooperative sales societies by its owned funds.

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

Total liabilities included short, medium and long term loans and borrowed funds from the other institutions, deposits received etc. Excepting owned funds, paid up share capital, subsidies and net profits etc. The exclusion of the owned funds from the total liabilities is consequent to the owned capital of the co-operative.

The owned funds of the society comprised of share capital, depreciation funds, reserve funds and other funds, donations, subsidy and net profits. The above items were included in the owned funds as they represent the financial basis and financial resources under the ownership of the society.

b) Fixed assets to owned funds ratio

This ratio is computed by dividing depreciated fixed assets by the owned funds of the arecanut cooperative sales society.

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

Fixed assets included land, building, plant and machinery, furniture's, fixtures, office equipments, vehicles and laboratory, etc. These assets remain fairly permanent.

The ratio of fixed assets to owned funds explained the extent of owned funds invested in fixed assets. It indicates that higher ratio was associated with problem of liquidation, because, the claims of the owners had to be met by sale of fixed assets, which were in non – liquid form.

3.6.1.2. Liquidity ratios

For continuous operation of an arecanut cooperative sales society's business, its liquidity would be basic. The liquidity ratios also called as balance sheet ratios, are used to measure the ability of an enterprise to possess adequate cash to meet the immediate cash obligations. The degree of liquidity of the arecanut cooperative sale society was determined by employing the following ratios.

There are four types of test of liquidity

- (a) Liquid assets to total assets ratio
- (b) Current ratio
- (c) Acid test ratio
- (d) Inventory ratio

(a). Liquid assets to total assets ratio

$$\text{Liquid assets to total assets ratio} = \frac{\text{Liquid assets}}{\text{Total assets}}$$

This ratio was used to show the degree of liquidity adopted by a business organization and reflects the changes in the liquidity position of the cooperative sales society over the years in the present study.

This ratio indicated that the availability of liquid assets for every rupee of the assets.

Liquid assets included cash on hand and in bank, inventory, bill/ accounts receivable and deposits in banks which could be readily withdrawn on demand. On the other hand, total assets included current and fixed assets as shown in the balance sheet of the arecanut cooperative sales societies.

(b). Current ratio

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

The current ratio would give the relationship between current assets and current liabilities of the arecanut cooperative sales societies. A ratio greater than one suggested that, the current assets of the society were adequate to pay off all current liabilities. If the ratio was one, it indicated the current assets were just sufficient to meet the current liabilities. A current ratio of 2:1 was considered to be satisfactory and indicated the extent to which short term claims could be met by the current assets that could be readily convertible into cash. Generally, the higher the value of ratio better would be the safety margin and technical solvency of an organization.

The two basic components of this ratio were current assets and current liabilities. Current assets included cash and those assets which could be easily convertible into cash within a short period of time, generally, one year, such as marketable securities or readily realizable investments, accounts receivable, sundry debtor (excluding bad debts or provisions), inventories, work in progress, etc. Pre-paid expenses and accrued income should also be included in current assets because pre-paid expenses represent payments made in advance for goods and services to be received in the near future and accrued income means income earned by providing services or selling product, but yet to be received.

The current liabilities included sundry creditors, taxes payable, bills payable, short term loans and advances, outstanding expenses, accrued expenses and dividend payable.

(c). Acid test ratio

This ratio is also called as quick ratio or near money ratio, represents the ratio between quick assets and current liabilities. This refers to the ability of firm to pay its short term obligations as and when they become due. It is computed by using the following formula.

$$\text{Acid test ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

This ratio was used as complimentary ratio to the current ratio. Liquid ratio is more rigorous test of liquidity than the current ratio, because it eliminates inventories and prepaid expenses as a part of current assets. Usually, a high liquid ratio was an indication the firm is liquid and has the ability to meet its liquid liabilities in time and on the other hand a low liquidity ratio represents that the firms' liquidity position is not good. As a convention, generally a quick ratio of "one to one" (1:1) was considered to be satisfactory.

d) Inventory ratio

$$\text{Inventory turnover ratio} = \frac{\text{Inventory}}{\text{Net working capital}}$$

Where,

Net working capital = Current assets – current liabilities

This ratio measures the extent to which the net working capital financing the current assets, mainly the inventory, which carried a low degree of liquidity. If this ratio is equal to one, it means that net working capital of the cooperative society was tied up in inventory.

3.6.1.3 Profitability ratios

Though profitability is not that important in a service oriented co-operatives, yet it is a measure of success in the business. The important ratios used to evaluate the profitability are net profits to total assets, net profits to total working capital, net profit to owned funds, net profits to sales.

- a) Net profits to total assets ratio
- b) Net profits to total working capital ratio
- c) Net profits to owned funds ratio
- d) Net profits to total sales ratio

a) Net profits to total assets ratio

This ratio represents the earning capacity of the total assets of the institution. The net profit is the surplus obtained after deducting the operating expenses from the gross profit.

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

b) Net profits to total working capital ratio

This ratio indicated the efficiency of working capital in earning surpluses in the business.

$$\text{Net profits to total working capital ratio} = \frac{\text{Net profits}}{\text{Total working capital}}$$

c) Net profits to owned funds ratio

This ratio is a measure of the profit earned by the owned funds invested by the arecanut cooperative sales societies in the business.

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

d) Net profits to total sales ratio

This ratio is an indicator of profit margin of the arecanut cooperative sales societies on each unit of its sale.

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

3.6.1.4 Turnover ratios

- a) Working capital-turnover ratio
- b) Inventory turnover ratio

a) Working capital-turnover ratio

This ratio was considered useful in assessing the efficiency of the total working capital employed in the business by the societies. The higher the turnover, greater would be the efficiency and larger the rate of profitability.

$$\text{Working capital-turnover ratio} = \frac{\text{Total sales}}{\text{Total working capital}}$$

(b) Inventory turnover ratio

This ratio measured the effectiveness of the societies in its sales efforts. Higher the inventory turnover ratio better would be the performance of the societies.

$$\text{Inventory turnover ratio} = \frac{\text{Annual sales}}{\text{Average inventory}}$$

Where,

$$\text{Average inventory} = \frac{\text{Opening stock} + \text{Closing stock}}{2}$$

3.6.1.5 Efficiency ratios

The tests of efficiency indicated the utilization of capital and income, which could be used to diagnose the financial status and the overall efficiency of arecanut cooperative sales societies.

The efficiency of the Arecanut sales cooperative sales societies was measured by employing the following ratios.

- a) Efficiency of capital ratio
- b) Operating ratio

a) Efficiency of capital ratio

This ratio was used to evaluate the efficiency of the arecanut cooperative sales societies with regard to their capital utilization. A higher value of efficiency of capital ratio indicated judicious use of capital.

$$\text{Efficiency of capital ratio} = \frac{\text{Paid up share capital}}{\text{Annual sales value}}$$

b). Operating ratio

This ratio was obtained as follows.

$$\text{Operating ratio} = \frac{\text{Operating expenses}}{\text{Gross income}}$$

Operating ratio depicts the efficiency of the arecanut cooperative sales societies in relation to their operating costs. A rise in the operating ratio shows a decline in efficiency and vice-versa.

3.6.1.6 Sales ratios

(a) Ratio of total sales to fixed assets

This ratio was used to test the utility and the importance of fixed assets in the business.

$$\text{Total sales to fixed assets} = \frac{\text{Total sales}}{\text{Fixed assets}}$$

(b) Ratio of total sales to owned funds

The extent and efficiency of owned funds invested in the business was measured by this ratio.

$$\text{Total sales to owned funds} = \frac{\text{Total sales}}{\text{Fixed assets}}$$

3.6.1.7. Tests of financial strength

The following measures were employed to assess the real worth of the sugar factory.

- 1) Net worth
- 2) Net capital ratio

a) Net worth

$$\text{Net worth} = \text{Total assets} - \text{Total liabilities}$$

Net Worth measured the excess of assets over the liabilities. Wider the positive difference, financially stronger would be the arecanut cooperative sales societies.

b) Net capital ratio

This ratio would reflect the financial strength of a business organization.

$$\text{Net capital ratio} = \frac{\text{Total assets}}{\text{Total liabilities}}$$

The higher the ratio, the greater would be the margin of safety against the decline in the prices of major assets of the arecanut cooperative sales societies.

It indicates the long term liquidity position of the arecanut cooperative sales societies. If the net capital ratio is more than one, the funds of the cooperative sales society are safe. If the net capital ratio is more than unity, this indicates that, the assets are sufficient to cover all the liabilities.

3.6.1.8. Benefit cost ratio

The benefit cost ratio was worked out for aggregate business performance of the arecanut cooperative sales societies. The benefit cost ratio was worked out by using,

$$\text{Benefit cost ratio} = \frac{\text{Gross income}}{\text{Total expenses}}$$

3.6.2 Growth rate analysis

In order to evaluate the pattern of growth of the arecanut cooperative sales societies over a period of time, the business performance indicators were considered. The compound growth rates were estimated for the selected indicators.

An exponential function of the following type was employed to estimate the growth rates.

$$Y = ab^t$$

Where

Y = Indicator/Variable

t = Years (time)

a = Intercept/Constant

b = Regression coefficient (Rate of change in Y per unit in time)

Hence, Annual average compound growth rate is expressed in percentage-wise.

g = antilog (b-1) * 100.

Equation (1) was transformed in to log-linear form and written as.

$$\text{Log } Y = \log a + t * \log b \text{_____} (2)$$

Equation (2) was estimated by using ordinary least square (OLS) technique.

The per cent compound annual growth rates (g) was derived using relationship

$$g = (b-1)*100 \text{ _____ (3)}$$

g= Estimated compound annual growth per annum in percentage.

b= Antilog log of b.

3.6.3. Concepts used in the business performance indicators

Net profits: It is the actual profits earned by a business entity after deducting all the expenses from sales realizations.

Net working capital: Net working capital, is defined as difference between current assets and current liabilities. Current assets include stocks, debtors, cash and equivalents and other current assets. Current liabilities include all the short-term borrowings.

Reserve funds: A reserve fund is the money ear-marked or kept apart for attaining specific goals in future as and when it occurs so that the event can be met without difficulty. For example, housing cooperatives society maintains reserve fund for repairs, corporation maintains reserve fund for debenture redemption etc, so that when it is actually required to do it can be done without affecting the normal operations.

Current assets: A balance sheet account that represents the value of all assets that are reasonably expected to be converted into cash within one year in the normal course of business. Current assets include cash, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to cash.

Current liabilities: These are debts payable with in accounting period. The various items included in this group are salary (with bonus), wages, accounts payable, subsidies, dividend and the sundry creditors, outstanding expenses.

Fixed assets: This includes investments on different items like machinery, equipments, land and building, furniture and fixtures and other fixed assets, or a asset that is not consumed or sold during the normal course of business, such as land, buildings, equipment, machinery, vehicles, leasehold improvements and other such items.

Owned funds: Owned Fund means aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the society after deducting them from accumulated balance of loss, deferred revenue expenditure and other intangible assets. Owned funds comprised of share capital, depreciation funds, reserve funds and other funds, donations, subsidy and net profits.

Other funds: Other fund also called as owned fund. Other fund includes reserve funds, depreciation funds etc.

Operating expenses: Expenses relating to the main operations or business of the firm are called operating expenses. Operating expenses included as general and administrative expenses.

Gross expenses: Gross expenses of the co-operative included the purchases, trade expenses and the operating expenses extracted from the trading account and profit and loss account.

Inventory (stock): The inventories considered were the total stock of goods and the other materials left unsold with the institutions at the end of the year.

Liquid assets: current assets also sometimes called as liquid assets. Inventories cannot be termed as liquid assets because they are not expected to be converted into cash easily.

Gross income: Gross income include trade profit, sales, interest received and other income as given in the profit and loss account.

Total liabilities: It is computed as the summation of current and non-current liabilities.

Total assets: It is computed as the summation of current assets and fixed assets or the sum of current and long-term assets owned by a person, company, or other entity.

Total sale: It includes sales made by the society where the income received from the sales of different items like seeds, fertilizers, pesticides, grocery etc are considered as the total sales of the society.

4. RESULTS

In consistence with the objectives of the study, the necessary data collected from different sources were analysed and interpreted. The results of the analysis are presented in this chapter under the following broad heads.

4.1 Organizational management in cooperative organisations

4.2 Business performance of the organisations

4.3 Activities undertaken by the organizations

4.4 Strength, Weakness, Opportunities and Challenges analysis of cooperatives

4.1 Organizational management of cooperatives

Organizational management involves arrangement of activities and assignment of personnel to these activities in order to achieve the organizational goals. From the managerial point of view, the main concern is ensuring effective communication and coordination. It is a way by which various parts of an organization are tied together in coordinated manner and it illustrates the various relationships among various aspects of the organizational operation. A well planned organization structure result in better use of resources.

Organization structure shows,

- The pattern of authority and responsibility among organization members.
- The communication flow within the organization.
- The system of task differentiation and integration.

There are six types of organization structures, viz;

- a) Line organization
- b) Line and staff organization
- c) Functional organization
- d) The divisional organization
- e) Project organization
- f) Matrix organization

The study found that line organizational structure was present mainly in Totgars' Cooperative Sales Society Ltd., Sirsi and Malnad Areca Marketing Cooperative Society Ltd., Shivamogga which has been shown in Fig 1 and Fig 2.

Line organization is the simplest form of organization and it is the most common among low investment organization. The authority is embedded in the hierarchical structure and it flows in a direct line from the top of the managerial hierarchy down to the operative levels of workers. It clearly

identifies authority, responsibility and accountability at each level. These relationships in the hierarchy connecting the position and tasks of each level is reasonably independent of any other at the same level and is responsible only to the person above him. As such, the communication is fast and feedback from the employees is acted upon faster. The line personnel are directly involved in achieving the objective of the organization.

4.1.1 Organizational management of The Totgars' Cooperative Sale Society Ltd., Sirsi (Uttara Kannada)

a) General Body of members

The general body is the supreme policy making body of the society. Membership is classified into 'A', 'B' and 'C' class members.

1. 'A' class members consist of primary cooperative societies.
2. 'B' class members consist of individual members who are the shareholders.
3. 'C' class members consist of nominal members.

b) Board of Directors

The board of directors consist of the representatives of 'A' class members and 'B' class members and are elected by the all members. The board elected by the general body holds the office till another board is elected. Vacancies on the board accruing during its term of office on account of death or any other cause shall be filled by co-optive option. The board elects its own chairman from among themselves for its period of office. The chairman presides over all the meetings of the board. In his absence, the vice-chairman who is also elected from among themselves shall preside over the meetings.

General manager monitors the entire business of the society, controls and manages of day to day activities. Besides, the general manager participates in and oversees the preparation of all annual budgets.

The Assistant general manager is responsible for supporting the general manager in the management of the entire society operations. The assistant general manager is also responsible to meet performance and profit goals of the society. Assists the general manager in implementing goals and objectives of the cooperative and resolve member complaints and questions.

Internal Auditor is responsible for the day to day audit work of the whole society. Senior division managers looks after all sections of the society. Senior division manager-I is responsible for the management of the grocery section, agriculture requisite section and rice mill section of the society. Senior division manager –II is responsible for management of the Samrat guest house section, van section and arecanut trading section (Table 4.1).

Deputy managers assist the general manager (GM). They take over when the General Manager is not available and share in his responsibilities, such as recruiting and assessing staff performance.

HIERARCHY

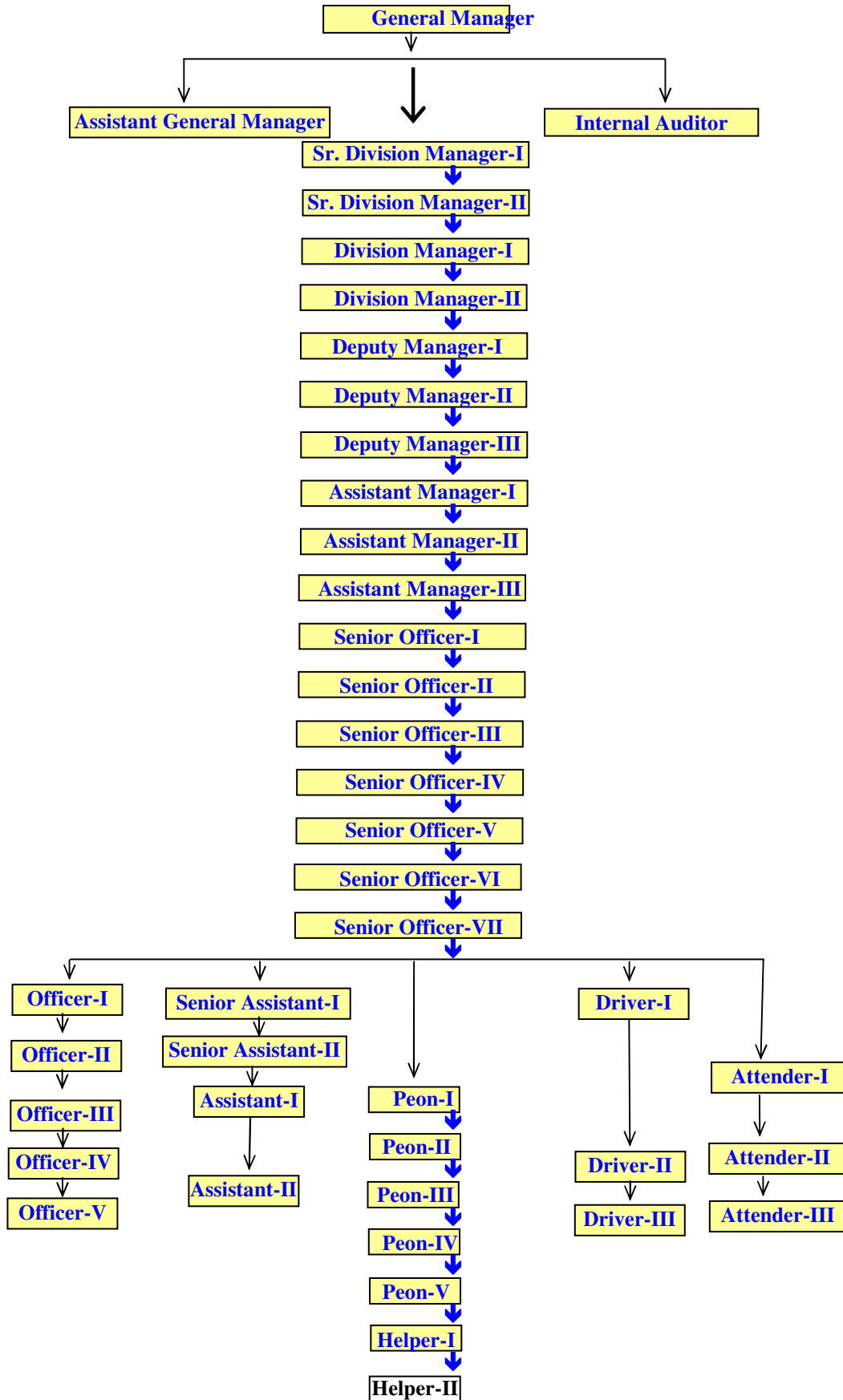


Fig. 1. The Totgars' Cooperative Sale Society Ltd., Sirsi (Uttara Kannada)

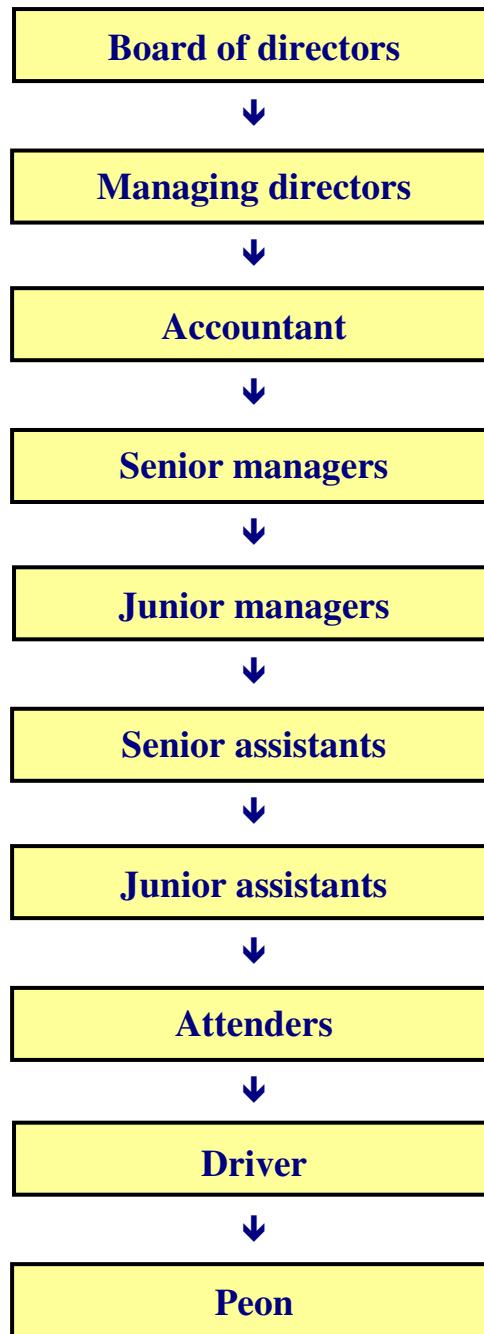


Fig. 2. The organization structure of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Table 4.1 Organizational structure of Totgars' Cooperative Sale Society Ltd., Sirsi

Sl. No.	Designation	Number of persons holding the position
1.	Board of Directors	14
2.	General Manager	1
3.	Assistant General Manager	1
4.	Internal Auditor	1
5.	Senior Division managers	2
6.	Division Manager	2
7.	Deputy Manager	3
8.	Assistant Manager	3
9.	Senior Officer	7
10.	Officer	5
11.	Senior Assistant	2
12.	Assistant	3
13.	Driver	3
14.	Attender	5
15.	Peon	5
16.	Helper	2
	Total	59

Assistant managers assist to the division manager in day to day activities of each section of the society. A total of six senior officers are working in the society. Senior officers control and supervise the activities of branch office, grocery section, agriculture requisite section, rice mill section, Samrat guest house section, van section and arecanut trading section respectively.

In TSS five officers are working in the society. Officers provide assistance to the senior officer to perform their role in the society. Senior assistant perform the work which is assigned by the higher level managers of the society. Junior Assistants give assistance to the senior assistants and also work as store keeper, dispatcher and typist (Table 4.1).

4.1.2 The organizational management of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

The management of the society vests in the board of directors. There are twenty members in the board of directors in the society. The Deputy Commissioner of Shivamogga district is the ex-officio president of the society. There are seventeen elected directors. The directors are being elected by segregating the jurisdiction of the society. Shivamogga and Chikkamagaluru districts and Channagiri and Honnali taluks of Davanagere districts segregated into three constituencies of five seats each and one seat for women. In addition to that, there are nominated representative from Shivamogga District Central Cooperative 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 Register of Cooperative Societies from Cooperation Department (Table 4.2).

The managing committee so constituted has supplemented to the constructive and smooth functioning of the society. Once in a every five years elections to the managing committee are held and a vice-president is elected by the board of directors. Various sub committees are also constituted and their rights and powers enunciated in the bye -laws of the society. Accountant looks after the day to day account section of the society. Senior managers look after the major activities of the society such as establishment department, finance department and marketing department. Junior managers give assistance to the senior managers. For each department, two junior managers gave support to the senior managers. There are 22 senior assistants and 46 junior assistants working in the society.

The finance department is divided into four sections, viz; the loans and recovery section, share section, building section and research section. In all the four sections, two senior managers are working and manage the activities. Under the senior assistants five junior assistants are working in all the four sections of the finance department.

The marketing department is divided into four sections. They are merchant section, accounts section, sales section and godown section. In the case of merchant section and accounts section of the marketing department, each of these departments has two senior assistants who work and manage the activities. Under the senior assistants there are five junior assistants.

The sales section is managed by five senior assistants. Under the senior assistants there are eight junior assistants. The godown section in marketing department of the society is managed by five senior assistants. Under the senior assistants guidance eight junior assistants were working in a society.

Table 4.2 Organizational structure of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No.	Designation of the officials	Number of persons holding the position
1.	Board of Directors	20
2.	Managing directors	02
3.	Accountant	01
4.	Senior managers	02
5.	Junior managers	06
6.	Senior assistant	22
7.	Junior assistant	46
8.	Attenders	06
9.	Peon	03
10.	Drivers	01
	Total	109

4.2 Business performance of the organisations over the years.

4.2.1 Business performance of the Totgars' Cooperative Sale Society Ltd., Sirsi

4.2.1.1 Solvency ratios of Totgars' Cooperative Sale Society Ltd., Sirsi

Two different solvency ratios *viz.* total liability to owned funds and fixed assets to owned funds were calculated to evaluate the financial structure of the society and presented in Table 4.3. Total liability to owned funds ratio ranged from 0.34 (2014-15) to 4.41 (2013-14). The highest total liability to owned funds ratio was recorded in the year 2013-14. The average total liability to owned funds ratio was 2.00 over the study period. Fixed assets to owned funds ratios were worked out for the society and presented in Table 4.3. Fixed assets to owned funds ratio ranged from 0.004 (2005-06) to 0.35 (2014-15). The highest fixed assets to owned funds ratio was 0.35 recorded in the year (2014-15). The average fixed assets to owned funds ratio was 0.11 over the study period.

4.2.1.2 Liquidity ratios of Totgars' Cooperative Sale Society Ltd., Sirsi

Liquidity position of the Totgars' Cooperative Sale Society Ltd., Sirsi was assessed through liquid assets to total assets ratio, current ratio, acid test ratio and inventory ratios. The liquid assets to total assets ratios were computed for the society and is presented in Table 4.4. Liquid assets to total assets ratio varied from 0.01(2006-07) to 0.99 (2005-06) over the years. It was highest in the year 2008-09 with the average value 0.83 over the study period. The current ratios were worked out for the society and is presented in the same table (Table 4.4). The highest current ratio was recorded in the year 2005-06. It ranged from 0.11 (2008-09) to 3.74 (2005-06). The average value of current ratio is 1.49 over the study period. Acid-test ratios were computed for the society and is presented in Table 4.4. Acid-test ratios were ranged from 0.07 (2008-09) to 3.62 (2005-06). Acid test ratios were highest during the year 2005-06. The average value of acid-test ratio is 1.42 during the study period. Inventory ratios were worked out for the society and is presented in the same table. Inventory ratios were ranged from 0.009 (2000-01) to 0.87 (2014-15). The highest Inventory ratios were recorded during the year 2014-15. The average value of inventory ratio was 0.33 during the study period.

4.2.1.3 Profitability ratios of Totgars' Cooperative Sale Society Ltd., Sirsi

This test was computed to measure the financial status of the society and the overall efficiency. Four different ratios were calculated, *viz;* net profit to total assets ratio, net profit to working capital ratio, net profit to owned funds ratio and net profit to total sales ratio and the results are presented in Table 4.5. Net profit to total assets ratios were worked out for the society and are presented in the Table 4.5. Net profit to total assets ratios were varied from 0.006 (2014-15) to 1.13 (2008-09). The highest net profit to total assets ratios were recorded during the year 2008-09. The average value of net profit to total assets ratio was 0.09 over the study period. Net profit to working capital ratios were computed for the society and are also presented in Table 4.5. Net profit to working capital ratio varied from 0.002 (2005-06) to 0.06 (2000-01 and 20001-02). The highest net profit to worked capital ratio was recorded during the year 2000-01 and 2001-02. The average value of net profit to working capital ratio was 0.04 over the study period. Net profits to owned funds ratio were

worked out for the society and are also presented in the table. Net profit to owned funds ratio ranged from 0.003 to 0.06 (2000-01). The highest net profit to owned fund ratio was recorded during the year 2014-15. The average value of net profit to owned fund ratio was 0.04 over the study period. Net profit to total sales ratios were computed for the society and are also presented in the Table 4.5. Net profit to total sales ratio ranged from 0.001 (2010-11) to 0.16 (2007-08). The highest net profit to total sales ratio was recorded during the year 2007-08. The average value of net profit to total sales ratio was 0.03 over the study period.

4.2.1.4 Turnover ratios of Totgars' Cooperative Sale Society Ltd., Sirsi

The working capital to turnover ratio was computed to measure the efficiency of the capital employed in the business by the society and are presented in the Table 4.6. The working capital to turnover ratio ranged from 0.82 (2005-06) to 5.47 (2014-15). The highest working capital to turnover ratio was recorded during the year 2014-15. The average value of working capital turnover ratio was 2.38 over study period. Inventory turnover ratio was also worked out to know the overall efficiency of the sales efforts of the society. Inventory turnover ratio were worked out for the society and presented in the Table 4.6. Inventory turnover ratio ranged from 3.79 (2014-15) to 42.02 (2000-01). The highest inventory turnover ratio was observed during the year 2000-01. The average inventory turnover ratio was 13.57 during the study period.

4.2.1.5 Efficiency ratios of Totgars' Cooperative Sale Society Ltd., Sirsi

Efficiency of the society was analysed by calculating capital efficiency ratio and operating ratios presented in Table 4.7. Capital efficiency ratio was worked out for the society and are presented in the Table 4.7. Capital efficiency ratio ranged from 0.0004 to 0.003. The highest capital efficiency ratio was recorded during the year 2001-02 and 2002-03. The average capital efficiency ratio was 0.001 over study period. Operating ratio was computed for the society and are presented in the Table 4.7. Operating ratio ranged from 0.07 (2002-03) to 15.00 (2013-14). The highest operating ratio was recorded during the year 2013-14. The average operating ratio was 5.93 over study period.

4.2.1.6 Sales ratios of Totgars' Cooperative Sale Society Ltd., Sirsi

Sale performance of the society were analysed by computing total sales to owned funds ratio and total sales to fixed assets ratio and are presented in Table 4.8. Total sales to owned funds ratio was worked out for the society and are presented in the Table 4.8. Total sales to owned funds ratio ranged from 1.58 (2002-03) to 5.47 (2014-15). The highest total sales to owned funds ratio was observed during the year 2014-15. The average total sales to owned funds ratio was 2.51 over study period. Total sales to fixed assets ratio was computed for the society and presented in the Table 4.8. Total sales to fixed assets ratio ranged from 22.16 (2013-14) to 48.87 (2000-01). The highest total sales to fixed assets ratio was recorded during the year 2000-01. The average total sales to fixed assets ratio was 37.97 over study period.

Table 4.3 Solvency ratios of Totgars' Cooperative Sale Society Ltd., Sirsi

Sl. No.	Years	Ratio on total liability to owned funds	Ratio on fixed assets to owned funds
1	2000-01	1.56	0.06
2	2001-02	1.38	0.05
3	2002-03	1.64	0.05
4	2003-04	1.49	0.04
5	2004-05	1.71	0.04
6	2005-06	0.72	0.004
7	2006-07	1.16	0.03
8	2007-08	1.42	0.03
9	2008-09	1.76	0.07
10	2009-10	2.29	0.07
11	2010-11	3.01	0.24
12	2011-12	3.80	0.24
13	2012-13	3.36	0.25
14	2013-14	4.41	0.23
15	2014-15	0.34	0.35
Average		2.00	0.11

Table 4.4 Liquidity ratios of Totgars' Cooperative Sale Society Ltd., Sirsi

Sl. No.	Years	Liquid assets to total assets ratio	Current ratio	Acid test - ratio	Inventory ratio
1	2000-01	0.97	1.59	1.59	0.009
2	2001-02	0.97	1.6	1.57	0.15
3	2002-03	0.98	1.57	1.52	0.091
4	2003-04	0.98	1.63	1.58	0.07
5	2004-05	0.98	1.71	1.51	0.71
6	2005-06	0.99	3.74	3.62	0.043
7	2006-07	0.01	1.82	1.51	0.308
8	2007-08	0.98	1.68	1.83	0.21
9	2008-09	0.12	0.11	0.07	0.015
10	2009-10	0.97	1.47	1.11	0.067
11	2010-11	0.97	2.83	1.20	0.44
12	2011-12	0.83	1.49	1.17	0.65
13	2012-13	0.95	1.38	1.18	0.51
14	2013-14	0.96	1.31	1.04	0.85
15	2014-15	0.97	1.25	3.4	0.87
Average		0.83	1.50	1.42	0.33

Table 4.5 Profitability ratios of Totgars Cooperative Sale Society Ltd., Sirsi

Sl. No.	Years	Net profit to total assets ratio	Net profit to working capital ratio	Net profit to owned funds ratio	Net profit to total sales ratio
1	2000-01	0.02	0.06	0.06	0.02
2	2001-02	0.02	0.06	0.05	0.03
3	2002-03	0.02	0.05	0.05	0.03
4	2003-04	0.02	0.05	0.05	0.03
5	2004-05	0.01	0.05	0.05	0.02
6	2005-06	0.02	0.002	0.04	0.03
7	2006-07	0.02	0.05	0.05	0.05
8	2007-08	0.01	0.03	0.03	0.16
9	2008-09	1.13	0.02	0.03	0.01
10	2009-10	0.01	0.003	0.03	0.01
11	2010-11	0.020	0.08	0.08	0.03
12	2011-12	0.017	0.08	0.08	0.008
13	2012-13	0.018	0.08	0.08	0.01
14	2013-14	0.015	0.11	0.08	0.009
15	2014-15	0.015	0.03	0.16	0.004
Average		0.09	0.04	0.04	0.03

Table 4.6 Turnover ratios of Totgars Cooperative Sale Society Ltd., Sirsi

Sl. No.	Years	Working capital to turnover ratio	Inventory turnover ratio
1	2000-01	3.12	42.02
2	2001-02	1.86	21.15
3	2002-03	1.58	33.05
4	2003-04	2.18	5.00
5	2004-05	1.79	23.89
6	2005-06	0.82	21.38
7	2006-07	2.18	9.56
8	2007-08	1.80	6.44
9	2008-09	1.31	8.31
10	2009-10	2.69	5.29
11	2010-11	1.99	4.64
12	2011-12	3.68	7.22
13	2012-13	3.33	6.63
14	2013-14	2.04	5.25
15	2014-15	5.47	3.79
Average		2.38	13.57

4.2.1.7 Tests of strength of Totgars' Cooperative Sale Society Ltd., Sirsi

To ascertain the strength of the society in performing business net worth of the society and net capital ratios were computed and are depicted in Table 4.9. Net worth position of the society was worked out for the society and presented in Table 4.9. Net worth of the society ranged from ₹ 31.57 crores (2000-01) to ₹ 96.64 crores (2013-14). The highest net worth was recorded during the year 2013-14. The average net worth of the society was ₹ 54.20 crores over study period. The net capital ratio was computed for the society and are presented in Table 4.9. Net capital ratio was ranged from 1.29 (2014-15) to 3.68 (2011-12). The highest net capital ratio was recorded during the year 2011-12. The average net capital ratio was 1.71 over study period.

4.2.1.8 Benefit Cost ratio of Totgars' Cooperative Sale Society Ltd., Sirsi

One of the major indicators of business performance of the society, benefit cost ratio, was worked out year by year for the study period and are presented in Table 4.10. The benefit-cost ratio ranged from 1.00 (2011-12) to 1.98 (2000-01). The highest benefit-cost ratio was noticed in the year 2000-01. The average benefit-cost ratio was 1.36 over the study period.

4.2.1.9 Compound Annual Growth Rates of Totgars' Cooperative Sale Society Ltd., Sirsi

Compound annual growth rates were worked out for various financial indicators of the society to know the business performance over the study period and the results are depicted in Table 4.11. Seventeen different financial indicators of the society were analysed for their growth rates to understand the business performance of the society.

Among the seventeen indicators paid up share capital (-0.26), total working capital (-0.81) and net profits (-0.91) registered negative growth rate. The compound growth rates for reserve funds, other funds, owned funds, liquid assets, fixed assets, current assets, total assets, current liability, total liability, inventory, operating expense, total sales, total expense and gross income were found to have positive growth rate.

4.2.2 Business performance of Malnad Areca Marketing Cooperative Society, Ltd., Shivamogga

4.2.2.1 Solvency ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Two different solvency ratios, namely total liability to owned funds and fixed assets to owned funds were calculated to evaluate the financial structure of the society. The ratios are presented in the Table 4.12. Total liability to owned funds ratio was ranged from 1.94 (2004-05) to 6.46 (2005-06). The highest total liability to owned funds ratio recorded in the year 2005-06. The average total liability to owned funds ratio was 3.45 over study period. Fixed assets to owned funds ratio was computed for the society and are also presented in the table. Fixed assets to owned funds ratio ranged from 0.19 (2004-05) to 5.40 (2007-08). The highest fixed assets to owned funds ratio was recorded in the year 2007-08. The average fixed assets to owned funds ratio was 0.84 over the study period.

Table 4.7 Efficiency ratios of Totgars Cooperative Sale Society Ltd., Sirsi

Sl. No.	Year	Capital efficiency ratio	Operating ratio
1	2000-01	0.002	4.36
2	2001-02	0.003	5.3
3	2002-03	0.003	0.07
4	2003-04	0.002	6.20
5	2004-05	0.002	6.04
6	2005-06	0.002	5.42
7	2006-07	0.001	4.65
8	2007-08	0.002	6.06
9	2008-09	0.001	9.88
10	2009-10	0.001	3.99
11	2010-11	0.001	4.33
12	2011-12	0.0008	3.45
13	2012-13	0.0009	6.06
14	2013-14	0.0009	15.00
15	2014-15	0.0004	8.25
Average		0.001	5.93

Table 4.8 Sales ratios of Totgars Cooperative Sale Society Ltd., Sirsi

Sl. No.	Years	Total sales to owned funds ratio	Total sales to fixed assets ratio
1	2000-01	2.93	48.87
2	2001-02	1.77	35.02
3	2002-03	1.58	31.19
4	2003-04	1.62	34.47
5	2004-05	1.71	39.41
6	2005-06	1.63	39.45
7	2006-07	2.10	57.18
8	2007-08	1.80	57.54
9	2008-09	2.04	27.51
10	2009-10	2.49	33.86
11	2010-11	2.56	33.87
12	2011-12	3.68	40.22
13	2012-13	3.33	23.68
14	2013-14	2.98	22.16
15	2014-15	5.47	45.16
Average		2.51	37.97

Table 4.9 Tests of strength of Totgars Cooperative Sale Society Ltd., Sirsi

Sl. No.	Years	Net worth (₹ in crores)	Net capital ratio
1	2000-01	31.57	1.6
2	2001-02	34.66	1.72
3	2002-03	37.79	1.60
4	2003-04	39.48	1.66
5	2004-05	41.77	1.58
6	2005-06	88.84	1.63
7	2006-07	47.41	1.8
8	2007-08	49.18	1.90
9	2008-09	66.05	1.56
10	2009-10	53.29	1.43
11	2010-11	54.08	1.52
12	2011-12	40.22	3.68
13	2012-13	59.22	1.45
14	2013-14	96.64	1.36
15	2014-15	72.81	1.29
Average		54.20	1.71

Table 4.10 Benefit Cost ratios of Totgars Cooperative Sale Society Ltd., Sirsi

Sl. No.	Year	Benefit cost ratio
1.	2000-01	1.98
2.	2001-02	1.7
3.	2002-03	1.48
4.	2003-04	1.55
5.	2004-05	1.88
6.	2005-06	1.11
7.	2006-07	1.51
8.	2007-08	1.1
9.	2008-09	1.02
10.	2009-10	1.67
11.	2010-11	1.15
12.	2011-12	1.00
13.	2012-13	1.21
14.	2013-14	1.12
15.	2014-15	1.06
	Average	1.36

Table 4.11 Compound Annual Growth Rates of Totgars Cooperative Sale Society Ltd., Sirsi

Sl. No.	Indicators	Growth rate (in percentage)	R ²
1.	Paid-up share capital	-0.26 ^{NS}	0.11
2.	Reserve funds	6.75 ^{NS}	0.96
3.	Other funds	4.89 ^{NS}	0.91
4.	Owned funds	6.08 ^{**}	0.57
5.	Liquid assets	7.52 ^{**}	0.55
6.	Fixed assets	15.88 ^{NS}	0.72
7.	Current assets	7.52 ^{**}	0.55
8.	Total assets	9.01 ^{NS}	0.78
9.	Current liability	14.47 ^{NS}	0.73
10.	Total liability	14.47 ^{NS}	0.73
11.	Total working capital	-0.81 ^{NS}	0.02
12.	Inventory	33.67 ^{NS}	0.82
13.	Operating expense	14.47 ^{**}	0.50
14.	Total sales	19.79 ^{**}	0.68
15.	Total expense	34.06 ^{**}	0.68
16.	Gross income	21.02 ^{**}	0.50
17.	Net profits	-0.97 ^{NS}	0.12

Note: *- significant at 5 % level, **- significant at 1% level
NS- Non Significant

4.2.2.2 Liquidity ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Business performance of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga was analysed through liquidity ratios such as liquid assets to total assets ratio, current ratio, acid test ratio, inventory ratio and results are presented in Table 4.13. The liquid assets to total assets ratios were worked out for the society and are presented in the same table (Table 4.13). The liquid assets to total assets ratio was ranged from 0.04 (2000-01) to 2 (2014-05). The highest liquid assets to total assets ratio was recorded during the year 2014-15. The average liquid assets to total assets ratio 0.93 over the study period. The current ratios were worked out for the society and presented in the Table 4.13. The highest current ratio was recorded in the year 2010-11. It ranged from 0.053 (2000-01) to 3.77 (2010-11). The average value of current ratio was 1.40 over the study period.

Acid-test ratios were worked out for the society and are presented in Table 4.13. Acid-test ratio ranged from 0.051 (2000-01) to 3.75 (2010-11). Acid test ratio was the highest during the year 2010-11. The average value of acid-test ratio was 1.37 over the study period.

Inventory ratios were worked out and are also presented in the same table (Table 4.13). Inventory ratio ranged from 0.003 (2014-15) to 4.56 (2008-09). The highest Inventory ratio was recorded during the year 2008-09. The average value of inventory ratio was 0.31 over the study period.

4.2.2.3 Profitability ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

This test was computed to measure the financial status of the society and the overall efficiency. Four different ratios such as net profit to total assets ratio, net profits to working capital ratio, net profit to owned funds ratio and net profits to total sales ratio were calculated and they are presented in the Table 4.14. Net profit to total assets ratios were worked out for the society indicated that, the net profit to total assets ratio ranged from 0.01 to 0.09 (2001-02). The highest net profit to total assets ratio was recorded during the year 2001-02. The average value of net profit to total assets ratio was 0.02 over the study period. Net profit to working capital ratios were computed for the society indicated that, the net profit to working capital ratio ranged from 0.01 (2014-15) to 0.31 (2005-06). The highest net profit to worked capital ratio was recorded during the year 2005-06. The average value of net profit to working capital ratio was 0.04 over the study period.

Net profit to owned funds ratios were ranged from 0.07 to 0.19 (2003-04). The highest net profit to owned fund ratio was recorded during the year 2003-04 and the lowest recorded during the period 2001-02, 2006-07 and 2008-09. The average value of net profit to owned fund ratio was 0.10 over the study period. Net profit to total sales ratios were computed for the society and also presented in the table. Net profit to total sales ratio ranged from 0.007 (2014-15) to 0.75 (2005-06). The highest net profit to total sales ratio was recorded during the year 2005-06. The average value of net profit to total sales ratio was 0.14 over the study period.

Table 4.12 Solvency ratios of Malnad Areca Marketing Cooperative Society Ltd., Sirsi

Sl. No.	Years	Total liability to owned funds ratio	Fixed assets to owned funds ratio
1	2000-01	3.19	4.02
2	2001-02	2.8	0.25
3	2002-03	2.53	0.22
4	2003-04	2.69	0.22
5	2004-05	1.94	0.19
6	2005-06	6.46	0.39
7	2006-07	2.96	0.22
8	2007-08	2.47	5.40
9	2008-09	3.81	0.22
10	2009-10	3.54	0.23
11	2010-11	3.01	0.24
12	2011-12	3.80	0.24
13	2012-13	3.36	0.25
14	2013-14	4.41	0.23
15	2014-15	4.90	0.35
Average		3.45	0.84

Table 4.13 Liquidity ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No.	Years	Liquid assets to total assets ratio	Current ratio	Acid test -ratio	Inventory ratio
1	2000-01	0.04	0.053	0.051	0.006
2	2001-02	0.93	1.25	1.25	0.012
3	2002-03	0.93	1.30	1.29	0.020
4	2003-04	0.93	1.28	1.28	0.012
5	2004-05	0.93	1.41	1.41	0.007
6	2005-06	0.93	1.07	1.07	0.014
7	2006-07	0.94	1.26	1.25	0.018
8	2007-08	0.94	1.32	0.92	0.060
9	2008-09	0.95	1.20	1.19	4.56
10	2009-10	0.94	1.21	1.21	0.005
11	2010-11	0.93	3.77	3.75	0.019
12	2011-12	0.94	1.19	1.19	0.008
13	2012-13	0.94	1.22	1.21	0.014
14	2013-14	0.95	1.17	1.16	0.021
15	2014-15	2	2.40	2.40	0.003
Average		0.93	1.40	1.37	0.31

Table 4.14 Profitability ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No.	Years	Net profit to total assets ratio	Net profit to working capital ratio	Net profit to owned funds ratio	Net profit to total sales ratio
1	2000-01	0.03	0.05	0.16	0.01
2	2001-02	0.09	0.10	0.07	0.01
3	2002-03	0.03	0.17	0.13	0.02
4	2003-04	0.05	0.19	0.19	0.03
5	2004-05	0.03	0.05	0.16	0.01
6	2005-06	0.02	0.31	0.15	0.68
7	2006-07	0.02	0.10	0.07	0.013
8	2007-08	0.02	0.08	0.08	0.015
9	2008-09	0.01	0.07	0.07	0.015
10	2009-10	0.01	0.08	0.08	0.012
11	2010-11	0.02	0.08	0.08	0.75
12	2011-12	0.01	0.08	0.08	0.609
13	2012-13	0.01	0.08	0.08	0.012
14	2013-14	0.01	0.11	0.08	0.0091
15	2014-15	0.01	0.01	0.08	0.007
Average		0.02	0.10	0.10	0.14

4.2.2.4 Turnover ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

The working capital to turnover ratio was worked out to measure the efficiency of the capital employed in the business by the society, two turnover ratios, working capital turn over ratios and inventory turnover ratios were tried for the purpose. Working capital turnover ratios were worked out and are presented in Table 4.15. The working capital turnover ratio ranged from 2.03 (2003-04) to 19.00 (2005-06). The highest working capital turnover ratio was recorded during the year 2005-06. The average value of working capital turnover ratio was 5.58 over study period. Inventory turnover ratios were computed to know the overall efficiency of the sales efforts of the society and are presented in Table 4.15. Inventory turnover ratio ranged from 10.67 (2005-06) to 67.97 (2009-10). The highest inventory turnover ratio was recorded during the year 2009-10. The average inventory turnover ratio was 42.16 over study period.

4.2.2.5 Efficiency ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Efficiency ratios were worked out as capital efficiency ratio and operating ratios to analyse the business performance of MAMCOS and the results of the analysis are presented in Table 4.16. Capital efficiency ratio was worked out for the society and presented in Table 4.16. Capital efficiency ratio ranged from 0.01 to 0.31 (2001-02). The highest capital efficiency ratio was found during the year 2001-02. The lowest of the ratio was recorded in 2000-01 and 2013-14. The average capital efficiency ratio was 0.056 over the study period. Operating ratios were worked out for the business performance of the society and are depicted in the table and operating ratio was ranged from 0.008 (2008-09) to 1.17 (2001-02). The highest operating ratio was recorded during the year 2001-02. The average operating ratio was 0.45 over the reference period.

4.2.2.6 Sales ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sales ratios for the society were worked out as total sales to fixed assets ratios and total sales to owned fund ratios and the results are presented in Table 4.17. Total sales to fixed assets ratio fluctuated from 16.14 (2004-05) to 52.40 (2014-15). The highest total sales to fixed assets ratios was recorded during the year 2014-15. The average total sales to fixed assets ratio was 27.06 during the study period. Total sales to owned funds ratios ranged from 3.07 (2004-05) to 12.40 (2014-15). The highest total sales to owned funds ratios was found during the year 2014-15. Over the study period the average total sales to owned funds ratio was 6.64.

4.2.2.7 Test of strength of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Test of strength of the society was assessed through net worth of the society and net capital ratios. Net worth position was worked out for the society and are provided in Table 4.18. Net worth position varied from ₹ 09.48 crores (2005-06) to ₹34.46 (2012-13) crores. The highest net worth was observed during the year 2012-13. The average net worth of Rs 22.13 crores over study period. The net capital ratio were worked out for the society and provided in Table 4.18. Net capital ratio was fluctuated from 0.13 (2003-04) to 1.51 (2004-05). The highest net capital ratio was recorded during the year 2004-05. The average net capital ratio was 1.22 for study period.

Table 4.15 Turnover ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No.	Years	Working capital turnover ratio	Inventory turnover ratio
1	2000-01	2.90	41.76
2	2001-02	6.51	57.84
3	2002-03	6.83	33.27
4	2003-04	2.03	30.31
5	2004-05	3.79	33.66
6	2005-06	19.00	10.67
7	2006-07	7.44	54.85
8	2007-08	5.22	14.13
9	2008-09	5.16	14.01
10	2009-10	7.05	67.97
11	2010-11	6.55	53.87
12	2011-12	7.53	58.57
13	2012-13	6.63	59.02
14	2013-14	12.63	64.08
15	2014-15	2.65	38.49
Average		5.58	42.16

Table 4.16 Efficiency ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No.	Year	Capital efficiency ratio	Operating ratio
1	2000-01	0.01	0.19
2	2001-02	0.31	1.17
3	2002-03	0.02	0.79
4	2003-04	0.03	0.74
5	2004-05	0.02	0.47
6	2005-06	0.03	0.02
7	2006-07	0.02	0.17
8	2007-08	0.03	0.23
9	2008-09	0.03	0.008
10	2009-10	0.02	0.70
11	2010-11	0.26	0.42
12	2011-12	0.02	0.01
13	2012-13	0.02	0.72
14	2013-14	0.01	0.54
15	2014-15	0.01	0.58
Average		0.06	0.45

Table 4.17 Sales ratios of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No.	Years	Total sales to fixed assets ratio	Total sales to owned funds ratio
1	2000-01	21.80	6.02
2	2001-02	19.20	4.85
3	2002-03	23.03	5.27
4	2003-04	21.89	5.00
5	2004-05	16.14	3.07
6	2005-06	23.58	9.40
7	2006-07	25.23	5.74
8	2007-08	25.38	5.22
9	2008-09	22.54	5.16
10	2009-10	30.33	7.05
11	2010-11	26.52	6.55
12	2011-12	30.57	7.53
13	2012-13	26.86	6.76
14	2013-14	40.51	9.62
15	2014-15	52.40	12.40
Average		27.06	6.64

Table 4.18 Test of strength of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No.	Years	Net worth (₹ in crores)	Net capital ratio
1	2000-01	12.36	1.31
2	2001-02	15.61	1.34
3	2002-03	17.46	1.39
4	2003-04	17.68	0.13
5	2004-05	21.06	1.51
6	2005-06	09.48	1.15
7	2006-07	16.59	1.26
8	2007-08	23.66	1.40
9	2008-09	25.22	1.26
10	2009-10	27.11	1.28
11	2010-11	29.17	1.33
12	2011-12	32.58	1.26
13	2012-13	34.46	1.29
14	2013-14	28.10	1.22
15	2014-15	21.41	1.20
Average		22.13	1.22

4.2.2.8 Benefit -Cost ratio of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

One of the business performance of MAMCOS - benefit cost ratio presented in Table 4.19. The benefit-cost ratio worked out for different years of the society was ranging from 1.02 (2005-06) to 1.91 (2000-01). The highest benefit-cost ratio recorded in the year 2000-01. The average benefit-cost ratio was 1.49 over study period.

4.2.2.9 Compound Annual Growth Rate of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Compound Annual Growth Rates were worked out for the society and depicted in Table 4.20. A total of seventeen indicators were used to study the business performance of the society. All the seventeen indicators increased over study period. The compound growth rates of paid-up share capital, reserve funds, other funds, owned funds, liquid assets, fixed assets, current assets, total assets, current liability, total liability, total working capital, inventory, operating expense, total sales, total expense, gross income and net profit were found to have positive growth.

4.2.3. Comparative analysis of the Totgars' Cooperative Sale Society Ltd., Sirsi and Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

4.2.3.1 Solvency ratios

Two different solvency ratios, viz., total liability to owned funds ratios and fixed assets to owned funds ratios were calculated to evaluate the financial structure of the TSS and MAMCOS. A comparison of the ratio of TSS and MAMCOS as indicated in the Table 4.21 revealed that the total liability to owned funds ratios was higher in MAMCOS (3.45) than in TSS (2.00). Fixed ratio to owned funds ratio was also more in MAMCOS (0.84) and less in TSS (0.11).

4.2.3.2 Liquidity ratios

Liquid assets to total assets ratios were compared between TSS and MAMCOS and presented in Table 4.21. Liquid assets to total assets ratios were high in MAMCOS (0.93) and low in TSS (0.90). Value of current ratio was high with TSS (1.49) as compared to MAMCOS (1.40) (Table 4.21). A comparison of acid-test ratios of TSS and MAMCOS as indicated in Table 4.21 revealed that TSS had higher acid-test ratio values (1.42) than MAMCOS (1.37). Similarly, inventory ratio was compared between TSS and MAMCOS (Table 4.21). Value of inventory ratio average value was found to be high in TSS (0.33) and low in MAMCOS (0.31).

4.2.3.3 Profitability ratios

Comparison of net profit to total assets ratios was made between the TSS and MAMCOS (Table 4.21). Net profit to total assets ratio average value was high in TSS (0.09) and low in MAMCOS (0.02) over the study period. Net profit to working capital ratio was also compared between TSS and MAMCOS as indicated in Table 4.21. Net profit to working capital ratio average value was observed to be high in MAMCOS (0.10) and low in TSS (0.03) during the reference period. Likewise, net profit to owned funds ratio was compared between TSS and MAMCOS as indicated in Table 4.21. It was found that, value of net profit to owned funds ratio was observed to be high in MAMCOS (0.10) and low in TSS (0.036) over reference period. Similarly a comparison of net profit to total sales ratio was made between TSS and MAMCOS and are presented in the Table 4.21. Net profit to total sales ratio value was found to be high in MAMCOS (0.14) and low in TSS (0.03) during the study period.

Table 4.19 Benefit cost ratio of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No	Year	Benefit cost ratio
1.	2000-01	1.91
2.	2001-02	1.57
3.	2002-03	1.34
4	2003-04	1.76
5.	2004-05	1.6
6.	2005-06	1.02
7.	2006-07	1.37
8.	2007-08	1.33
9.	2008-09	1.55
10.	2009-10	1.3
11.	2010-11	1.54
12.	2011-12	1.39
13.	2012-13	1.78
14.	2013-14	1.49
15.	2014-15	1.46
	Average	1.49

Table 4.20 Compound Annual Growth Rate of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No.	Indicators	Growth rate (in percentage)	R ²
1.	Paid-up share capital	8.54 ^{NS}	0.98
2.	Reserve funds	9.09 ^{NS}	0.97
3.	Other funds	6.02 ^{NS}	0.94
4.	Owned funds	8.66 ^{NS}	0.22
5.	Liquid assets	21.07 ^{NS}	0.76
6.	Fixed assets	0.79 ^{NS}	0.07
7.	Current assets	21.07 ^{NS}	0.76
8.	Total assets	10.88 ^{NS}	0.86
9.	Current liability	12.38 ^{NS}	0.74
10.	Total liability	12.38 ^{NS}	0.74
11.	Total working capital	6.06 ^{NS}	0.18
12.	Inventory	10.63 ^{NS}	0.17
13.	Operating expense	10.74 ^{NS}	0.13
14.	Total sales	12.57 ^{NS}	0.78
15.	Total expense	18.75 ^{**}	0.46
16.	Gross income	11.87 ^{**}	0.69
17.	Net profits	7.54 ^{NS}	0.73

Note: *- significant at 5 % level, **- significant at 1% level
NS- Non significant

Table 4.21 Comparative analysis of the Totgars' Cooperative Sale Society, Ltd., Sirsi and Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Sl. No.	Ratios	TSS	MAMCOS
Solvency ratios			
1.	Total liability to owned funds ratio	2.00	3.45
2.	Fixed assets to owned funds ratio	0.11	0.84
Liquidity ratios			
1.	Liquid assets to total assets ratio	0.83	0.93
2.	Current ratio	1.50	1.40
3.	Acid-test ratio	1.42	1.37
4.	Inventory ratio	0.33	0.31
Profitability ratios			
1.	Net profit to total assets ratio	0.09	0.02
2.	Net profit to working capital ratio	0.04	0.10
3.	Net profit to owned funds ratio	0.04	0.10
4.	Net profit to total sales ratio	0.03	0.14
Turnover ratios			
1.	Working capital turnover ratio	2.38	5.58
2.	Inventory turnover ratio	13.57	42.16
Efficiency ratios			
1.	Capital efficiency ratio	0.001	0.06
2.	Operating ratio	5.93	0.45
Sales ratios			
1.	Total sales to owned funds ratio	2.51	6.64
2.	Total sales to fixed assets ratio	37.97	27.06
Tests of strength			
1.	Net worth ₹ in crores	54.20	22.13
2.	Net capital ratio	1.71	1.22
Benefit- Cost ratio			
1.	Benefit- cost ratio	1.36	1.49

4.2.3.4 Turnover ratios

Working capital turnover ratio was compared between the TSS and MAMCOS and are presented in table 4.21. Working capital turnover ratio average value was high in MAMCOS (5.58) and low in TSS (2.38) over study period. Inventory turnover ratio was compared between the two cooperative societies, as shown in Table 4.21. It was found that inventory turnover ratio average value was high in MAMCOS (42.16) and low in TSS (13.57) over study period.

4.2.24 Efficiency ratios

Capital efficiency ratio was compared between TSS and MAMCOS (Table 4.21). The value of capital efficiency ratio average value was found to be high in MAMCOS (0.056) and low in TSS (0.001) during the study period. Similarly a comparison of operating ratio was made between TSS and MAMCOS as indicated in the Table 4.21. The average operating ratio was found to be high in TSS (5.93) and low in MAMCOS (0.45) over the study period.

4.2.3.6 Sales ratios

Total sales to owned funds ratio was compared between TSS and MAMCOS (Table 4.21). It is observed from the table that total sales to owned funds ratio value was high in MAMCOS (6.64) and low in TSS (2.51) during the study period. In the same way, total sales to fixed assets ratio was compared between TSS and MAMCOS as indicated in Table 4.21. The aggregate total sales to fixed assets ratios were high in TSS (37.97) and low in MAMCOS (27.06) over study period.

4.2.3.7 Test of strength

Net worth of the societies was compared between TSS and MAMCOS and are presented in Table 4.21. Net worth (crore rupees) was high in TSS (₹ 54.20 crores) and low in MAMCOS (Rs 27.06 crores) during the study period. Net capital ratio was also compared between TSS and MAMCOS (Table 4.21). The net capital ratio was found to be high in TSS (1.71) and low in MAMCOS (1.22) over study period.

4.2.3.8 Benefit cost ratio

A comparison of benefit-cost ratio was made between TSS and MAMCOS and are depicted in Table 4.21. The average benefit-cost ratio was high in MAMCOS (1.49) as compared to TSS (1.36) over the study period.

4.2.3.9 Comparative analysis of Totgars' Cooperative Sale Society Ltd., Sirsi and Malnad Areca Marketing Cooperative Society Ltd., Shivamogga –Compound Annual Growth Rate Analysis

Compound Annual Growth Rates were computed for various indicators and were compared between TSS and MAMCOS and are presented in Table 4.22. Total of seventeen indicators were used and compared. In MAMCOS, all seventeen indicators, viz., paid-up share capital, reserve funds, other funds, owned funds, liquid assets, fixed assets, current assets, total assets, current liability, total liability, total working capital, inventory, operating expense, total sales, total expense, gross income and net profit were found to have positive growth rate over the study period. In TSS expect paid up

share capital, total working capital and net profits, remaining fourteen indicators registered a positive growth rate over the study period. A comparison of CAGRs between the two cooperative marketing societies (Table 4.22) revealed that, MAMCOS has higher growth rate in paid up share capital, reserve funds, other funds, owned funds, liquid assets, current assets, total assets, total working capital and net profits over TSS in the study period. While TSS has higher growth rates in fixed assets, current liability, total liability, inventory operating expenses, total sales, total expenses and gross income over the MAMCOS in the same period.

4.3. Activities undertaken by the societies

4.3.1 Net profit of different sections in Totgars' Cooperative Sale Society Ltd., Sirsi

Totgars' Cooperative Sales Society Ltd., Sirsi started its activities in 1923. Presently, it has six sections, viz., grocery section, agriculture requisite section, rice mill section, Samrat guest house section, van section and arecanut trading section. Net profit were worked out for each of these sections and the results are presented in Table 4.23. Net profit of grocery section exhibited a variation over the study period and it was maximum during 2012-13 (₹ 16,74,888). However, lowest net profit was recorded during the year 2002-03 (₹ 13,934). The average net profit for the period was ₹ 4,01,460. Net profit was also computed for agriculture requisite section (Table 4.23) and it varied from ₹ 99,877 (2000-01) to ₹ 40,68,507 (2014-15). The maximum net profit was recorded in the year 2014-15. The net profit for agricultural requisite section of society for the study was ₹ 10,71,886. In rice mill section of the society, the net profit was (₹ 6,474) during 2000-01 to 2012-13 (₹ 7,55,043). The overall period net profit for the section was ₹ 2,40,712. Samrat guest house section of the society has average net profit of ₹ 3,95,154 for the entire study period. When glanced through the individual years, the highest net profit for the section was recorded in the year 2010-11 (₹ 8,44,299) while the minimum net profit (₹ 14,459) was during the years 2000-01. Van section is running under loss over the study period, in all the years van section was under loss. The average net loss of overall period of study for this section was ₹ 3,81,397. Arecanut trading section, the flagship section of the society had an average net profit of ₹ 3,32,163 for the entire study period. It was high during 2005-06 (₹ 1,12,48,774) and it occur loss during 2007-08 and 2011-12.

4.3.2 Net profit of different sections in Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Malnad Areca Marketing Cooperative Society Ltd., Shivamogga started its activities in 1939. Malnad Areca Marketing Cooperative Society Ltd., Shivamogga carried out four different activities, which include; arecanut trading section, consumption loan section, providing harvesting loan to the farmers section and agriculture chemicals sale section. Benefit cost ratios were worked for all the four sections of the MAMCOS and the results of the analysis are presented in Table 4.24.

Table 4.22 Comparative analysis of Totgars' Cooperative Sale Society Ltd., Sirsi and Malnad Areca Marketing Cooperative Society, Ltd., Shivamogga – Compound Annual Growth Rate

Sl. No	Indicators	TSS		MAMCOS	
		Amount (₹)	Growth rates	Amount (₹)	Growth rates
1.	Paid-up share capital	1,854,220	-0.26	40,454,528	8.54
2.	Reserve funds	133,022,484	6.75	86,881,870	9.09
3.	Other funds	358,010,853	4.89	122,805,350	6.02
4.	Owned funds	525,712,081	6.08	330,081,718	8.66
5.	Liquid assets	1,357,803,045	7.52	1,063,268,902	21.07
6.	Fixed assets	37,199,013	15.88	88,685,885	0.79
7.	Current assets	1,357,803,045	7.52	1,063,268,902	21.07
8.	Total assets	1,437,988,924	9.01	1,096,268,763	10.88
9.	Current liability	970,949,514	14.47	887,750,041	12.38
10.	Total liability	970,949,514	14.47	887,750,041	12.38
11.	Total working capital	464,386,473	-0.81	266,486,677	6.06
12.	Inventory	190,402,313	33.67	4,051,211	10.63
13.	Operating expense	87,973,945	14.47	16,328,749	10.74
14.	Total sales	1,247,265,809	19.79	1,659,773,200	12.57
15.	Total expense	723,724,340	34.06	13,012,189,002	18.75
16.	Gross income	22,976,533	21.02	29,239,680	11.87
17.	Net profits	19,719,967	-0.97	20,693,830	7.54

Table 4.23 Net profit of different sections in Totgars' Cooperative Sale Society Ltd., Sirsi

(₹)

Sl. No.	Year	Grocery section	Agriculture requisite section	Rice mill section	Samrat guest house section	Van section	Arecanut trading section
1.	2000-01	13,934	99,877	6474	14,459	-4,79,995	3,57,150
2.	2001-02	77,279	3,39,226	61,874	37,790	-3,29,021	-47,45,324
3.	2002-03	43,135	2,31,256	23,357	55,382	-3,09,324	66,58,257
4.	2003-04	78,673	2,69,971	1,00,527	66,265	-2,29,763	2,76,213
5.	2004-05	1,41,224	2,26,062	1,39,434	1,32,088	-2,45,280	17,29,021
6.	2005-06	86,385	2,02,801	1,10,990	2,08,016	-2,67,871	1,12,48,774
7.	2006-07	85,723	7,80,283	15251	4,38,297	-3,56,844	15,50,813
8.	2007-08	75,138	6,30,883	1,58,710	5,46,339	-4,18,026	-2,14,69,498
9.	2008-09	1,07,719	5,92,830	1,41,296	5,95,504	-3,77,146	14,00,121
10.	2009-10	84,438	12,54,400	2,23,152	8,10,892	-5,20,691	10,08,118
11.	2010-11	92,015	12,36,215	3,08,219	8,44,299	-6,33,022	15,33,702
12.	2011-12	6,96,115	14,85,464	5,88,043	5,88,043	-7,12,307	-1,12,23,762
13.	2012-13	16,74,888	20,76,582	7,55,613	3,63,787	-5,57,944	801798
14.	2013-14	11,96,251	25,83,930	4,91,588	4,91,588	-4,82,768	6,791,411
15.	2014-15	15,68,990	40,68,507	4,86,164	7,34,568	-3,36,698	90,65,664
	Average	4,01,460	10,71,886	2,40,712	3,95,154	-3,81,397	3,32,163
	B:C ratio	1.5	3.41	1.17	1.12	0.56	4.71

Table 4.24 Net profit of different sections in Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

(₹)

Sl. No.	Year	Arecanut trading section	Consumption loan section	Harvesting loan section	Agriculture chemicals sale section
1.	2000-01	1,22,650	4,42,749	1,70,636	1,50,889
2.	2001-02	2,34,500	6,68,845	2,23,834	1,78,304
3.	2002-03	55,744	5,55,744	2,48,853	1,80,105
4.	2003-04	4,78,255	7,68,250	3,41,803	1,84,849
5.	2004-05	6,79,891	3,65,330	6,76,894	3,84,435
6.	2005-06	3,14,914	6,25,911	7,65,683	2,98,821
7.	2006-07	7,68,,845	4,51,635	1,82,794	98,821
8.	2007-08	6,80,022	5,09,339	5,90,563	3,09,471
9.	2008-09	5,51,514	7,94,255	7,11,355	5,42,950
10.	2009-10	4,32,150	1,45,740	2,43,836	3,29,584
11.	2010-11	5,17,975	3,39,675	5,61,211	3,66,393
12.	2011-12	5,37,629	2,83,970	1,80,871	2,69,855
13.	2012-13	3,17,629	4,30,119	6,06,903	4,20,232
14.	2013-14	1,05,319	6,15,257	5,69,855	3,41,563
15.	2014-15	3,67,900	5,13,500	3,56,700	2,42,160
	Average	4,10,995	5,00,687	4,287,86	2,86,562
	B:C ratio	1.08	1.00	1.03	1.05

Areca nut trading section of the society had an average net profit of ₹ 4,10,995 for the entire study period. It was maximum during 2009-10 (₹ 7,68,845) and was the lowest during 2002-03 (55,744). Net profit of consumption loan section exhibited a variation over the study period and it was maximum during 2008-09 (₹ 7,94,255). However, lowest net profit was recorded during the year 2009-10 (₹ 1,45,740). The average net profit for the period was ₹ 5,00,687. Net profit computed for harvesting loan section (Table 4.24) it varied from ₹ 1,70,636 (2000-01) to ₹ 7,65,683 (2005-06). The maximum net profit was recorded during the year 2005-06 and the average net profit for the period was ₹ 4,28,786. In the case of agriculture chemicals sale section of the society, the minimum net profit of ₹ 98,821 was recorded in the year 2006-07, the highest net profit of the section was ₹ 5,42,950 in the year 2008-09 and the average for the study period was ₹ 2,86,562.

4.4 Strength, Weakness, Opportunities and Challenges analysis of cooperatives

SWOC analysis is an important step in situational analysis, which assesses societies' strengths, weaknesses, opportunities and challenges. Strategic situational analysis is divided into two types "Internal analysis" (strengths and weaknesses) and "external analysis" (opportunities and challenges). Internal analyses focus on those factors that are internal to the organization and has direct control over these factors, while external factors are the factors that are outside the organization but affect business directly or indirectly.

4.4.1 SWOC analysis of Totgars' Cooperative Sale Society Ltd., Sirsi

4.4.1.1 Strengths of Totgars' Cooperative Sale Society Ltd., Sirsi

Strengths are defined as the positive attributes of the organization, which are within the organization's control. The strengths of Totgars' Cooperative Sales Society Ltd., Sirsi (Table 4.25) include; well established long history, vertical integration for supari, expertise of management team, responsive to members needs, extensive services provided to members and loyal membership base. Apart from that, TSS is having sufficient financial resources and can invest in any interested areas. There is good reputation and goodwill for the society in the locality. As government share capital has been repaid, there was not much government intervention in the working of the society. The society also has better financial capacity to respond to members needs. The society has good infrastructure facilities and sound communication system within the society. The society has two branches, one at Siddapur and another at Yellapur which serve the needs of distant areas of its jurisdiction. There is a vast scope for improvement in the business of the society as it has well spread network, competent employees and sound financial position. The society has sound capital base of its own, which can be utilised to expand its business.

4.4.1.2 Weakness of Totgars' Cooperative Sale Society Ltd., Sirsi

Weaknesses are the factors that are within the organizations control and can easily be improved. It is necessary to take care of weaknesses because these factors can detract the society in achieving its goals and objectives. Weaknesses of the Totgars' Cooperative Sales Society Ltd., Sirsi

are presented in Table 4.25. Decision making which was highly concentrated hence delay in decision making which may undermine better performance of the society. Decentralisation of powers at different level was lacking. Being a cooperative society, TSS cannot maintain the secrecy of dealing, which can be considered as a major obstacle to the development. There is also lack of product diversification. Costly limited capacity of production facilities, scarce labour supply, engagement with less active members, relatively low loan repayment rate, lack of planning for climate change and research and development department is not efficient are the major weaknesses of the society.

4.4.1.3 Opportunities of Totgars' Cooperative Sale Society Ltd., Sirsi

Opportunities are the external factors that are providing benefit to the business directly or indirectly. Opportunities of Totgars' Cooperative Sale Society Ltd., Sirsi (Table 4.25), Include; demand exceeding supply for sweet supari, potential investment in integration machinery (boiling, drying and packing), and expansion into international markets. The society also plans to enter into export market. Besides, the government is giving special grants for the development of cooperative societies.

4.4.1.4 Challenges of Totgars' Cooperative Sale Society Ltd., Sirsi

Challenges are also the external factors which are not in organizations control but they can seriously damage the mission of the organization. Challenges of Totgars' Cooperative Sales Society Ltd., Sirsi are presented in Table 4.25. The challenges include; government ban on gutka products which is produced from arecanut, potential changes to regulation on health concerns of arecanut, External factors influencing price volatility of arecanut including illegal imports and climate change impact on production. Fixing of targets is great challenge as there is wide fluctuation in raw material production. Scarcity of labours, increase in number of commission agents and the primary societies may change their loyalty due to several reasons and the target cannot be fixed due to production fluctuation.

4.4.2 SWOC analysis of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

4.4.2.1 Strengths of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

The strengths of Malnad Areca Marketing Cooperative Sales Society Ltd., Shivamogga are given in Table 4.26. They are, the society has earned a very good brand recognition, which makes the society one of the major successful arecanut cooperative societies in Karnataka. MAMCOS has a large number of shareholders (members). MAMCOS has a network of branches in Karnataka which are performing very well. Professional dedicated and well trained manpower are being recruited. Added strength of the society is most of its business is computerised. The society has sound capital base of its own, which can be utilised to expand its business. The society has ten branches which served the needs of distant areas of its jurisdiction. The society has good infrastructure facilities. The society has good policy and quantity and customer service will help to acquire new customers and retain existing customers. Efficient communication with the customers is highly valued and that will lead the organization towards success.

Table 4.25 SWOC analysis of Totgars' Cooperative Sale Society Ltd., Sirsi

Strength	Weakness
<ul style="list-style-type: none"> • Well established long history. • Vertical integration for supari. • Expertise of management team. • Responsive to members needs. • Product diversification. • Extensive services provided to members. • Loyal membership base. • Financial capacity to respond to members needs. • TSS is having sufficient financial resources and can invest in any interested areas. • There is good reputation and goodwill for the society in locality. • As government share capital has been repayed there was not much government intervention in the working of the society. • The society has good infrastructure facilities and strong sound communication system with in the society. • The society has two branches one at Siddapur and other at Yellapur which served the needs of distant areas of its jurisdiction. • There is a vast scope for improvement in the business of the society as it has well spread network competent employees and sound financial position. • The society has sound capital base of its own, which can be utilised to expand its business. 	<ul style="list-style-type: none"> • Decision making was highly concentrated hence delay in decision making may come in the better performance of the society. • Lack of product diversification. • Costly limited capacity of production facilities. • Scarce labour supply. • Engagement with less active members. • Relatively low loan repayment rate. • Research and development department is not efficient.
Opportunities	Challenges
<ul style="list-style-type: none"> • Demand exceeding supply for sweet supari. • Investment in integration machinery (boiling, drying and packing) • Expansion into international markets. • The society enters into export market. • Government will be giving special grants for the development of cooperative societies. 	<ul style="list-style-type: none"> • Government ban on gutka products which is produced from arecanut. • Potential changes to regulation health concern of arecanut. • External factors influencing price vitality of arecanut including <ul style="list-style-type: none"> ➤ Climatic change impact on production • The target cannot be fixed due to production fluctuation. • Processing of arecanut requires lot of labours. • Increase in number of commission agents. • The primary societies many changes their locality due to several reasons.

Table 4.26 SWOC analysis of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Strength	Weakness
<ul style="list-style-type: none"> • The society has earned a very good brand recognition, which makes the society one of the major successful arecanut cooperative societies in Karnataka. • MAMCOS has a large number of shareholders (members). • MAMCOS having strong financial backup. • MAMCOS has a network of branches in Karnataka which are performing very well. • Professional dedicated and well trained manpower are being recruited. • The society quality policy, customer service will help to acquire new and retain existing customers. • Computerization in the society. • Efficient communication with the customers will lead the organization towards success. • The society has sound capital base of its own, which can be utilised to expand its business. • The society has ten branches which served the needs of distant areas of its jurisdiction. • The society has good infrastructure facilities. 	<ul style="list-style-type: none"> • Fluctuation in price of arecanut in the market. • Higher age profile of staff. • Lack of managerial and financial skills in the manpower. • No regular training facilities to the employees existed in the society.
Opportunities	Challenges
<ul style="list-style-type: none"> • Increase in arecanut cultivation areas. • The society is in a position to take up processing activities of arecanut. • Technological innovations. • New areas like manufacturing and marketing of sub products of areca and its plant. • The society quality policy, customer service will help to acquire new and retain existing customers. 	<ul style="list-style-type: none"> • Government ban on gutka products which is produced from arecanut. • Like other industry this society is also exposed to credit market and operational risk. • Regulation and monitory policies of the government of India affect operational viability of the cooperative society. • Competitions from other marketing cooperative societies are major threats. • Fluctuation in price of arecanut.

4.4.2.2 Weakness of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

It could be always beneficial to look at the weaknesses of an organisation, because they serve as a improve the business. Weaknesses of Malnad Areca Marketing Cooperative Sales Society Ltd., Shivamogga are depicted in Table 4.26. The major weaknesses of the society include; high age profile of the staff, lack of managerial and financial skills in the manpower and no regular training facilities to the employees existed in the society.

4.4.2.3 Opportunities of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Opportunities are the external factors that are providing benefit to the business directly or indirectly. Opportunities of Malnad Areca Marketing Cooperative Sales Society Ltd., Shivamogga are presented in Table 4.26. Increase in arecanut cultivation areas, the society is in a position to take up processing activities of arecanut, technological innovations, being imbibed into the society from time to time and new areas like manufacturing and marketing of sub products of arecanut and its plant are the opportunities of the society.

4.4.2.4 Challenges of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Challenges are also the external factors, which are not in organization's control, but they can seriously damage the mission of the organization. Challenges of Malnad Areca Marketing Cooperative Society (Table 4.26) include; government ban on gutkha products which is produced from arecanut, fluctuation in price of arecanut in the market, like other industry the society is also exposed to credit market and operational risks, regulation and monetary policies of the government of India affecting operational viability of the cooperative society. Competition from other marketing cooperative societies is also another major challenge of the MAMCOS.

5. DISCUSSION

The results of the investigation presented in the previous chapter are discussed in this chapter under the following heads.

- 5.1 Organizational management in cooperative organisations
- 5.2 Business performance of the organisations
- 5.3 Activities undertaken by the organizations
- 5.4 Strength, Weakness, Opportunities and Challenges analysis of cooperatives

5.1 Organizational management Cooperative organisations

It was observed that the MAMCOS and TSS followed the line type of organizational structure. This may be because of low investment and less number of activities. This structure is simple, the authority and responsibility are clear cut, easily assignable and traceable. Communication is fast, easy and feedback from the lower cadre can be easily obtained and immediate corrective measure can be applied.

Mundada (2011) while studying marketing management in farmers' commodity interest groups in Maharashtra, found that the line type of organization in Nagpur santra and fruit, flower and vegetable utpadan sahakari santhra, Kotal (FCIG-Katol), which had simple and clear cut responsibility and authority, with fast and early feedback from the employees. The discipline among employees maintained easily and effectively. These findings are in relevance with the present study.

5.1.1 Organizational management in Totgars' Cooperative Sales Society Ltd., Sirsi, Uttara Kannada

In the case of Totgars' Cooperative Sales Society as observed from Fig. 1, the hierarchy started from board of directors which was the top most decision making body and information flowed downward through general manager, assistant general manager, internal auditor and senior division manager and so on. The flow of information was smooth and easy and there was line type of organisational structure. Each of the different department were properly supported by the middle management level and lower management level employees in the organisation. Therefore, the different activities taken up by the society were smoothly performed which led to the overall success of the society.

5.1.2 Organizational management in Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

It was seen from fig 2 that hierarchy started from the board of directors, which was the top most decision making body responsible for taking all strategic level decisions. The board was equally shouldered by the general managers, assistant general managers, deputy managers, senior manager and hoard of senior and junior assistants in each of the sections who would take operational, administrative and marketing decisions related to their sections. Each section was again strengthened by store keeper, dispatcher and clerical staff.

5.2 Business performance of the organisations

5.2.1 Solvency ratios

The ratio of total liability to owned funds measures the amount of money the cooperative owes to creditors with the amount of money that is invested in the cooperative by members (Sridharan, 1975).

The ratios of total liability to owned funds is an indirect indicators of the business. The ratio was more than unity in majority of the years during the study period. The society being a service oriented marketing cooperative had to operate generally depending on borrowed funds. The standard ratio was 2:1. The ratio of total liability to owned funds was little above two for TSS (2.00) and for MAMCOS it was 3.45. This indicated indirectly the efficiency of the society in borrowing.

Fixed assets to owned funds ratios indicate the contribution of owned funds to fixed assets of the cooperative society. The fixed assets to owned funds was fluctuating and less than unity in TSS and MAMCOS over the study period which indicated low amount of owned funds being absorbed in fixed assets during the study period. In a marketing cooperative, where the main objective of the organization is trading, the importance of the fixed assets is considerably less. Further ratios also indicate the extent of owned funds being absorbed in fixed assets for a marketing cooperative. The reduced value of this ratio is less than unity indicating the efforts of the cooperative to achieve higher financial structure.

5.2.2 Liquidity ratios

The liquidity ratios, employed to measure the ability of the cooperative societies to cover their short term obligations out of their own short term resources, are presented in the Table 4.4 and 4.13. Since liquidity is basic for continuous operation of an organisation, it is necessary to determine the degree of liquidity of an organization engaged in marketing activities.

For a marketing cooperative, it is advisable to maintain high proportion of liquid assets for efficient trading business. In TSS and MAMCOS the ratio was increasing. 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, but effective utilization of liquid assets in the trading business is indispensable along with the maintenance of a high proportion of liquid assets for a sound financing performance of an organisation. The effort of the cooperative in this respect is corroborated by their success in maintaining high business turnover.

The ratio of current assets to current liabilities is an important parameter of the liquidity of the business concern. It indicates the ability of cooperative to meet its short term commitments as and when they fall due. The nominal acceptable level of the value of the ratio is two but the average value of the TSS was 1.50 and that of MAMCOS was 1.40, though no standard norm is prescribed for cooperative institutions. Flink and Grunewald (1969) observed that value above unity indicates a firm's ability to meet obligations. Thus, it could be conclude that MAMCO and TSS have maintained a reasonable liquidity position.

The acid-test ratios indicated the societies' dependence on their inventory for liquidity. It could be considered as a better test of the financial strength of the societies than the current ratios. The values of the acid-test ratios were above the standard norm of unity that is ratios were found to be 1.42 for TSS and 1.37 for MAMCOS which indicated that the societies acquired the ability to meet their current obligations without depending much on early sale of its inventory. This phenomenon indicates efficient management of the resources by the cooperative societies.

The average inventory ratios were found to be 0.33 for TSS and 0.31 for MAMCOS which considered to be less and it indicated that the net working capital of the society was not tied up in inventory. This is due to the fact that the stock of arecanut was not considered as inventory. As such this does not belong to the society. This is one of the reasons for higher liquidity ratios. Therefore, it is clear that the inventory position of the societies does not come in the way of its better performance.

5.2.3 Profitability ratios

The profitability ratios are used to study the overall efficiency of the cooperative society. Though service occupies a prime place in working of the cooperatives, the importance of the profits cannot be ignored, as profit is the measure of efficiency of any organisation and is key to survival and expansion of the business.

Net profit to total assets ratios shows how well the society employed its assets in the business. This ratio however fluctuated considerably over the operating period with average value of 0.09 for TSS and 0.02 for MAMCOS indicating the lower level of profits in relation to the total assets. Thus the cooperative had not utilised the total assets to the satisfiable efficiency level and effort should be made to increase profits by decreasing expenditure as sales have increased considerably over the years. Return on assets is one of best standards of evaluation, establishment and contingent expenses as a proportion to sales were some of the causes of poor performance. The marginal profits of the cooperative were due to the higher establishment costs incurred on other sections of the societies.

Net profits to total working capital ratios has shown wide fluctuation over the study period with an average value of 0.04 for TSS and 0.10 for MAMCOS. This decreased ratio is mainly due to the lower profits as the overall expenditure in relation to the total turnover has increased during the years of lesser ratio. From the point of view of objective of cooperative to narrow down the price spread, this should be a reflection of sound efficiency in the working capital utilisation. The growth of profits of cooperative was in lesser proportion with the growth of the working capital. This is another reason of management's lesser concern towards earning profits and greater interest in reducing the price spread. Net profits to owned funds ratios gives the return on equity. The average value of this ratios were 0.04 for TSS and 0.10 for MAMCOS. This is because of net loss of the cooperative due to higher establishment and contingent expenses. Lower return on owned funds indicates the inefficient utilisation of owned funds and dependence on borrowed funds. Decrease in the establishing and contingency costs during some years resulted in marginal profits. This substantiates the management's priority to stay reliant attitude rather than earning profit.

Net profit to total sales ratios also fluctuate over the study period with an average value of 0.03 for TSS and 0.14 for MAMCOS. This is because of net loss of the cooperatives. Though sales and also turnover increased considerably over the years, net profit did not increase in the same proportion because of unfavourable conditions like increased cost of procurement and also cost of establishment etc. the lower profits to sales ratio serves as a warning signal for the decline in sales and in turn indicates the decline in profits (Flink and Grunewald, 1969). Rama (1984) observed the similar trend in his study on the farmers service cooperative society limited, Bangalore. This ratio reflects the margin between the per unit price paid to the primary producers, per unit cost of the organisation and returns earned per unit sale of the producer. Such a low margin of profits of the cooperatives obviously the clear reflection of the managements concern and a great success in accomplishing this objective.

Though the profitability ratios do not necessarily reflect a sound performance of a cooperatives, since cooperative aims at providing remunerative prices to producers as well as reasonable prices to consumers, its emphasis should be directed at providing efficient services and increasing the turnover.

5.2.4 Turnover ratios

These ratios reflected how efficiently the cooperatives maintained their resources in the key areas of sales, working capital and inventory management.

Working capital turnover ratios were employed to measure the efficiency with which working capital was utilised in the cooperatives. Generally higher the turnover, greater efficiency and higher the rates of profits. The shortage of working capital might show a higher ratio which would signify potential dangerous situation. The average value of working capital ratio is 2.38 for TSS and 5.58 for MAMCOS. This clearly indicated that the cooperative strived hard to improve this ratio even though the sales increased to a considerable extent. This could be a sign of good management of working capital by the cooperatives, which is in conformity with the findings of and Natararajan and Gnanashyamadas (1980).

Inventory turnover ratio were employed to know the effectiveness of the sales efforts of the cooperatives. The inventory ratios are high over the study period, i.e., 13.57 for TSS 42.16 for MAMCOS. High inventory ratio shows the decreased level of inventory. Higher inventory ratio is desirable (Natarajan and Gnanashyamadas 1980).

5.2.5 Efficiency ratio

Capital efficiency ratios would reveal the efficiency of the cooperative society with regard to the utilisation of the capital. Since this ratio depicts the rate of turnover of paid up share capital, lower the ratio, greater would be the efficiency of capital utilization. The average working capital turnover ratio is 0.001 for TSS and 0.06 for MAMCOS. The ratio is high this showed that cooperative achieved a greater efficiency in the use of paid up share capital. It also indicates that the cooperative societies dependence on the paid up share capital declined over the years and it could run the business by depending more on its built up funds and borrowings over the years.

Operating ratios are generally accepted that the lower the operating ratio better would be the efficiency and is important for management in judging its operations. The average operating ratios are 5.93 for TSS and 0.45 for MAMCOS. It indicate that for every 100 rupees of income was incurred ₹5.93 operating expense in TSS and ₹ 0.45 was incurred by MAMCOS, which is satisfactory.

5.2.6 Sales ratios

The ratios of total sales to owned funds showed the rate of turnover to the owned funds. Higher the ratio higher would be the efficiency of owned fund utilization. This average ratio value was 2.51 for TSS and 6.64 for MAMCOS over the study period. It indicates the increase in the owned funds in the cooperative society. There was a larger scope for utilizing its owned funds effectively to increase its sales and achieve efficiency in its working.

The use of the ratios of total sales to fixed assets is the evaluation of the business performance of an institution on the explanation that since the investment in fixed assets is made for the ultimate purpose of producing sales. The ratio of total sales to fixed assets is measurement of achievement of the purpose. This average ratios values are 37.97 for TSS and 27.06 for MAMCOS. This indicated the increased efficiency in sales of cooperative by utilising fixed assets. This was due to higher proportional increase in sales over the years compared to increase in fixed assets.

5.2.7 Test of strength

The long run liquidity position of an organisation would be reflected by the net capital ratios. It would be considered as a long term concept. The results of the various tests of strength employed in the analysis are presented in the tables 4.9 and 4.18.

The net worth position of the society showed a positive trend and on an average net worth was ₹ 54.60 crores for TSS and ₹ 22.13 crores for MAMCOS. This indicated a sound net worth of the society. The net worth test of strength might not portray the real picture and therefore the net capital ratio was also computed. Higher, the net capital ratio greater would be the margin of safety against declines in the prices of all major assets of the society. This ratio reflects the real financial strength of the society.

The net capital ratios were more than unity throughout study period in both the societies which indicated that the assets of the cooperative societies were sufficient to cover all the liabilities. The average net capital ratios were 1.71 for TSS and 1.22 for MAMCOS. Hence the society has a good strength by possessing assets worth of ₹ 1.71 for TSS and ₹ 1.22 for MAMCOS for each rupee of liability.

5.2.8 Benefit cost analysis

The average benefit-cost ratios of TSS and MAMCOS were more than one. This clearly indicated that the both the societies' business are under profit.

5.2.9 Comparative analysis of TSS and MAMCOS- Compound Annual Growth Rate

The Compound Annual Growth Rate of financial indicators were worked out in order to find out their annual growth rate in the study period.

Paid-up share capital of an cooperative society is one of the important variable to be considered in the long run analysis of growth. The annual growth rate of paid up share capital of TSS was -0.26 and for MAMCOS was 8.54. The CAGR of MAMCOS paid up share capital was high but in case of TSS it was very low, rather it was decreasing year by year. This steady rate of increases in paid-up share capital in MAMCOS may be attributed to the interest of the growers in subscribing to the share capital, but the same was not observed with TSS.

Overall higher positive growth rates of reserve funds, owned funds and other funds reflected the financial establishment of the cooperatives in the business. The positive growth rate of fixed assets was observed due to investment of capital on fixed assets over the years and also due to business expansion.

The positive growth rate of current assets was less than current liability in TSS which indicates the society concentrate more on ability of the organisation to meet its short term obligations. The growth of total assets forms another important criteria in an cooperative society. Total assets represented the aggregate activities of the cooperative. The total assets of the societies steadily increased during the study period.

The higher positive growth of total sales of the produce of the members is an important objective of a marketing cooperative. Hence, the higher positive growth of total sales of both TSS and MAMCOS reflect the cooperatives' interest and success in achieving the above objective (Sridharan, 1975).

The total working capital for TSS showed negative growth rate and that of MAMCOS showed positive growth rate. Growth in the working capital of MAMCOS was remarkable indicating its self-sufficiency and strong financial strength. But, TSS has gone for expansion of sections in recent years like grocery section. It could not invest more on working capital over the years, which has led to a negative growth rate. However, negative growth rate of TSS do not mean that the society is under financial difficulties. It only suggests that the society could not divert more funds towards working capital in the period of study as its funds were tied in some other activities of the society.

The growth rates of variables such as gross income of TSS and MAMCOS is higher than the operating expense of TSS and MAMCOS. It could be revealed that the cooperatives should stress on the importance of the growth of gross income of the society.

The forgoing discussion revealed that the TSS and MAMCOS recorded positive and significant growth rates for most of the variable consider for the study. The annual growth rates achieved for paid up share capital, total sales, total working capital, owned funds, other funds, reserve funds and fixed assets were quite impressive indicating the fact that performance of the societies in the business is successfull. The growth rate of total sales and gross income were also high, testifying the fact that the societies have achieved good amount of success in providing service to their members.

5.3 Activities undertaken by the organizations

The main activities of Totgars' Cooperative Sales Society were running the different sections like grocery section, agriculture requisite section, rice mill section, Samrat guest house, van section and arecanut trading section. Net profit ratios were worked out for each of the sections.

The grocery section, agriculture requisite section, the rice mill section, Samrat guest house section and arecanut trading section, which were running under profit, indicated healthy sign of a business. Hence, there was a scope for increasing the efficiency in all these sections.

Van section was running under loss. Though van section was running under loss, the society is continuing the section to help the members in transporting the produce of the members and also the agricultural requisite and grocery purchased for other sections. Some portions of higher returns earned in the other sections are diverted to van section to maintain the section though the section is under loss. Therefore, the van section has to revive its price policies and maintenance of inventory to a minimum level so as to sustain its business and to minimise losses.

Malnad Areca Marketing Cooperative Society Ltd., Shivamogga was undertaking the activities like arecanut trading, providing consumption loan, providing harvesting loans and giving agriculture chemicals sale. Net profit was computed for the each section. In all the sections, net profit were found to be high which indicated higher efficiency in business performance of all the section. Among the sections, consumption loan section has higher net profit (₹ 5,00,687) compared to other sections, which indicates that the cooperative is running the business not with profits interest, but with service motive which is one of the significant aspects of the society.

5.4 Strength, Weakness, Opportunities and Challenges analysis of cooperatives

The SWOC management techniques was employed to study the functioning of the societies. Here four broad aspects of the working of the societies *viz.*, strengths, weaknesses, opportunities and challenges which were analysed regarding the two cooperative marketing societies studied.

5.4.1 SWOC analysis of Totgars' Cooperative Sale Society Ltd., Sirsi

5.4.1.1 Strengths of Totgars' Cooperative Sale Society Ltd., Sirsi

TSS was established in the year 1923 and is now one of the leading cooperative societies. The society is well integrated vertically, from procurement to value addition and finished products, all are in the same unit. The experts quickly responded to queries or problems faced by the members. Apart from trading, the society is providing many services to the members to attract the farmers to sell their produce in the society. Goodwill is an intangible assets for the society. Besides, the society has good infrastructure facilities and is having two branches in Yellapura and in Siddapura to enable the farmers to sell their produce in the nearest places and also to reduce the transportation costs. These are major reasons and act as a strengths for the society to attract farmers to become members of the society and trade their produce in the society.

5.4.1.2 Weakness of Totgars' Cooperative Sale Society Ltd., Sirsi

Decision making was highly concentrated, hence there will be delay in decision making in various aspects of the society. The society has limited product range, As such it should concentrate to take some of the measures for product diversification. Being a cooperative society, it can spend more towards investments to increase the capacity. Inadequate number of labourer in the processing unit of the society was one of the serious weaknesses and to overcome this problem mechanisation may be introduced in different section of the society. Low loan repayment rate was another important bottleneck for the development of the society. Since, the society is service oriented cooperative, much stress was not given for loan recovery. Strong recovery mechanism has to be evolved, otherwise it may become a serious threat to the society. It is also revealed from the swoc analysis that inefficient research and development was another weakness of the society. So, the society should hire qualified, specialised and trained manpower to strengthen the research and development department.

5.4.1.3 Opportunities of Totgars' Cooperative Sale Society Ltd., Sirsi

Day by day the demand for sweet supari is exceeding the supply. As such the society has huge scope for development of the different types of products of supari. The society can expand its trading to international market and generate selling the products to large international consumers. There is huge opportunity for the society for investment in integration of machinery in boiling, drying and packing which would considerably reduce the cost of processing. In addition, the society can make use of the huge grants given by the government for development of cooperative societies in right way to increase its gross business.

5.4.1.4 Challenges of Totgars' Cooperative Sale Society Ltd., Sirsi

Challenges are the external factors faced by the society. Government ban on gutka, which is the major product produced from arecanut, is one of the serious challenges for the society. Though from the healthy point of view of the general public the governments' initiative is a welcome measure, it will affect the arecanut farmers who are solely depend on the crop for their livelihood. Hence, more stress need to be given for development and promotion of other healthy products which can be produced from arecanut. Illegal imports of arecanut significantly contributing to the price volatility of arecanut. Proper mechanism can be developed from the government to curb the illegal imports of arecanut so that the extreme price fluctuations can be controlled.

5.4.2 SWOC analysis of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

5.4.2.1 Strengths of in Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Strengths are the internal factors which affect the performance of the societies. The MAMCOS has earned a very good brand recognition which is one of the major strengths of the society. After its establishment in 1939 the society grew indifferent facets and established itself as one of the major successful arecanut marketing societies in Karnataka. Over the years it has spread its area of operation in other neighbouring districts like Chikkamagaluru. Davanagere. Apart from serving

the farmers in the native district Shivamogga. Hence the shareholders of the society also grew over the years which has given added strength to the society and also strong financial backup. The society is operating with its head office at Shivamogga and well-knit branches at Birur, Koppa, Shringeri, Tarikere, Channagiri, Bhadravathi, Hosnagara, Sagar, Thirthalli and also a branch at Shivamogga. Owing to the development in information technology the society has imbibed computerization and networking with all the branches for effective, efficient and quick operation and variety of business activities the society has a sound capital base of its own which can be effectively supported the business performance.

5.4.2.2 Weaknesses of in Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

The major weaknesses of the society include high age profile of the staff and to overcome this problem, the young well specialised, qualified, experienced persons need to be recruited. There are no regular training facilities for the employees in the society, which is one of the weaknesses in the society at present Employees recruited in the society are to be provided with regular training to make them updated with recent advances in various aspects of the operation of the society.

5.4.2.3 Opportunities of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Opportunities are the external factors which affect the business performance of the society. The major opportunity of the MAMCOS is that the area under arecanut is steadily increasing in the hinterlands of the society and its area of operation. This would help the society to expand its business. Because of enormous growth and development the society is in a sound financial position to take up processing activities of arecanut, which would generate additional revenue for the society. Technology innovations are the another area where the society has opportunities. Fast growing technologies in these years would help the society to diversify its activities which would further augment the revenue of the society from time to time new areas like manufacturing, marketing and export of products of arecanut and the plant are other opportunities of the society.

5.4.2.4 Challenges of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga

Challenges are the external factors, which are not in organization's control, but would definitely affect the working of the organisation. Fluctuation in price of arecanut in the market is one of the major challenge faced by the MAMCOS. Government has put a ban on production and the consumption of gutka products, which are produced from arecanut. The present high price for arecanut is mainly because of arecanut being used to produce gutka. But, the ban on gutka would adversely affect the arecanut prices. Hence, stabilization of arecanut prices is a major challenges of the society, otherwise it would effect the livelihood of the farmers who are solely dependent on the crop. Hence, more stress need to be given for development and population of other healthy products of arecanut so that the economic conditions of areca farmers are jeopardised. Competition from other marketing farmers cooperatives is also another challenge for the society. The society has to develop qualitatively to establish itself in the forefront in marketing arena so that it can nullify the competition from other institutions.

6. SUMMARY AND CONCLUSIONS

Co-operation is an activity of the people, by the people and for the people. It is a self-generated, voluntary and self-sufficient activity. Cooperation has always been a feature of humankind. Essentially co-operation is an activity of the people for mutual help and collective progress.

Cooperative movement took its birth in England for the first time in the 18th century. Robert Owen, a labour leader introduced cooperative movement to the world. Then in Germany, Denmark, Russia and Japan also cooperative movement was started. In India, cooperative movement came in existence in 1904. The history of co-operative marketing in India dates back to 1912, when the Co-operative Marketing Societies Act was passed. The first co-operative society was formed in Hubli in 1915 to encourage cultivation of improved cotton and to sell it collectively. In 1918, The Dakshina Kannada Planters Co-operative Sale Society was formed in the then composite Madras Province for joint sale of arecanut.

“Sirsi Totgars’ Cooperative Purchase Distribution and Credit Society Ltd., Sirsi” was established at Sirsi in 1913. Then it was renamed as a Totgars’ Cooperative Sales Society Ltd., Sirsi. The society opened branches at Yellapura and Siddapura later and started rice mill, medical stores, grocery section, arecanut trading section, Samrat guest house section, sweet supari section and van section.

The area of operation of Totgars’ Cooperative Sales Society Ltd., Sirsi will include whole parts of Sirsi, Yallapura and Sidapura taluks, revenue circles of Ankola and Belale of Ankola taluk, revenue of Kumbarwada of Joida taluk, revenue circle of Pala of Mundagod taluk.

The Malnad Areca Marketing Cooperative Society Ltd., Shivamogga which is popularly known as “MAMCOS”, was established in 1939 under the chairmanship of Mr S. Sheshadri, the then Deputy Commissioner of Shivamogga, with the purpose of safeguarding the interest of arecanut growers. There were only 659 members and 5121 bags of arecanut were collected at the start of the society.

Malnad Areca Marketing Cooperative Sales Society Ltd., Shivamogga has its Head Office at Shivamogga and 10 branch offices at Birur, Koppa, Sringeri, Tharikere, Channagiri, Bhadravathi, Hosanagar, Sagar, Shivamogga and Thirthahalli.

Area of operation of Malnad Areca Marketing Cooperative Sales Society Ltd., Shivamogga extends to the revenue districts of Shivamogga and Chikkamagaluru and revenue taluks of Honnali and Channagiri of Davangere district.

Malnad Areca Marketing Cooperative Society (MAMCO) and Totgars’ Cooperative Sales Society (TSS) playing major role in helping the arecanut farmers to overcome their problems during production and marketing of arecanut in Shivamogga, Uttar Kannada and other districts. But the documentation of the business performance of these cooperatives is lacking. Such a study would throw adequate light on the policies to be taken up by the societies in various aspects, which would improve the overall performance of the societies. Hence, an attempt is made to study the business performance of MAMCO and TSS with the following objectives.

The specific objectives of the study:

1. To study the organizational management in Malnad Areca Marketing Cooperative Society Ltd, Shivamogga and Totgars' Cooperative Sales Society Ltd., Sirsi,
2. To analyse and compare the business performance of the organisations over the years.
3. To analyse various activities undertaken by the organizations.
4. To conduct Strength, Weakness, Opportunities and Challenges analysis and suggest policy measures.

Methodology

Totgars' Cooperative Sales Society Ltd., Sirsi and Malnad Areca Marketing Cooperative Sales Society Ltd., Shivamogga were purposively selected for the study as these two societies were leading players in arecanut business in Karnataka which are working since 1923 and 1939 respectively.

Sources of data

The data relating to the financial aspects of the arecanut cooperative sales societies, such as, profit and loss account, trading account and balance sheet were abstracted from annual reports for a period of 15 years from 2000-01 to 2014-15 for constructing the business performance indicators of the societies.

Analytical techniques used

To analyse the various dimensions of the business performance of the societies, tabular analysis, simple averages, percentages, different financial ratio analysis and benefit cost ratio were used. The functional analysis technique was employed to estimate the growth rate of different indicators of business performance. SWOC analysis was conducted to evaluate the strengths, weaknesses, opportunities and challenges of the two cooperative society.

Findings of the study

1. The study found that line organizational structure was present in both TSS and MAMCOS. It might be due to less number of activities and low investment. Communication is fast, easy and feed back from the members of lower cadre can be easily obtained and immediate corrective measures can be applied from this type of organizational structure. Board of directors was in top position.
2. The average value of total liability to owned funds ratios were 2.00 for TSS and 3.45 for MAMCOS. This indicated that the ability of the cooperative to cover their medium term and long term obligations satisfactorily.

3. The fixed assets to owned funds ratios were less than unity. This indicated the low amount of owned funds being absorbed in fixed assets during the study period.
4. The liquid assets to total assets ratios showed the liquidity preference of the societies and it was due to more investment made on fixed assets.
5. The current ratios were greater than unity in TSS and in MAMCOS which indicated that the cooperative had maintained reasonable level of liquidity position.
6. The average value of acid-test ratio was found to be more than one in TSS and MAMCOS. This indicated that the societies acquired the ability to meet their current obligations without depending much on early sale of their inventory, This phenomenon indicated an efficient management of the resources by the societies.
7. The average inventory ratios in both the societies were less than unity, which indicated that the net working capital of the societies were not tied up in the inventory.
8. The average ratios of net profits to total sales were 0.09 for TSS and 0.02 for MAMCOS. Thus it could be concluded that the societies have maintained a good profitability position by utilization of their total assets more efficiently.
9. The average ratios of net profit to working capital showed that both the cooperative societies earned good profits.
10. The average ratios of net profit to owned funds was less in both the societies. This is because of net loss of the cooperative due to higher establishment and contingent expenses. This was also a proof of providing service by the cooperative rather than profit motive.
11. The average value of ratios of net profit to total sales were 0.11 for TSS and 0.14 for MAMCOS in the study period. This indicated that there is much fluctuation in the sales as well as price of the commodities.
12. The average values of working capital turnover ratios were increased in both TSS and also in MAMCOS. This is a sign of good management of working capital in both the societies.
13. The average inventory turnover ratios were 13.57 for TSS and 42.16 for MAMCOS. This indicates higher turnover and low stock piled up with the society. Therefore, the societies have made their efforts in their sales promotion.
14. The lower capital efficiency ratios indicated less dependence of the societies on their paid up share capital for their business.
15. The values of average operating ratios of both the cooperative societies appear to be satisfactory.
16. The average total sales to owned funds ratios were 2.51 for TSS and 6.64 for MAMCOS. This indicated that the higher the ratio, higher would be the efficiency of owned fund utilization, which was found true in the cases of both the societies.

17. The average total sales to fixed assets ratios of TSS were 37.97 and 27.06 for MAMCOS. The satisfactory level of these ratios indicated that the fixed assets have been efficiently utilized in the business.
18. The net worth of TSS was ₹ 54.20 crore and ₹ 27.06 crores for MAMCOS was found to be satisfactory. This indicated a sound net worth position of the society.
19. The average net capital ratios of TSS and MAMCOS found to be more than unity which reflected the satisfactory level of financial position of the cooperative societies, on keeping the service objective of the cooperative in view.
20. Benefit cost ratios of the TSS and MAMCOS were more than unity. This indicate the efficiency in business performance of the two cooperative societies.
21. The Compound Annual Growth Rate analysis of 17 financial indicators of MAMCOS found to be positive throughout the study period. The Compound Annual Growth Rate analysis of 15 financial indicators accept paid-up share capital and net profits of the TSS were found to be positive throughout the study period. The paid-up share capital and net profit were negative has to be checked.
22. TSS was running the different sections like grocery section, agriculture requisite section, rice mill section, Samrat guest house, van section and areca trading section. Benefit-cost ratio was worked out for each section. The average benefit-cost ratio was found to be higher than unity in grocery section, agriculture requisite section, the rice mill section, Samrat guest house section and arecanut trading section which indicated healthy sign of a business. Hence, there was a scope for increasing the efficiency in all these sections.
23. The average benefit-cost ratio of the van section was found to be below unity (0.56). Though van section is running under loss, the society is continuing the section to help the members in transporting the produce of the members and also the agricultural requisite and grocery purchased for the sections. Some portion of higher returns earned in the other sections are diverted to van section to maintain the section though the section is under loss.
24. Malnad Areca Marketing Cooperative Society Ltd., Shivamogga was undertaking the activities like arecanut trading, providing consumption loans, providing harvesting loans and giving agriculture chemicals sales.
25. In all the sections like arecanut trading, providing consumption loans, providing harvesting loans and agriculture chemicals sales, benefit cost ratios were found to be more than one which indicated higher efficiency in business performance of all the sections. Among the sections, arecanut trading section has higher BC ratio (1.08) compared to other sections. The BC ratios of all the sections were just above unity, which shows that the cooperative was running the business not with profits interest, but with service motive which was one of the significant aspects of the society.

26. SWOC analysis was conducted for TSS. The strengths of the societies were well established long history, vertical integration for supari, expertise of management team, responsive to members needs, extensive services provided to members and loyal membership base. Apart from that, TSS was having sufficient financial resources and can invest in any interested areas. There is good reputation and goodwill for the society in the locality.
27. Among weaknesses, decision making which was highly concentrated, hence delay in decision making which undermine better performance of the society. Decentralisation of powers at different level was lacking. There was also lack of product diversification. Costly limited capacity of production facilities, scarce labour supply, engagement with less active members, relatively low loan repayment rate are the major weakness of the TSS.
28. Opportunities of Totgars' Cooperative Sales Society Ltd., Sirsi include; demand exceeding supply for sweet supari, potential investment in integration machinery and expansion into international markets. The society also plans to enter into export market. Besides, the government is giving special grants for the development of cooperative societies.
29. The challenges of TSS include; government ban on gutka products which is produced from arecanut, potential changes to regulation on health concerns of arecanut, external factors influencing price volatility of arecanut including illegal imports and climate change impact on production. Fixing of targets was great challenge as there was wide fluctuation in raw material production. Scarcity of labours, increase in number of commission agents and the primary societies may change their loyalty due to several reasons and the target cannot be fixed due to production fluctuations.
30. The strengths of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga were, the society has earned a very good brand recognition, which makes the society one of the major successful arecanut cooperative societies in Karnataka. MAMCOS has a large number of shareholders. MAMCOS has a network of branches in Karnataka which are performing very well. Professional, dedicated and well trained manpower are being recruited. Added strength of the society is most of its business is computerised.
31. High age profile of the staff, lack of managerial and financial skills in the manpower and no regular training facilities to the employees existed in the society were the major weaknesses of MAMCOS.
32. Opportunities of Malnad Areca Marketing Cooperative Society Ltd., Shivamogga were because of increase in arecanut cultivation areas, the society is in a position to take up processing activities of arecanut, technological innovations being imbibed into the society from time to time and new areas like manufacturing and marketing of sub products of arecanut and its plant were the opportunities of the society.
33. Government ban on gutka products which is produced from arecanut, fluctuation in price of arecanut in the market, like other industry the society is also exposed to credit market and operational risks, competition from other marketing cooperative societies were the major challenges of the MAMCOS.

Conclusions

- 1) The working capital turnover ratios in both TSS and MAMCOS were increased over the years during the study period. This is because of the good management and infrastructure facilities created in both the organizations. Hence, TSS can diversify its activities and develop some more value added products from arecanut which would generate additional revenue for the society. On the other hand MAMCOS can start processing of arecanut into value added products which it has not yet ventured.
- 2) In both the societies benefit cost ratios were just above unity, which shows that the cooperative societies were running the business not with profit interest but with service motive. Therefore the government programmes for development can be implemented through the cooperatives which would result in proper utilization of funds and also help for the development of these cooperatives.
- 3) Government ban on gutka products would adversely affect the arecanut industry and also affect the livelihood of the farmers who are solely dependent on arecanut crop. Research and development need to be strengthened to evolve new healthy value added products which can be prepared from arecanut and have general acceptance to rescue the farmers from price instability.
- 4) Both TSS and MAMCOS have entered into international market with their products, the strength of the societies is that they have well established long history, vertical integration for products, expertise management team and loyal membership base. Apart from that the societies are having sufficient financial resources to invest in exports. Hence, the societies need to enter exports markets vibrantly to improve their financial positions and expand their business.
- 5) There are many illegal imports and marketing practices related to arecanut in the study area which was severely affecting the business of the cooperatives. There is a need to evolve some stringent controlling measures to curb the illegal activities in arecanut trading to help these cooperatives to perform business in a much better way.

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ARECANUT BUSINESS BY COOPERATIVES IN KARNATAKA – A MANAGEMENT PERSPECTIVE

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ABSTRACT

Areca nut is one of the important plantation crops. The study analysed the role of Malnad Areca Marketing Cooperative Society, Ltd, (MAMCOS) Shivamogga and Totgars' Cooperative Sales Society Ltd., Sirsi (TSS). The study was done on secondary data of the societies abstracted from annual reports of these cooperatives for a period of 15 years from 2000-01 to 2014-15. The study found that line organizational structure was present in both TSS and MAMCOS. It might be due to less number of activities and low investment. Business performance of the societies were studied by using financial ratios. Among liquidity ratios, the average values of the acid-test ratios were above unity that is 1.42 for TSS and 1.37 for MAMCOS. Working capital turnover ratio is 2.38 for TSS and 5.58 for MAMCOS. The average net worth was ₹ 54.60 crores for TSS and ₹ 22.13 crores for MAMCOS. This indicated a sound net worth of the society. The net capital ratios were more than unity in both the societies. This clearly indicates both the societies business are under profit. The main activities of TSS were running the grocery section, agriculture requisite section, rice mill, Samrat guest house, van section and areca nut trading section. Net profit ratios show all sections were running under profit except van section. MAMCOS undertaking the activities like areca nut trading, providing consumption loan, providing harvesting loans and giving agriculture chemicals sale. In all the sections, net profit were positive. The SWOC analysis technique was employed to study the functioning of the societies. Here four broad aspects of the working of the societies *viz.*, strengths, weaknesses, opportunities and challenges which were analysed for these two cooperatives.