



ORIGINAL RESEARCH PAPER

Accountancy

AN ANALYSIS ON PERFORMANCE OF COTTAGE INDUSTRIES IN ERODE CITY

KEY WORDS:

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ABSTRACT

The role of small-scale industries has always been supported in a country like India with various opinions such as employment, equality, latent resource, trickling effect, insurance against social tension, distributive effect, creation of social eco-system and decentralization etc. The other arguments in favor of this are making provision for self-employment and capital formation. Study of SSIs has received many responses from various economists. The performance of the small-scale sector has a direct impact on the growth of the overall economy in terms of number of units, production, employment and exports. It may help to understand its role in the economic development of the country.

INTRODUCTION

Introduction To Study

Financial analysis is the process of examining a company's performance in context of its industry and economic environment in order to arrive at a decision or recommendation. Often, the decisions and recommendations addressed by financial analysts pertain to providing capital to companies specifically, whether to invest in the company's debt or equity securities and at what price. An investor in debt securities is concerned about the company's ability to pay interest and to repay the principal lent. An investor in equity securities is an owner with a residual interest in the company and is concerned about the company's ability to pay dividends and the likelihood that its share price will increase

Statement Of Problem

The study attempt to analyze the bases of financial system of cottage industries. The financial statement of the company is essential from the point of view of the company's profit and efficient functioning. Similarly it is essential to find out the strength and weaknesses of the position in the industry through various analysis. Also it is eminent to enumerate the source of improvements in the company.

OBJECTIVES

- To analyze the performance of cottage industries in Erode
- To evaluate the financial health of the business concern

Scope Of Study

- The present study covers the cottage industries which were in operation up to the period 2019 – 2022
- The study covers the firms financial report which are or were producing products in the segment of small scale industries.
- The scope of the study is to collect the financial performance of cottage industries
- The cottage industries [Handloom sector] in erode [Chennimalai Region] are only analyzed in this study.

Review Of Literature

Sameer sarma., (2005) The handloom industry generates production at low capital cost, mostly using indigenous raw material and utilizing local skills, widens entrepreneurial base, facilitates balanced regional growth and prevents the migration labour to the metropolitan areas.

Deshmukh (2013) concentrated on the analysis of the target customers buying behavior for handicrafts and handlooms products of CIDCO's (City and Industrial Development Corporation of Maharashtra) Urban Haat project which has been the policy of the Government of India's in setting up permanent marketing functions at primal locations in the

nation to discard middle agencies. Determining Consumer Buying Behavior provides higher content to consumers. They conclude that the project has embraced the purchase decision process Marketing Concept, and is consumer targeted.

Research Methodology:

Research methodology provides information about the manner in which research has been carried out. Research methodology describes the procedure followed by the researcher. Research methodology is a systematic way to solve the research problem. It deals with all the necessary steps that a researcher has to take to carry out the research or steps taken towards problem-solving. The attempt of evaluation of the Indian companies from different sectors has been done in the said research work. A thorough analysis of impact of financial leverage on the financial performance has been carried out.

Sources Of Data:

Primary Data:

Primary data refers to that data which has been obtained by the researcher directly from the respondents for specific research work.

Secondary Data:

The data which are collected from the existing document or reports like final accounts and balance sheet and annual reports of the company. Method to assess the performance of the company and observation of the work in finance department.

Ratio Analysis

Ratio analysis is a quantitative method of gaining insight into a company's liquidity operational efficiency, and profitability by comparing information contained in its financial statements. Ratio analysis is a cornerstone of fundamental analysis.

When investors and analysts talk about fundamental or quantitative analysis, they are usually referring to ratio analysis. Ratio analysis involves evaluating the performance and financial health of a company by using data from the current and historical financial statements.

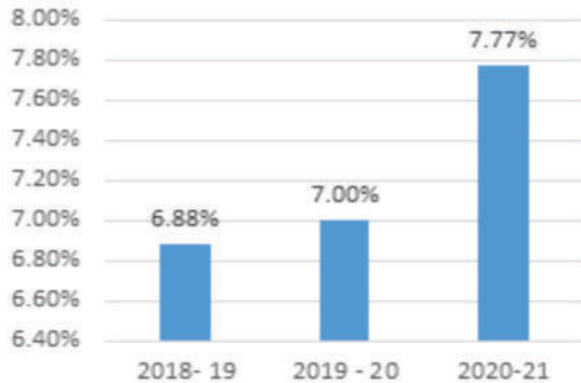
Working Capital

Working capital is used to fund operations and meet short-term obligations. If a company has enough working capital, it can continue to pay its employees and suppliers and meet other obligations, such as interest payments and taxes, even if it runs into cash flow challenges. Working capital, also called net working capital, represents the difference between a company's current assets and current liabilities.

Gross Profit Ratio

The gross profit shows the proportion of profits generated by the sale of products and services ,before selling and distributive expenses .It compares the gross margin of the company to its

Gross profit ratio



Net Profit Ratio

Net profit ratio

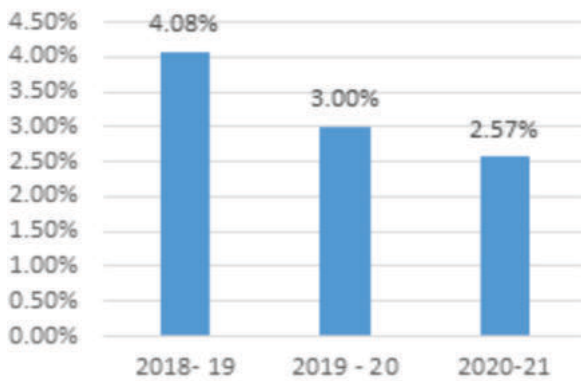


Chart Showing Operating Operating Profit Ratio

operating profit ratio

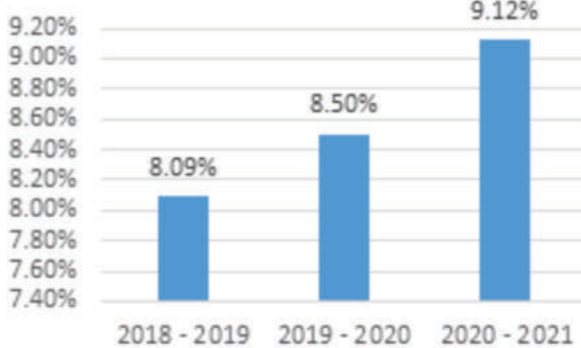


Chart Showing Current Ratio

Current ratio



Workng Capital Chenkumar Weaver's Society

Interpretation :

From the table 4.2.3., it is observed that the working capital was low in the year 2018 – 2019 , due to the excess of current liabilities over the current assets.in the year 2019 – 2020, the working capital was high.

Findings, Suggestion And Conclusion

Findings

From the table 4.1.4, it is observed that in the year 2019 the current liabilities exceeds the current assets.

From the table 4.1.2, in the year 2020,the current liability is high, so the company cant able to manage their debts. position of the company becomes low due to this It shows decrease only in the year 2020 – 21,but the overall improvement shows a positive working capital. The industry can able to manage in difficult situation

Particulars	2019	2020	Increase	Decrease
Current asset :				
Inventories	1143.39	1532.59	389.18	
Trade receivables	9903.29	29728.63	19825.63	
Cash & cash equivalents	2186.938	3034.91	847.97	
Short term investment	3361.937	3890.55	528.62	
Other current asset	274.13	3231.19	49.06	
Total asset (A)	16869.67	38509.85		
Current liabilities :				
Short term borrowings	305.62	305.62		
Trade payables	2980.58	33719.14		30738
Other current liabilities	8870.39	9698.78		828.39
Short term provisions	929.24	893.31	35.93	
Total liabilities(B)	12585.83	44616.84		
Working capital (A-B)	4283.84	6106.99		

In the industry , 2019 – 20 shows a negative of that the current asset becomes lower than a current liability , it is not sufficient and the company will not able to deal in difficult manner. capital shows a positive sign , the company is in good stage.

Suggestion

Chenkumar weaver society and the nurpu handlooms can able to improve their current asset for high liquidity to meet its current debt .They can improve their current asset to show a higher performance in future

CONCLUSION

The analysis of the data had provided major findings and suggestions, Working capital plays a vital role in the success of the business.

Chenkumar weaver society performance is low comparing to all those industries, as they can apply the rationalistic techniques to quip and generate favourable working capital environment in their operation. An analysis of working capital of Nurpu industry shows negative working capital, the reasonable measures to improve the liquid assets has to be implemented to enhance their efficiency of working capital and overall performance.

The overall performance of the handllom industries in chennimalai region is find to be good , while comparing their efficiency with working capital

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