

INDIAN COOPERATIVE REVIEW

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Industrial Cooperatives —A Case Study of the Cannanore Cooperative Spinning Mills

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Introduction

INDUSTRIAL cooperatives in India were organised for the purpose of promoting socio-economic welfare of craftsman, artisans, and other traditionally or institutionally trained personnel. Spinning mills in the cooperative field were organised for the purpose of supplying raw materials to the weaving community. The traditional handloom weavers in the district of Kannur, Kozhikode, Wynad and Kasargod had been experiencing difficulty in obtaining yarn of different qualities. These weavers were mainly depending for the supply of yarn from other states, particularly from Tamil Nadu. It was felt that the requirement of yarn could be considerably fulfilled by setting up spinning mill in Kerala. With this intention the first cooperative spinning mill in Kerala, the Cannanore Cooperative Spinning Mills Limited (CCSM) was registered on 1st May, 1964, under the Madras Cooperatives Societies Act of 1932. Its area of operation is confined to the northern districts of Kerala State i.e., Kannur, Kozhikode, Wynad and

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Kasargod. Cannanore Cooperative Spinning Mills produce yarn of different quality and counts and supply them to the primary weaver cooperative societies, private handloom factories and other textile mills.

The present study has been undertaken with the objective of examining the performance of Cannanore Cooperative Spinning Mills Limited, Cannanore, Kerala State.

Methodology

The study related to the Cannanore Cooperative Spinning Mills Limited, Cannanore. Both primary and secondary data were used for the study. Audit reports and other financial statements were used for analysing the performance of the institution. The period of the study is from 1984-85 to 1993-94. An interview schedule was administered to collect opinion from the worker members of the Cannanore Cooperative Spinning Mills Limited. Out of the total 851 worker-members, ten per cent (i.e. 85) has been selected randomly and interviewed. Data so collected is subjected to analysis and interpretation.

Results and Discussion

1. Membership

The membership in CCSM is of three categories—'A' class, 'B' class and 'C' class. 'A' class membership is open to primary weavers cooperative societies their jurisdiction. The subscribers to the 'B' class membership are other cooperative societies and the Government. Individuals and private handloom factories are eligible for subscription to 'C' class membership. The membership position of CCSM shows an increasing trend over the period of time from the year 1984-85 to 1993-94. 'A' class and 'B' class membership shows a very negligible change over the reference period. The membership of 'C' class has increased from 4601 in the year 1984-85 to 6185 in the year 1993-94. The Compound Growth Rate calculated is 3. The remarkable change took place in the year 1990-91. It is mainly because of the enrollment of the new members by the newly elected board.

2. Share Capital

The share capital of CCSM is contributed by the primary weavers cooperative societies, other cooperative societies, Government. Individuals and private handloom factories. Authorised share capital of CCSM is four crores of rupees divided into 40,000 'A' class shares of

rupees 50 each. 4,93,000 'B' class shares of rupees 75 each and 10,250 'C' class shares of rupees 100 each. There was a substantial growth in the share capital in the year 1987-88. This was because of the increase in Government contribution in 'B' class shares.

3. Working Capital

Working capital is an important factor which influences the smooth functioning of the business. It can be seen from the Table I that during the initial period of reference, working capital shows a decreasing trend, because during that period huge amount was given to the workers as lay off compensation due to power shortage and for interest on borrowings. During the later period of reference it is observed that the working capital position has improved significantly.

4. Borrowings

Cannanore Cooperative Spinning Mills mainly borrow from the State Cooperative Bank, and the District Central Cooperative Banks to finance their working capital. During the initial years of reference the CCSM could not full utilise their installed capacity due to power shortage. Production declined considerably and management was compelled to give lay off compensation to the workers. This necessitated borrowing. But it has been repaid and the borrowing position in the year 1993-94 was only Rs. 0.94 lakh.

5. Procurement of Cotton

Cotton used for production of yarn is procured from various Marketing Federations and private suppliers. The major suppliers are the Punjab State Cooperative Marketing Federation Limited, Gujarat State Marketing Federation Limited and Darwad District Cooperative Marketing Federation Limited. The procurement of cotton made by CCSM shows an increasing trend, except in the year 1986-87 and 1987-88. It is mainly because of power shortage and low demand for yarn in the market. It is clear from the table I that the CCSM has procured cotton to the tune of 800.17 lakhs of rupees in the year 1993-94 indicating more than four fold increase over the base year.

6. Production

Cannanore Cooperative Spinning Mills produce yarn of different qualities for various weaving units and for textile mills, by taking into consideration the stock level and the market demand. Two types of

yarn is produced i.e. hank yarn and cone yarn. Now the hank yarn occupies 70 per cent of the total production and the rest 'cone yarn'. The table I shows the value of production of yarn during the period of study. It can be observed that the first half of the period of reference shows the declining trend of production. This is due to low voltage supply and low demand for the yarn in the market. From the year 1988-89 the CCSM show a remarkable success in the production of yarn.

7. Sales

Cannanore Cooperative Spinning Mills directly supply hank yarn to the weaver cooperative societies at a concessional rate. Apart from this, CCSM arranges sales through its three sales depots in Bombay, Coimbatore and Cannanore. Further they also supply yarn to the National Handloom Development Corporation and other State institutions. Value of sales has increased tremendously from Rupees 320 lakhs in the year 1984-85 to rupees 1,285 lakhs in the year 1993-94 with a compound growth rate of 14.93.

8. Surplus

During the initial period of reference CCSM continuously incurred loss due to low demand for cotton yarn and loss accumulated to rupees 346 lakhs till the year 1987-88. This situation has changed since 1988-89 due to the demand for cotton yarn and increased price.

9. Management

In January, 1992 the Government superseded the Board and appointed an Administrative Board having three members viz., Deputes from Industries Department, Managing Director of CCSM and one person from the public. Worker-members' opinion was studied with twenty-two variables. But for the present paper, the opinion related to functioning of CCSM under the new Administrative Board has been taken into consideration. Here the term "functioning" denotes the general administrative competency of the Administrative Board. Among all the respondents, irrespective of their experience, level of satisfaction is to the tune of 58 per cent. The study therefore infer that the nature of management is not a major factor in determining worker satisfaction. It seems that financial soundness of the organisation is more important criterion.

Conclusion

Based on the findings of the study it may be concluded that there was significant growth in all the parameters. After making good the loss the mills earned a remarkable profit margin during the study period. It shows that there is further scope for development. But it is felt that a democratic, participative and professionalised management has to be strengthened. Building up a dedicated team comprising of worker members and professionals is warranted for its survival and growth in the backdrop of new liberalised economy.

TABLE I
Performance of the Cannanore Cooperative Spinning Mills Ltd. from 1984-85 to 1993-94

(Rs. in Lakhs)

Year	MEMBERSHIP			Paid up Share Capital	Working Capital	Borrowings	Value of Procure- ment	Value of Produc- tion	Value of Sales	Profit (or) Loss (—)
	A Class	B Class	C Class							
1984-85	115	229	4601	87.15	35.64	108.16	180.15	225.23	319.51	—33.41
1985-86	117	231	4611	87.35	32.93	157.85	197.97	191.23	298.53	—53.17
1986-87	119	230	4629	87.37	30.71	162.04	128.60	178.84	254.70	—61.74
1987-88	120	230	4659	202.00	29.08	147.38	173.58	167.78	254.10	—64.43
1988-89	121	228	4860	270.06	39.88	166.17	277.06	378.83	432.02	8.62
1989-90	121	130	7870	270.39	56.56	95.79	477.61	436.64	783.40	76.09
1990-91	124	231	6155	271.74	80.08	125.63	531.97	460.90	893.24	71.18
1991-92	124	232	6188	271.69	120.23	80.58	586.34	578.35	1013.75	63.72
1992-93	127	232	6188	301.68	160.78	103.92	771.38	753.97	1171.10	13.88
1993-94	127	230	6185	301.66	197.04	0.94	800.17	743.47	1285.23	63.56
AAG	.997	.04	3	13.22	18.64	—37.78	16.07	12.68	14.93	