



Analytical Study on Sustainability of Cooperative Stores in Maharashtra

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ABSTRACT

Consumer Cooperative Stores in Maharashtra are a significant constituent of the retail market segment. That's why this study attempts to look into the financial position of the Cooperative stores and understand their viability in the near future. It examines the operational efficiency and managerial skills of the cooperatives to drive their sustainable operation. It also seeks to verify the extent of capital investment in cooperatives and the role of technology and modernization for their sustainability in the long run. In this study the dataset comprises different growth parameters over the first 20 years of the 21st century ranging from 2001 to 2020 for the prominent Tier 2 to Tier 6 cities of the state of Maharashtra. The study takes note of three parameters to analyse the sustainability of cooperative stores in Maharashtra- Profitability, Efficiency, Gross Investment. It has been observed that the cooperatives have been riding on a steady profit for the first decade of the 21st century. Highest profit has been achieved in the years of 2013-14, touching almost 6% on annual basis. However, post-2017, the net profit margin has been on a decline and the lowest profit is accounted for 1.2% in 2020. This can be explained by the recessionary pressure caused by the global pandemic situation. Also, the Turnover ratio has been steady rise year-on-year, indicating that the cooperative stores have been successfully turned their stock of inventory into sales. However, Post-2017 periods have marked by some declining trend caused by the demand deadlocks of the cooperatives driven by digital inclination of consumers and also the supply shortage of replenishing stocks out of the pandemic situation. The Gross Capital addition in terms of fixed asset has all along been declining over the years and it has reached almost a stagnant stage in the later years of study. It can be interpreted that even though Cooperative stores keep on maintaining steady profitability and operational efficiency, they suffer from a serious issues of declining capital investment. This sector needs an urgent capital addition either in terms of crowdfunding or institutional credit infusion. Cooperative stores face a great challenge from E-commerce site and digital grocery outlets in the context of consumers' priority towards convenience and time efficiency. To sustain in this scenario, cooperative stores can embrace technology to build a digital portfolio of their stocks and facilitate door-to-door delivery of the customers on demand. Cooperative stores have traditionally had an edge in terms of cheap or affordable price of the products. However, they need to overhaul their marketing strategies to compete with the supermarkets and E-commerce site. Advertising, Campaigning, slash discounting on marked price, freebies can be some ways to augment their sales and marketability.

Keywords: Cooperative, Operational Efficiency, Profit Margin, Gross Investment, not-for-profit, sustainability.

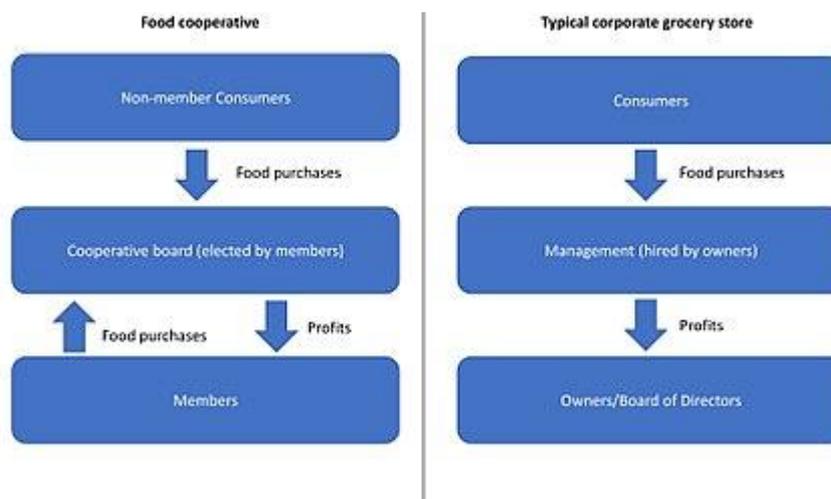


1. INTRODUCTION

Cooperative markets are the economic model that basically runs for not-for-profit or at a minimal profit to provide quality products to its member at an affordable rate. The consumer themselves generally owns cooperative stores. They also jointly manage the business and divide the profit proportionately that has been accrued from the normal course of operation. The Cooperative stores purchase bulk commodities and sell a smaller proportion of them to its member customers at a cheaper rate.

Cooperative stores have some unique features. We are a voluntary arrangement for its member-consumers to participate with either cash or credit contribution. The consumers are liable for only the extent of the contribution they have made to the cooperative. The price of the products is generally fixed in advance. The organizational setup is Democratic in nature with his customer having a single port irrespective of their contribution. Such stores have very limited coverage which is confined to its member-consumers themselves and the operating cost like administrative, marketing and advertising costs are comparatively lower for the cooperatives. That's why they enjoy a good Economics of scale.

The cooperative stores are generally registered with the Registrar of Cooperative Societies, which audits and supervises the financial and operating performances of these cooperatives. These stores often suffer from the lack of skilled manager and professional salespersons. The employees are decided by the managing board run by the consumer shareholders. However, such a model benefits a larger section of the society and caters to their needs in an equitable manner.



Source: Internet



The state of Maharashtra houses one of the largest number of cooperative stores in India. As per the Economic survey of Maharashtra 2020-21, Maharashtra 127 wholesale consumer stores as well as 1601 primary consumer stores as on 31st March, 2020. The wholesale stores provide commodities to primary consumer stores operating at the rural area.

2. REVIEW OF LITERATURE

Baviskar and Attwood (1990) highlighted the reason behind the flourishing of Cooperative marketing societies in western India. They viewed that the business mindset and collaborative approach of western communities have resulted in a successful endeavor and economic prosperity of the cooperatives for a long time span. Cooperative federations once built for mutual benefit have by time emerged as profit making market model in the western part of India.

Datta, S.K. and S. Kapoor (1996) have propounded that proper leadership and efficient management play a key role in sustaining the cooperatives. Not only the resources and funds but also the success of the co-operatives depends on how well the human resources are managed And how efficient the system is run. They have given importance to a proper code of conduct and discipline of the managing system for the smooth operation of cooperatives.

Seetharaman, S.P. and N. Mohanan (1986) have advocated that cooperative societies should have a steady profitable business for their very survival. Just like other businesses, the Co-operatives also need a pragmatic market model to overcome the fixed and operating costs and also to maintain the lower price they should ensure a proper demand-supply mechanism. The issues of cost and profit should always be in focus for the good health of cooperatives.

Singh D.V. (1990) focuses on the production and marketing of Agricultural cooperatives in rural India. The agricultural cooperatives should properly market their products to ascertain the minimum price maintaining their sales margin. The smaller cooperatives should be aligned with the larger wholesale market to sustain their demand for their products and secure an ever-increasing consumer base.

Kumar, B.L. (1990) has pressed on the skilling and training of the members to properly manage the cooperative and proper channelization of their resources for the betterment of the Cooperative as a whole. Members should manage the business in an economic manner aiming towards long-term viability besides aspiring for short-term goals. The elementary hindrances should be removed at the earliest and expedite the operation with collective effort. Furthermore, members need to be empowered enough to read the market sentiment and price the products accordingly.



3. RESEARCH GAP

The study referred to so far has put the managerial and operational issues in the spotlight for the sustainability of the co-operatives. Proper financial planning and proper marketing techniques added with the need for dynamic changes have not been discussed yet for The upliftment of the cooperatives. Also, there is a scope to revisit the extent to which economies of scale and operational efficiencies are actualized in the Consumer Cooperative concerned.

Sustainability in terms of operational aspects only doesn't depict the entire picture. So there is a need to widen the view to analyze the possible factors underpinning the sustainability of consumer cooperative stores.

4. RELEVANCE OF THE STUDY

The state of Maharashtra has all along been the economic hub of India with a massive prowess of secondary and tertiary sectors with profit-making business models. However, a sizeable population of the state are engaged in agriculture and non-agriculture sectors like MSMEs and retail trade. Apart from the large-scale industries and their concerns, the small businesses and the small retail segment like Consumer Cooperative Stores draw sufficient attention given their very presence and contribution to the economy. So a study with respect to their sustainability is a valid context.

5. OBJECTIVES OF THE STUDY

1. To look into the financial position of the Cooperative stores and understand their viability in the near future.
2. To examine the operational efficiency and managerial soundness of the cooperatives to drive their sustainable operation.
3. To verify the extent of capital investment in cooperatives and the role of technology and modernization for their sustainability in the long run.
4. To suggest measures to be taken with respect to their strategy and growth prospect to bolster their sustainability further.

6. RESEARCH METHODOLOGY

6.1 Data Frame

The data used for the purpose of this study is mainly derived from the report of state govt. ministry. Additionally, some journals and research papers have been referred as to augment the data frame. It is a composite data arrived after sorting and compiling from the raw dataset with a periodic continuous scale.

The data comprises different growth parameters over the first 20 years of the 21st century ranging from 2001 to 2020 for the prominent Tier 2 to Tier 6 cities of the state of Maharashtra.

6.2 Research Design

The study takes note of three parameters to analyse the sustainability of cooperative stores in Maharashtra.

- Profitability- measured in terms on Net sales margin. In ratio terms, it is given as Net Profit divided by Sales.
- Efficiency- measured in terms of Stock Turnover Ratio, which comes out from dividing Annual Turnover by average Stock of Inventory.
- Gross Investment- measured in terms of annual capital expenditure to enhance the size and capacity.

The annual growth statistics of the concerned parameters are analysed year-on-year basis to chalk out key sustainability issues of the Cooperative stores.

7. DATA ANALYSIS

7.1 Sustainability in terms of Profitability



Although, by principle, cooperative stores operate not-for-profit or at a minimal profit margin, the above data depicts that the cooperatives have been riding on a steady profit for the first decade of the 21st century. Highest profit has been achieved in the years of 2013-14, touching almost 6% on annual basis.

However, post-2017, the net profit margin has been on a decline and the lowest profit is accounted for 1.2% in 2020. This can be explained by the recessionary pressure caused by the global pandemic situation. Besides the extraordinary shock affecting the 2020 profit margin, the downfall in profit post-2017 can be substantiated by the proliferation on E-commerce sites and digital grocery outlets and increased shift of consumers toward the convenience of direct-to-home delivery out from the traditional edge of cheaper cooperative products.

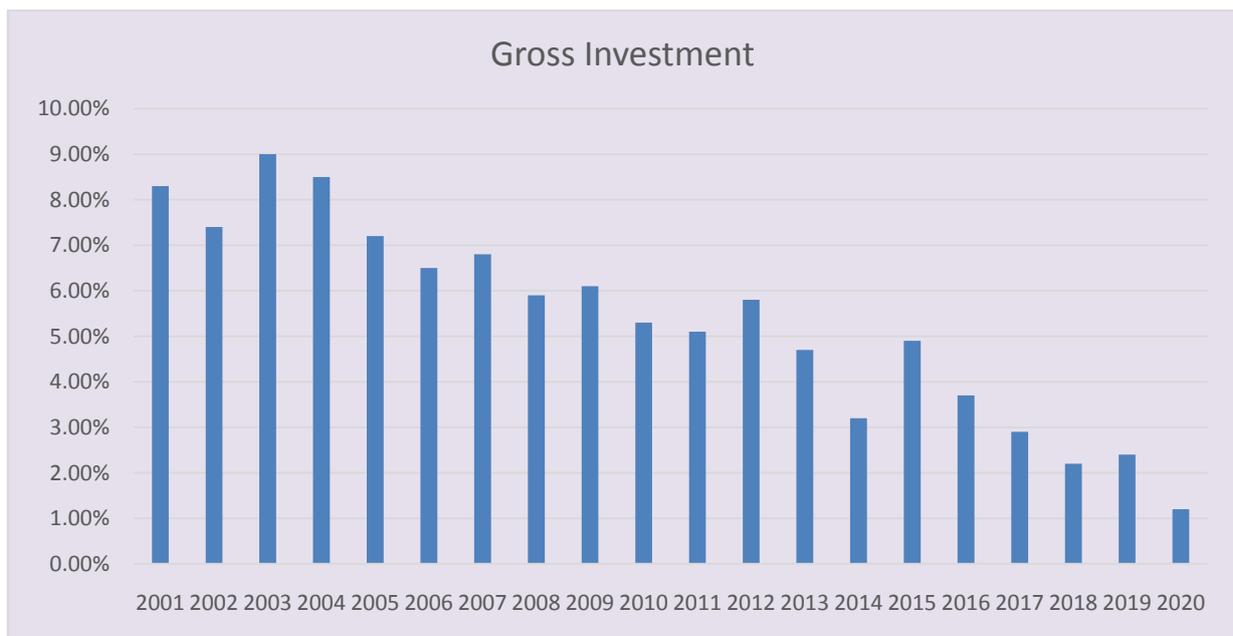
7.2 Sustainability in terms of Efficiency



The Turnover ratio has been steady rise year-on-year, indicating that the cooperative stores have been successfully turned their stock of inventory into sales. This depicts the efficient utilization of stocks and the rolling nature of cooperative business model.

However, Post-2017 periods have marked by some declining trend caused by the demand deadlocks of the cooperatives driven by digital inclination of consumers and also the supply shortage of replenishing stocks out of the pandemic situation.

7.2 Sustainability in terms of Gross Investment





The Gross Capital addition in terms of fixed asset has all along been declining over the years and it has reached almost a stagnant stage in the later years of study. This has been an alarming factor for the sustainability as the cooperative stores lack capital investment in both capacity enhancement and technological upgradation.

The absence of technological upgradation and marketing tactics have caught them behind of the digital grocery stores and E-commerce sites in the recent changed dynamics of consumer sectors. Such a stagnancy poses a real threat for the long-term viability of the cooperative stores.

8. CONCLUSION & SUGGESTIONS

Summarising the findings of the study, some important conclusion and follow-on suggestion have been worked out which needs to be reviewed for the sustainable operation of the Cooperative stores in Maharashtra.

- Though Cooperative stores keep on maintaining steady profitability and operational efficiency, they suffer from a serious issues of declining capital investment. This sector needs an urgent capital addition either in terms of crowdfunding or institutional credit infusion.
- Cooperative stores face a great challenge from E-commerce site and digital grocery outlets in the context of consumers' priority towards convenience and time efficiency. To sustain in this scenario, cooperative stores can embrace technology to build a digital portfolio of their stocks and facilitate door-to-door delivery of the customers on demand.
- Cooperative stores have traditionally had an edge in terms of cheap or affordable price of the products. However, they need to overhaul their marketing strategies to compete with the supermarkets and E-commerce site. Advertising, Campaigning, slash discounting on marked price, freebies can be some ways to augment their sales and marketability.
- Cooperative stores need to diversify their products portfolio from merely consumer durables and grocery products towards electronics, appliances and others.

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