Chapter VI

Summary and Conclusion

The cooperative movement plays a vital role in all walks of life in Kerala for poor women for their integration with the main stream of the society as a suitable institution. (Ramanujam, 1995) The objective of cooperatives, as that of democratically managed firms is the maximization of some combination of income per member and employment stability. In addition, their existence also reflects larger concerns such as commitment to democratic practices, general equality and solidarity that set them away from capitalist firms (Gunn, 2000).

In the present study we have made an attempt to analyse the structure, performance and growth of women industrial cooperatives in Kannur district, Kerala. A key element that promotes growth in cooperatives has been found as social and political networking and more particularly the latter. The study thus seeks to discuss the dynamics of political as well as social networking so as to identify its pressures and possibilities in the structure and performance of women cooperatives in Kannur. The study encompasses all women industrial cooperatives registered at the district industries center, Kannur and that currently exist.

For analytical purpose the women industrial cooperatives are classified broadly into two groups i.e. a group with network and another group without network. To examine the intra group and inter group differences in performance, the cooperatives are further classified on the basis of product as well as the type of activity they undertake. On the basis of product wise classification two product specific cooperatives have been identified, viz., printing and garments. The garment cooperatives are discussed separately in order to study the impact of networks on contract units, manufacturing units and contract cum manufacturing units. The women cooperatives with networking have been further classified into those with political network and social network. The analysis of the structure and performance of women industrial cooperative societies has been carried out with respect to all the groups mentioned above. The variables used are mainly derivate rather than direct. A good deal of the data for the study is taken from audit notes and reports of the
cooperatives for the period 1981 – 2000. The analysis for different groups have been
done for different periods, viz., garments for the period 1991 – 2000, product wise
analysis for 1993 – 2000 and socio – political networking for the period 1994 –
2000. This study also address inter and intra unit differences in the structure,
performance and growth of women industrial cooperatives in Kannur.

In Kannur there are 54 units working as women industrial cooperatives. The
age wise distribution of cooperatives in the district shows that 18.5 percent of them
have more than 20 years of age and 53.7 percent are old by 10 years or less. Of the
total women cooperatives, about 7 percent were formed during the 60s, which are
mainly engaged in garment related works. About 46 percent of women cooperatives
have political linkage, 16.6 percent social network and the rest have no linkage at all.
Further about 51.7 percent of the units, with the political assistance, were formed

Generally the cooperatives, which were formed before 80s, have more
members, but the share value is small. But the number of members is small and share
value high in those cooperatives, which were formed after 1980’s. After 1980’s, the
amount of share capital increased through the women industries programme where
government participates as stake holder in the cooperative sector granting six and half
times of paid up capital to each unit subject to a maximum of rupees 3.5 lakh which
ever is less. In Kannur majority of the women cooperatives are operating on small
scale, employing less than 10 workers. Such units constitute 63 percent of the total.
The garment cooperatives are engaged in different kinds of activities such as contract
work, manufacturing work or both work simultaneously. Most of the contract works
are obtained from local private traders, as well as from other cooperatives. Most of
them depend on local traders for raw materials. As women run the units, they face
both social and economic inhibition to travel to distant places to purchase the required
raw materials at cheap rate. The educational status of the workers is poor, as 93
percent of them are educated either below or up to S.S.L.C. Generally job rotation
and multi skilling are followed in most of the cooperatives. One of the major
problems the women cooperatives face is the lack of working capital followed by marketing problem.

The competition between cooperatives as well as private traders is very high. Hence the price factor plays an important role. Consequently the inter unit cooperation is very fragile. The women industrial cooperatives in Kannur are engaged in mainly four products viz. garments (61.6 percent), printing (29.2 percent), food products (9.1 percent) and leather goods (0.1 percent). The garment cooperatives follow three types of work such as contract work or manufacturing work or contract and manufacturing work simultaneously. The network actively functions with garments and printing cooperatives. Of the 33 units in garments, about 54.5 percent work with network. However out of the 15 units in printing work, only 26.7 percent operate with network. Again out of 54.5 percent garment cooperatives with network, 6 percent are engaged in contract work, 50 percent in manufacture and the remaining 44 percent do both contract work and manufacture. The contract work is mobilized from private traders, both local and exporters and from other cooperatives, with whom they have the linkage. Similarly, of the 45.5 percent of the units without network, 13.3 percent functions as contract work units, 66.7 percent work as manufacturing and the remaining 20 percent work as both contract and manufacturing. Generally more than 50 percent of the garment units operate as manufactures. About 57 percent of the cooperatives reported finance as the major problem particularly shortage of working capital, and it is found that due to the shortage of working capital coupled with easing of the problem of marketing, around 42 percent of the total garment cooperatives prefer either contract work only or doing it along with the non-contract work.

Locationally the units are more or less spatially distributed in the three taluks of Kannur district viz., Kannur, Thalassery and Taliparamba. Of the total 54 units in the district, 25 units are working with political network. Out of this 60 percent were formed during 1991-2000. Thus the spread of women cooperatives and their political net working activated more during the decade (1991 – 2000). The government of Kerala grants several concessions and incentives to the cooperatives viz., managerial
grant, machinery grant, rent subsidy, subsidy on land and building, furniture grant etc. 85 percent of the women industrial cooperatives in Kannur availed managerial grant, which accounts for 50.8 percent of the total incentives allotted by government, 63 percent obtained machinery grant and rent subsidy was availed by 44 percent.

The cooperatives have the provision of equity participation by government, which depends on the paid up capital of each cooperative. About 53.7 percent of the units obtained less than one lakh rupees as government participation and those obtained more than three lakh rupees accounts for 5.6 percent of the units. As such the capital structure of the very young units (units formed during 1991 – 2000) is much stronger than those, which were formed before 1991.

The garment cooperatives prefer to do contract work either partly or fully, as it involves only a small amount of working capital. 81 percent of wage payment is based on piece rate system. The wages that constitute an important part of the cost structure differs between groups of societies with respect to net working. The wage component of cost varies between 25 and 47 percent on various products depending on network. The difference in material (fabric) price has also been between 20 and 40 percent on various types of fabrics. As the social inhibition to travel restricts the mobility of women to the neighbouring places where the materials are cheap, they are forced to depend on local market. Similarly about 50 percent of the products are marketed directly to consumers in the local area.

The structure and performance of women cooperatives societies have been analysed, grouping the women units into with network and without network. This is followed by product wise analysis and then activity cum network basis. Besides the works are further divided into social network and political network. The inter and intra group variations of these groups are discussed to identify the impact of network on the structure, performance and growth of women cooperatives.

The productivity of cooperatives is measured with the help of value addition per worker. There was significant difference in the volume of value addition per worker between the groups during 1981 – 2000. The women cooperatives with network are seen to be much above those without network in value addition per
worker. The value addition during the post 1991 period is greater than that of the pre 1991 period. This is true with respect to both cooperatives with network and without network. But the value addition per worker in the cooperatives with network recorded an annual average growth of 232 percent which is higher than that of those without network (129.1 percent) during the 90s. Similarly value addition in the food cooperatives is greater than that in printing or garments. Garment cooperatives that work as contract units have low value addition compared to those doing other types of work. But within the group, cooperatives that do manufacturing work only account for a higher value addition than other subgroups. However the average labour productivity of garment cooperatives based on activities was higher during the post 1990 period. While comparing the units on the basis of activity it is seen that those doing both contract and manufacturing with network do much better in value addition than those doing only manufacturing work. In those cooperatives, which have no network, value addition is smaller.

Not only value added per labor but also, the share of capital (productive capital) in value addition has also been analysed in the different categories of women cooperatives in Kannur. This analysis gives insights into regarding the capital availability of each group, on the one hand and the efficiency of capital to generate value addition in the various groups of cooperatives on the other hand. The broad classification of women cooperatives into those with network and without network reveals that, the share of capital per unit of value addition is more in the former group than in the latter. The share of capital in value addition is greater in printing cooperatives than in garments or food cooperatives. However, compared to those units with network, the garment cooperatives of different activity having no network have very low capital with them. The major reasons for the share of capital per unit of value addition in the units with network to be high is the proportion of total capital employed in the fixed assets either for modernization of existing plant or formation of additional plant. Through linkages the units with network mobilizes additional finance to invest in modernizing the plant. Hence the unit cost of value addition has
gone up. However the level of performance in terms of value addition between the groups is higher in those with network than in those without network.

The structure of cost production is analysed in different groups by decomposing the different components of cost of production. Out of the total cost, the major component is the material cost. In the cooperatives with network, the percent share of material cost is greater than in those without network. The labor cost share declined in both groups, but at different rates. It declined marginally in the cooperatives with network and steeply in those without network; more specially after 1990. The percent share of administration cost is found to be higher in the latter than in the former. It shows the administrative inefficiency in controlling the expenditure on the establishment and contingencies. This is because the cooperatives with network are able to minimise the transaction cost involved in the purchase of raw materials.

The major component in the total cost of production in garment cooperatives irrespective of network is the material cost and the wage component comes only second, but its share in the cooperatives with network is found to be more than in those that without network. In those cooperatives doing manufacturing work only both contract and manufacturing work, the wage component is higher in the group with network than in those without network. At the same time not much difference is found with regards to the material cost between them. In short, the wage component in all the three activities is high in the garment cooperatives with network, whereas the material cost is found to be the major element in the group without network. The inter group difference in cost structure is directly related to the profitability of the units.

The profitability of women cooperatives is examined in terms of gross profit to capital employed, gross profit to cost of production as well as operating profits to sales. In addition the return on investment and capacity utilisation is also examined in all the groups in order to discuss the inter and intra-group differences in these variables. The gross profit to cost of production in the women cooperatives generally
increased over time from 10.9 percent to 25.3 percent, but network connection makes difference. In the cooperatives with network it increased from 8.2 percent to 33.4 percent and declined from 14.6 percent to 12 percent in cooperatives without network during 1981-2000. The profit to cost of production significantly increased in food cooperatives followed by garments. At the same time, it declined in printing cooperatives. Garment cooperatives with network recorded a higher ratio than those with out network. The percent of gross profit to cost of production increased significantly in the former, while in the latter only marginal change occurred. In the garment cooperatives, on the contrary, gross profit as percentage of capital invested is found to be more in the units without network than with network. Similarly, the garment cooperatives doing both manufacturing and contract work show relatively better performance than those doing either contract or manufacturing work alone. In the case of printing cooperatives, units with network as done better.

At the same time, operating profit per unit of sales shows a positive trend in the cooperatives with network. The cooperatives without network have not obtained any operating profit at all during the period under study. The operating loss mounted from (−)3 percent to (−)41.8 percent. But in the cooperatives with network, operating profit per unit of sales increased from 4.5 percent in 1991 to 27.6 percent in 2000. The return on investment is found to be positive in the cooperatives with network where as the cooperatives without network has incurred loss during the entire period. The analysis of return on investment shows the level of efficiency of each group to control and restrict the management cost. Though gross profit is found to be positive in the units without network, net profit is negative. The analysis of capacity utilization shows that none of the product has been able to utilize more than 50 percent of their installed capacity. This is on account of restricted output followed by women cooperatives in order to reduce the stock and inventories. In the network structure personal contacts have direct and indirect influence on the mobilization of finance and consequently on employment and income earned by workers.

The financial features of women industrial cooperative societies are discussed with the help of three ratios viz., current ratio, quick ratio and debt-equity ratio to
understand the short term and long-term financial liquidity. In the women cooperatives in Kannur, the current ratio is safe. The cooperatives with network, is safer than the ones without network. Among the products, the current ratio of food and garment cooperatives has increased marginally though a declining trend is found in all the three products. In the garments, this ratio is found to be safe in those units doing contract work only as well as those doing both contract and manufacturing work. With regard to quick ratio, irrespective of network, product or activity, the quick assets are found to be inadequate to meet the current liabilities. This mismatch is seen to be higher particularly in those cooperatives without network. However in food cooperatives the quick ratio is found to be safer than in others. The debt-equity ratio of cooperatives with network is reported to be less than that of without network. Although the volume of net worth over the years has not declined, yet due to huge borrowings this ratio is low in all the groups with network, except in the contract work units in the garment sector with network, during the period 1991-2000. The cooperatives without network have very low borrowings; even then their net worth is rather small. This is evident from the profit-loss account and balance sheet. Share capital, net profit and reserves constitute the major segments of net worth. The capital base structure shows that the size of share capital in cooperatives without network has been smaller than that in those with network. Although the financial features are seen to be more or less safe, wide differences exist between groups. One of the general features of women cooperatives in Kannur is the poor working capital, which is evident from the quick ratio. The performance level based on financial features (quick ratio, current ratio and debt-equity ratio) shows 60 percent below 'Good' level in the units with network, where as in the below 'Poor' category, 62.5 percent are those units without network.

The employment scenario in the women industrial cooperatives in Kannur is not very encouraging. It is found that in the cooperatives with network, employment increased only marginally where as in the other group with no network, it declined by more than 50 percent over the period. It is only in the garment cooperatives with network, that the size of employment recorded significant growth from 15 to 99. On
the other hand in the garment cooperatives without network employment in cooperatives of all the three types of activities declined drastically. In contract work units, employment declined by 70 percent. In the cooperatives doing contract and manufacturing work simultaneously, the same dropped by 73.7 percent and in the manufacturing units it decline by about 63 percent. In the printing cooperatives with network employment showed a marginal improvement over the period. It increased by 42.8 percent in those having network, where as in the printing without network, the employment declined by 20 percent. Even though capital per worker has been more in the cooperatives with network, no significant change in the size of employment has occurred although capital availability is a determinant factor in employment generation.

With regards to wages rates it is found that except group of women cooperatives without network, it increased in all other groups by the year 2000 compared to 1981 though differences exist between them. The wages declined around 13 percent by 2000 compared to the wages in 1981 in the cooperatives without network. The wage rate is seen to be more in food cooperatives than in garments or printing. It is found to be the lowest in printing cooperatives. However the wage rates increased in all the three products over the period. The garment cooperatives with network doing the contract work pay more wages to their workers. The percentage share of wages in value added declined in cooperatives with network but in the cooperatives without network it increased marginally. On the contrary, with regards to the size of reserves with the cooperatives, it is found that its volume increased in all the groups over the period. But between cooperatives with and without network, the reserves are higher in the former group than the latter. In the manufacturing units with network reserves are seen to be very high. Among those garments without network that do manufacturing, the reserves are found to be relatively small.

This analysis shows that reserves and wages have a strong inverse relationship. Hence cooperatives that keep more reserves have more net worth in the long period. Thus the welfare of the collectives are taken care of and not the welfare of the members. The volume of reserves and wage payment depend on the decision of
the Director Board of Cooperatives. This has direct bearing on the status of women cooperatives with respect to their level of assets over liabilities both in the short period as well as in the long period.

The socio-political networking is further analysed using the concept of social capital. Twelve attributes of social capital have been identified and a composite index is worked out in this context. As shown earlier, the cooperatives have been classified into three groups viz. cooperatives with political network, cooperatives with social network and cooperatives with no network. The group that obtains the highest score is assumed to be having the highest level of social capital. The cooperatives with political network obtained 48 percent of total scores where as 28 percent of the scores accrued to those with social network and 24 percent to the ones without network. Some of the attributes are found to be common to all groups, such as, level of education, sharing of benefit and income, financial stake and distribution of power. The attributes related to administration and management is found to be unique with political network group.

Once we found that networks have helped societies to function well, we have proceeded to a comparison of social and political network in women cooperatives in Kannur. The short-term financial structure reveals that both groups have been above the satisfactory level and between two groups, social network is found to be having an edge over political network. The net worth shows that the group with political network has been far ahead of the other groups. More over the major component of net worth is found to be share capital, which is much higher in political network units than in social network. The total capital employed by each group reveals their capital base, which is closely related to the volume of share capital. Comparing the two groups in terms of capital base, the political network group has 21.8 times capital of the social network group. However the percent share of working capital in the total capital employed is found to be comparatively low in the political network group.

Capital per unit of value added shows a higher ratio for the group with political network. While decomposing value addition, it is found that the percent of profit accrued to political network group has been greater than that of the other group.
At the same time the wage component is found to be just the opposite i.e. less in political network than those in social network.

An analysis of the structure of cost of production shows that the major item in the total cost has been the purchase cost. It is higher in social network than in political network, and it accounts for more than 50 percent of total cost. The cost of management is also found to be greater in social network (10.7 percent average) than in political network (7.2 percent). The wider political network connection of cooperatives enables them to obtain materials from neighbouring states at relatively cheap rate either through agents or through personal contacts which reduces the transaction cost considerably. The ratio of profit to cost of production is higher in units with political network than in units with social network.

The efficiency of the cooperatives with political and social network is discussed by analyzing the gross profit and net profit earned by these two groups using the ratio of gross profit to capital employed and return on investment. The percent of gross profit to capital employed increased in both groups, but it is found to be comparatively better in social network than political network. However the return on investment (average) in the political network group is positive, where as it is negative in the social network group except the year 2000. This is because of the comparatively high administrative cost incurred by the cooperatives with social network. The percent of net profit per sales also reveals a similar result in both the groups i.e. positive through out the period of analysis in the political network, but negative except the year 2000 in social network. A comparison of wages earned and the size of employment between the two groups also show clear difference between them. The size of employment is more in the political network group but in the social network group, it is small and declining. But in the social network groups, the reduction in the size of employment accompanies a hike in wages. This shows a particular tendency of the restriction of the size of employment in order to maximize the income per worker. But in the political network group, both employment and wages increased though marginally during the period 1994 – 2000. However comparing the income earned (average) in both groups, it is found that a worker in a
political network group obtains more income than one in a social network unit. Contrary to the experience of social network, the size of employment in political network groups is not restricted so as to maximize income per worker. On the other hand the workers accept a wage cut in order to increase the size of employment.

Moreover though the value addition per worker has been greater in the political network than social network, the percent share of wages in value addition is seen to be lower in the former than those in the latter. The major component of the value addition constitutes profit, of which a major portion is kept as reserves. It further highlighted the tendency of the cooperatives to increase the welfare of the collectives rather than the individual economic interest. The reserves of the cooperatives with political network have been between 30 and 50 percent of value addition whereas in social network, it is found to be between -0.01 and 1.9 percent. This shows comparatively high potentiality of cooperatives with political network over social network with respect to long – term sustainability.

The variables examined to analyse the performance of women industrial cooperatives in Kannur showed that there exists inter unit difference in almost all the variables. The efficiency parameters (value addition and profit) used in the study to examine the performance between groups show that there exists significant differences between cooperatives with network and without network. The financial structure shows that the short term liquidity of women cooperatives in Kannur favour more the units which have political network; but the long term financial coverage is seen to be highly geared in this group, not because of a decline in net worth but due to highly proportionate increase in financial liabilities in the form of borrowings. The comparison of performance between political and social network shows that political network is more growth promoting than social network in almost all the variables analysed.

A simple discriminant analysis is carried out to gauge the differences between groups has come out in favour of cooperatives with network. The most discriminator is profit, which favours cooperatives with network, similarly between the social and political networking the difference is significant in favour of political network. In this
analysis employment is the most discriminator between groups. Thus our analysis has
clearly shown that networks have been a growth-promoting factor with respect to
women cooperatives in Kannur. It all depends on the type of network and their
attitude towards the women managed enterprises. The existence of networking in
general and political net working in particular has stimulated the growth and
performance of the women cooperatives in Kannur.

The encouragement given by the government through financial stake and
other incentives has been the major factor in the formation and growth of women
cooperatives. The networking in general and political network in particular promotes
the mobilization of institutional finance for women cooperatives. Besides networking
reduce their marketing problem through mobilization of contract work. More over the
local committee party workers are more vigilant in the daily business of women
cooperatives. The regular monitoring of cost of administration enables them to
control it, which is a major factor in the cost components. As a result both
productivity and efficiency improves in the cooperatives. To those who have no
networking they face variety of problems related with productivity. Though
networking is seem to be a positive factor in the functioning of women industrial
cooperatives in Kannur, we were not able to examine all the dynamics of networking
in the present study. An important area that requires detailed investigation is the
impact of the growth of women cooperatives on the development of politics in
Kannur. Similarly issue related with employment status requires further research;
though employment generation has been considered as a primary objective of a
cooperative, the general scenario is not been in tune with they capital invested in the
women cooperatives. Hence, this issue seeks further research to understand the
relation between employment and capital in a cooperative society. In short the present
study helped to capture the impact, role and dynamics of networking in general and
socio political network in particular in relation to intra and inter unit differences on
the structure, growth and performance of women industrial cooperative societies in
Kannur district.