

WORKING OF WOMEN'S INDUSTRIAL CO-OPERATIVE SOCIETIES IN KERALA

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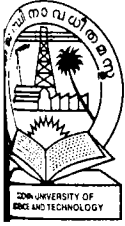
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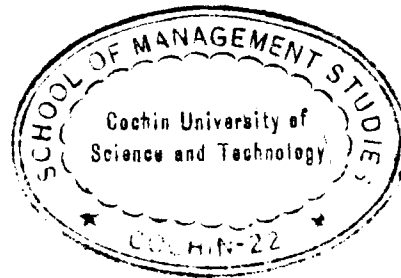
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CERTIFICATE

Certified that the thesis titled “**Working of Women’s Industrial Co-operative Societies in Kerala**” is the record of bonafide research carried out by **Smt.Vasanthakumari P.** under my supervision. The thesis is worth submitting for the degree of Doctor of Philosophy under the faculty of Social Sciences.

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CHAPTER I

INTRODUCTION

1.1.1 Co-operation is one of the economic miracles of the 19th century.

It is a form of economic organisation based on certain human values. It is a “voluntary and democratic association of human beings based on equity (of distribution), equality (of control and opportunity) and mutuality for the promotion of their common interests as producers or consumers”.¹ Generally speaking, co-operation means living, thinking and working together. In this sense co-operation existed even before the existence of man.

1.1.2. In co-operation one may find the amalgamation of conflicting interests. The employee is his own employer, the purchaser his own supplier, the borrower his own lender and the producer his own consumer. Co-operation aims at elimination of the middle man. Co-operative credit parts way with the money lender; co-operative marketing does away with the commission agent; co-operative stores eliminate charges of retailers and wholesalers. Labour and construction societies have no dealings with contractors. Co-operation is thus a defensive institution aiming at

exemplary transactions as a measure to counteract offensive forces of exploitation. The modern phenomenon of co-operation is an economic concept. Hence it is an organisation of people where production activity is conducted by assigning a secondary role to capital. The co-operative movement offers a ray of hope to the economically weak to live in better conditions of life in the modern world.

1.1.3 Co-operative movement is the outcome of the Industrial Revolution. As a result of the Industrial Revolution society became divided into two classes - capitalist employers and wage earning workers. This system nourished selfishness and exploitation of man by man which aroused the concern of social reformers like Saint Simon, Charles Fourier and Robert Owen.

1.1.4 Influenced by the teachings of Robert Owen, in 1844 'Rochdale pioneers' was started as an alternative form of business organisation. The principle of co-operative society entrenched in England in 1844 by the Rochdale Pioneers has permeated almost all countries of the world. In the modern context co-operatives are established to perform specific functions. Co-operatives may be found at local, regional, national and international levels. They are differentiated on the basis of the extent of area they cover.

1.1.5 As the movement attained momentum, it attracted the attention of many scholars who defined co-operation from different angles. In the words of Calvert, co-operation is “a form of organisation, wherein persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interest of themselves”². According to the International Labour Office “a co-operative is an association of persons, usually of limited means who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organisation making equitable contribution to capital required and accepting a fair share of risk and benefits of undertaking.”³ These definitions suggest that the concept of co-operation lies between two extremes: Individualism on the one hand and socialism on the other. It stands for individual rights tempered by a consideration of justice, equity and fair dealings between man and man and aims at prevention of exploitation of the weak. In the initial stages the effectuation of the concept of co-operation was confined to the protection of workers. Now it is an important agency in furthering socialist progress as well.

1.1.6 Co-operation in its broader perspective yields different meanings to different persons. From the sociologists’ point of view, the co-operative movement is a medium to establish social harmony

through the eradication of class struggle. The economists postulate that the co-operatives are a means of preventing the exploitation of weaker sections by conferring on them a better economic status. Economists consider it a business organisation which is meant to protect the interests of people of limited means. In a legal sense it signifies special privileges and concessions conferred by law on its members. To a moralist it is a movement meant to raise the ethical values of society by helping people to lead a virtuous life.

1.2 CO-OPERATIVES IN INDIA

1.2.1 In India Co-operatives were first begun in the agricultural sector. During the Deccan Riots of 1875, the culmination of the protest of cultivators against money lenders, the government began to contemplate an alternative form of organisation to protect the interests of cultivators. This led to the introduction of co-operative organisation in India. The formation of co-operatives necessitated a pervasive study of co-operatives. The report submitted by Frederick Nicholson to the Government in 1899 after surveying co-operatives in Europe led to the passing of the first co-operative legislation in India, i.e. Credit Co-operative Societies Act, 1904.

1.2.2. Through the enactment of the Act, the government assured several benefits to members of the co-operative societies. However farmers who were provided loans were the main beneficiaries. This Act aimed specifically at the development of primary credit societies. The development of non-credit societies did not come under the purview of this Act. The net result of the government's realisation of this inadequacy was the enactment of the Co-operative Societies Act, 1912. One of the important provisions in this Act was the recognition of the non-credit societies which was conducive for organising industrial co-operatives and gave great stimulus to the co-operative movement. In 1919, the Act underwent comprehensive reforms and one of the major features was that co-operation became a provincial (state) subject.

1.3. CO-OPERATIVES IN KERALA

1.3.1 Kerala, in 1919, was made up of two princely states - Travancore and Cochin and the Malabar, which was under the direct administration of the British as part of Madras Province. Therefore, the genesis of co-operative movement in Kerala is the consolidation of origin and development of co-operatives in the erstwhile Travancore, Cochin and Malabar areas.

1.3.2 Co-operative Laws were enacted in Cochin and Travancore in 1913 and 1914 respectively. These laws were partially based on the Co-operative Societies Act 1912 of the central government. In 1952, the Travancore-Cochin Co-operative Societies Act was passed by the integrated Travancore-Cochin government. In the Malabar area, the Madras Co-operative Societies Act 1932 prevailed till 1969.

1.3.3 The Kerala Co-operative Societies Act 1969 came into effect from 15-6-'69 superceding all previous legislations on the subject. However, Societies which were registered under various earlier laws prior to 1969 were deemed to be Societies registered under the Kerala Co-operative Societies Act w.e.f. 15-6-'69.

1.3.4 The co-operative movement in Kerala is, therefore, enriched by a vast experience of many decades. During this period, the movement has witnessed tremendous changes in terms of both number and scope. Today, the co-operative movement has made its presence felt in almost all walks of human life such as credit, production, marketing, education, healthcare, development of scheduled castes and scheduled tribes etc. Among these, credit, marketing, consumer, educational, housing and other multi-purpose societies come under supervision and control of the

Registrar of Co-operative Societies in the state. But Societies such as industrial, khadi, handloom and dairy development come under the supervision and control of the respective Directors of the Departments or under Special Officers appointed by the state for the purpose. Though different departments administer the different Societies, auditing of all the above mentioned Societies is completely entrusted with the Registrar of Co-operative Societies.

1.4. INDUSTRIAL CO-OPERATIVES

1.4.1 Co-operatives offer many possibilities in the industrial sector of India. Most of the people in our country are economically weak and a large number are unemployed. They cannot start a business/industrial unit without assistance from outside. For such people, co-operation offers a way out of their dilemma. Co-operation imparts valuable schooling in democracy where even the poorest and newest members enjoy equal rights. It develops the facilities of the ill-equipped common man in the conduct of trade and industry. The Industrial Co-operatives are the next large group in the co-operative movement after agricultural credit co-operatives. These types of Societies are formed for different categories like khadi and village industries, handloom, handicrafts, coir, agriculture and other small scale industries.

1.4.2. Derek C. John⁴ considers the industrial co-operative as an autonomous enterprise in which (a) many workers or (members) own stock, (b) ownership is widely distributed among workers who own much of the voting stock, (c) working members participate in the enterprises, management and control, and (d) they share in the distribution of surplus usually on the basis of work. According to David H. Wright⁵, industrial co-operatives “redefines the worker’s job by including him in the policy making and work co-ordination tasks of management, as well as productive processes”. The responsibility of decision-making and work co-ordination in a co-operative also falls on the co-operators. In short, an industrial co-operative is an enterprise which is owned, operated and managed by members themselves.

1.5 WOMEN’S INDUSTRIAL CO-OPERATIVE SOCIETIES (WICS) IN KERALA

1.5.1. Women’s participation in co-operative societies is as old as the co-operative movement in the state. Ownership of landed property had an important role in the co-operative credit system in Kerala because lendings were mostly security oriented and landed property was considered a safe security. The greater involvement of Kerala women in co-operatives in Kerala was mainly due to the matrilineal system of family which prevailed in the state for a substantially

long period. However, the concept of co-operatives exclusively for women came to limelight since 1975.

1.5.2. In 1975, the International Women's Year, the government of Kerala launched a Women's Industries Programme. The formation of women's co-operatives was identified as a lucrative enterprise and a feasible proposition for empowerment of women through encouraging and ensuring their active participation in the process of social and economic development. With the objectives of providing employment and a source of income and stimulating the habit of thrift, a series of incentives were offered by the government of Kerala to the women's co-operatives. A cursory reading of statistics relating to the growth of women's co-operatives reveal that a lion's share of women's co-operatives registered since 1975 were industrial co-operatives.

1.5.3. In order to encourage women's co-operative units, the government of Kerala provided them with the following schemes of grants/subsidies⁶:

(1) Establishment charges of a paid manager/secretary and one technical expert, subject to a maximum of Rs.500/- per month for 4 years on a tapering scale of 100 percent for the first year, 75 percent for the

second, 50 percent for the third and 25 percent for the fourth year respectively are allowed;

- (2) 50 percent of the cost of machinery purchased and installed subject to a maximum of Rs.25,000 will be paid;
- (3) In the case of rented building, rent of the building subject to a maximum of Rs.500/- per month for four years on a tapering scale or building grant subject to a maximum of Rs.50,000/-;
- (4) Stipend to promotor co-operators for undergoing training prior to the commencement of the WICS @ Rs.50/- per month for six months.
- (5) Government participation in the share capital through the District Industries Centres @ 9 times of the paid up capital of the WICS in case of Societies formed by scheduled castes / scheduled tribes and 6 times for other WICS.
- (6) Stipend of Rs.200/- per month for women entrepreneurs, secretaries and presidents of societies undergoing Entrepreneurial Development Programme (EDP) training.
- (7) Exemption from sales tax for six years from the date of commencement of business.

(8) Reimbursement of advertisement expenses on advertisement through cinema slides, trade fairs, radio broad casts etc.

(9) Price preference @ 15% over other units while submitting quotations to the government and governmental agencies in addition to exemption from paying earnest money deposit.

1.5.4 In the above, items 6 to 9 (both inclusive) are not in force w.e.f. 13-4-93 vide government order No. 21/96 dated 1-11-96. Further, vide government order No. OMS 72/2000 dated 30-5-2000 the government has revised the amount of grants under items one to four with effect from 9-11-98. The revised amounts are as follows:

Item-1: Salary of manager/secretary and one technical expert - revised to Rs.750/- per month.

Item-2: Ceiling enhanced to Rs.50,000/-.

Item-3: Rent enhanced to Rs.750/- per month and building grant to Rs.75,000/-.

Item-4: Stipend of trainees - revised to Rs.500/- per trainee per month for 6 months.

1.5.5 Inspired by the various schemes of grants/subsidies provided by the government of Kerala, the number of WICS increased to 325 on 30/6/'98 as against 10 on 30-06-'74⁷. However, the substantial increase in number was not supported by operational efficiency. This is corroborated by the fact that as on 30-06-'98 only 52% of the WICS are in operation; the rest being dormant. Further, of the 170 WICS which were in operation on 30-06-'98, 90% of the units were running⁸ on losses causing threat to their very existence. This study, therefore, is an attempt to bring to light the reasons for the present state of affairs of WICS and suggest solutions wherever possible.

* * *

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8. Compiled from Primary Data.

CHAPTER II

REVIEW OF LITERATURE

- 2.1 The problem of management of industrial co-operatives has been a fascinating subject for scholars all over the world. Even though a large body of literature on industrial co-operatives in general is available, women's industrial co-operatives are by and large an unexplored area of study. This may be due to the fact that women's industrial co-operative movement gained momentum only since 1975, the International Women's Year. Most of the earlier studies have tried to focus mainly on problems faced by co-operative societies and their progress on the whole.
- 2.2 Data apropos of the trends in co-operative movement and industrial co-operatives are available from the Reserve Bank of India's annual publication relating to co-operative movement in India too.
- 2.3 M.Mohandas¹ discusses the main problems of women's industrial co-operatives in Kerala. According to him the major problems are poor membership, inadequate co-operative education, poor capital base, uneconomic scale of operations, lack of diversification,

absence of adequate marketing channels, difficulties in input procurement, absence of linkages and low income.

- 2.4 Mathew George's² study of Handloom industry in Kerala revealed that under-production, under-employment and accumulation of stock were the main problems of these industries.
- 2.5 Hema Natarajan³ points out the important impediments to the progress of women's co-operatives. They are illiteracy, conservatism, lack of technical guidance, marketing problems, financial problems, lack of skilled workers, traditional disparities etc.
- 2.6 Dr. Vijaya Chandra Pillai⁴ conducted a study on coir co-operatives in Kerala. He evaluated their performance by laying emphasis on primary and manufacturing units. Analysis was done with the help of five variables, namely, growth of number of societies and membership, annual husk procurement per worker, percentage of worker members, annual production per worker and annual wages paid per worker. This study concluded that the performance of both primary and manufacturing societies in Kerala is not effective.
- 2.7 Dr. Seema⁵ is of the opinion that the position of women's industrial co-operatives in Kerala is not satisfactory. Out of 305 women's co-operatives, only 39 make profit. After an analysis of the reasons

she concludes that they would become profitable only if they freed themselves from the clutches of traditional methods and adopted modern technology. She also emphasized the need for co-operative education and training among women.

2.8 The success story of a handloom weaver's co-operative society in Kerala is highlighted by Surendranath⁶. It is one of the leading exporters of cotton handloom and now has diversified its activities into silk weaving. Fifty percent of the workers of this society are women. During 1998–99, the society carried out direct export of 80 percent of its production and showed an increase of 20 percent in profit over the previous year.

2.9 According to Mukul Banerjee⁷ the spirit of co-operation essentially stems from home. All the objectives and functions covered by co-operatives have a direct bearing on the well-being of home and society. However, women's organizations have evinced interest mainly in the welfare of women and children. She is of the opinion that co-operation offers them the best way of coming into their own and taking their places as equals of men in society.

2.10 A study of industrial co-operatives by S.C. Mehta⁸ covers the progress, profile and operation of industrial co-operatives.

2.11 Nikham⁹ analysed the financial strength of sugar co-operatives with the help of ratio analysis. He measured the long term and short-term financial strength of four sugar factories in Aurangabad District. He concluded that Debt Equity Ratio displayed high-g geared capital structure and net worth ratio support that these societies were relying more on borrowed funds for development and expansion programme. They have very little self-financing programmes of their own.

2.12 Choubey¹⁰ studied the problems and prospects of weavers co-operatives in Bihar by examining both functioning and dormant primary societies. According to him Societies were started mainly with the intention of obtaining government rebate and other government incentives. He catalogued the major problems of these co-operatives as organization, management, supervision, finance and auditing, education and training, and marketing. He recommended the organization of a research cell for developing the improved methods of production and sales promotion facilities. He also proposed the establishment of a separate wing in the Central Co-operative Bank for providing financial assistance to these Societies.

2.13 An analysis of dormancy of industrial co-operatives showed that 50 percent of industrial co-operatives, other than weaver's co-operatives, are dormant in the country¹¹. The reasons can be

traced to non-availability of timely credit facilities, lack of managerial expertise, inadequate marketing support and insufficient training to create committed workers.

2.14 Rajwant Sandhu¹² argued that even though the number of women's industrial co-operatives has increased, participation of women in them is restricted to mere membership. They do not actively participate in the management of these Societies. The author traces the reason for low participation to restricted co-operative coverage in agricultural sector, disinclination to take risks, inadequate guidance facilities and managerial skills.

2.15 T.S.Rukmayi¹³ narrates the success stories of women's industrial co-operatives which were formed as ancillary units of public sector undertakings. She provides that there is vast scope for women in organizing additional industrial co-operatives. She also made an attempt to identify the feasible areas for the setting up of women's industrial co-operatives.

2.16 As regards the organization of industrial co-operatives, Sami Uddin and Mahfoozur Rahman¹⁴ observed that industrial co-operatives were only one man shows and that the remaining members were mere dummies. Many joined these Societies to take advantage of government subsidies, tax concessions and other facilities.

According to the authors these Societies were dominated by erstwhile entrepreneurs and sympathiser members who were motivated by self-interest rather than the interest of the general membership. The authors also have the opinion that there is immense scope in government - run rehabilitation homes to organize women's co-operatives and to sell their products through supermarkets. According to them all that is needed is a little imagination - a commitment to identifying the productive skills of women, and training them in a particular skill. They stressed that to enlighten women in co-operation and co-operative methods, a deliberated and widespread co-operative education programme for women should be formulated by National Co-operative Union of India.

2.17 Gangadhar and Raji Reddy¹⁵ in their study on 'Working of Warrangal Carpet Industrial Co-operative Society' observed that marketing was the major problem of the Society. They recommended that government purchases from these Societies will help them to solve the problem of marketing and working capital.

2.18 Gopalan and Doraiswamy¹⁶ made an empirical study on production and marketing of handloom goods by weaver's co-operatives in Tamil Nadu. They analysed the marketing problems with the help of correlation and found that correlation between production and

marketing was very high. Hence they concluded that these Societies were free from marketing problems.

2.19 Trivedi and Rajendra Singh¹⁷ conducted a study to identify the various operational, managerial and other related lacunae and problems of handloom industrial co-operative societies in Uttar Pradesh. In order to assess managerial efficiency they used the formula of related cost, i.e., the cost of management in relation to various items of capital structure. They identified the need for active participation of members, diversification of products, an efficient marketing system and a democratic and participative management.

2.20 Cavvery and Sudha Nayak¹⁸ studied the problems of industrial co-operatives in Tapioca processing sector and pointed out the need for organization of Tapioca processing industries in the co-operative sector. They point out that Tamil Nadu has a good record of successful industrial co-operatives in the field of production and marketing.

2.21 NISIET Institute,¹⁹ Hyderabad conducted a series of studies to analyse the working of some industrial co-operatives. Of them, one was on the working of Asif Nagar Family Welfare Industrial Co-operative which was set up for the benefit of women and widows of ex-soldiers. They pointed out that the major reasons for the

failure of the Society were excessive funded investment, inadequate control over members, operational inefficiency, financial incompetence, improper management of debtors and lack of interest on the part of members.

2.22 Another study was conducted to analyse the factors responsible for the successful working of Aluminum Workers Co-operative Society at Andhra Pradesh. The success of the society can be attributed to the introduction of better methods of production and better practices in the management which were later adopted even by the private sector units in the same trade.

2.23 The third study was on Tirupathy Brass and Copper Workers Industrial Co-operative Society. The study revealed that measures like judicious usage of resources, turning over of capital at sufficient velocity, supplementing the raw material requirements by buying scrap material in the open market together with a strong determination to increase working capital by ploughing back of profits had resulted in increasing its credit facilities, increasing turnover of the society and contributing to members' earning potential.

2.24 Their fourth study on the working of Thiruvallore Panchallor Coir Industrial Co-operative Society, Vazhamuttam revealed that the

major problems of this Society were shortage of working capital and stiff competition in the market. The authors were of the opinion that the remedy lay in strengthening of marketing efforts rather than in the provision of additional inputs of working capital.

2.25 D.S. Takur and D.C. Thakur²⁰ made a study on co-operatives in Himachal Pradesh. Their purpose was to examine the progress of industrial co-operatives and to ascertain the constraints for future development. Progress was measured through analysing the increase in membership, paid up capital, working capital, assets, reserve fund, total sales etc. They also analysed the employment position from 1944 – 45 to 1982 – 83 among the office staff and workers. They found that the percentage of female office staff increased from zero in 1944 – 45 to 3.33 percent in 1982 – 83 and workers from 45.45 percent to 50 percent. They surmise that industrialization and co-operativisation can provide and boost remunerative employment and additional income to weaker sections.

2.26 Mahpatro²¹ analysed the problems of cotton handloom industry in India and found that exploitation of poor weavers by master weavers was the main dilemma of this industry. He recommended the need for organization of this industry on co-operative lines.

2.27 Bansal²² was of the opinion that like any other sphere of developmental activity, success in co-operative movements can be achieved only by the active support and involvement of women who constitute half of the country's population. He recommended that special cells at state level should be created in the co-operative department to guide and assist women in organizing and running women's co-operatives. He also suggested that women's co-operatives should be exempted from audit fees for five years after registration. Similar concessions should be made available to them to promote their development.

2.28 Rai Singh²³ identifies the potential areas of women's involvement, namely, rural women's artisan's co-operatives, unorganized sector, organized sector and women's ancillary co-operatives.

2.29 Kindo²⁴ in his article proposes the strategy to be adopted in organizing Women's Co-operatives, namely, provision of part-time or full-time activities to provide surplus income to the family, creation of employment opportunities and planning out income-generating activities for different segments of women. He considers that it would not be wrong to generalize that women are more individualistic than men and hence have a greater tendency to reject foreign ideas that are not in tune with conventional thought. He emphasizes the training and development of skills.

2.30 Bhuria²⁵ points out the main reasons for the failure of women's industrial co-operatives. The reasons were illiteracy, inadequate financial support, lack of systematic marketing facilities, inadequate education and training facilities, social causes and lack of statistical data. He argued for the provision in the co-operative Act to reserve one/two seats for women in their management either by election or by co-option.

2.31 Ghuman and Anil Menga²⁶ in their study on performance of sugar co-operatives in Punjab focused on management, financial performance and physical performance. Financial performance was analysed on the basis of share capital and Profit and Loss Account over a number of years. Physical performance was measured on the basis of various indicators such as sugar cane crushed, sugar production in quantity and value. They found that all the units studied were running at a loss.

2.32 Thanulingam and Guru Moorthy²⁷ analysed the financial performance of 30 handloom co-operatives in Paranaakudi Town, Tamil Nadu with the help of accounting ratios. Their analysis revealed the deplorable financial performance and position and general conditions of handloom co-operatives in Tamil Nadu.

2.33 Dr. Rayudu²⁸ conducted a study on industrial co-operatives in Andhra Pradesh. He analysed the financial performance, economic and organizational viability, contribution of Societies in terms of production, employment and earnings in addition to the role of the state in promoting them. He concludes that the position of industrial co-operatives in Andhra Pradesh is not satisfactory. Most of the industrial co-operatives have been functioning on losses continuously for several years. These Societies had been trading heavily on borrowed capital. He suggested that if the state government, the Co-operative Department, its office bearers and members make sincere efforts to improve the performance of these Societies, their operational efficiency and financial performance would be considerably enhanced.

2.34 Narayana Reddy and Omprakash²⁹ in their study pointed out that industrial co-operatives should be encouraged as a solution for the problem of unemployment.

2.35 A grass root level study of dormancy of 83 industrial co-operatives in Tamil Nadu conducted by Chellappan³⁰ found that the reasons for dormancy were interdependent, namely, absence of feasibility/project report, inadequate supervision, finance, raw material supply, marketing problems, disloyalty of chief executives, staff and members, vested interests of leadership, defective policies of

government, inefficient management and conflict among Board of Directors.

2.36 S. Sundararajan³¹ examined the stress management in co-operatives.

According to him organizational, environmental and individual factors are responsible for stress. He also suggested remedial measures to reduce stress in order to improve the performance of executives.

2.37 In “Women and Co-operatives”³² it is pointed out that women have

to be provided with sufficient role in the co-operative movement because the co-operative field covers a wide range of activities which directly or indirectly touch the womenfolk. It is suggested that women should be encouraged to form co-operatives for the preparation of embroidery articles, pickles, jam, readymade garments and other domestic articles.

2.38 Rudra Saibaba³³ conducted a study on handloom industrial co-operatives in Andhra Pradesh. He analysed the financial, organizational and marketing aspects. His examination also reveals the unsatisfactory position of handloom industrial co-operatives in Andhra Pradesh. His overview is limited to the Warrangal district in Andhra Pradesh.

2.39 As a solution to structural weaknesses of industrial co-operatives and their regional imbalances, M.M.Gandhi³⁴ advocates the revitalization of co-operatives . He recommended the formulation of a new economic policy to strengthen their competitive power in an atmosphere of stability, security and freedom.

2.40 A.K.Roy³⁵ in his article pointed out the need for creating a congenial atmosphere for promoting effective women participation in the co-operative sector. He suggests that women can contribute in the co-operative sector as members, as elected directors, as beneficiaries and as employees. He also emphasized the need for developing legal, educational, financial and organizational strategies in order to ensure women participation.

2.41 R.Alamelumangai³⁶ pointed out that 48 percent of primary co-operatives are non-viable. She is of the opinion that only re-organisation can reduce the rate of non-viability among co-operatives.

2.42 Professionalisation of management in industrial co-operatives is stressed by Dr. Hessem Hedayath³⁷. The author points out that if co-operatives are to become profitable and successful, the managers of co-operatives must become proficient and adopt modern techniques of management. They should appoint professional

managers at each level of management with a view to professionalise the entire managerial cadre and process.

2.43 Dr. P. Loganathan and Dr. A. Paul Selvaraj³⁸ made an attempt to examine whether management of co-operatives by Special Officers or by elected Board of Directors is more beneficial. They scrutinised seven functional areas and discovered that in five out of seven areas, the performance of Societies under the management of Board of Directors is better than management by Special Officers.

2.44 Dr. K.N.Ramanujan³⁹ points out that out of 3 lakhs co-operative societies in India with a membership of 70 million, societies exclusively for women are only 10,000. In other words they are only 1.37 percent of total co-operatives and 2.5 percent of total membership in the country.

2.45 Dr. A.P. Dash and Dr. Basanta Kumar⁴⁰ made an analysis of village industrial co-operatives in Orissa. They found that dormancy rate is very high in India. It varies between 20 percent in Tamil Nadu and 74 percent in Assam. The reason for this high rate of dormancy can be traced to illiteracy, lack of leadership, weak financial base, inadequate and untimely credit, non-availability of raw materials and poor marketing support.

2.46 Dr. P.V. Thomas⁴¹ pointed out that if there is a definite policy to promote viable Societies in terms of functions and operations, it is more feasible to withdraw share capital assistance by government in a phased manner. This is on account of the fact that share capital assistance has made these Societies over dependent and weak. He stressed the need for re-structuring of industrial co-operatives. They would be able to face the challenges of open-market economy only by improving their viability, efficiency and professional skills. He recommended the formation of a structural federation of Societies in order to enjoy the benefits of centralized purchases and sales.

2.47 G.S. Kamat⁴² suggested the need for re-structuring of Indian co-operatives. According to him, the need for consolidation of co-operatives through amalgamation and mergers of co-operative organizations will have to be recognized. Barriers to consolidation have to be tackled through the process of education and legal support which would help to attain the economies of large scale production and the adoption of modern technology.

2.48 J.M. Rana⁴³ noticed that industrial co-operatives offer a viable alternative to other forms of industrial organizations because they provide income-generating opportunities for both men and women. They can make considerable contributions to the provision of industrial products as well as reduce migration to cities.

2.49 The article “Professionalisation of Co-operative Management” stressed the essential traits required to manage people in a business. Here the author⁴⁴ highlighted the essence and need for professional management in industrial co-operatives because organisational development depends much upon professionalisation.

2.50 The role and relationship of stake holders of co-operatives in the wake of liberalization, privatization and globalisation of Indian economy is evaluated by Dr. P.K. Dubhashi⁴⁵. The author points out that in order to face these challenges, the co-operative enterprise would have to become self-reliant and self-supporting as well as learn to function in a competitive market economy.

2.51 D.P. Neb⁴⁶ is of the opinion that active participation of members is essential for the success of co-operative organizations. He mentioned the various levels of member participation and the ways to achieve them. These include the opportunity to participate, grievance handling mechanism, focus groups and monitoring.

2.52 Dr. B. Ramesh and M.R. Patil⁴⁷ made an attempt to incorporate and analyse the various analytical tools and techniques used to study the different aspects of industrial co-operatives in India from 1972-1998. Their analysis showed that majority of the research studies under survey were predominantly narrative and explanatory in nature.

Apart from this analytical tools and techniques were not made adequate use of.

2.53 In a report of regional conferences⁴⁸ on the role of women in co-operative development it is pointed out that even though women are active in most co-operatives, they have not been given adequate representation in the management in proportion to their contribution. It is pointed out that the greatest obstacles to women's participation are lack of education in co-operative principles and practices and inadequate technical assistance for undertaking projects which involve high risk. As a remedial measure the Conference suggested adequate representation, effecting necessary changes in the legislation, provision of technical assistance and appointment of women in professional, managerial and administrative posts.

2.54 M.D.Cruz⁴⁹ made an attempt to analyse women's co-operative activities in different regions of the world. She found that certain factors like illiteracy, unemployment and underemployment are common to all countries. Women's co-operatives can contribute a lot towards solving this problem. She also pointed out that women's co-operatives can be successful only if proper education and training in general, and management in particular should be provided.

2.55 At a top level leaders conference⁵⁰ on enhancing co-operative capability, it was argued that faulty management is the main reason for the failure of co-operative movement. Co-operative organization can grow and improve its services through professionally competent management. This can be achieved by the establishment of comprehensive personal policies covering recruitment, job training, salary structure and career development opportunities.

2.56 Abell and Mahoney⁵¹ examined the performance of small-scale industrial co-operatives in India, Peru, Indonesia and Senegal. Their study identified the shortage of capital and inefficient management as the major problems of the industrial co-operatives.

2.57 The performance of industrial co-operatives in U.K. is examined by Chris Conforth⁵². The formation, survival, development, organization and management of the units are analysed in the study. The work reveals that at the time of formation, these societies are characterized by under-capitalization and they cannot attract skilled and efficient workers. This had adversely affected their growth and survival.

2.58 Malcom Harper⁵³ is of the view that the success or failure of the industrial co-operatives depends not on outside advisors, trainers or staff of apex level institutions and federation, but on members who

will have to pay the penalty of failure and who will enjoy the benefits of success.

2.59 B.S. Viswanathan⁵⁴ in his speech called attention to the fact that even though Rs.7,10,000 million is invested in co-operatives having a membership of 160 million, co-operatives can effectively function market-oriented economy only if they adopt a multi-pronged strategy. This includes structural adjustments, attitude of members, enterprise level action plan, orientation of the role of national level co-operative organisations and the government. He emphasized the need for strengthening their professional and managerial base. He recommended that the action plan of co-operatives should include development of professionalism and efficiency, adoption of modern technology, building up intra and inter co-operative relationship, increased participation of members and mobilization of resources.

2.60 Raija It Konen⁵⁵ identified the reasons for poor representation of women at decision making level of co-operatives as: (i) predominantly male culture of management (ii) the continuing current effect of past discrimination and (iii) lack of recognition of actual and potential contribution of women to economic development.

2.61 Kazine Apelquist⁵⁶ pointed out that there is a considerable difference between the theoretical and practical aspects of women's situation in co-operatives. She mentioned that the theoretical aspects are based on values and principles of 150 years standing while practical aspects of women's situation in co-operatives are based on limited statistical examples from countries. With the help of statistical figures she proved that women constitute an alarming minority in co-operatives. According to her, the present co-operative order is based on male values, norms and priorities. She hopes that through integrating women's values, skills and experience in the application of co-operative concept, a new society can be developed, where mutual concern and economic and social security prevail.

2.62 It is evident that the studies on co-operative movement are rather generalized. There is the absence of a sharp focus in studies on industrial co-operatives. As far as women's industrial co-operatives are concerned, literature is not only scarce but peripheral too. Hence, it is hoped that the study will fill these lacunae to a good extent and be an eye opener to entrepreneurs, planners, co-operators, the government and others.

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CHAPTER III

RESEARCH DESIGN

3.1 Problem of the Study

3.1.1. Human resources, both men and women of working age, constitute the basis of any type of economic development. The role and degree of integration of women in economic development is an index of the economic and social status of women. The escalation of unemployment as well as the conventions and value systems of the country have kept the female sector away from acquiring skills and economic independence. The concept of “self-employment” for women deserves a special emphasis in this context.

3.1.2 As per the report of the N.S.S.O, 1996¹, there are 40 lakhs self-employed women in India, which is only 7.6 percent of the total self-employed. Of this, the majority are concentrated in low paid, low-skilled, low technology and low productivity jobs in rural and unorganized sectors. Kerala has 1.5 lakhs of self-employed women which is 5.2 percent of the total

self-employed, even though the literacy rate among women is the highest in Kerala.

3.1.3 The nature and pattern of economic expansion and modernization are not conducive to provide job opportunities for the entire labour force. The problem of unemployment of women and poverty in India can be tackled effectively only through suitable and appropriate self-employment schemes including organization of women's industrial co-operatives. The formation of industrial co-operatives is derived from the idea of transforming job seekers to job creators.

3.1.4 Women's Industrial Co-operative Societies (WICS) help to supplement the income of families and thus raise the standard of living. They provide job opportunities for women who have no opportunity to secure any employment elsewhere, including widows and the physically handicapped. WICS in Kerala have a high potential in this regard and therefore, the meaningful survival of WICS is one area which deserves the attention of all concerned.

3.1.5 The main objectives of WICS are twofold. From the economic point of view, they increase employment opportunities, generate new income, augment the productive capacity of the society,

enhance the competitive ability of the poor sections of the society and accelerate the rate of capital formation in the country. From the social point of view, WICS can offer a distinctive status for the co-operators either as members or as leaders. This is because co-operatives ensure the principles of democracy and equality of opportunity.

3.1.6 WICS have a significant role in Kerala in the context of industrial backwardness, mounting rate of unemployment and scarcity of capital. The state government has introduced various developmental schemes for WICS such as participation in share capital of the societies, interest subsidy, assistance for the appointment of paid secretaries, assistance for modernization/ replacement of machines, training programmes for members etc. As on 30-06-1998, the government of Kerala has granted Rs.275 lakhs² to WICS by way of capital, managerial grant, subsidy etc. In spite of these, the ratio of number of WICS to total number of women's industrial units shows a declining trend³. Ratios are given in table 1 below.

Table 1

Ratio of WICS to women's industrial units in Kerala

<i>Year</i>	<i>No. of Operating Women's Industrial Units</i>	<i>No. of Operating WICS</i>	<i>Percentage of WICS to total Women's Industrial units</i>
1992	8,800	155	1.76
1994	11794	151	1.28
1996	14689	160	1.09
1998	17840	170	.95

Source: Compiled from primary data including the records of Directorate of Industries and "Economic Review" various issues.

3.1.7 The table reveals that the percentage of working women's industrial co-operatives to total working women's industrial units had declined from 1.76 percent in 1992 to .95 percent in 1998. The share of WICS in the industrial co-operative sector also shows a declining trend. The share had declined from 11.9 percent in 1992 to 6.9 percent in 1998⁴.

3.1.8 Besides, on 30-06-'98, 48 percent of WICS are dormant as against the general dormancy rate of 40% in the industrial co-operative sector and 29 percent in the women's industrial sector⁵. Table 2 provides the dormancy rates for four years.

Table 2

Dormancy rates of WICS in Kerala

<i>Year</i>	<i>Working WICS</i>	<i>Dormant WICS</i>	<i>Total WICS</i>	<i>Percentage of dormant WICS to total WICS</i>
1992	155	100	255	39
1994	151	125	276	45
1996	160	140	300	47
1998	170	155	325	48

Source: Compiled from primary data including the records of Directorate of Industries, Thiruvananthapuram

3.1.9 It can be seen from the table above that the percentage of dormant WICS to total number of WICS is on the increase from year to year. Besides, the total number of liquidated WICS on 30-06-'98 was 98 as against 70 on 30-06-'92. This shows that on an average 5 WICS are liquidated per year. The bleaker situation is that, of the 170 working units as on 30-06-1998, 90 percent are running at losses⁶.

3.1.10 Thus it can be seen that in spite of the various developmental schemes, grants and subsidies provided by the state government for promotion of effective performance of WICS, the present state

of affairs of WICS is quite disappointing. The above general perception about WICS is due to the following reasons:

- a) the ratio of WICS to total number of women's industrial units shows a steady decline.
- b) during the period of study, on an average, 5 WICS are liquidated per year.
- c) 90 percent of the operating WICS, as on 30-06-'98, are running on losses and are facing threat to their very existence.

3.1.11 Considering the basic objectives of WICS, governmental assistance and the congenial atmosphere available to them, the relevance of an enquiry into the present state of affairs of WICS requires no emphasis. Further, the studies conducted on WICS in Kerala have focussed their attention mainly on the socio-economic conditions of workers and general problems faced by the Societies. Hence, the study is an earnest effort to identify the reasons for the present state of affairs of WICS.

3.2 Objectives

3.2.1 To evaluate the performance of WICS in general and financial performance in particular.

3.2.2 To ascertain the financial and operational reasons for the present state of affairs of the WICS.

3.2.3 To suggest remedial measures wherever possible.

3.3 Methodology

3.3.1 An exploratory research design is followed in the present study.

In these, all the three methods are used, viz., the survey of literature concerned, the experience survey and the analysis of insight stimulating examples. Even though several studies are available on industrial co-operatives in general, literature on WICS is scarce and concentrates only on the problem of WICS and the socio-economic conditions of workers. The present study focuses on the performance aspects of WICS on which literature is not available. The pilot study conducted by the researcher and discussions with officials of Directorate of Industries and District Industries Centres reveal that only 10% of the WICS are operating on profits. So a comparison was made with the units in the non co-operative sector, engaged in the same line of activity and owned and operated by women, to identify the reasons for the present state of affairs of WICS.

3.3.2 The working women's industrial co-operatives registered with District Industries Centres in Kerala constitute the sphere of the

study. There are 170 operating WICS in Kerala as on 30-06-1998. The contents of the object clause in the by-laws of all WICS are almost identical. The objectives, interalia, include undertaking of jobs, manufacturing/assembling and marketing of various products. However, it was observed that all WICS are concentrating on one particular product or job or line of activity. Table 3 gives the number of WICS in Kerala based on their area of activities.

Table 3**Product/activity based distribution of WICS in Kerala**

	<i>No.</i>
Readymade garments	58
Woollen knitted articles	2
Tailoring	12
Umbrella Assembling	03
Electronic Goods Assembling	12
Nylon nets	01
Candles	11
Plastic articles	04
Food processing	06
Oil manufacturing	01
Bakery items	03
Confectionery items	01
Pickles	05
Catering	01
Manufacturing of soaps	04
Leather chappals	06
Latex dipped goods	03
Fancy items	03
Sculpture painting	04
Handicraft	08
Printing and book building	09
Bamboo and cane articles	04
Cover, Board etc.	03
Match dipping and safety matches	03
Meter repairing and servicing	02
Cement paint	01
Total	170

Source: Compiled from the records of Directorate of Industries, Thiruvananthapuram.

3.3.3 For the purpose of the study, the WICS are divided into five categories. The first category includes WICS engaged in manufacturing readymade garments, woollen knitted articles and tailoring. Nylon nets, candles and plastic articles come under the second category. The third category consists of units which are involved in assembling of electronic goods and umbrellas. The fourth category consists of food processing, oil manufacturing, baked/bakery items, confectionery items, pickles and catering. The fifth category includes units engaged in manufacturing of soaps, leather chappals, latex dipped goods, bamboo and cane articles, sculpture painting units, handicraft units, printing and book binding units.

3.3.4 From each group a sample of 20 percent is selected at random. Category-wise distribution of WICS and the number of samples selected are given in Table 4.

Table 4

Category-wise distribution of WICS and samples selected

<i>Sl. No.</i>	<i>Category</i>	<i>No. of WICS</i>	<i>No. of Samples</i>
1	Tailoring and Garment Manufacturing	72	15
2	Assembling Units	15	03
3	Petroleum byproducts Manufacturing	16	03
4	Food Items Manufacturing	17	04
5	Miscellaneous Products Manufacturing	50	10
TOTAL		170	35

3.3.5 As has been stated in 3.1.10, based on the operational and financial aspects of WICS, almost all the WICS are facing threat to their very existence. The business environment for all WICS in Kerala are observed to be the same. Therefore, to ascertain the reasons for the present state of affairs of the WICS, a comparative study was found proper. Women's industrial units engaged in the same line of activity, which are outside the co-operative sector are taken for the purpose of comparison. This is because of the following reasons;

- a) The rate of dormancy, as has been stated in 3.1.8, in the women's industrial sector, as on 30-06-'98 is only 29 percent as against 40 percent in the industrial co-operative sector and 48 percent in the case of WICS.
- b) The external environment of business, such as ownership based on gender, nature of activity, locational aspects etc. are the same for both WICS and women's industrial units in the non co-operative sector.
- c) As far as the schemes of assistance from the government are concerned, both WICS and units in the non co-operative sector are at par except that there is no provision for government participation in the capital of women's industrial units outside the co-operative sector.
- d) Thus, WICS are in a more advantageous position when compared to the sector from which the comparison cases are selected.

3.3.6 For each category of WICS, one unit is taken from the comparison group. The units is so selected that they satisfy the following conditons;

- a) the age of comparison case is identical with the average age of the WICS studied.

- b) the area of activity of the comparison case is exactly identical to that of WICS.
- c) the comparison case is located in the same place (district) from where the samples have come in the WICS category.
- d) the comparison case is selected after going through the data available from District Industries Centres and a pilot study conducted by the researcher to ensure that the unit so taken is one of the best in each category.

3.3.7 Both primary and secondary data are used for the study. The primary data are collected using a pre-tested interview schedule and from the annual accounts of the units. Secondary data are collected from various published and unpublished sources including administrative reports of the Co-operative Department. Primary data are collected for a period of 6 years ending 30-06-'99. The period of study is fixed at 6 years because this period covers the consecutive rules of both UDF and LDF ministries in Kerala for 3 years each. For the purpose of this study, the co-operative year, i.e., July 1st to June 30, is taken as accounting year.

3.4 Scope of the Study

3.4.1 The study is confined to the performance analysis of WICS in general and financial performance in particular. In this connection, availability of governmental assistance and utilisation of such schemes of assistance by WICS are also covered in detail. To identify the reasons for the present state of affairs of WICS, a comparison was made with units from the non co-operative sector, engaged in the same line of activity, owned and operated by women.

3.5 Limitations of the Study

3.5.1 The study is confined only to the operating WICS in Kerala as data were not available from WICS which are either dormant or wound up.

3.5.2 Though the study is on the performance analysis of WICS, financial performance was given more importance and marketing and management practices of WICS have not studied in depth for constraints of time and availability of data.

3.5.3 For the purpose of comparison, only one unit is taken in each category from the non co-operative sector.

3.5.4 Due to the non-availability of Audit Reports of 1997-98 and 1998-99, as accounts of the WICS are pending audit since 01-07-1997, the researcher has to depend on Receipts and

Disbursement Account and Tentative Final Accounts of the WICS concerned.

3.6 Scheme of the Report

- 3.6.1 The report of the study is presented in five chapters.
- 3.6.2 First chapter is an introduction of the co-operative movement and industrial co-operatives in general and women's industrial co-operatives in particular.
- 3.6.3 Second chapter is on review of literature on industrial co-operatives in general and women's industrial co-operatives in particular.
- 3.6.4 Third chapter deals with the research design and covers statement of the research problem, objectives, methodology, scope and limitations etc.
- 3.6.5 Fourth chapter deals with the performance analysis of women's industrial co-operative societies in Kerala.
- 3.6.6 A summary of findings and suggestions emerged from the study are incorporated in the last chapter.

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CHAPTER IV

PERFORMANCE ANALYSIS OF WOMEN'S INDUSTRIAL CO-OPERATIVE SOCIETIES (WICS) IN KERALA

4.1 Introduction

4.1.1 Financial health is the essence of meaningful survival of any business unit. Industrial co-operatives are no exception to this. The financial health of a business unit is obviously influenced and reflected by the lucrativeness of the unit. But as has been stated in chapter III, the WICS in Kerala are facing a severe threat to their very existence. At the same time, a pilot study conducted by the researcher had revealed that all the industrial units, owned and operated by women, in the private sector are surviving successfully.

4.2 Governmental Assistance and WICS

4.2.1 WICS are in a more advantageous position when compared to other aforesaid private sector units as far as the financial resources are concerned. This is because of various schemes of assistance and incentives offered by the state government, as has been listed in 1.5.3. However, data collected from the Annual Accounts of the WICS and in response to questions under Section 'B', Section 'C' and appendix I there to in the interview schedule have revealed that

the WICS were not able to avail the eligible government participation in share capital. Details are given in table 5 given below.

Table 5

WICS and Government Participation in Share Capital as on 30-06-99

Category	Eligible (Rs.)	Received (Rs.)	Percentage of received to eligible
Tailoring and garment manufacturing	1581400	1411900	89
Assembling	941600	723300	77
Food items manufacturing	431400	328400	76
Miscellaneous products manufacturing	2376300	1427300	60
Petroleum byproducts manufacturing	251400	118600	47
Total	5582100	4009500	72

Source: Compiled from primary data.

4.2.2 It can be seen from the table above that no WICS were able to avail the full eligible government participation in the share capital. WICS in the Petroleum byproducts manufacturing category have availed only 47% and WICS in the Tailoring and garment manufacturing category have availed to the extent of 89%. For all the WICS studied, the average was observed to be 72%. In the

light of discussions with the respondents of the WICS and authorities of the District Industries Centres, it is ascertained that non-fulfilment of the conditions by the WICS is the major reason in this regard. Insufficiency of funds allocated by the government in the budget for participation in the share capital of WICS was also observed to be another reason.

4.2.3 The norms specified for government participation in the share capital of WICS, interalia, include the following:

- a) 90% of the members must be workers of the WICS.
- b) Shares must be fully paid up
- c) Financial viability

4.2.4 Though all the WICS had 90% of members as employees at the commencement of the society, the ratio could not be maintained due to many reasons: workers leaving the society on account of personal reasons (marriage etc.) and non-viability of the unit. However it has been observed that even after leaving their jobs almost all members continued to be members just for the sake of exercising their voting rights.

4.2.5 Membership was taken by the co-operators paying the full amount of the shares. As has been stated in 1.5.3, government participation

in the share capital of WICS is 9 times that of the paid up capital of WICS by SC/ST and 6 times for other WICS. For all the WICS studied, increase in paid up capital from members was not through direct subscription to the shares. Instead, 6% of the wages of the workers, who are members of WICS, was kept as thrift deposit every year for the purpose of converting the deposit into share capital at the option of the unit. However factors such as low wages earned by member workers, comparatively low number of working days etc are responsible for the negligible size of the thrift deposit. Besides, it is only after auditing of the Annual Accounts that the thrift deposit can be converted into share capital. Accounts of the WICS are pending audit since 01-07-97. So also the face value for share during the period of the study has been Rs.100 per share. Therefore, the WICS were not in a position to ensure sufficient fully paid up capital to avail the eligible assistance of government towards share capital. Further, the units which are operating on losses fail to fulfil the viability criteria also.

4.2.6 Considering the views expressed by the respondents, in order to overcome this situation, implementation of the following suggestions appear to be plausible:

- a) It shall be made mandatory for all WICS to incorporate provisions in the bylaws restricting voting rights only to worker members or

members holding a fixed percentage of the paid up capital of the WICS.

- b) All things being equal, the face value per share may be reduced from Rs.100 to a lower figure so that the conversion of the thrift deposit will be more advantageous to the society.

4.2.7 All the units studied had availed the building grant/rent, machinery grant and sales tax benefits. Out of the 35 WICS, 25 WICS had acquired their own buildings and availed the building grant. At the commencement, all the units had only rented buildings and till the date of acquiring their own buildings they had availed the reimbursement facility of rent.

4.2.8 All the WICS studied had availed the managerial grant. But the women's industrial unit outside the co-operative sector was not eligible for this benefit as they have not satisfied one of the conditions for sanction of managerial grant, namely that there should be at least 8 employees excluding the manager.

4.2.9 One of the incentives provided by the state government to the promoter co-operators through District Industries Centres is stipend for undergoing training prior to the commencement of WICS. The duration of the training was 6 months. This is to ensure that the promoter co-operators are adequately equipped to run the society

successfully. However, it was observed that not even a single unit has availed this facility prior to the commencement of the unit concerned. But after the commencement of the unit, member workers of 13 units had undergone training provided by the block panchayats for a period of 1 week, 2 units for 2 weeks and one unit for 3 weeks. On the other hand, all the promoters of the comparison cases have undergone training for six months availing stipend through the DICs.

4.2.10 In the light of views expressed by the respondents, it was observed that ensuring expertise and competency should have been the first step to sanction the commencement of the unit and of the various schemes of grants and subsidies. Further, it was observed that the situation would have been different, provided the following conditions were made mandatory to avail various schemes of grants and subsidies from the government.

- a) Sufficient and successful training prior to the commencement of the business.
- b) Submission of the project report by the promoter co-operators.
- c) Proper evaluation of the project to ensure that the project is viable.

4.2.11 Facilities such as stipend for undergoing EDP (Entrepreneurial Development Programme) training to women entrepreneurs, managers/secretaries and presidents of societies, reimbursement of advertisement expenses on advertisement through cinema slides, trade fares, radio broadcasts etc. were in force till 13-4-93. As far as EDP training was concerned, of all the 35 WICS studied, only 3 WICS have availed the facility. Respondents were unanimous that this was mainly due to frequent changes of manager/secretary. It may be noted that the manager/secretary of WICS was a paid staff of WICS and not a member. Better opportunities outside was observed to be the major reason for the frequent changes. The frequent changes of secretary/manager of WICS has been reported to be one of the reasons for the failure of WICS. In order to overcome these problems, the terms and conditions of appointment of chief executive of the WICS shall include, inter alia, provision for a minimum period of service of the secretary in the WICS. This is possible by amending the bylaws of the WICS.

4.2.12 All the industrial units in the comparison cases had a proprietor in charge of the unit. Proprietors of all these units have availed this facility.

4.2.13 None of the WICS studied had advertised their products and therefore were not eligible for reimbursement of advertisement

expenses on advertisement through cinema slides, trade fares, radio broadcasts etc. For the comparison cases studied, only one unit had availed this facility. Lack of awareness, frequent changes of secretary/manager etc. were the reasons cited by the respondents from WICS category. On the other hand, respondents from the comparison cases could sell their products using personal contacts and hence advertisements were not found to be necessary by them. As the scheme is not in force since 13-4-1993 more details in this regard could not be collected.

4.2.14 Both WICS and other women's industrial units were entitled to price preference @15% over other units while submitting quotations to government and governmental agencies in addition to exemption from paying earnest money deposit. This incentive also was available only till 13-4-1993. However, it was ascertained that none of the WICS were aware of the implications of this incentive and for industrial units in the non-co-operative sector, the scheme was found to be unprofitable.

4.2.15 Though the period of study covers the consecutive rules of both UDF and LDF ministries in Kerala for three years each, no difference was observed in the policies of both these ministries towards WICS.

4.3 Analysis of Financial Statements

4.3.1 For both WICS and comparison cases, the operational efficiency was analysed based on data from the Profit and Loss Accounts concerned. Throughout the period of study all the comparison units from the women's industrial units in the non co-operative sector were running on profits. On the other hand, two units from the Assembling category and three units from Miscellaneous category of WICS alone were working on profits throughout the period of study. Of the remaining 30 units, all the units in the Petroleum byproducts category were running on losses during the entire period of study and there was no steady trend for the remaining units. Analysis of financial statements has been done separately for each category of WICS and the corresponding comparison case.

4.4 Tailoring and Garment Manufacturing Units

4.4.1 Of the total 170 working WICS in Kerala, as on 30-06-99, 42.23 per cent of the units are engaged in tailoring and garment manufacturing activities. As stated earlier a sample of 20 per cent i.e., 15 units are covered by this study.

4.4.2 Of the 15 units in the tailoring and garment making category, only three units showed a net profit for the year ended 30-06-99. The ratios of net profit to sales for these units were 1.7, 9.4 and 2.3%.

The unit for which the ratio was 1.7, the ratio of operating expenses to operating income was 102.2%. This implies that the profit as disclosed by the profit and loss account of this unit cannot be accepted as an indicator of efficiency because the operating income of the unit was not enough to cover even the operating expenses. For all the remaining 12 units, the ratio was observed to be negative and the range was 1.4% to 280.6%. Further, all these 12 units except one, showed a negative net profit ratio during the entire period of study. The one which is cited as an exception had a nominal positive ratio (.51%) only for the year ended 30th June 1998. Besides, of the three units which showed a positive ratio for the year ended 30th June 1999, only one unit showed a varying trend in the previous years of the period of study.

4.4.3 Contrariwise, the comparison case showed net profit and the ratio of net profit to sales was 39.7%. Further, this unit was running on profits during the entire period of study. Therefore it can be inferred that tailoring and garment manufacturing, in general, is a profitable sector. It follows that units owned and operated by women cannot be an exception to this.

4.4.4 In order to elucidate the difference in operation between the units in the co-operative sector and comparison case, Operating Ratios were calculated. The only operating income for all the units during

Table 6

Details regarding total income, total operating income, total operating expenses, major components of operating expenses and relevant ratios for the year ended 30-06-99

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Rs. in '000s	
																	WICS	
Units	Total Income (Rs)	Total op Income (Rs)	% of op. income to total income	Total Expenses (Rs)	Total op. Expenses (Rs)	% of Op. Exp. to total expenses	% of Op. Exp. to Op. Income	Materials (Rs.)	Wages & Salaries (Rs)	Other expenses (Rs.)	% of material to operating expenses	% of material to operating income	% of wages to operating expenses	% of wages to operating income	% of other expenses to operating expenses	% of other expenses to operating income		
1	3.6	3.6	100.0	13.7	10.2	74.5	283.3	4.2	3.9	2.1	41.2	116.7	38.2	108.3	20.6	58.3		
2	8.9	7.3	82.0	11.0	10.9	99.1	149.3	4.5	6.1	0.3	41.3	61.6	56.0	83.6	2.8	4.1		
3	14.1	14.1	100.0	15.8	15.8	100.0	112.1	10.6	3.6	1.6	67.1	75.2	22.8	25.5	10.1	11.3		
4	783.8	754.7	96.3	771.2	771.2	100.0	102.2	562.8	139.0	69.4	73.0	74.6	18.0	18.4	9.0	9.2		
5	23.2	23.1	99.6	25.9	24.8	95.8	107.4	15.8	8.0	1.0	63.7	68.4	32.3	34.6	4.0	4.3		
6	57.7	56.3	97.6	52.4	51.4	98.1	91.3	35.0	14.8	1.6	68.1	62.2	28.8	26.3	3.1	2.8		
7	95.7	91.2	95.3	93.6	85.5	91.3	93.8	47.4	28.3	9.8	55.4	52.0	33.1	31.0	11.5	10.7		
8	20.0	16.2	81.0	26.4	23.7	89.8	146.3	12.5	7.1	4.1	52.7	77.2	30.0	43.8	17.3	25.3		
9	51.4	47.6	92.6	65.6	63.8	97.3	134.0	39.5	22.3	2.0	61.9	83.0	35.0	46.8	3.1	4.2		
10	56.8	52.3	92.1	60.5	60.5	100.0	115.7	40.0	19.4	1.1	66.1	76.5	32.1	37.1	1.8	2.1		
11	36.2	36.2	100.0	46.1	44.3	96.1	122.4	24.0	18.1	2.2	54.2	66.3	40.9	50.0	5.0	6.1		
12	202.3	196.4	97.1	209.2	205.1	98.0	104.4	38.6	150.0	16.5	18.8	19.6	73.1	76.4	8.0	8.4		
13	42.7	42.5	99.5	49.5	48.2	97.4	113.4	25.8	17.5	4.9	53.5	60.7	36.3	41.2	10.2	11.5		
14	26.8	16.1	60.1	45.1	44.9	99.6	278.9	8.4	26.0	10.5	18.7	52.2	57.9	161.5	23.4	65.2		
15	49.1	48.8	99.4	49.8	47.9	96.2	98.2	22.5	23.0	2.4	47.0	46.1	48.0	47.2	5.0	4.9		
Total	1472.3	1406.4	95.5	1535.8	1508.2	98.2	107.2	891.6	487.1	129.5	59.1	63.4	32.3	34.6	8.6	9.2		
Comparison Unit	159.7	148.6	93.0	100.7	94.8	94.1	63.8	51.6	35.13	8.1	54.4	34.7	37.0	23.6	8.5	5.5		

Source: Survey Data.

interest on borrowings. As far as the rate of interest on borrowings is concerned, WICS were in a more advantageous position because the main financiers for WICS were District Co-operative Banks and the loans carried a lower rate of interest.

4.4.8 Ratios of operating expenses to operating income gives sufficient indications for the operational inefficiency of WICS. Of the 15 WICS studied, the ratio was above 100 percent for 12 units. This means that the operating income (sales revenue) of these units was not sufficient to meet even the operating expenses. For 3 units, though the ratio was less than 100 percent for the year ended 30-6-99, average ratio for the entire period of study was observed to be above 100 percent. As against this, for the comparison unit, Operating Ratio for the year ended 30-6-99 was only 63.8 percent.

4.4.9 In order to identify the reasons for the above situation, an analysis is made on the pattern of expenses incurred both by the WICS and the comparison case. For the purpose of analysis, operating expenses are divided into material costs, employees' remuneration (wages and salaries) and other expenses.

4.4.10 Material costs, either in terms of total operating expenses or in terms of total operating income constitute the highest share of the operating expenses. For the WICS, on an average, material costs

constitute 59.1 percent of the operating expenses or 63.4 percent of operating income. For the 15 units studied, there was a sizeable range varying from 18.7 percent to 73 percent (as a percentage of operating expenses) and 19.6 percent to 116.7 percent when viewed as a percentage of total operating income. The reason for the difference was observed to be the nature of the activity. For example, those WICS that undertake stitching works alone had low material costs compared to other WICS engaged in manufacturing and selling of readymade garments. This is evident from the fact that for those WICS where the incidence of material costs was more, wages and salaries had a predominant role. However, only two units have restricted their activity to stitching work alone. On the other hand, the comparison unit has been engaged in the manufacturing and selling of readymade garments. Therefore, for comparison purposes, it can be seen that, for the comparison case, the ratios of material costs to total operating expenses and total operating income were 54.4 percent and 34.7 percent respectively. As against this, the average ratios for the 13 WICS engaged in the same line of activity were 67.1 percent and 70.74 percent respectively. Thus, it can be seen that materials management is one area where WICS have to pay more managerial attention.

4.4.11 From the analysis of data collected in response to questions under section 'E' of the interview schedule, it is observed that ineffective purchasing practices are observed to be the main reason for the disadvantageous position of WICS as far as material costs were concerned. The WICS purchase the required materials in small quantities. Out of 15 units, 9 units used to make weekly purchases while 6 units purchased materials twice a month. Besides these, absence of regular suppliers and the practice of local purchases in uneconomic quantities also escalated cost of materials. Conversely, the comparison unit used to make bulk purchases from regular suppliers in Coibatore, Bangalore, Bombay etc. Supply of materials to the comparison case was on a monthly basis.

4.4.12 Thus, it can be observed that WICS have to follow at least the practices adopted by the comparison case. It will be desirable, if possible, for those WICS that are located in the same area and have engaged in the same line of activity, to adopt the practice of collective purchasing.

4.4.13 Wages and salaries formed the second important item under the head "operating expenses". For the year ended 30-6-99, the percentage of wages and salaries to total operating income was 34.6 percent for the WICS while it was 23.6 percent for the comparison case. When this item is expressed as a percentage of operating

expenses, the ratios are 32.3 percent and 37 percent respectively. While evaluating the productivity of labour, the former is more significant and WICS, when compared to the comparison case, are in a disadvantageous situation. As far as wages and salaries are concerned, because of the differences in the system of wage payment and the volume of activity, the relationship between employee remuneration and total operating expenses seldom serves any purpose.

4.4.14 Analysis of the data collected in response to questions under Section 'H' of the interview schedule, highlights the major reasons for the high percentage of labour cost in the co-operative sector. The average number of employees in the co-operative sector was 16 including the secretary. All the employees other than the secretary of these units were members. The system of remuneration prevailing was time-rate system on daily basis. Manufacturing and selling practices have been observed to be of a 'routine nature' in the co-operative sector. The number of employees remained the same during both the slack and peak seasons. Considerable loss of remunerated labour hours (idle time) was also observed to be a regular feature of WICS. Inefficient handling of machines and the resultant interruption in production have also been causing inconsiderable pecuniary losses. These encompass the loss of

remunerated labour hours, loss due to inability to exploit the market and maintaining customers etc. However, exact calculation of these losses was not possible due to non-availability of data due to the defective accounting system in WICS.

4.4.15 For the comparison unit, the average number of employees was four including the owner-cum-manager. Piece-rate system of wage payment was in practice in this sector. Manufacturing and selling activities have been performed by this unit with acumen and circumspection. This helps the unit to reduce the idle time of employees and thereby the labour cost. For example, during peak seasons this unit gets the work done by employing additional hands either in the business premises or giving the work to outsiders on contract basis. Idle time of employees is also reduced by eliminating the chances of repairs by careful handling of machines and by better maintenance practices.

4.4.16 Thus it can be seen that though WICS are formed for generating employment opportunities, they have failed in achieving this objective. Instead, these societies have been suffering chronic disguised unemployment. Without any idea about actual labour requirements and manpower planning, members were appointed as workers. Thus it can be inferred that, there is a lot of scope for human resource management in WICS. Diversification of its

activities is one of the measures to overcome the problem of disguised unemployment.

4.4.17 With regard to the third component 'other expenses', WICS are in an advantageous position because of the low rate of depreciation (2½% for buildings, 5% for plant and machinery and 10% for furniture). 9 units in this sector have their own buildings. In spite of this, the component of operating cost under the head 'other expenses' was high for the WICS. This was observed to be due to the fact that most of the machines and equipments owned by the co-operatives are outdated causing heavy expenses on repairs. Besides, WICS have to convene the meetings of directors once in a month and shareholders once in a year. Conducting of the meetings of the Board of Directors and Annual General Body Meeting of the members have also contributed to the "other expenses".

4.4.18 For the comparison unit, the rate of depreciation was 10% for plant and machinery and 15% for furniture. The comparison unit has a hired building and had to pay rent. Even then, the percentage of 'other expenses' to operating expenses or operating income was observed to be low because of reduction in repairing charges as a result of proper handling and maintenance of machines. Since the unit was a sole trading concern, it was free from routine

administrative expenses like expenses on conducting the meetings of the Board of Directors and Annual General Body Meeting.

4.4.19 Profitability analyses of WICS in the Tailoring and garment manufacturing sector thus, present a deplorable picture. As has been indicated earlier, the operating ratio, an index of operating efficiency, was very high and net profit ratio was negative because of the comparatively high cost of production. On the other hand, the comparison unit, owned and operated by women, could make comparatively high operating profits and net profits. This highlights that the reasons for inefficiency of WICS lie not with the area of operation, namely, tailoring and garment manufacturing, but with management of the units in general and planning and controlling in particular.

4.4.20 The financial structure has an impact on the profitability of a business through the effect of financial leverage. For assessing this influence, Debt Equity Ratio was calculated. Debt Equity Ratio implies the ratio of outsiders fund to shareholders fund where shareholders fund represent share capital plus reserves and surplus minus fictitious assets. 4 units on 30th June 1994, and 7 units on 30th June 1999 showed negative Debt Equity Ratio due to erosion of capital by way of accumulated losses.

4.4.21 It can be seen from table 7 that as on 30-06-99, 8 units had a positive Debt Equity Ratio ranging from .2 to 42.1. For a manufacturing organisation which is sound and established, the standard size of the ratio can range from 1:1 to 2:1. Even taking the standard ratio at 2:1, only one unit showed a satisfactory long-term solvency position. The total paid up capital of all the 15 societies has increased from Rs.14,66,800 as on 30th June 1993 to Rs.16,74,300 as on 30th June 1998. The government participation in the paid up share capital of WICS had increased from Rs.1235900 to Rs.1411900 during the period of study. On 30th June 1993, the shareholders fund for the units studied in this category was Rs.10,12,800 which has come down to Rs.4,81,400 as on 30th June 1999 showing an erosion of 52.5% in the shareholders fund. This implies that government participation in the share capital of these units has only led to the wastage of public funds.

Table 7

Details of Debt Equity Ratios and Current Ratios

Units	W I C S			Comparison Case		
	Debt Equity Ratios		Current Ratio	Debt Equity Ratios		Current Ratio
	30-6-94	30-6-99	30-6-99	30-6-94	30-6-99	30-6-99
1	3.0	-2.6	0.2	0.4	0.2	6.9
2	-1.9	-1.5	0.3			
3	-4.8	-3.0	1.0			
4	0.3	0.2	3.6			
5	1.0	3.0	2.1			
6	2.4	42.1	0.8			
7	-40.8	-12.4	1.3			
8	1.2	5.4	3.6			
9	0.4	1.5	2.1			
10	0.4	1.4	1.9			
11	5.4	-5.7	1.2			
12	-8.2	-9.3	5.4			
13	1.6	1.8	4.4			
14	0.0	-4.3	2.2			
15	2.5	3.1	1.6			
Ave- rage	-2.5	1.3	2.1			

Source: Survey Data.

4.4.22 On the contrary, the comparison case had a Debt Equity Ratio of 0.2 as on 30-06-1999. This was because the comparison unit was running on profit and as a portion of the profit was retained in the business, its equity base was observed to be sound.

4.4.23 Short-term solvency was assessed with the help of Current Ratios (ratio of current assets to current liabilities). It can be seen from the table that as on 30-06-99, the Current Ratio for the WICS varied from 0.2 to 5.4 with an average of 2.1. For units engaged in manufacturing and trading, the standard size of the current ratio may be taken at 2:1 with a maximum variation of \pm one. Nevertheless, it is observed that only 8 units i.e., 53.3% of the units studied, have a Current Ratio showing a satisfactory short term liquidity. In the case of four units the size of the ratios (3.6, 3.6, 5.4 and 4.4) leaves ground for doubt about the efficiency of working capital management. A reading of the financial statement of these units in the light of views expressed by the respondents indicates that the main reason for the high ratios is the incidence of comparatively high closing stock (unsold goods). For the remaining 3 units (20%) the ratios were observed to be less than one showing that they are not in a position to pay off the short term obligations. In other words, they suffer from short-term insolvency.

4.4.24 Current Ratio of the comparison unit, as on 30-06-99, was 6.9. This revealed that though the comparison unit lacks an effective working capital management, there was no threat on solvency aspect.

4.4.25 Analysis of the financial statements of WICS in the Tailoring and garment manufacturing category sheds light on some of the major reasons for operational inefficiency and problems related to long term and short term liquidity. As of now, the financial assistance from the government has become a burden to the government exchequer. Incidence of high material and labour costs is identified as one of the major reasons for operational inefficiency. Adoption of an effective purchasing policy can reduce the material costs. Formulation and implementation of a competent human resources management policy is found necessary. As part of this, measures such as rehabilitation of excess employees through diversification of activities, optimizing the labour force, revision of the remuneration system etc are worth trying. Debt Equity Ratios have revealed that long-term solvency of WICS in this category has deteriorated over the years and this is reflected by a steep decline in the equity base. Current Ratios have revealed problems of short-term liquidity. Equity base of WICS at any rate, has to be strengthened through the generation of internal funds and it is possible only through the improvement of operational efficiency.

4.5. Petroleum Byproducts Manufacturing Units

4.5.1 Of the total operating WICS in Kerala, 16 units, i.e., 9.4 per cent are engaged in the production of petroleum byproducts. Among these, 20%, (i.e., three units) is taken for the study. Of these three units, two are engaged in the manufacturing of plastic articles and one unit in candle manufacturing. Here also, one unit is taken from the non co-operative sector as comparison unit.

4.5.2 The units engaged in the production of plastic articles in the co-operative sector manufacture polythene cover, plastic carry bags, plastic mugs and water bags. The candle manufacturing unit in this sector manufactures ordinary white candles. The comparison unit manufactures plastic buckets (different sizes), lunch boxes, plastic mugs etc.

4.5.3 All the 3 units in the co-operative sector showed negative Net Profit Ratios during the entire period of study with an average of -12.5%. For the year ended 30/6/99, the Net Profit Ratio for these units were -1.1%, -9.6% and -38.1%. Units engaged in the manufacturing of plastic articles incurred an average net loss of -3% and -35.5 % and the candle making unit had -11.0% as its average Net Profit Ratio during the six years' period of study.

4.5.4 On the other hand, the comparison unit showed net profit during the entire period of study with an average of 19.45%. This indicates that this sector like the garment manufacturing sector is also a profitable one. However it proved to be ineffective in the co-operative sector.

4.5.5 Operating Ratios were computed for ascertaining the differences in profits between the units in the co-operative sector and the comparison case. For both the sectors, sales constituted the only source of operating income during the period of study. Hence, a comparison was made between Operating Ratios and Net Profit Ratios.

4.5.6 Table 8 gives details of total income, total operating income, total expenses, total operating expenses, different components of operating expenses and the relevant ratios for the WICS and the comparison case for the year ended 30-6-99.

4.5.7 For the three units studied in the co-operative sector, the ratios of operating income to total income were 98.2%, 91.5% and 100% with an average of 96.3%. The sources of non-operating income for these units were grants and subsidies from the government. One unit had availed the grants and subsidies prior to 1993 and for this unit the total income was constituted of only the operating

Table - 8

Details regarding Total Income, Total Operating Income, Total Operating Expenses, Major Components of Operating Expenses and Relevant Ratios for the year ended 30-06-1999

WICS		Rs. in '000s														
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Units	Total Income (Rs.)	Total Op. Income (Rs.)	% of Op. Income to Total Income	Total Expenses (Rs.)	Total Op. Expenses (Rs.)	% of Op. Exp. to Total Expenses	% of Op. Exp. to Op. Income	Materials (Rs.)	Wages & Salaries (Rs.)	Other Expenses (Rs.)	% of material to Operating Expenses	% of material to Operating Income	% of Wages to Operating Expenses	% of wages to operating Income	Expenses to Operating Expenses	% of other expenses to Operating Income
1	72.5	71.2	98.2	73.3	70.3	95.9	98.7	52.8	14.1	3.4	75.1	74.2	20.1	19.8	4.83	4.77
2	60.2	55.1	91.5	65.5	62.6	95.6	113.6	25.7	28.3	8.6	41.1	46.6	45.2	51.4	13.7	15.8
3	41.2	41.2	100.0	56.9	56.9	100.0	138.1	19.0	36.3	1.6	33.4	46.1	63.8	88.1	2.8	3.1
Total	173.9	167.5	96.3	195.7	189.8	97.0	113.1	97.5	78.7	13.6	51.4	58.2	41.5	47.0	7.2	8.1
Comparison case	1192.8	1192.8	100	838.4	697.8	83.2	58.5	351.2	231.2	115.4	50.3	29.4	33.1	19.4	16.5	9.7

Source: Survey Data.

income. For the comparison unit, operating income constituted 100% of its total income. However, all the WICS in the category have been running on losses throughout the period of study.

4.5.8 The ratio of operating expenses to total expenses for WICS varied between 95.6% and 100% with an average of 97%. Contrariwise, this ratio was 83.2% for the comparison case. A major share of non-operating expenses, for both the sectors, consisted of interest on borrowings. The rate of interest on borrowings was high for the comparison case in contrast to that of the WICS.

4.5.9 The Operating Ratio (ratio of operating expenses to operating income) reveals the operational inefficiency of WICS. For WICS, the Operating Ratio, on an average, was observed to be above 100% throughout the period of study. For the year ended 30-6-99, the Operating Ratios for the three units were 98.7%, 113.6% and 138.1%. On the other hand, the comparison unit showed an Operating Ratio of 58.5% for the year ended 30-6-99. Its average Operating Ratio was 63.8% during the six year period of study.

4.5.10 The pattern of expenses incurred by the units in the co-operative sector and the comparison case was considered for ascertaining the reasons for the differences in the Operating Ratios. For the purpose

of analysis, as indicated in 4.4.9, operating expenses are divided into material costs, employees' remuneration and other expenses.

4.5.11A scrutiny of different components of operating expenses reveals that for both the sectors, material costs constituted a major share of operating expenses when viewed either as a percentage of operating expenses or operating income. For WICS, material costs, as a percentage of operating expenses, varied between 33.4% and 75.1% with an average of 51.4% for the year ended 30-6-99. Taking the percentage of operating income, material costs for the three units appeared to be 74.2%, 46.6% and 46.1%, the average being 58.2%. Contrariwise, for the comparison case, the percentage of material costs to total operating expenses or total operating income was 50.3% and 29.4% respectively.

4.5.12 From the analysis of data collected in response to questions under Section 'E' of the interview schedule, it is observed that the high incidence of material costs for the WICS engaged in the manufacturing of plastic articles was caused by the purchase of materials in small quantities from local suppliers at high prices. Though the demand for plastic articles has decreased on account of the pollution problems they create, these units continue to produce the articles without estimating the actual demand. These units purchase their required materials twice or more every month while

the comparison unit kept the number of purchases reasonable. The candle manufacturing unit depends on the materials provided according to government quota. These materials are adequate only for 16 days of production a month. If they purchase it from other agencies, they have to pay an unsustainably high cost.

4.5.13 For this category of WICS also ineffective material control was responsible for high material costs. Material costs can be controlled through purchasing materials in economic quantities, adjusting production on the basis of demand and reducing waste.

4.5.14 Operating expenses under the head 'wages and salaries' reveals that, for WICS, the percentage of wages and salaries to operating expenses, on an average, was 41.5%. When it is expressed as a percentage of operating income, the ratio was 47%. On the other hand, for the comparison case, the ratios were 33.1% and 19.4% respectively.

4.5.15 Analysis of data collected in response to questions under Section 'H' of the interview schedule has revealed certain important reasons for the high proportion of labour cost in WICS. The average number of employees is 19, including the secretary, in the co-operative sector. All the employees other than the secretary are its members and the number of employees remains the same

throughout the year. In the candle making unit, though materials are scarce and are adequate only for 16 days of work a month, the number of employees was 17 throughout the year. Time rate system on daily basis prevailed as the system of remuneration. Most of the machines in these units are obsolete and outdated and work was suspended on account of repairs and maintenance of machines. This has resulted in idle time and loss of remunerated labour hours. All these factors account for high labour cost in the WICS.

4.5.16 In contrast, the number of employees was 8, including the owner, for the comparison case. Time-rate system on daily basis prevailed in this unit. However, labour hours are carefully utilized. Idle time is eliminated to the maximum possible extent by carefully handling the machines and maintaining them in good working condition. Unlike the WICS, the machine capacity is utilized at the optimum level.

4.5.17 Incompetent human resources management is responsible for high labour cost for WICS. Human resources management policy can be made effective through employing only the required number of employees or eliminating the disguised unemployment by diversification of activities.

4.5.18 The proportion of the third component 'other expenses' is low for WICS when collated with the comparison unit. Though the repairing charges of WICS are high and they have to incur expenses in connection with meetings of the Board of Directors and the Annual General meetings of the shareholders, the proportion is low because the rate of depreciation is low. Apart from this, all the three units in the WICS have their own buildings and are not required to pay rent.

4.5.19 Thus the performance of WICS engaged in the production of petroleum byproducts presents a gloomy picture. The Operating Ratios are above 100 per cent and all the units are running on heavy losses. No sincere efforts are taken for analysing the reasons for such a situation and for the control of costs. But the comparison unit, owned and managed by women, exhibits a bright picture. This suggests that by proper planning and control of costs, these units can also have a promising future.

4.5.20 For assessing the solvency of the business, Debt Equity Ratios and Current Ratios were computed. Table 9 given below provides the Debt Equity Ratios and Current Ratios as on 30/6/94 and 30/6/99.

Table 9

Details of Debt- Equity Ratios and Current Ratios

Unit	WICS			Comparison Case		
	Debt Equity Ratio		Current Ratio	Debt Equity Ratio		Current Ratio
	30-6-94	30-6-99	30-6-99	30-6-94	30-6-99	30-6-99
1	-7.7	-3.6	1.4	4.4	1.5	2.2
2	0.6	6.3	0.4			
3	0.8	-9.0	0.8			
Average	-2.1	-2.1	.87			

Source: Survey Data.

4.5.21 As on 30/6/99, two units in this category of WICS had negative Debt Equity Ratios and one had a ratio of 6.3. Negative Debt Equity Ratios resulted from erosion of funds by way of losses resulting in negative shareholders fund. It can be observed that none of the three units had a satisfactory Debt Equity Ratio. This occurred in spite of the fact that the government participation in the share capital of these Societies, during the period of the study, had increased from 73.2 percent as on 30/6/94 to 73.9 percent on 30/6/99. Therefore, the existence of these societies has proved to be yet another example of waste of public funds.

4.5.22 But the comparison unit revealed a Debt Equity Ratio of 1.5 on 30/6/99 as against 4.4 as 30/6/94. This clarifies that the unit could improve its solvency position, over a period of six years, by retaining a portion of internally generated funds.

4.5.23 Short term solvency of WICS, measured with the help of Current Ratio, revealed that as on 30/6/99 the average ratio was .87 with the range of 0.4 to 1.4. Taking the standard ratio at 2:1 with a maximum variation of ± 1 it can be seen that the short-term solvency position of only one unit is satisfactory. This shows that WICS in this sector also are highly inadequate in the matter of effective management of both long term and short-term funds.

4.5.24 Conversely, the comparison unit manifested a satisfactory short-term solvency position since its current ratio was 2.2 as on 30/6/99. This testifies to an effective working capital management for the comparison unit.

4.5.25 Analysis of the financial statements of petroleum byproducts manufacturing WICS disclosed the reasons for the high operational inefficiency and the resultant insolvency. High material and labour costs are the emphatic indicators of operational inefficiency. Purchasing of materials in economic quantities and adjusting production in anticipation of demand can reduce the

material costs. Diversification of activities can reduce the labour cost. For this, human resources management requires a total restructuring. Debt-Equity and Current Ratios revealed threats to the solvency aspects of WICS. Negative Debt-Equity Ratio for this category emphasised the need for the generation of internal funds and subsequent strengthening of its equity base. Current ratio revealed ineffective working capital management. Solvency, both long term and short term, can be improved only through enhancing the operational efficiency.

4.6 Assembling Units

4.6.1 15 units, out of 170 WICS in Kerala, are engaged in assembling activities. As has been mentioned earlier, three units, i.e, 20%, are covered by this study. Among these three units, two are engaged in the assembling of electronic goods and one in umbrella manufacturing. One unit, owned and managed by women, was taken from the non co-operative sector as comparison unit. Two units in the Assembling category of WICS and the comparison unit are engaged in the assembling of TV Boosters. One unit in the WICS manufactures the ordinary, two fold and three fold black umbrellas.

- 4.6.2 All the three units were running on profits during the entire period of study except one unit, i.e., umbrella assembling unit which had incurred a net loss only during the year 98-99. The average Net Profit Ratio for these units ranges between 3.5% and 29.5% during the period of study.
- 4.6.3 The comparison unit engaged in the assembling of electronic goods, showed a Net Profit Ratio of 10.4% for the year ended on 30/6/99 and its average Ratio during the period of study was 9.4 percent.
- 4.6.4 Operating ratios were examined for ascertaining the difference in net profits between the WICS and the comparison case. Sales constituted the only source of operating income for both the sectors. So a comparison between the Operating and Net Profit Ratios is possible.
- 4.6.5 Table 10 gives the details of total income, total operating income, total expenses, total operating expenses, major components of operating expenses and the relevant ratios for the WICS and the comparison case for the year ended 30-6-99.

Table – 10

Details regarding Total Income, Total Operating Expenses, Total Operating Expenses, Major Components of Operating Expenses and Relevant Ratios for the year ended 30-06-1999

WICS	Rs. in '000s																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Units		Total Income (Rs.)	Total Op. Income (Rs.)	% of Op. Income to Total Income	Total Expenses (Rs.)	Total Op. Expenses (Rs.)	% of Op. Exp. to Total Expenses	% of Op. Exp. to Op. Income	Materials (Rs.)	Wages & Salaries (Rs.)	Other Expenses (Rs.)	% of material to Operating Expenses	% of material to Operating Income	% of Wages to Operating Expenses	% of Wages to operating Income	% of other expenses to Operating Expenses	% of other expenses to Operating Income
1		239.9	230.1	95.9	222.4	222.3	99.9	96.6	135.6	82.4	4.3	61	58.9	37.1	35.8	1.9	1.9
2		48.3	48.3	100.0	44.8	43.6	97.3	90.3	9.2	29.1	5.3	21.1	19.0	66.7	60.2	12.2	11.0
3		603.8	560.8	92.9	606.2	569.3	93.9	101.5	265.7	245.4	58.2	46.7	47.4	43.1	43.8	10.2	10.4
Total		892.0	839.2	94.1	873.4	835.2	95.6	99.5	410.5	356.9	67.8	49.1	48.9	42.7	42.5	8.1	8.1
Comparison case		3703.6	3703.6	100.0	3316.9	3089.8	93.2	83.4	1837.4	1089.2	163.2	59.5	49.6	35.3	29.4	5.3	4.4

Source: Survey Data.

4.6.6 For the WICS in the Assembling category, the ratio of operating income to total income varied between 92.9% and 100% with an average of 94.1%. For one unit, 100% of total income was derived as operating income. Grants and subsidies from the government and income from investments constituted the sources of non-operating income for these units. On the other hand, for the comparison case, total income and operating income were the same.

4.6.7 For the three units in the Assembling category of WICS, the ratio of total operating expenses to total expenses was 99.9%, 97.3% and 93.9% with an average of 95.6%. For the comparison unit, this ratio was 93.2%. Non-operating expenses for both the sectors represented interest on borrowings. This ratio favours the WICS as its rate of interest on borrowings was low compared to the comparison case.

4.6.8 A reading of Operating Ratio reveals that two of the three units in the WICS had this ratio below 100% for the year ended on 30-6-99. The average Operating Ratio, for all the three units, was below 100% during the six year period covered by the study. The average Operating Ratio for the Assembling category of WICS was 94% during the entire period of study. On the other hand, for the comparison case, the Operating Ratio was 83.4% for the year ended

on 30-6-99 with an average of 84.7% during the entire period of study.

4.6.9 The pattern of expenses incurred by units in the co-operative sector and the comparison case was examined for ascertaining the reasons for the above situation. For analysing the reasons, the total operating expenses are divided into material costs, employees' remuneration and other expenses.

4.6.10A cursory reading of different components of operating expenses reveals that for both the sectors, material cost constituted the major component when viewed either as a percentage of total operating expenses or operating income. Material cost, on an average, constituted 49.1% of total operating expenses or 48.9% of total operating income. This ratio varied between 21.1% and 61% (as a percentage of operating expenses) and 19% and 58.9% when taken as a percentage of total operating income. For the comparison unit, these ratios as a percentage of total operating expenses or operating income were 59.5% and 49.6% respectively.

4.6.11An enquiry into the reasons for the differences in material costs revealed the following factors: One of the WICS engaged in the electronic goods assembling sector got materials from the supplier who was the purchaser of the products also. Of the other two units

in the co-operative sector, one had practiced monthly purchases and the other (umbrella assembling unit) made its purchases twice a month. The comparison unit followed a monthly purchasing pattern. These units, both in the co-operative sector and the comparison case purchased their required materials in accordance with the instructions and specifications provided by the firm for whom the assembling was done. The umbrella assembling unit purchased its required materials locally.

4.6.12A scrutiny of operating expenses under the head 'wages and salaries' revealed that for the year ended 30-6-99, the percentage of wages and salaries to total operating expenses was 42.7% for WICS while it was 35.3% for the comparison case. When this item is viewed as a percentage of operating income, the ratios were 42.5% and 29.4% respectively.

4.6.13 Data collected in response to questions under Section 'H' of the interview schedule revealed that the differences in labour cost under the head 'wages and salaries' between the two sectors coincides with that between the previous two categories, viz., Garment manufacturing unit and Petroleum byproducts. The average number of employees in the co-operative sector was 21 including the secretary. Time-rate system based on daily wages was in practice for two units and piece-rate system prevailed in one

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unit. The number of employees remained the same throughout the year in WICS. This created idle time for employees which is also responsible for high labour cost in WICS. Delay in getting the machines repaired has also resulted in loss of remunerated labour hours in WICS.

4.6.14 On the other hand, the average number of employees for the comparison unit was 8 including the manager. The system of wage payment prevailing in this unit is piece-rate system. Discussion with the manager of the unit revealed that what they had produced with 10 employees under the time-rate system is now produced with 7 employees under the piece-rate system without affecting the quality of the product. If there is any complaint against the quality and rejection by the mother unit, those workers who are responsible for such a rejection have to pay penalty. This makes the workers more vigilant in their work. During the peak season, workers are ready to work late hours and even on Sundays.

4.6.15 Thus it can be seen that units in the co-operative sector can improve their financial performance through proper control of labour cost. For the achievement of this objective, these units have to frame a suitable and effective human resources management policy.

4.6.16 As far as the third component 'other expenses' is concerned, WICS are in an advantageous position as their rate of depreciation is just half the rate in the comparison unit. In spite of this, the third component was high for WICS because of the expenses incurred in connection with conducting the meetings of the Board of Directors and Annual General Meetings of the shareholders. Further, one unit in this sector is operating in a hired building for which it has to pay rent. However, the comparison unit is operating in an outhouse provided by the manager and is rent free. Moreover, this unit need not incur any expenses in connection with convening the meetings of the Board of Directors and members.

4.6.17 Though the electronic goods assembling units of WICS are operating on profits, their efficiency can be further improved through proper control of labour cost which would improve their operational efficiency. The umbrella assembling unit has to adopt measures for controlling the material costs also in addition to labour costs.

4.6.18 Solvency position of the units was evaluated with the help of Debt Equity Ratios and Current Ratios, the details of which are given in table 11.

Table 11

Debt Equity Ratios and Current Ratios

Unit	WICS			Comparison Case		
	Debt Equity Ratios		Current Ratio	Debt Equity Ratios		Current Ratio
	30-6-94	30-6-99	30-6-99	30-6-94	30-6-99	30-6-99
1	1.5	0.7	2.0	1.3	0.9	7.0
2	0.4	0.4	2.1			
3	3.0	4.0	3.6			
Average	1.6	1.7	2.6			

Source: Survey Data.

4.6.19 For the WICS, the Debt Equity Ratio ranges between 0.4 and 4 as on 30/6/99. It can be seen that none of the WICS had achieved an appreciable position in respect of long term solvency position. A comparison made with the Debt Equity Ratio as on 30/6/94 and 30/6/99 revealed that debt mix in the capital structure remained constant for one unit, decreased for another unit and increased from 3 to 4 for the third one. The two units in this category which had showed net profits and a Debt Equity Ratio below one can go for further borrowings provided the rate of interest on borrowings is lower than the rate of earnings of the business. This would enable these units to enjoy the benefits of financial leverage.

4.6.20 The comparison unit had a Debt Equity Ratio of 0.9 and 1.3 as on 30/6/99 and 30/6/94 respectively. The decrease in this ratio from 1.3 to 0.9 over a period of 6 years was mainly due to increase in capital by retaining a portion of profits earned by the unit every year.

4.6.21 Current Ratios were calculated for testing the short-term solvency position of the business. The average Current Ratio for the units in the co-operative sector was 2.6. Taking the standard ratio at 2:1, with a maximum variation of ± 1 , it can be concluded that two units had achieved the Standard Ratio and have a satisfactory short-term solvency position as well as an effective working capital management. For one unit, the Current Ratio was above the standard which is mainly on account of high closing stock.

4.6.22 On the other hand, the Current Ratio for the comparison unit was 7 which implies that there is excessive investment in current assets. This leaves ground for doubt about the efficacy of working capital management.

4.6.23 Among the five categories of WICS, assembling category showed a better operational efficiency and long term and short-term liquidity. The material costs, on an average, was low for this category compared to the comparison case. This was mainly

because of adjusting their production according to demand since these units regulate their production in concurrence with orders of the purchasers of their products. Operational efficiency of this category can be improved further by reducing the labour cost through their optimum utilisation by diversification of activities. Debt-Equity Ratio showed the generation of internal fund which reflected the increase in the shareholders fund. Current ratios for this category revealed an effective management of short-term funds. More control over the labour cost would further improve their operational efficiency.

4.7 Food Items Preparing Units

4.7.1 There were 17 WICS in Kerala as on 30/6/99 engaged in manufacturing of food items, out of which 4 units, i.e., 20% are taken as samples for the study. One unit is taken from the non co-operative sector as comparison unit which is owned and operated by women. Units in the co-operative sector are engaged in the preparation of various food items like Bread, Appam, Vada, Pickles, Jams etc. Besides these activities, the comparison units undertake outdoor catering services also.

4.7.2 A review of net profit of this category indicates that only one unit showed positive Net profit Ratio for the year ended 30/6/99. The

Net Profit Ratio of the other three units ranges between -29.2% and -36.5%. In the case of the unit for which the Net Profit Ratio was 21.8%, the Operating Ratio was 128.8% which highlights that the profit as disclosed by the Profit and Loss Account of this unit cannot be taken as an indicator of operational efficiency. Though the average Net Profit Ratio for this category for the entire period of study was 2.1%, its average Operating Ratio was above 100%. The unit which showed positive Net Profit Ratio for the year ended 30/6/99, incurred net losses for one year i.e., 93-94. The other three units showed negative Net Profit Ratios throughout the period of study.

4.7.3 Conversely, the comparison unit earned net profits during the entire period of study ranging between 5.1% and 15.1% with an average of 17.3%. This revealed that food items preparing units can also be operated with profits.

4.7.4 In order to ascertain the differences in profits between the units in the co-operative sector and the comparison case, Operating Ratios were computed. For this category of WICS and the comparison case, income from sales constituted the only source of operating income. Hence, it is meaningful to make a comparison between Operating and Net Profit Ratios.

4.7.5 Table 12 provides details regarding total income, total operating income, total expenses, total operating expenses and relevant ratios for the year ended 30-6-99.

4.7.6 It can be seen from the table above that operating income, on an average, constituted 70.2% of total income for WICS. The sources of non-operating income were grants and subsidies from the government. The unit, for which the ratio was 65.8%, received financial aid from the local self government under people's planning in addition to grants and subsidies. On the other hand, for the comparison unit, operating income constituted 100% of its total income.

4.7.7 For WICS, the ratio of operating expenses to total expenses varied between 93.7% and 99% with an average of 98.5%. For the comparison unit, this ratio was 97.6%. The non-operating expenses, for both the sectors arose from interest on borrowings. This ratio was found lower for the comparison case because the rate of interest charged on their borrowings is observed to be high compared to the WICS.

4.7.8 Operating Ratio, i.e., ratio of operating expenses to operating income, reveals the operational inefficiency of WICS. Operating ratios, for all the four units studied under this category of WICS

Table - 12

Details regarding Total Income, Total Operating Income, Total Operating Expenses, Major Components of Operating Expenses and Relevant Ratios for the year ended 30-06-1999

WICS	Rs. in '000s																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Units		Total Income (Rs.)	Total Op. Income (Rs.)	% of Op. Income to Total Income	Total Expenses (Rs.)	Total Op. Expenses (Rs.)	% of Op. Exp. to Total Expenses	% of Op. Exp. to Op. Income	Materials (Rs.)	Wages & Salaries (Rs.)	Other Expenses (Rs.)	% of material to Operating Expenses	% of material to Operating Income	% of Wages to Operating Expenses	% of Wages to operating Income	% of other expenses to Operating Expenses	% of other expenses to Operating Income
1		45.9	45.9	100.0	59.3	57.2	96.5	124.6	22.3	32.9	2.0	39.0	48.6	57.5	71.7	3.5	4.4
2		601.1	395.7	65.8	514.8	509.7	99.0	128.8	297.8	194.4	17.5	58.4	75.2	38.1	49.1	3.4	4.4
3		7.9	7.9	100.0	11.1	10.4	93.7	131.6	4.2	5.2	1.0	40.4	53.2	50.0	65.8	9.6	12.7
4		49.2	44.9	91.3	65.6	63.8	97.3	142.1	26.2	36.0	1.6	41.1	58.3	56.4	80.2	2.5	3.6
Total		704.1	494.4	70.2	650.8	641.1	98.5	129.7	350.5	268.5	22.1	54.7	70.9	41.9	54.3	3.4	4.4
Comparison case		414.3	414.3	100.0	363.9	355.1	97.6	85.7	188.9	142.3	23.9	53.2	45.6	40.1	34.3	6.7	5.8

Source: Survey Data.

was above 100% for the year ended 30-6-99. Further, this ratio was above 100% during the entire period of study except for one unit for 4 years. But, for the comparison case, Operating Ratio was 85.7% for the year ended 30-6-99 and was below 100% throughout the period of study with an average ratio of 88.1%.

4.7.9 In order to identify the reason for the difference in Operating Ratios between both the sectors, the pattern of operating expenses is examined by dividing it into material costs, employees remuneration and other expenses.

4.7.10 For both the sectors, material costs constituted the major portion of operating expenses when it is expressed as a percentage of operating expenses or operating income. For the WICS, material costs, on an average, constituted 54.7% of operating expenses or 70.9% of operating income. On the other hand, for the comparison case, this cost constituted 53.2% (as a percentage of operating expenses) or 45.6% when expressed as a percentage of operating income.

4.7.11 From the analysis of data collected in response to questions under Section 'E' of the interview schedule, it is observed that defective purchasing policies framed by the management proved to be an important reason for the high material costs in WICS. These units

failed in purchasing and storing seasonally available food materials and adopting techniques for long-term preservation. Consumption of food items by workers themselves escalates the costs. Besides, WICS purchased their required materials in uneconomic quantities. Out of the 4 units studied, three units make purchases twice a week and one unit once a week. Absence of regular customers and production which does not anticipate demand create more waste and result in high cost of materials. On the other hand, the comparison unit is always vigilant in purchasing the required materials when it is available at cheap rates. This unit makes weekly purchases in respect of perishable goods and for other materials, it makes purchases twice a month.

4.7.12 To reduce the material costs, WICS have to practice economical purchases and take steps for storing and preserving the seasonally available materials for a long period. Preparation of different varieties of food items can also reduce the material costs, to some extent. Production in anticipation of demand can reduce the waste of food items and thereby material costs.

4.7.13 Operating expenses under the head wages and salaries requires a detailed study. This cost was also found higher for WICS, compared to the comparison case, when it is viewed either as a percentage of operating expenses or operating income. The

percentage of wages and salaries to total operating expenses constituted 41.9% for WICS and 40.1% for the comparison case. When expressed as a percentage of operating income, these ratios were 54.3% for WICS and 34.3% for the comparison case.

4.7.14A comparison of labour cost between the units in the co-operative sector and the comparison case reveals certain factors. The average number of employees in the co-operative sector was 15 including the secretary. Time-rate system prevailed as the system of remuneration. Manufacturing activities and the number of employees remained the same throughout the year. This has resulted in the idle time of employees and production which is not in accordance with the demand. Even with excess labour force, these units purchased some readymade food items from the market instead of making them in the unit itself. The labour force of these units is reluctant to undertake outdoor catering for wedding parties, domestic functions etc.

4.7.15 But, for the comparison unit, the average number of employees was 4 including the proprietor. The system of wage payment was time-rate system. During the peak season, this unit employs additional labourers or gives contract to outsiders whichever is more profitable to it. This unit produces most of the items in the unit itself. At the same time the items have a homemade taste.

More over, the labourers were utilized at the maximum level and idle time was reduced to the minimum.

4.7.16 It can be seen from the above that excess labour force in the WICS has resulted in high labour cost. To overcome this problem, the WICS can diversify their activities.

4.7.17 The percentage of the third component 'other expenses' was found low for WICS compared to the comparison case when it is expressed as a percentage of operating expenses or as a percentage of operating income. The ratio was observed to be 3.4% for WICS and 6.7% for the comparison case when viewed as a percentage of operating expenses and 4.4% and 5.8% respectively as a percentage of operating income. In spite of high repairing charges and expenses incurred in connection with meetings of board of directors and shareholders, this ratio was low for WICS because of their low rate of depreciation on assets. Apart from this, all the four units in the WICS have their own building and so need not pay rent.

4.7.18 Thus the financial performance analysis of food preparing units of WICS presents a deplorable picture. The Operating Ratios and Net Profit Ratios highlighted the poor financial performance for this category of WICS. On the other hand, the comparison unit shows signs of satisfactory financial performance. Thus it can be inferred

that through proper planning and containment of material and labour costs, financial performance of these units can be improved considerably.

4.7.19 Financial solvency of both the sectors was assessed with the help of Debt Equity Ratios and Current Ratios, details of which are given in Table 13.

Table 13

Debt Equity Ratios and Current Ratios

Units	WICS			Comparison case		
	Debt Equity Ratios		Current Ratio	Debt Equity Ratios		Current Ratios
	30/6/94	30/6/99	30/6/99	30/6/94	30/6/99	30/6/99
1	1.2	3.7	2.3	0.3	0.4	2.8
2	6.2	2.2	3.6			
3	0.2	0.9	2.8			
4	-27.4	-2.0	0.4			
Average	-4.95	1.2	2.3			

Source: Survey Data.

4.7.20 For WICS, as on 30/6/99, Debt Equity Ratios, a measure of long-term solvency, varies between -2.00 and 3.2 with an average of 1.2. One unit had negative Debt Equity Ratio. It can be observed that only one unit had a favourable long-term financial solvency

position. As on 30/6/94 this ratio ranges between -27.4 and 6.2 and none of the units had a satisfactory long-term solvency position. Of the total share capital of Rs 4,10,300 as on 30/6/99, 84.9%, i.e., Rs.3,28,400 was contributed by the government. But the shareholders fund as on 30/6/99 was Rs 2,85,900. This difference is mainly on account of huge accumulated losses which had eroded a portion of equity capital. For one unit this Ratio is negative. This is due to negative equity shareholders fund which resulted from erosion of the whole equity capital by the accumulated losses.

4.7.21 On the other hand, the comparison unit showed a Debt Equity Ratio of 0.4 as on 30/6/99 as against 0.3 on 30/6/94. The debt content is low for this unit because of the sufficiency of capital generated in the business as a result of ploughing back of profits.

4.7.22 Short-term solvency measured with the help of Current Ratio reveals that as on 30/6/99 this Ratio ranges between 0.4 and 3.6 with an average of 2.3. Taking the standard ratio at 2:1 with a maximum variation of ± 1 , it can be inferred that two units had achieved the standard. They can be said to have a satisfactory short-term solvency position and effective working capital management. For one unit, the ratio was above the standard and effectiveness of working capital management of this unit is

doubtful. The Current Ratio of one unit was far below the standard and showed the danger of short-term insolvency.

4.7.23 The comparison unit showed a Current Ratio of 2.8 as on 30/6/99 with an average of 3.0 during the entire period of study. The unit maintained the standard throughout the period of study and manifested an effective fund management.

4.7.24 The analysis of the financial statements of this category of WICS exhibited high operational inefficiency and the resultant long-term and short-term insolvency and erosion of capital by accumulated losses. But the comparison unit in this category showed profits and this has revealed that Food items manufacturing category is a profitable one, but proved to be ineffective in the co-operative sector. For all the units studied in this category, Operating Ratio was above 100%. High incidence of material and labour costs are identified as the major reasons for the operational inefficiency. Material costs can be reduced by exercising effective control over the purchase and usage of materials. Human resources management of these units should be made operative by rehabilitating the surplus labour through diversification of activities which would reduce the labour costs. Solvency of the units can be improved through internal generation of funds and this is possible only through enhancing the operational efficiency.

4.8 Miscellaneous Products Manufacturing Units

4.8.1 Miscellaneous products manufacturing category of WICS includes 50 units engaged in different activities like printing and bookbinding, manufacturing of leather chappals, fancy items, cement paint, soap and detergent powder, handicrafts, meter repairing, engineering and technical services. A sample of 20%, i.e., 10 units are covered by the study. One unit from the non co-operative sector is taken as comparison unit and this unit is also owned and operated by women. This unit is engaged in printing and bookbinding.

4.8.2 A scrutiny of profitability of this category reveals that 6 units showed net profits for the year ended 30/6/99 and their Net Profit Ratios varied between 15% and 49.3%. For the remaining 4 units, Net Profit Ratios vary between -7.5% and -27.4%. Units engaged in printing and bookbinding (two units among three), manufacturing of fancy items and handicrafts had incurred net losses. Meter repairing unit had the highest Net Profit Ratio and handicraft unit incurred the highest net losses for the year ended 30/6/99. Leather chappals manufacturing unit, which had a Net Profit Ratio of 1.5% during 98-99, incurred net losses during the remaining five years and its average Net Profit Ratio during the entire period of study was also negative, ie, -13.4%. Similarly the

meter repairing unit which had a Net Profit Ratio of 49.3% for the year ended 30/6/99 incurred net losses for one year, i.e., during 1993-94. The remaining units in this category evinced the same trend throughout the period of study.

4.8.3 The comparison unit showed net profit during the entire period of study. Net Profit Ratio for this unit for the year ended 30/06/99 was 43.9% and its average Ratio during the entire period of study was 32.9%.

4.8.4 In order to ascertain the differences in the Net Profit Ratio between the units in the WICS and the comparison case, Operating Ratios were calculated. Income from sales constituted the only source of operating income for all the units studied under this category. So a comparison is possible between Operating Ratio and Net Profit Ratio.

4.8.5 Details regarding total income, total operating income, total expenses, total operating expenses, major components of operating expenses and their relevant ratios for the year ended 30-6-99 are given in the table 14.

Table 14
Details regarding Total Income, Total Operating Income, Total Operating Expenses, Major Components of Operating Expenses and Relevant Ratios for the year ended 30-06-1999

		Rs. in '000s																
WICS	Units	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
			Total Income (Rs.)	Total Op. Income (Rs.)	% of Op. Income to Total Income	Total Expenses (Rs.)	Total Op. Expenses (Rs.)	% of Op. Exp. to Total Expenses	% of Op. Exp. to Op. Income	Materials (Rs.)	Wages & Salaries (Rs.)	Other Expenses (Rs.)	% of material to Operating Expenses	% of material to Operating Income	% of Wages to Operating Expenses	% of Wages to Operating Income	Operating expenses to other Expenses	% of other expenses to Operating Income
1	1	51.2	51.2	51.2	100.0	62.2	59.9	96.3	117.0	27.5	30.0	2.4	45.9	53.7	50.1	59.0	4.0	4.7
2	2	50.7	44.3	44.3	87.4	55.8	54.9	98.3	123.9	21.7	30.2	3.0	39.5	49.0	55.0	68.2	5.5	6.8
3	3	356.4	349.5	349.5	98.1	317.8	315.0	99.1	90.1	132.5	130.3	52.2	42.1	37.9	41.4	37.3	16.6	14.9
4	4	300.0	300.0	300.0	100.0	295.6	292.0	98.8	97.3	174.5	112.6	4.9	59.8	58.2	38.6	37.5	1.7	1.6
5	5	142.2	113.6	113.6	79.9	173.3	104.2	60.1	91.7	57.0	43.9	3.3	54.7	50.2	42.1	38.6	3.2	2.9
6	6	121.7	118.2	118.2	97.1	130.6	130.0	99.5	110.0	57.5	66.2	6.3	44.2	48.6	50.9	56.0	4.8	5.3
7	7	628.1	599.3	599.3	95.4	332.5	167.2	50.3	27.9	59.5	102.8	4.9	35.6	9.9	61.5	17.2	2.9	0.8
8	8	58.4	58.4	58.4	100.0	46.3	44.3	95.7	75.9	13.5	29.0	1.8	30.5	23.1	65.5	49.7	4.1	3.1
9	9	507.5	501.0	501.0	98.7	494.8	489.7	99.0	97.7	347.4	125.8	16.5	70.9	69.3	25.7	25.1	3.4	3.3
10	10	1423.7	1410.9	1410.9	99.1	1344.7	1304.9	97.0	92.5	947.7	296.7	60.5	72.6	67.2	22.7	21.0	4.6	4.3
	Total	3639.9	3546.4	3546.4	97.4	3253.6	2962.1	91.0	83.5	1838.8	967.5	155.8	62.1	51.8	32.7	27.3	5.3	4.4
	Comparison case	489.6	488.2	488.2	99.7	275.3	275.3	100.0	56.4	166.2	73.5	35.6	60.3	34.0	26.7	15.1	12.9	7.3

Source: Survey Data.

4.8.6 Operating income, on an average, constituted 97.4% of total income for the units in the co-operative sector ranging from 79.9% to 100%. The non-operating income for these units was derived from the government as grants and subsidies. The unit, for which this ratio was 79.9%, received financial assistance from the local self government under people's planning. But, for the comparison unit, 99.7% of its total income was derived as operating income. The amount received from the panchayat for giving training in printing and book binding to economically backward women was their only source of non-operating income.

4.8.7 For WICS the operating expenses, on an average, constituted 91% of the total expenses. But this ratio was observed to be 100% for the comparison case. For WICS, a major share of the non-operating expenses consisted of interest on borrowings. On the other hand, the comparison unit, though dependant on borrowings, did not incur any expenses under the head interest because the loan was provided by family members free of interest.

4.8.8 It can be seen from table 14 that for the WICS, Operating Ratio varied between 27.9% and 123.9% for the year ended 30-6-99 and Operating Ratio of three units were above 100%. The meter repairing unit showed the least Operating Ratio and printing and bookbinding unit had the highest. For the comparison case,

operating ratio for the year ended 30-6-99 was 56.4%. It was also revealed that Operating Ratio of this unit was below 100% throughout the period of study.

4.8.9 In order to determine the difference in the operating ratios between the WICS and the comparison case, the pattern of operating expenses was evaluated. For the purpose of evaluation, operating expenses are divided into three viz., material costs, employees remuneration and other expenses.

4.8.10 For both the sectors, material costs constituted the highest percentage of operating expenses. The percentage of cost of materials to operating expenses or to operating income was found to be higher for the units in the co-operative sector compared to the comparison case. For the 10 units studied, material costs varied between 30.5% and 72.6% with an average of 62.1% (as a percentage of operating expenses) and 9.9% and 69.3% with an average of 51.8% when taken as a percentage of operating income. For the comparison case, the material cost was 60.3% in terms of operating expenses and 34% in terms of operating income.

4.8.11 Like the other four categories of WICS, ineffective policies framed for the purchase of materials have resulted in high cost of materials for this category also. Purchase of materials in small quantities at

high prices resulted in high cost of materials. Out of the 10 units studied, 4 units make purchases once a week, two units twice a month and 4 units once a month. 4 units in this category make local purchases. However, the comparison unit makes monthly purchases. This unit has regular vendors and customers which enable it to adjust the production on the basis of demand and to frame suitable purchasing policies. The comparison unit adopts modern techniques, viz., DTP, offset printing etc which enhance its bargaining power considerably.

4.8.12 'wages and salaries' the second important item under the head operating expenses constituted, for WICS, 32.7% when expressed as a percentage of operating expenses or 27.3% as a percentage of operating income. But, for the comparison case, these ratios were 26.7% and 15.1% respectively.

4.8.13 High labour cost in the form of 'wages and salaries' in the co-operative sector can be attributed to some important reasons. The average number of employees in the co-operative sector was 14 including the secretary/manager. In this category, 6 units out of 10 adopt time-rate system as the system of wage payment. The remaining 4 units have piece-rate system. The number of employees remained the same throughout the year disregarding the slack and peak seasons. This creates idle time which increases the

cost of labour. Since the machines used in these units are outdated, their breakdown leads to frequent suspension of work. This has also resulted in the loss of remunerated labour hours and thereby high labour cost.

4.8.14 But for the comparison unit, the average number of employees was 5 including the owner. This unit followed piece-rate system as the system of wage payment. During peak seasons, these units employ casual workers on daily wages system. Careful handling and better maintenance of machines reduce the idle time and thereby labour cost.

4.8.15 To reduce the labour costs, WICS can frame a suitable human resources management policy. To eliminate the disguised unemployment, these units can go for diversification of activities.

4.8.16 In connection with the third component 'other expenses' WICS are in an advantageous position. The ratio of depreciation is low for these units. 7 out of 10 units have their own buildings and need not pay rent. One unit had not paid any sitting fees either to the board of directors or to the shareholders in their meetings. But the repairing charges incurred by these units were high.

4.8.17 On the other hand, for the comparison unit, the rate of depreciation is double that of the units in the co-operative sector. Similarly, this

unit owns expensive modern machines and thereby the amount of depreciation was high. This unit is operated in hired buildings and is required to pay rent. But the administrative expenses of this unit are low since they need not pay any sitting fees either for the meetings of the Board of Directors or shareholders.

4.8.18 Profitability analysis of Miscellaneous products producing category of WICS indicates that units engaged in the production of some articles operated efficiently and showed net profits. For some other units, operating losses and net losses became a common occurrence. Through proper control of expenses and framing of suitable purchasing and human resources management policies, these units can improve their performance considerably.

4.8.19 The solvency position of units under this category was assessed with the help of Debt Equity Ratios and Current Ratios. Table 15 reveals the details of Debt Equity and Current Ratios.

Table 15

Debt Equity and Current Ratios

Units	WICS			Comparison Case		
	Debt Equity Ratios		Current Ratio	Debt Equity Ratios		Current Ratio
	30/6/94	30/6/99	30/6/99	30/6/94	30/6/99	30/6/99
1	7.2	-3.3	0.5	0.1	0.1	2.5
2	77.9	-2.9	0.6			
3	5.1	1.1	4.2			
4	0.3	14.7	0.7			
5	2.2	-3.5	0.8			
6	-11.4	-6.3	1.2			
7	4.8	0.3	15.5			
8	0.1	0.1	6.5			
9	0.2	0.2	4.7			
10	6.0	1.1	1.6			
Average	9.2	0.15	3.6			

Source: Survey Data.

4.8.20 In the co-operative sector, 6 units showed positive Debt Equity Ratio as on 30/6/99 ranging between 0.1 and 14.7. For the remaining 4 units it was negative because the shareholders fund was negative as a result of erosion of equity shareholders fund by huge accumulated losses. In general, the Debt Equity Ratio

revealed that the long-term solvency position of all the units is far from satisfactory.

4.8.21 Debt Equity Ratio of the comparison case was 0.1 as on 30/6/94 and this Ratio remains the same as on 30/6/99. The smaller proportion of debt content for this unit was the outcome of adequacy of owners' fund for meeting the financial requirements of the business.

4.8.22 Short-term solvency position of WICS was computed with the help of Current Ratio. This Ratio reveals that only two units had a satisfactory short-term solvency position as on 30/6/99 taking the standard ratio at 2:1 with a maximum variation of ± 1 . Current Ratios of 4 units were high and this provides ground for suspecting the efficiency of working capital management. For the remaining 4 units, this Ratio was below one and this showed symptoms of short-term insolvency.

4.8.23 For the comparison unit the Current Ratio was 2.5 as on 30/6/99. Since the current ratio of this unit had attained the standard, the short-term solvency position of this unit is said to be satisfactory.

4.8.24 Analysis of the financial statements of WICS had revealed operational inefficiency and the associated insufficient liquidity compared to the comparison case. Operational inefficiency was

mainly because of high rate of material and labour costs. Adoption of an effective purchasing policy and human resources management policy can reduce these costs. Debt Equity and Current Ratios have revealed an unsatisfactory solvency position. In order to solve this problem, equity base has to be strengthened through internal generation of funds. This proves that if caution and circumspection are exercised for controlling operating expenses, WICS can operate on profits.

4.9 Summary of the Analysis of Financial Statements

4.9.1 Profit and Loss Account analysis has revealed that the comparison cases have earned profits throughout the period of study. But 23 out of 35 WICS studied were running on losses for the year ended 30-6-'99. Only 5 WICS showed profits during the entire period of study. Among the 5 categories of WICS, Petroleum byproducts manufacturing category was the least profitable. All the 3 units in the Petroleum byproduct manufacturing category were running at losses. For the Tailoring and Garment manufacturing category, 60 per cent of the units were running on losses throughout the period of study. For the remaining 3 categories the trend was more or less the same. Grants and subsidies from the government constituted the main source of non-operating income for the WICS. It was observed that the ratio of non-operating income to total income, on

an average, was high for WICS. But for the comparison cases in 3 categories, namely, Petroleum byproducts manufacturing, Food items manufacturing and Assembling, 100 per cent of its total income were derived as operating income. Ratio of operating expenses to total expenses was low for the comparison cases because their rate of interest on borrowings was high compared to the WICS. The Ratio of cost of 'materials' and 'wages and salaries' to operating expenses/operating income favoured the comparison cases while the ratio of 'other expenses' to operating expenses/operating income favoured the WICS. The reasons for high cost of materials and labour are observed to be due to ineffective purchasing practices and improper human resources management. Low rate of depreciation and the advantage of their own building resulted in low percentage of the third component 'other expenses' for WICS. Adoption of suitable purchasing policy and an effective human resources management policy can reduce the material and labour cost in WICS.

4.9.2 Analysis of Balance sheet of the WICS has revealed that their solvency position is under threat and worsening year after year. The Debt Equity Ratio of 14 units was negative as on 30-06-99 due to erosion of funds. As a major portion of share capital of WICS was contributed by the government, erosion of capital means

wastage of public funds. But for the comparison cases networth was observed to be on the increase due to internally generated funds. Short-term solvency of the WICS was found feasible only in the case of 15 units as on 30-06-99. But for the comparison cases, this ratio was found reasonable for three units and found high for two units. This implies that there is no threat to the solvency aspects of the comparison units.

4.9.3 Thus it can be seen that when all the comparison cases were doing well both in terms of operational efficiency and financial solvency, these aspects of WICS are found to be far from satisfactory. This obviously indicates that the problem lies not with the area of activity of WICS, but with the way in which they carry them out. In the light of views expressed by the respondents and on the basis of analysis of data a few suggestions are given in 4.10, 4.11 and 4.12 for improving the operational efficiency and thereby the financial health of the WICS.

4.10 Marketing Practices

4.10.1 The only source of operating income for all the WICS studied was sales revenue. Marketing practices adopted by the WICS were analysed on the basis of data collected in response to questions under section 'F' of the interview schedule. Uniformity has been

observed in marketing practices among all the WICS. A cursory reading of data in this regard has revealed that all the WICS are totally unaware of the very concept of sales promotion.

4.10.2 When production is not in anticipation of demand and products have perfect substitutes in the market, the role of advertisement in selling the products needs no emphasis. However in spite of the fact that there were schemes of incentives from the government for advertising, not even a single WICS has made use of advertisement of any type for their products. The name board exhibited in front of the office of each Society was observed to be the only medium drawing the attention of the public to its existence and its products.

4.10.3 Though the average number of employees per Society was 17, not even a single employee was assigned the job of selling the products. All the WICS used to sell their products directly to the customers during the turnout over the counter. The only exception noticed was the WICS in the Thrissur district of which a portion of the products are marketed through Central Vanitha Industrial Co-operative Society. Even in this case, the percentage of sales effected through the Central Society to the total sales revenue of the WICS was around 30% only. All the WICS had only local customers who were not very prosperous.

4.10.4 Only 2 units in the Assembling category are engaged in the manufacturing and selling of durable goods. For these 2 units, the concept of after sales service was not known. Quality of the products and services also was not found to be an advantageous factor for the WICS. There were no schemes for WICS to get feedback from the customers and hence the societies were unable to do anything to ensure commendability in quality. However, discussions with authorities of WICS, DICS etc, on conditions of confidentiality and anonymity have proved ample evidence to arrive at the certainty that WICS do not have much to be gratified as far as the quality of their products and services is concerned.

4.10.5 Further aggravating this bleak scenario probably in order to increase the volume of sales, all WICS used to sell their products or render services both on cash and credit basis. Though the exact amount of bad debts was not available for each year because of the defective accounting system they maintained, the respondents were unanimous that 2 to 3 per cent of sales of every year are becoming bad debts.

4.10.6 As has already been stated, cost of production of WICS when compared to the comparison units was high during the period of study. This has invariably forced the WICS to keep the sales prices

of their products high when compared to that of comparison units and other producers.

4.10.7 What to produce and when to produce are two important questions to be decided before initiating any manufacturing and trading concern. Data collected in this context and the views expressed by the respondents, testify to the fact that it is difficult for the units concerned to justify the selection of their products. Before their commencement or during their period of existence none of the units had conducted a market study or even a survey to identify their potential customers and their tastes and preferences.

4.10.8 On the contrary, for all the comparison units studied, cost of production was comparatively less. Therefore, they could sell their products at lower prices. In order to cater to the changing requirements of the customers these units ensure regular training to human resources both in the production and marketing sides. It is important to note that even the comparison units have not depended on advertisement for marketing their products. An exception was food manufacturing unit which advertised its products through cinema slides. Regular customers through personal contacts, selling through external retailers, providing attractive incentives to the retailers, negligible bad debts etc. help these units to ensure better sales revenue.

4.10.9 Thus it has been observed that higher cost of production, poor quality, lack of publicity and absolute ignorance about sales promotion measures constitute the other shortcomings of the WICS. In view of the opinions expressed by the respondents and on the basis of information emanating from the analysis made in this respect it is found necessary that the WICS can overcome these challenges by adopting necessary remedial measures. The following are the guidelines pertaining to these measures;

- a) Identify the right product suitable to the locality and alter or diversify their activities.
- b) Instead of continuing with sales over the counter, the WICS have to seek the support of retailers and commission agents on attractive schemes of incentives. It is necessary that the WICS have to price their products and services comparatively with the prices of the products of the competitors. This may necessarily involve cost reduction methods like maximum utilisation of human resources. In the initial stages reduction of the labour force may constitute an imperative. However along with the progress in sales and production the breach can be rectified or reduced.

c) Largescale advertisements is neither possible nor desirable for the WICS because of the present dismal state of affairs. However modes of less expensive advertisement like distribution of notices through newspaper agents, advertising through cinema slides etc. seem to be timely and justifiable. Introduction of door delivery system on commission basis through casual employees is also worth trying.

4.11 General Management Practices

4.11.1 A democratic form of management prevails in a co-operative society. In a co-operative unit power is vested in its general body of members subject to the framework of the Co-Operative Societies Act. For facilitating the administration, the members elect from among themselves the members of the Board of Directors and the Board is responsible for the direct management of the Society. All important decisions for the day to day management are taken in the meetings of the Board of Directors.

4.11.2 Analysis of the general management practices in the WICS is done based on the data collected in response to questions under Section G of the interview schedule.

4.11.3 A cursory reading of data on educational qualifications of board members has revealed that out of 245 Board Members, 183 (74.7%)

have Secondary School Education, 36 (14.7%) have Higher Secondary School Education, 15 (6.1%) are Graduates and 11 (4.5%) have professional qualifications, viz. ITI & Polytechnic diplomas. Among the Board Members, 79% are the workers of the Society and 21% belong to the non-worker group. Housewives and social workers constitute the non-worker Director Group. 88% of the Board Members are directly associated with political parties.

4.11.4 All the WICS have convened the Annual General Body Meeting every year. Taking into account the views expressed by the respondents it is observed that these meetings were convened only to satisfy the statutory requirement rather than to transact any genuine business of the society. The bylaws of all the WICS made it mandatory to convene the meetings of Board of Directors at least once in a month. It has been found that, on an average, three meetings were held a year during the period of study. Discussions with the Directors revealed that there was no necessity to convene the Board meetings. Though 4.6% of operating expenses were incurred for convening and conducting of the meetings of directors and share holders, minutes of such meetings disclosed that the meetings were more a ritual than serving any genuine business requirement.

4.11.5 On the other hand, all the comparison cases were sole-proprietorship firms. All important decisions are taken by the proprietor by carefully analysing the economic and market pulses. They are in an advantageous position compared to WICS since they need not get the approval of any other person for taking and implementing strategic decisions. If essential, they consult experts in the field.

4.12 Human Resources Management

4.12.1 Management of human resources has a very important role to play in the success of any business enterprise. This is due to the fact that the human asset is the centre of all resources and that it converts the various resources into productive resources. The importance of human factors and their effective utilisation in any type of co-operative is no exception to this rule. For a competent human resources management, human resources recruitment, training, performance evaluation etc are to be executed in an effective manner. These factors are considered in the evaluation of human resources management.

4.12.2 Human resources management in WICS were analysed on the basis of data collected in response to questions under section 'H' of the interview schedule.

4.12.3 All the WICS had only regular employees appointed from among members and the only criterion for their appointment was their share holding. There was no correlation between level of activity, volume of turnover and the number of employees. The average number of employees in the WICS was 17 and the same for comparison units was 6. On the other hand, the turnover of the comparison cases has been found to be much higher than that of WICS. This indicates that the WICS have been employing human resources without employment causing chronic and acute disguised unemployment.

4.12.4 Every WICS had a Chief Executive Officer under the designation of Secretary/ Manager. It was observed that in all cases the Secretaries / Managers are qualified only in co-operation without any know-how, expertise and exposure to the manufacturing and marketing of the product. The appointment in WICS were a consequence of the misinterpretation of co-operative Rules and informal instructions from the Co-operative Department. Entrepreneurial skills and basic business awareness are the minimum qualifications required for the Chief Executive Officer of the WICS. The selection of Secretary/Manager of WICS made by inviting applications through newspapers and conducting an interview. The interview Board consists of representatives from

the Government and Board of Directors. The final decision on appointment is usually left to the discretion of the Board of Directors. Since the Board of Directors is not competent enough to select the Secretaries, the selection often proves to be unsound.

4.12.5A remuneration system based on the skill and ability of workers is important. All the WICS studied except 5 had adopted time-rate system as the system of wage payment. The daily average rate of earning per employee in WICS was Rs.28. On the contrary, in comparison cases, piece-rate system of remuneration prevailed and this enabled these units to adjust the number of employees in tune with seasonal fluctuations. Their daily earnings, on an average, was Rs. 72/-.

4.12.6The remuneration of the Secretary/Manager is fixed by the Board and it ranges from Rs.800 to Rs.1800 per month. Invariably competent secretaries seek better avenues leading to instability with regard to their functioning. Each new Secretary takes time to acquaint herself with the working of the society.

4.12.7Working hours of a business organisation is another important factor in assessing the effective utilisation of human resources. Though the working time of the WICS is 10.00 a.m. to 5.00 p.m., the discussions with the employees and officials of District

Industries centres have revealed that they usually work from 10.00 a.m. to 2.00 or 3.00 p.m. They attributed this brief period of activity to insufficient volume of work. But the comparison units work from 10.00 a.m. to 5 p.m. and discussions with the workers and entrepreneurs of these units revealed that they are ready to work late hours and even on Sundays.

4.12.8 Need-based training to employees will enhance their efficiency in performance of work. Data relating to training of employees indicate that workers of 13 units had undergone training provided by the Block Panchayat for a period of one week, 2 units for 2 weeks and one unit for three weeks. Discussions with the respondents have revealed that training is not compulsory and the existing training programme is inappropriate, inadequate and not need-based.

4.12.9 Secretary/manager of only 3 units had attended EDP training. This was mainly due to frequent changes in the post of Secretary because of better opportunities elsewhere.

4.12.10 Monetary and non-monetary incentives in addition to wages/salaries will boost the morale of the employees. But no WICS had provided these incentives either to workers or to the Secretary.

4.12.11 Performance appraisal is desirable for enhancing the efficiency of workers. However considering the views expressed by the respondents, it was observed that WICS are not aware of this concept and have not adopted an effective appraisal method. On the other hand units in the comparison cases, through not in a formal way, used to evaluate the performance of workers and provide them with a feedback of work. This has enabled them to improve their efficiency.

4.12.12 Since workers are the members of the WICS, loss of labour hours due to strike, lockout etc. during the period of study was nil. However it was observed that this created no favourable effect on production or labour efficiency.

4.12.13 WICS face labour turnover problems which is evident from the fact that this ratio was 4.3% for the year ended 30-06-1999. To measure the level of labour turn over, Labour Quitting Ratio (the ratio of number of employees left during the year to average numbers of employees during the year) was used. Since WICS face the problem of disguised unemployment, these employees were not replaced. Discussions with the Directors and workers have disclosed that dissatisfaction with the remuneration, non-viability of the unit etc. are responsible for this. But for the comparison cases, this ratio was only 2.4%.

4.12.14 The above facts elucidate that human resources management is ineffective in WICS. Lack of a proper and need-based recruitment policy, absence of effective training and lack of performance appraisal methods are identified as indicators of ineffective human resources management in WICS. To make it effective, the following suggestions appear to be in the fitness of things.

- (a) Prior to sanctioning registration to the WICS, the Co-operative Department has to ensure that a minimum number of members in each society have expertise in that field.
- (b) The terms and conditions for the appointment of Secretary / Manager shall include provision for a minimum period of service in the WICS. Either professionals shall be appointed as Secretary or through proper training they shall be converted to professionals.
- (c) Disguised unemployment need be reduced through diversification of activities.
- (d) A remuneration system where wage rates are determined on the basis of ability may be designed.

- (e) Performance of employees need be evaluated and they should be provided with a feedback of their work so as to enable them to rectify their mistakes and improve their efficiency.

* * *

CHAPTER V

FINDINGS AND SUGGESTIONS: A SUMMARY

5.1 Introduction

5.1.1 Women's Industrial Co-operatives (WICS) are formed with the purpose of making women co-operators economically independent and socially distinct by providing employment to them. The state government has provided for a number of schemes and incentives of financial assistance to ensure a meaningful survival of the WICS. In spite of these, all the WICS are facing severe threat to their very existence. The study, under these circumstances, is a pioneering attempt to evaluate the performance of WICS in general and financial performance in particular. Efforts are also made to identify the major reasons for the present state of affairs of WICS by comparing them with the selected units from the non co-operative sector engaged in the same line of activity and which are owned and operated by women.

5.1.2 This chapter is an attempt to recapitulate and bring to the fore the major findings and suggestions which emerged from the study.

5.2 Findings and Suggestions

5.2.1 WICS are in a more advantageous position than other similar industrial units in general and women's industrial units in particular as far as financial resources are concerned.(4.2.1)

5.2.2 The study has revealed that the WICS have failed in availing all the schemes of incentives provided by the state government. For example, out of the 35 WICS studied, not even a single unit was able to avail the full eligible government participation in the share capital. Non-fulfilment of the conditions by WICS and insufficiency of funds apportioned by the government in the budget were identified as the major reasons for this (4.2.2).

5.2.3 The norms specified for government participation include such requirements as that 90% of the members must be workers of WICS, shares must be fully paid up and financial viability of the unit must be ensured (4.2.3). Sources of paid up capital of WICS consist of direct subscription by members and government as well as the conversion of thrift deposits of the workers. Due to reasons such as low wages and lesser number of working days, the thrift deposit was found to be very negligible. At the same time the face value per share of WICS was Rs.100. As a result WICS were not in

a position to ensure sufficient fully paid up capital to avail the eligible government participation in the share capital (4.2.5).

5.2.4 On an average, 90% of the members of the WICS were employees at the commencement of the society concerned. However, the ratio has come down considerably due to reasons such as workers leaving the society but continuing to be the members just for the sake of exercising their voting rights (4.2.4).

5.2.5 Incorporation of provision in the bylaws of the WICS restricting voting right to only bonafide worker members and reduction of the par value of shares from Rs.100 to Rs.10, as in the case of many other societies, may help a lot in overcoming the problem of WICS in this regard (4.2.6).

5.2.6 All the units studied had availed the building grant/rent, machinery grant and sales tax benefits (4.2.7).

5.2.7 Though all the WICS studied had availed the management grant, no unit in the comparison group has availed this facility since they failed to satisfy one of the conditions namely that there should be at least 8 employees excluding the manager for sanctioning this grant (4.2.8).

5.2.8 Sufficient and successful training to the promoter co-operators is a basic necessity. But no WICS has availed the stipend to the promoter co-operators for undergoing training prior to the commencement of the WICS. But after the commencement of the unit, member workers of only 16 units had undergone training. However, all the units from the comparison cases had availed this benefit (4.2.9). It is necessary that sufficient and successful training to the promoter co-operators prior to the commencement of the business shall be made mandatory to ensure eligibility for the various schemes of grants/subsidies (4.2.10).

5.2.9 Manager/Secretary of only 3 WICS has availed the stipend for undergoing EDP training. This was mainly due to the frequent changes of manager/secretary. In order to overcome this problem, the terms and conditions of appointment of the secretary/manager of the WICS shall include provision for a minimum period of service in the society (4.2.11). On the other hand, proprietors of all the comparison cases have availed this facility (4.2.12).

5.2.10 Though the period of study covers the consecutive rules of both UDF and LDF ministries in Kerala for 3 years each, no difference was observed in the policies of both these ministries towards WICS (4.2.15).

5.2.11 Though the object clause of the bylaws of WICS includes provisions for diversification of activities, it was observed that none of the units studied had attempted for diversification even though the present line of activity of the WICS concerned was far from satisfactory (3.3.2).

5.2.12 When all the comparison cases showed profits throughout the period of study, only 5 WICS showed profits during the entire period of study (4.3.1).

5.2.13 Among the five categories of WICS, as far as operational efficiency is concerned, WICS in the Assembling category was comparatively profitable and WICS in the Petroleum byproduct manufacturing category was the least profitable (4.9.1).

5.2.14 Grants and subsidies from the government constituted the major source of non-operating income for the WICS. Therefore, the ratio of non-operating income to total income, when compared to the comparison cases was found to be higher for the WICS. Total income and operating income were same for 3 units in the comparison group. (4.9.1).

5.2.15 The ratio of non-operating expenses to total expenses was observed to be high for the comparison cases due to incidence of interest on borrowings (4.9.1).

- 5.2.16 Operating Ratio for the year ended 30-06-1999 and average of Operating Ratio for the entire period of study in respect of 27 WICS were observed to be more than 100%. As against this, for all comparison units, the Ratio was less than 100% (4.9.1).
- 5.2.17 When the ratio of 'material costs' and 'wages and salaries' to operating expenses/operating income were found high for WICS compared to the comparison cases, the ratio of 'other expenses' to operating expenses/operating income favoured the WICS (4.9.1).
- 5.2.18 Ineffective purchasing practices and improper human resources management in WICS had resulted in high material and labour costs respectively (4.9.1).
- 5.2.19 The practice of collective purchasing by WICS located in the same area and engaged in the same line by activity is suggested to reduce the material costs considerably. Formation and implementation of an effective human resources management policy is found necessary to reduce the labour costs (4.9.1).
- 5.2.20 Analysis of the balance sheets of the WICS has revealed that their solvency position is under severe threat and the Debt Equity Ratio of 14 units was found negative as on 30-06-1999 due to erosion of funds by way of losses. Equity base of the WICS has to be strengthened through the generation of internal funds. But for the

comparison cases, net worth was observed to be on the increase due to internally generated funds. Short-term solvency of only 15 WICS was found reasonable as on 30-06-1999. But for the comparison cases, short-term solvency was found reasonable for 3 units and found high for 2 units which implies that there is no threat on the solvency aspect (4.9.2).

5.2.21 Though the operational efficiency and financial solvency of the comparison cases are found to be satisfactory, these aspects of WICS appeared to be far from satisfactory. This discloses the fact that the problem lies not in the area of activity of WICS, but in the way in which they are managed (4.9.3).

5.2.22 Uniformity has been observed among the WICS in respect of the marketing practices and the study has revealed that WICS are quite unfamiliar with the concept of sales promotion (4.10.1).

5.2.23 Though the government provides reimbursement for advertising the products of WICS, none of the units studied had made use of this facility. (4.10.2).

5.2.24 In spite of the fact that there is disguised unemployment in WICS, the study has revealed that not even a single employee has been assigned the job of selling the products. They sell their products directly to the customers over the counter (4.10.3)

- 5.2.25 Of the 35 WICS studied, only 2 units in the Assembling category are engaged in the manufacturing and marketing of durable goods. It was found that even these units are not aware of the concept of after sales services. Further, the WICS are observed to be slightly indifferent about getting feedback from the customers. (4.10.4).
- 5.2.26 High cost of production of WICS has forced them to fix their sales prices high when compared to the products of comparison cases (4.10.6).
- 5.2.27 The study has revealed that no WICS had conducted a market survey or market study either to select the product for production or to ascertain the tastes and preferences of their customers (4.10.7).
- 5.2.28 It was found that low cost of production, regular training to employees on production and marketing aspects and maintaining personal contact with retailers and customers keep the comparison units in a more advantageous position as far as marketing practices were concerned (4.10.8).
- 5.2.29 Measures such as selecting the right product and switching over to it, maintaining contact with customers, retailers and commission agents, adopting modes of less costly advertisement methods and

introducing door delivery system will help the WICS to make their marketing practices effective (4.10.9).

5.2.30 A study on the general background of the Board of Directors has disclosed that 74.7% of the members of the Board have only secondary school education (4.11.3).

5.2.31 All the WICS studied had convened the Annual General Body meeting every year. On an average, three meetings of the Board of Directors were held a year though the bylaw provides for convening such meetings once a month. The study has also revealed that though 4.6% of operating expenses were incurred for convening and conducting such meetings. Minutes of such meetings disclosed that the meetings were more a ritual than serving any genuine business requirement. (4.11.4)

5.2.32 On the other hand, all the comparison cases were sole proprietorship firm and all important decisions are taken by the proprietor by analysing the economic and market pulses. They are in an advantageous position compared to WICS since they need not get the approval of any other person for taking and implementing decisions (4.11.5).

5.2.33 All the WICS had only regular employees appointed from among members and the only criterion for their appointment was their

shareholding. In WICS no correlation was found among level of activity, volume of turnover and the number of employees. The average number of employees in the WICS was 17 whereas it was only 6 for the comparison cases. This indicates that the WICS have been employing human resources without generating employment causing chronic and acute disguised unemployment (4.12.3).

5.2.34 Every WICS had a Chief Executive Officer under the designation of Secretary/Manager and it was found that they are qualified only in co-operation without any expertise and exposure to the manufacturing and marketing of the product (4.12.4).

5.2.35 It was found that WICS without exception have failed to frame a remuneration system based on the skill and ability of the workers. WICS have adopted time-rate system for calculating the employee remuneration and daily average rate of earnings per employee was Rs.28. However the comparison cases have adopted piece-rate system and the daily average rate of earning of an employee was Rs.72 (4.12.5).

5.2.36 The remuneration of the secretary of the WICS is fixed by the Board and it ranged between Rs.800 and Rs.1800 per month (4.12.6).

5.2.37 Though the scheduled working time of the WICS is 10 a.m to 5 p.m, the actual working hours were observed to be from 10 a.m to 2 p.m due to insufficient work (4.12.7).

5.2.38 None of the WICS studied had adopted methods for appraising the performance of employees (4.12.11).

5.2.39 The labour turnover ratio was observed to be high for WICS compared to the comparison cases because of low remuneration and non-viability of the units (4.12.13).

5.2.40 By ensuring that a minimum number of members in each society have expertise in the field concerned, incorporation of provisions for a minimum period of service for the Chief Executive Officer of WICS, diversification of activities and adoption of a suitable performance appraisal method, human resources management of WICS can be made effective (4.12.14).

5.3 Conclusion

5.3.1 The study has satisfied all the objectives, viz., evaluating the performance of WICS, ascertaining the major reasons for the present state of affairs and suggesting remedial measures wherever possible.

5.3.2 The study, beyond any shadow of doubt, has revealed that the basic objectives of forming women's industrial co-operatives are yet to be realised since these units are operating on heavy losses and are facing severe threat to their very existence. Their performance in financial, marketing and human resources management leaves much to be desired. The study has revealed that the reasons for the present state of affairs of WICS are essentially due to the improper and ineffective management of WICS concerned. Even the formation of WICS was without taking in to consideration the viability of the project and the exposure, experience and technical know-how of the members. The loopholes in the Co-Operative Rules have helped them to over look these aspects at the time of formation of these Societies.

5.3.3 Co-Operative enterprises cannot overlook the significance of commercial spirit as they too are business units. As the glory of the public sector is becoming part of history, private and co-operative sectors alone can be relied upon for economic and social development in future. Co-Operative enterprises today face the challenge of adaption. Changes in the global business environment accelerated by technological innovations compel these organisation to identify their objectives and values, develop new strategies, craft, master and employ appropriate techniques for

existence. Adaptive functioning is a requisite in a situation where deeply held belief are called into question, long standing values lose their relevance and legitimate, yet competing frames of reference come into view. It is a pressing need for co-operative ventures to adapt their behaviour in order to survive and thrive new business environment without which they would falter. Co-operative enterprises have time and again committed the classic error of identifying provision of services to customers and employees as the sole reason for their existence. In addition to this commercial efficacy should be accorded top priority. A drastic restructuring of policies, insight about future currents and discontinuities, identification of opportunities and mapping of expertise are required to allow these co-operatives to flourish. Co-operative enterprises have to invest their time and soul in appreciating these issues, guiding the organisation through transition, reallocating values and changing perspectives. WICS cannot be an exception to these. The researcher is cautiously optimistic that the study can be an eye opener for the WICS as well as the government in furthering and strengthening the wings of WICS to fulfill their social and financial objectives fully observing the principles and philosophy of co-operation.

APPENDICES

APPENDIX - A

A STUDY OF WOMEN'S INDUSTRIAL CO-OPERATIVE SOCIETIES

INTERVIEW SCHEDULE

A. GENERAL BACKGROUND

1. Name, Address and register No. of the :
Unit
2. Year of establishment :
3. Year of commencement of business :
4. Details of product(s) produced and sold :
or nature of services rendered

B. SHARES AND SHAREHOLDERS : 01-07-1993 30-06-1999

1. No. of Shareholders & total number of :
shares
2. Amount of paid up Share Capital held by :
Members

C. GOVERNMENTAL ASSISTANCE

1. Government participation in Share :
Capital, if any
2. Has the society availed the schemes of : Yes No
incentives from the government.
3. If yes, please give details :
(use Annexure - 1)
4. Please give details of incentives not :
availed with reasons for it
5. Your suggestions, if any, in this regard. :

ANNEXURE – I**GOVERNMENTAL ASSISTANCE**

- (1) Are you aware of all the schemes of incentives available from the Government to WICS. : Yes No
- (2) Details of grants/subsidies availed from the Government.
- (a) Share of Capital participation : Yes No
If Yes, to what extent
If No, reasons
- (b) Building grant : Yes No
If Yes, to what extent
If No, reasons
- (c) Rent reimbursement : Yes No
If Yes, to what extent
If No, reasons
- (d) Machinery grant : Yes No
If Yes, to what extent
If No, reasons
- (e) Managerial grant : Yes No
If Yes, to what extent
If No, reasons
- (f) Sales Tax benefits : Yes No
If Yes, to what extent
If No, reasons

- (g) Training benefits to workers : Yes No
If Yes, to what extent
If No, reasons
- (h) Training benefits to Manager/ Secretary : Yes No
If Yes, to what extent
If No, reasons
- (i) Advertisement reimbursement : Yes No
If Yes, to what extent
If No, reasons
- (j) Price preference @ 15% from Government / Governmental agencies while quoting tenders. : Yes No
If Yes, to what extent
If No, reasons
- (k) Others if any with details : Yes No

D. Clarifications needed, if any, to the copy of financial statements received

E. PROCUREMENT OF RAW MATERIALS

(1) What is the quantity of raw materials :
you buy?

(2) Average quantity of raw materials :
required for a month.

(3) How do you identify the supplier? :

(4) Terms of purchase : Cash Credit
If on credit, conditions of credit

(4) Do you repay, within the specified : Yes No
time limit?
If No, specify the reasons :

(5) How do you take decision with :
regarding purchases of raw materials?

(6) Nature of raw materials you use. : Perishable Durable
Seasonal Regular

F. MARKETING

(1) How did you identify the product? :

(2) Details of market survey or other :
studies conducted, if any.

(3) Have you ever diversified the :
product?

(4) Terms of sales : Cash Credit

- (5) If on credit, terms of credit :
- (6) Amount of baddebts in : 93-94 94-95 95-96 96-97 97-98 98-99
Rs. '000 for the years.
- (7) Is there any middlemen in the sale of : Yes Yes
finished goods?
- (8) If yes, details.
- (9) Do you deal with any product other : Yes No
than those manufactured by you?
- (10) If yes, specify :
- (11) Where do you store the product and :
materials?
- (12) Do you have separate space for :
showroom, office, etc.
- (13) Do you make any advertisements for : Yes No
your products?
- (14) If yes, details :
and
Amount spent on advertisement for the : 93-94 94-95 95-96 96-97 97-98 98-99
years.
- (15) How do you identify the customers? :
- (16) Do you have the practice of collecting : Yes No
feedback from customers?

(17) If yes, what was the nature and :
response?

(18) Mode of sales : Direct sales

Estimated percentage of total
sales

Through other agencies

Estimated percentage of total
sales

(19) Do you provide any sales incentives? : Yes No

(20) Details of after sales service provided, :
if any .

(In the case of durable goods).

G. MANAGEMENT

(1) General information about the members of the Board of Directors.

Age	Educational Qualification	Occupation	Position in the Society	Social, Political and Economical Back ground

- | | | | | | | | |
|-----|---|-------|-------|-------|-------|-------|-------|
| (2) | No. of meetings held during - | 93-94 | 94-95 | 95-96 | 96-97 | 97-98 | 98-99 |
| | (a) Board meetings | : | | | | | |
| | (b) General body meetings | : | | | | | |
| 3) | Expenses incurred on the above | 93-94 | 94-95 | 95-96 | 96-97 | 97-98 | 98-99 |
| | meetings for the years. | | | | | | |
| | (a) Board | : | | | | | |
| | (b) Annual General Meeting | : | | | | | |
| (4) | Major decisions taken during the last six years | | | | | | |

H. HUMAN RESOURCES

- (1) Details of human resources

Category & minimum qualification prescribed, if any	Total Number					
	93-94	94-95	95-96	96-97	97-98	98-99
Managerial personnel						
Technical personnel						
Sales personnel						
Clerical						
Sweeper/Attenders						
Casual workers						
Others						

- (2) Please give a brief account about the selection process & procedures for the human resources.
- (3) Details of training facilities provided, :
- | | | | |
|--|---------|------------|---------|
| | Manager | Supervisor | Workers |
|--|---------|------------|---------|
- if any.
- | | | | |
|-----|------------------|---|--|
| (a) | Compulsory basis | : | |
| (b) | Duration | : | |
| (c) | When | : | |

- (4) Nature of Remuneration :
- (5) Total Remuneration : 93-94 94-95 95-96 96-97 97-98 98-99
- (a) Workers :
- (b) Secretary :
- (6) Normal working days and work hours. :
- (7) Do you maintain any performance statement for the employees? :
- (8) If yes, details. :
- (9) System of career advancement prevailing, if any. :
- (10) Man hours lost due to : 93-94 94-95 95-96 96-97 97-98 98-99
- (i) Strike :
- (ii) Lockout :
- (iii) Other reasons :
- (11) Labour turnover : 93-94 94-95 95-96 96-97 97-98 98-99
- (a) Number of employees left :
- (b) No. of employees replaced :

I. Other details/information which you think appropriate in this content.

APPENDIX - B

List of Units

Women's Industrial Co-operative Societies

1. Vanitha Vyavasaya Sahakarana Sangham, Koorkenchery.
2. Manjeri Vanitha Kudivvyavasaya Sahakarana Sangham, Kovilakon Road Manjeri
3. Kondoty Block Vanitha Vyavasaya Sahakarana Sangham, Kondotty.
4. Malappuram Women's Garments Industrial Co-Operative Society Ltd, Uphill, Malappuram.
5. Udayampoil Women's Industrial Co-operative Society, Udayampoil, Malappuram.
6. Thanissery Vanitha Industrial Co-operative Society Ltd., Thanissery.
7. Peruvamba Vanitha Vyavasaya Tailoring Industrial Co-operative Society Ltd, Peruvanba.
8. Elavanchery Pattikajathi Readymade Garments Manufacturing Industrial Co-operative Society, Karimkulam.
9. Manakkad Priyadarsini Memorial Vanitha Industrial Co-operative Society Ltd, Manakkad.
10. Punaloor Manicipality Vanitha Industrial Co-operative Society Ltd., Punaloor.
11. Kavanadu Vanitha Industrial Co-operative Society Ltd. P.O. Kavanadu.
12. Pudussery Garment Manufacturing Vanitha Industrial Co-operative Society Ltd., Pudussery.
13. Pirayi Women's Readymade Manufacturing Industrial Co-operative Society Ltd. Kallenkad.
14. Pavumba Jayanthi Vanitha Vyavasaya Sahakarana Sangham Ltd., Pavumba.
15. Ambalapari Vanitha Vastra Nirmana Co-operative Society Ltd, Chunangad.

16. Manakra Vanitha Industrial Co-operative Society Ltd., Mankara, Ottappalam.
17. Irumpuzhy Vanitha Vyavasaya Sahakarana Sangham Ltd., Irumpuzhy.
18. Alappad Vanitha Industrial Co-operative society Ltd. Alappad.
19. Annamanada Vanitha Industrial Co-operative Society, Annamanada
20. Electronic Vanitha Industrial Co-operative Society Ltd., Kodungalloor
21. Pudussery Umbrella Manufacturing Vanitha Industrial Co-operative Society Ltd. P.O. Pudussery
22. Mynagapally Harijan Mahila Bhakshya Nirmana Vanitha Industrial Co-operative Society Ltd., Mynagapally.
23. Anthikkad Panchayat Vanitha Vyavasaya Sahakarana Sangham Ltd, Antikkad.
24. Puthenchery Pattikajathi Vanitha Curry Powder Manufacturing Industrial Co-operative Society Ltd., Puthencherry
25. S.N. Vanitha Industrial Co-operative society Ltd, Ininjalakuda.
26. Palakkal Printing and Bookbinding Vanitha Vyavasaya Sahakarana Sangaham Ltd, Palakkal.
27. Kanjiramattom Vanitha Industrial Co-operative Society Ltd., Kanjiramattam.
28. Perintalmanna Block Women's Industrial Co-operative Society Ltd., Perintalmanna.
29. Kozhikode Mahila Industrial Co-operative Society Ltd., Kozhikode.
30. Calicut Handicrafts Women's Model Industrial co-operative Society Ltd, West Hill, Calicut.
31. Chavara Block Mahila Collage Industrial Co-operative Society Ltd, Chawara.
32. Malappuram District Women's Industrial Co-operative Society Ltd, Downhill, Malappuram
33. Qulion Women's Engineering and Technicians Industrial Co-operative Society Ltd., Kollam

34. Trivandrum Paint Nirmana Vanitha Industrial Co-operative Society Ltd., Thiruvananthapuram.
35. Puussery Vanitha Soap Manufacturing Industrial Co-operative Society Ltd., Pudessery.

Comparison Units

1. Femina Readymades, Koorkenchery.
2. Priya Plastics, Thanissery.
3. Anjali Enterprises, Muriyad.
4. Priya Instant Foods, Annallore.
5. Unity Binding and Printing Works, Kunnamkulam.

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