



## THE CHALLENGES BEFORE GENERAL CO-OPERATIVE MARKETING SOCIETIES IN KERALA

Sini Raj S\*      Dr.P.S.Devakumar\*\*

\*Research Scholar in Commerce, Kerala University Library and Research Centre, Palayam.

\*\*Assistant Professor of Commerce, Government College for Women, Thiruvananthapuram.

### Abstract

General co-operative marketing societies are organized with the objective of satisfying all the needs of its members. It cannot ignore the socio-economic problems of poor segment of farming community. General co-operative marketing societies have brought developments in the socio-economic conditions among their farmer members. All the defects and problems of general co-operative marketing societies are not new; an attempt should be made by appropriate officials of the Department of Co-operative Marketing Societies to rectify problems, which hamper maximization of social and economic benefits of general co-operative marketing societies as perceived by farmer members. At this juncture it is very essential to study various problems faced by general co-operative marketing societies in Kerala.

**Key words:** Co-operation, Co-operative Marketing Societies, Farmers, Members and Problems.

### Introduction

General Co-operative Marketing Societies deal in the marketing of a large number of commodities produced by the members. They play a major role in processing and marketing of agricultural commodities. Most of the co-operative marketing societies in Kerala are this type. These societies could provide employment to lakhs of people in the rural areas and would create substantial national wealth.

The need for general co-operative marketing societies in today changing business and technological environment is keenly felt in the Indian economy against the background of defects and malpractices existing in the prevailing marketing system encompassing agricultural produce. General co-operative marketing societies offer, the economic gain to producers in terms of better price. Through co-operative marketing both the producer and the consumer are benefitted to a great extent. The consumer can get a product of better quality at a reasonable price while the producer can get high remuneration of his product. General co-operative marketing societies give not only a fair price to the producer and consumer of agricultural goods but also create new employment opportunities among the unemployed youth in rural areas.

General co-operative marketing societies have now diversified their activities to cover new lines of business like production of fertilisers, processing and distribution of agricultural inputs, agricultural outputs and consumer goods, manufacture and distribution of improved agricultural implements, building godowns and warehouses. Diversification activities helped farmers in so many ways. General co-operative marketing societies have professional paid staff for marketing activities. One society manages the agricultural marketing for a number of villages.

### Review of literatures

Important studies related to various problems of co-operative marketing societies are discussed below:

“A Case study of Truchengode Agricultural Producers Co-operative Marketing Society” by Dharmarajan,S. (2003) concluded that the volume of trade both in terms of quantity and volume of commodities is showing a declining trend. This is an alarming situation to the society to improve its business activity. It was observed that the main reason for decrease in business is the departure of cultivation by farmers. Dedicated leadership, active participation of members, support of staff, faith on the philosophy of co-operative, excellent customer services etc. will definitely help to withstand in future and the society may explore further business potentials in agency business and agro processing.

The study entitled “Role of Co-operatives in Marketing of Agricultural Produce in District Banda (Uttar Pradesh)”, Rameshwar Singh, Singh & Singh(1984) , was conducted in block Bisanda, district Banda in the year 1981-82.They concluded that one of the main problems with the Co-operative Marketing Societies is the lack of capital. This may be solved by increasing share capital for which State Co-operative Banks and Reserve Banks should come forwards. Operating of marketing societies on an approachable distance and linking of credit with co-operative marketing societies with the help of a lot of benefiting the farmers in general and small and marginal farmers in particular

In the paper, Mahesh Chand Garg (1994), an effort has been made to make an in depth study of the ” Working Capital Management in Marketing Federation – A Case study of the Rajasthan State Co-operative Marketing Federation Ltd” during the period 1985-86 to 1991-92. Again other investigators namely, Kulwant Singh Pathania& Vijay Kumar Sharma (2001) exposed their research findings through the article titled “Working Capital Management of Himachal Pradesh State Co-



operative Marketing Federation“. Researchers concluded that management of working capital in RAJFED & HIMFED has a large scope for improvement. The problem of working capital in both federations has been surplus investment in various current assets than of inadequacies. The analysis of turn over ratios concludes that the circulation of working capital is not efficient. In financing the working capital, long term source has been used. On the whole, it may be said that the RAJFED & HIMFED have to go a long way to improve its position in the management of working capital.

Through the article “Operational Problems of the Marketing Co-operatives of Jammu & Kashmir State” by Chakuu, O.P. (1983) examined operational problems in the context of technological and non technological. At the technological level it has been suggested that the marketing co-operatives should optimize their ‘Form’ ‘Place’ and ‘Time’ functions so as to achieve economic viability. Concretely, it implies the undertaking of grading and processing activities, creation of storage including cold storage facilities for apples, reduction in transport costs through the improvement in packing material and utilization of rail transport. For the solution of non technological problems, the role of planning as a powerful tool to dynamic and marketing co-operatives has been high lighten. It has been proposed that the marketing co-operatives should adopt the budgeting techniques and rationalize the purchase and sale policies in order to accelerate their efficiency. It has also been recognized that the establishment of ‘Marketing Information and Analyses Centre’ is a pre requisite for the understanding and judicious planning aiming at the minimization or the elimination of the operational problems.

XiangyuGuo, Brian Henahan, and Todd Schmit (2007), conducted a study on the topic “Rural Supply and Marketing Co-operatives in China: Historical Development, Problems and Reform”. They described the historical development and performance of Supply and Marketing Co-operatives (SMCs) is linked to various reform periods. Three reform periods are identified and discussed including, 1949-1957, 1958-1981, and 1982-2007. The description about their study findings are, SMCs suffered a loss of focus on members as well as member control during several periods of reform and experienced declining financial performance during the most recent reform period. Market share for farm purchasing and marketing declined from 36% in 1954 to only 2% in 2006. A historically heavy debt load increased to more than 20 billion yuan in 1995 resulting in interest payment burdens for many SMCs. In aggregate, SMCs in China experienced financial losses for eight consecutive years from 1992 to 2000, peaking in 1997 with losses of 70.2 billion yuan. Rate of return on investment (ROI) declined from 25% during the vigorous and healthy development period in 1949 to only 10% by 1957. ROI continued dropping from 8% to 5% during the period from 1958 to 1981, and declined to further to only 4 % from 1982 to 1988. A number of factors related to this decline are presented including: ineffective reforms, lack of accountability and transparency, limited focus on member needs, a negative image for cooperatives, and poor understanding of contemporary cooperative management and governance practices.

Another study, “Performance of HOPCOMS, Karnataka – An Economic Evaluation” by Devaraja, T.S. (2000) analysed financial performance of the society. For effective analysis, the total operating period of 38 years have been divided into four phases from 1958-59 to 1995-96. The result revealed that Horticultural Producers Co-operative Marketing and Processing Society Ltd (HOPCOMS), has gone through frequent critical and unfavorable financial stresses during its operational period of 38 years but the overall average profitability showed that the HOPCOMS is in a position to make 9.5 percent profit. Although it is by no means a good achievement compared to the profit oriented corporate sector.

### **Statement of the problem**

There are quite many general co-operative marketing societies which exist only on paper and do not undertaking any marketing activities. All the defects and problems of co-operative marketing societies are not new; an attempt should made appropriate officials of the Department of Co-operative Marketing Societies to rectify problems, which hamper maximization of social and economic benefits of co-operative marketing societies as perceived by farmer members. It is, therefore, essential that these general co-operative marketing societies develop at a faster with right lines.

**Objectives of the study:** The main objective of the study is to identify problems faced by general co-operative marketing societies in Kerala.

**Hypothesis of the study:** Hypothesis formulated to test the above objective is there exist significant differences in the level problems faced by general co-operative marketing societies in Kerala.

### **Methodology of the study**

The present study covers 107 sample general co-operative marketing societies. Both primary data and secondary data were collected for the purpose. The analysis of the data has been done with the help of SPSS version 23. Descriptive analysis like average, standard deviation, frequency and percentage distribution are used for summarizing data. After descriptive analysis has been carried out, the tools of inferential statistics like t-test and multiple classification analysis were used to test hypothesis formulated for the study.



### Profile of the Societies

According to the objectives of the study, the focal point of investigation is the general co-operative marketing societies. For a close examination of the societies, audit classification, experience, depots, staff, membership strength and type of products are taken in to consideration. In this section brief profiles of selected general co-operative marketing societies are narrated.

**Table No. 1 Distribution of Societies by Their Characteristics**

Characteristics		n	%
Class	A Class	12	11.21
	B Class	33	30.84
	C Class	62	57.94
Experience	Up to 20 years	61	57.01
	21-40 years	27	25.23
	Above 40 years	19	17.86
Size	Small size	39	36.45
	Medium size	32	29.91
	Large size	36	33.64
Membership Strength	Up to 1500	37	34.58
	1501-3000	38	35.51
	Above 3000	32	29.91
Type of products	Agricultural	59	55.14
	Non agricultural	10	9.35
	Both	38	35.51
Total		107	100.00

Source: Survey data

Out of 107 General Co-operative Marketing Societies selected for detailed investigation, 12 societies (11.21 per cent) come under A Class category, 33 societies (30.84 per cent) come under B Class category and 62 societies (57.94 per cent) come under C Class category.

It was observed from the table that 57.01 percent of societies have up to 20 years of experience, 25.23 percent of societies have 21-40 years of experience and 17.76 percent of societies have above 40 years of experience. Thus, the result clearly indicates that majority of societies come under up to 20 years of experience category.

From the above table it is observed that, the percentage level of number of societies comes under small size, medium size and large size is 36.45 per cent, 29.91 per cent and 33.64 per cent respectively. Majority of them (36.45 percent) comes under small size category.

Table. 1 indicates both the frequency and the percentages of responses for each category of the variable membership strength. The analysis shows that out of a sample of 107 respondents, 34.58 per cent of societies come under below 1500 membership strength category while it was 35.51 percent in 1501-3000 category. The membership strength above 3000 have 29.91 percent of societies.

From the above table it was observed that, 55.14 per cent of societies deal agricultural goods only, 9.35 per cent of societies deal non-agricultural goods and 35.51 per cent of societies deal both agricultural and non agricultural goods.

Problems faced by general co-operative marketing societies Problems of general co-operative marketing societies are varying from one another. Problems of general co-operative marketing societies are attributable to the financial problems, operational problems, personnel problems and miscellaneous problems.



**Table No. 2 Problems of General Co-Operative Marketing Societies**

Problems	Mean	SD	t	Sig.
<b>Financial problems</b>				
Inadequate working capital	4.95	0.21	95.283	0.00
Lower share capital contribution from members	4.92	0.28	71.068	0.00
Misuse of funds	3.96	1.06	9.364	0.00
<b>Operational problems</b>				
Procurement restricted to certain crops	4.92	0.28	71.068	0.00
Scarcity of agricultural inputs	4.22	0.8	15.74	0.00
Absence of processing facilities	4.59	0.71	23.046	0.00
<b>Personnel problems</b>				
Disloyalty of staff towards the society	4.58	0.64	25.337	0.00
Inadequate staff	3.86	0.87	10.181	0.00
Limited membership strength	4.78	0.48	38.115	0.00
<b>Miscellaneous problems</b>				
Defective location	4.39	0.83	17.297	0.00
Lack of inter tier integration	4.85	0.36	53.424	0.00

Source: Survey data

It is observed from the table that general co-operative marketing societies are facing all the problems in above average level. It is highest in inadequate working capital and lowest in inadequate staff. The 't' test result indicates that there is significant difference in the opinion regarding the problem faced by general co-operative marketing societies.

**Table No. 3 PCA of Problems**

Problems	PCA
Inadequate working capital	0.057
Lower share capital contribution from members	0.065
Misuse of funds	0.108
Procurement restricted to certain crops	0.104
Scarcity of agricultural inputs	0.060
Absence of processing facilities	0.112
Disloyalty of staff towards the society	0.139
Inadequate staff	0.097



Limited membership strength	0.097
Defective location	0.052
Lack of inter tier integration	0.109

Source: Survey data

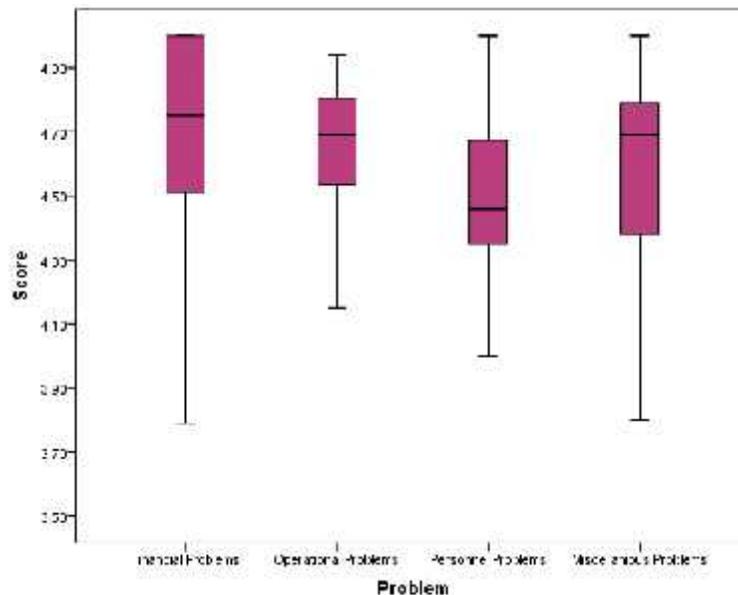
In order to compute the composite variables representing problems of the general co-operative marketing societies, weights for each component were estimated using principle component analysis and the result is given in the above table. From the table it can be seen that according to the Secretaries of general co-operative marketing societies, disloyalty of staff towards the society is the most important problem faced by general co-operative marketing society as the weight computed by PCA is the highest (0.139), followed by absence of processing facilities (0.112), lack of inter tier integration(0.109), misuse of funds(108), procurement restricted to certain crops (104), limited membership strength(0.097), inadequate staff (0.097), lower share capital contribution from members (0.065), scarcity of agricultural inputs(0.060), inadequate working capital(0.57) and defective location(0.52).

**Table No. 4 Descriptive Statistics of Problems**

Statistics	Value	Test for mean	
		t	Sig.
Mean	4.64	72.538	0.000
Median	4.69		
Mode	4.88		
SD	0.23		
Skewness	-1.32		
Kurtosis	2.25		

Source: Survey data

From table it can be seen that the mean opinion score of the composite variable representing financial problems is 4.64 and its corresponding standard deviation and mode is 0.23 and 4.88 respectively. The value of median of the score is 4.69 as that of mean indicating -1.32 skewness of the distribution.



**Figure No. 1 Boxplots Representing the Mean Opinion Score of Secretaries About Extent of Problems of General Co-Operative Marketing Societies**



Figure No. 1 presents the box plots representing the mean opinion score of secretaries about extent of problems of general co-operative marketing societies. From the figure it can be seen that all the box plots starts from 3.70 level indicating that all the secretaries have the opinion that there exists financial problems, operational problems, personnel problems and miscellaneous problems above average level. The box plot representing operational problems starts from above 4.10 level and the length of the box plot is comparatively smaller which indicates the existence of high level of operational problems and is more consistent among the general co-operative marketing societies. The lengths of the box plot of financial problems and miscellaneous problems are comparatively longer indicating the heterogeneity of the level of these problems among general co-operative marketing societies. The length of the lower whisker of the box plot representing financial problems is the highest and there is no upper whisker in the plot which indicates that there are higher number of general co-operative marketing society with high level of financial problems. The median lines of operational problems and miscellaneous problems are found to shift towards higher values and the upper whiskers are comparatively smaller than respective lower whiskers indicating that the opinion scores about the extent of these problems are skewed towards higher values indicating higher proportion of general co-operative marketing societies with high level of operational problems and miscellaneous problems. Even though personal problems are higher among the societies the proportion of societies with comparatively lower personnel problems is more than that of societies with higher personnel problems as the median line of the box plot is found to be shifted towards lower values.

**Table No. 5. PCA of Problems of General Co-Operative Marketing Societies**

Problems	PCA
Financial Problems	0.090
Operational Problems	0.401
Personnel Problems	0.361
Miscellaneous Problems	0.148

Source: survey data

In order to compute the composite variables representing various problems of the general co-operative marketing societies, weights for each components were estimated using principle component analysis and the result is given in table x. From the table it can be seen that according to the Secretaries of general co-operative marketing societies, operational problems are the most important problem faced by general co-operative marketing society as the weight computed by PCA is the highest (0.401), followed by personnel problems (0.361), miscellaneous problems (0.148) and financial problems (0.090).

**Table No. 6 Descriptive Statistics of Problems**

Statistics	Value	Test for mean	
		t	Sig.
Mean	4.57	78.812	0.000
Median	4.60		
Mode	3.64		
SD	0.21		
Minimum	3.64		
Maximum	4.97		

Source: survey data

From table 6 it can be seen that the mean opinion score of the composite variable representing miscellaneous problems is 4.57 and its corresponding standard deviation and mode is 0.21 and 3.64 respectively. The value of median of the score is 4.60. The minimum and maximum range of the problem is 3.64 and 4.97 respectively.

In order to find out the difference in the intensity of problems faced by general co-operative marketing societies in Kerala, multiple classification analysis (MCA) was conducted. The main purpose of MCA is to find out the variation in the intensity of problems among the three classes of co-operative marketing societies such as A Class, B Class and C Class after controlling the effect of experience, size, membership strength and types of products.



**Table No. 7 MCA Table for the Variation of Intensity of Problems With Respect To the Characteristics of General Co-Operative Marketing Societies**

Characteristics		N	Predicted Mean			
			Unadjusted		Adjusted	
			Mean	R	Mean	R
Class				0.317		0.281
	A Class	12	4.51		4.52	
	B Class	33	4.49		4.50	
	C Class	62	4.63		4.62	
Experience				0.192		0.078
	Up to 20 years	61	4.54		4.56	
	21-40 years	27	4.62		4.60	
	Above 40 years	19	4.61		4.57	
Size				0.200		0.146
	Small size	39	4.60		4.59	
	Medium size	32	4.60		4.60	
	Large size	36	4.51		4.53	
Membership Strength				0.107		0.089
	Up to 1500	37	4.60		4.57	
	1501-3000	38	4.57		4.59	
	Above 3000	32	4.54		4.55	
Type of products				0.097		0.133
	Agricultural	59	4.59		4.59	
	Non agricultural	10	4.57		4.59	
	Both	38	4.54		4.53	
Full model						0.384

Source: survey data

From the table it can be seen that, the unadjusted mean scores of intensity of problems for C class is 4.63 and it is 4.49 for B Class and 4.51 for A Class. From the result it can be inferred that the problems are lowest in B Class and highest in C Class. The level of problem is found to be intermediate in A Class. The levels of problems in the three classes of general co-operative marketing societies are found to be similar when measured by adjusted mean scores with very minute deviations in its magnitude. The adjusted mean score of A Class and B Class increased 0.01 from their unadjusted scores and the adjusted mean score of C Class decreased 0.01 from the corresponding unadjusted scores. Further the difference in the unadjusted and adjusted R values is also very small, equal to 0.036. From the result it can be seen that the effect of Class on the problem is slightly dependent on other characteristics such as experience, size, membership and type of products. The power of determinations of Type of Class also minor variation when the effect of other characteristics is controlled. As the adjusted R value is lower than unadjusted R values, it can be inferred that controlling of the effect of experience, size, membership strength and type of products diminished the power of determination of class.

The determination power of all other characteristics except type of products diminishes when the effect of other variables are controlled as the adjusted R values are lower than unadjusted R values. But in the case of type of products adjusted R values higher than unadjusted R values. The result indicates that the effect of other characteristics increases the determination power of experience, size and membership strength and decreases that of type of products.



**Table No. 8 ANOVA Table of Hierarchical Method for the Variation of Intensity of Problems With Respect To the Characteristics of General Co-Operative Marketing Societies**

		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Main Effects	(Combined)	0.666	10	0.067	1.664	0.101
	Class	0.452	2	0.226	5.647	0.005
	Experience	0.035	2	0.017	0.437	0.647
	Size	0.076	2	0.038	0.953	0.389
	Membership Strength	0.026	2	0.013	0.328	0.721
	Type of products	0.076	2	0.038	0.953	0.389
Model		0.666	10	0.067	1.664	0.101
Residual		3.842	96	0.04		
Total		4.508	106	0.043		

Source: survey data

Table 8 presents ANOVA Table of Hierarchical Method for the variation of intensity of problems with respect to the characteristics of general co-operative marketing societies. From the table it can be seen that the intensity of problems is significantly different for different classes of the general co-operative marketing societies as the significance level of F values is less than 0.05. The significant levels of F values of other characteristics are greater than 0.05. The result indicates that when the effect of other characteristics of controlled, the variations in the intensity of problems is seen among different classes of general co-operative marketing societies. It means that there exist significant differences in the intensity of problems faced by general co-operative marketing societies in Kerala with respect to their class.

### Testing of Hypothesis

In order to find out the difference in the intensity of problems faced by general co-operative marketing societies in Kerala, multiple classification analysis (MCA) was conducted. From the result it can be seen that the effect of Class on the problem is slightly dependent on other characteristics such as experience, size, membership and type of products. The power of determinations of Type of Class also minor variation when the effect of other characteristics is controlled. As the adjusted R value is lower than unadjusted R values, it can be inferred that controlling of the effect of experience, size, membership strength and type of products diminished the power of determination of class. The result indicates that when the effect of other characteristics of controlled, the variations in the intensity of problems is seen among different classes of general co-operative marketing societies. It means that there exist significant differences in the intensity of problems faced by general co-operative marketing societies in Kerala with respect to their class. Hence, the result rejects the null hypothesis that there exist no significant differences in the level of problems faced by general co-operative marketing societies in Kerala and accepts the alternative hypothesis that there exist significant differences in the level problems faced by general co-operative marketing societies in Kerala.

### Conclusion

General co-operative marketing societies are organized with the objective of satisfying all the needs of its members, it cannot afford to ignore the socio-economic problems and needs of the prosperity of poor segment of farming community in which it operates. All the defects and problems of co-operative marketing societies are not new; an attempt should made appropriate officials of the Department of Co-operative Marketing Societies to rectify problems, which hamper maximization of social and economic benefits of co-operative marketing societies as perceived by farmer members. The result indicates that when the effect of other characteristics of controlled, the variations in the intensity of problems is seen among different classes of general co-operative marketing societies. It means that there exist significant differences in the intensity of problems faced by general co-operative marketing societies in Kerala with respect to their class.

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