CHAPTER 7

SUMMARY AND CONCLUSIONS

In this Chapter we summarize the discussion and recapitulate and highlight the major conclusions. This study constitutes a pioneering systematic attempt to identify the problems and prospects of the modern small scale industrial co-operatives in Kerala. The performance of the industrial co-operative was analysed with the help of the secondary data while discussion at the unit and industry-group levels was made mainly on the basis of primary data collected personally through interviews with structured schedules, of all the industrial co-operatives selected.

The progress and development of the co-operative movement in Kerala has been substantial particularly in terms of the quantitative aspects. This form of organisation has made forays primarily in the service sector activities, mainly banking and trade. However, the performance of the co-operatives in the productive sector particularly manufacturing, has not been impressive.
The analysis of growth of the units, in terms of output, value-added, employment and fixed capital, revealed the dismal performance of the modern small scale industrial co-operatives during the 1980s. It is observed that the annual growth rate of output of the units varied from (-)68.29 to 14.68 and that only seven units showed rising trend. The annual trend growth rate of value-added varied from (-)66.89 to 19.41. The corresponding growth of employment and fixed capital of the units varied from (-)23.41 to 5.86 and (-)4.49 to 4.21 respectively. For the half of the total number of units no change was discerned in the growth of employment.

The industry-wise analysis has been carried out to get a wider perception pertaining to the role of co-operatives in the industrial scenario of Kerala. The annual trend growth of employment is slow due to the low investment rate. The trend growth rate of output varied from (-)5.0 to 5.02 and only two industries showed a rising growth trend of output. The trend growth rate of value-added varied from (-)6.0 to 8.20 and only two industries had rising trend; the growth rate of employment varied from (-)4.80 to 0.68. Growth of fixed capital revealed the low level of capital investment which lay in the range of from -3.43 to 1.12. There was only one industry which showed rising trend of fixed capital.
The productivity analysis reveals the low level of labour productivity, capital productivity and the total factor productivity in all these units. Labour productivity and capital productivity of the majority of the units have shown declining trend. However, the units which are entirely controlled by member workers showed better performance. Similarly, the units which are fully controlled by professionals also showed better performance.

The industry-wise analysis reaffirmed this conclusion. The total factor productivity analysis revealed rising trend in three industries,- manufacture of drugs, medicines and allied product (304), manufacture of hand tools, weights and measures and general hardware (343), and manufacture of metal products n.e.c(349). In the others declining trend was observed. The capacity utilisation analysis revealed that units in which growth trend was rising experienced problem of idle capacity. This observation is found valid both at the level of units and industry-groups.

The financial performance analysis which is done with the help of common size statement and ratio techniques presented a picture of unhealthy practices in financial dealings. Common size statement analysis disclosed the fact that all the industrial co-operatives were depending heavily on loans from outside
agencies and that the equity by members or government were not collected promptly and adequately. The ratio analysis method was employed to examine the liquidity, solvency and profitability of the industrial co-operatives. The short term financial position which was analysed in terms of current ratio, acid-test ratio, inventory turnover ratio and working capital turnover ratio, presented a dismal financial picture of the industrial co-operatives.

The current ratio of the units for the study period, was not satisfactory. This ratio was favorable only for one unit and in all the other cases it was far below the accepted standard. In fact in seven out of the eight industries' current ratios were less than the conventional standard.

The acid test ratio of the 19 units was found to be far below the standard. The units were not in a position to meet current obligations. There was only one industry which had an overall mean acid test ratio exceeding the standard ratio of one.

The average inventory turnover ratio, in the case of units, varied from one to 16.46 while the overall ratio, in the case of industrial group varied from 1.96 to 5.82. This finding reinforces the observation that the financial performance of industrial co-operatives was poor.
The average working capital turnover ratio of the units varied from 0.46 to 7.5 while the overall average of industries lay in the range of 1.0 to 2.11.

A high debt-equity ratio observed was indication of the fact that the claims of creditors were greater than those of owners. The unit-wise ratio varied from 0.88 to 8.50 during the study period. Thus, the total debt of all these units exceeded capital contribution by members. The overall average of the ratios of the industries varied from 1.18 to 6.56.

The interest-coverage ratio of the units, varied from (-) 4.4% to 8.30. The average ratio of 12 units were negative, a sure indication of their inability to make the interest payments out of their earnings. The overall ratio, in the case of industrial groups was in the range of (-)4.51 to 9.53.

The profitability of the units as well as the industrial group were tested using the gross profit-sales ratio and net profit-sales ratio. The gross profit sales ratio of twelve units had negative values, not at all a sign of healthy financial position. The industry-wise analysis reveals that three industries—manufacture of drugs, medicine and allied product industry (304), manufacture of hand tools, weights and measures
and general hardware industry (343) and manufacture of metal products industry not elsewhere classified (349)- did have positive gross and net profits.

Thus, the financial performance analysis highlighted the unhealthy financial position of the industrial co-operatives. Further, there was a drastic decline in profitability and considerable erosion in liquidity on account of increase in liabilities. The long term financial position of the industrial co-operatives was also weak.

The dismal performance exemplified by the several indicators, growth, productivity, capacity utilisation and financial management, called for an in- depth analysis of the factors which accounted for it. In the case of industrial co-operatives in which the workers themselves were the owners and managers, labour problem which is considered in many quarters as an important factor affecting efficiency in Kerala, was expected to be on the low side. This hypothesis was tested in some details.

Worker's involvement in the co-operatives and their socio-economic background were first taken up. The political and the trade union affiliation of these workers, both member and non-member, was also examined. It was seen that member-workers
formed only a small portion, about four per cent of the total number of members. Since the majority of the workers were non-members the poor performance of the industrial co-operatives in terms of productivity and capacity utilisation, as was observed earlier, could have been, to a large extent, due to the lack of worker's commitment to productive activity. This surmise was verified by the analysis of worker's involvement. On the average, the level of involvement of the member workers were found to be far above that of the non-member workers. The mean score of the member workers was 102 while for the non-member workers it was only 86.80. The coefficient of variation of these measures were 24.79 and 27.01 respectively.

Further, it is seen that the educational qualification, formal and co-operative, of the workers were not of the desirable level.

The member workers were receiving remuneration at levels lower than those of non-member workers. Hence, they involved themselves actively in trade union activities to secure better emoluments and service benefits. In this process, the principles of co-operatives get violated and flouted.

The performance of the managerial personnel was also found to be poor. The managerial personnel did not possess, in
In sum, the ideals of co-operatives are not being realised in the modern small scale sector. Their performance in terms of growth, productivity, capacity utilisation and financial management leaves much to be desired. The analysis reveals that the dismal performance of the individual units should not be interpreted to be the failure of the co-operative principles but to be the results of the faulty steps followed by the persons in position of control and authority. These co-operatives were formed without considering the ability of the members, their technical know-how, and their experience to contribute to production. The management, elected bodies of the co-operatives, did not have adequate representation of the workers. Further, in terms of managerial capacity and education, the expertise was weak. Thus, the problems behind the non success of the co-operatives in the modern small scale sector of Kerala arose primarily due to defects in the formulation and design of the functioning of co-operatives. The loopholes in the co-operative rules must have helped to overlook these aspects at the time of registration of the units concerned. In principle, the co-operative is a sound and desirable democratic form of
organisation; however in practice, the ideology, philosophy and principles have been given the go-by. The co-operative seems to have degenerated into an organisational form which the exploitative character of capitalist enterprise persist. The legal framework that has been provided for the co-operative in Kerala provides freedom for all to start industrial co-operatives and wide scope to abuse the fundamental tenets co-operation. Further, the lacuna of legal framework and the administrative system have enabled political and other interest groups to penetrate into the co-operatives for partisan gains. Legally speaking the co-operatives fulfill the requirements of this organisational form; but in practice they too partake of the exploitative characteristics of private capitalist firms.

*****
APPENDIX