



# INDIAN COOPERATIVE REVIEW

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The objectives of the Union are : to promote and develop the Cooperative Movement in India: to educate, guide and assist the people in their effort to build and expand the Cooperative Sector, and to serve as an exponent of cooperative opinion.

In furtherance of these objectives, the Union undertakes the programmes of cooperative member education, training of cooperative employees, research and evaluation of important cooperative problems, convening of National Cooperative Congress and Seminars, Publication of Literature and Journals and the task of representing the Indian Cooperative Movement in the National and International spheres.

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## RESEARCH PAPERS INVITED

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*INDIAN COOPERATIVE REVIEW publishes articles having a bearing on current topics and problems of the Cooperative Movement. The authors, suggest solutions from their own point of view. The views contained in the articles are, therefore, the views of the authors themselves and do not necessarily reflect the policy of the National Cooperative Union of India. Views opposite to those contained in the articles published in the Journal would be welcomed for publication.—Editor*

# Can Worker Cooperatives Help Industry Turn-around?

V.N. BABU\* & T. PARANJOTHI\*\*

The Coffee House was established in 1957-58 in a bid to accommodate workers expelled from Indian Coffee Board. All over the country, Indian Coffee House is run in the same style and it maintains the same standards.

Formerly, Indian coffee was almost entirely exported. Very little was consumed within the country. The export market completely collapsed on account of the World War II. The coffee planters panicked. The only way out was to popularize coffee within the country. The British opened Coffee Houses all over the country in order to encourage the beverage among the natives. That's how the first Coffee House were established in Bombay and Hyderabad during the year 1936. The Indian Coffee Promotion Board was established in 1940, which was reconstituted in 1944 as Indian Coffee Board. By 1948, there were 48 coffee houses, one coffee van, three depots which altogether employed 1500 employees. "The coffee house employees did not have any justifiable scale of pay. After working long hours, they often had to do odd jobs for the top officers of the Board", said Mr. N .S. Parameswaran Pillai who took the initiative of rehabilitating employees who were dismissed. In 1956, the Plantation Enquiry Commission report recommended the closing down of all the coffee houses and retrenching all employees. The commission said that the objective of popularizing coffee had already been achieved. Com. A K Gopalan, MP protested but could not prevail upon the government to revoke the decision. He suggested that the coffee houses should be run by the employees themselves as cooperatives. In January 1958, the first Coffee Board Workers' Cooperative Society was registered at Bangalore. It was N S Parameswaran Pillai who led the movement in Kerala. Two units were registered in Thrissur and

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Talassery in 1958. Two units were necessary because rules that apply to cooperatives were not uniform within the State of Kerala. During the year 1972 head office of Talassery unit was shifted to Kannur.

### Federal structure

A cooperative society named as All India Coffee Workers' Cooperative Societies Federation Limited coordinates all the ICH across India. In the wake of the formation of Coffee Workers' Cooperative Societies in most of the Indian states by the ex-employees of the Coffee Board, it was of common interest and a matter of necessity to have an All-India Body to co-ordinate the activities of the coffee workers' societies and also to formulate a joint committee to voice the problems faced by them. It was expected that the federation will tackle problems common to all societies and the it could also serve as a common forum where representatives from all the primary societies could meet, exchange views and learn from each other's experiences. The Federation also supplies raw coffee seeds to the member societies. It plays a vital role in the coffee worker cooperative movement at the national level. The present study has a focus on the prospects of worker cooperatives to help industry. The turn-around, is confined to Kannur Unit of Indian Coffee House.

### Indian Coffee Workers Cooperative Society Ltd. No. 4317. Kannur (ICWCS)

ICWCS was established in the year 1958. The area of operation covers Palakkad, Malappuram, Kozhikodu, Kannur, Kasaragod and Wayanad districts of Kerala State. The Kannur unit of Indian Coffee House was established with the following objectives (Bye law of ICH, Kannur).

1. To impart cooperative culture so that self-sufficiency and economy can be achieved among members.
2. To give employment opportunities to those workers who had been laid off from the Indian Coffee Board in hotel and other allied industries.
3. To deal in the business of coffee beans.
4. To undertake business connected with hotel such as dairy, bakery and confectionary.
5. To assist the workers of Indian Coffee House through bulk purchases of their requirements and providing them the required quantity of such goods.
6. To act as an agent of coffee board and to negotiate with the government.
7. To procure working capital funds in the form of deposits, share

capital and borrowings and use these funds for the development of the society

8. To provide different types of loans to members
9. To procure and distribute the daily necessities of life to members and staff of the society.

For corporate employers, obligations to shareholders means a never-ending search for lower costs, and that often means employees are shunted aside. The situation in a cooperative is different because the

Table 1  
Growth and Development of the Society during the period 2013-14 to 2016-17

S.N	Particulars	2013 - 14	2014 - 15	2015 - 16	2016 - 17
1	Membership	539	585	564	625
2	Paid-up Share capital	5.23	5.75	27.28	48.56
3	Establishment & contingencies on total income %	34	20.33	15.44	33.33
4	Working Capital	136.77	138.55	5856.52	206.65
5	Sales	4732.29	5063.77	5706.47	5939.92
6	Audit classification	A	A	A	A
7	Opening Stock	10.82	10.95	14.39	20.57
8	Purchases	2090.32	2221.64	2508.24	2565.25
9	Trade charges	703.35	725.38	728.16	773.31
10	Wages and Benefits	1829.5	1843.86	2130.89	2248.71
11	Closing stock	10.95	14.39	20.57	18.10
12	Trade Income	2.12	1.9	3.08	2.20
13	Gross Profit	111.36	278.23	348.43	352.28
14	Total direct Income	4734.41	5065.67	5709.55	5942.12
15	Material consumed	2090.19	2218.20	2502.06	2567.72

(Table Contn....)

(Table Contn....)

16	Cost of goods sold	4623.04	4787.44	5361.05	5589.74
17	Interest received & receivable	20.47	26.51	26.18	25.73
18	Miscellaneous income	28.31	26.63	25.48	22.28
19	Reserves & provisions released	209.46	13.63	9.46	43.27
20	Total Indirect Income	258.24	66.77	61.12	91.28
21	Total Income	4992.65	5132.44	5770.67	6033.40
22	Interest paid & payable	0.04	0.12	0.27	22.17
23	Contingencies	20.86	29.4	21.21	89.95
24	Depreciation	30.62	38.78	39.92	31.55
25	Reserve for land recoupment	8.00	8.00	8.00	8.00
26	Reserve for deficit stock	1.36	00	00	00
27	Reserve for adjusting heads	0.03		0.10	0.09
28	Loss in the sale of movable assets	0.38	0.37	1.66	0.70
	Reserve for building Construction	100.00	100.00	151.67	11.67
29	Total own expenses	161.29	176.67	222.83	164.13
30	Establishment expenses	33.65	37.98	40.58	43.48
31	Reserve for employee bonus	1.62	1.53	2.30	57.75
32	Reserve for leave salary	8.68	8.36	32.44	42.08
33	Reserve for uniform	5.00	00	00	00
	Interest rebate	6.59	8.61	8.58	8.58
34	Reserve for DA Arrear	18.10	00	00	110.41
35	Employee cost	39.99	56.48	83.90	262.30
	Income Tax paid	70.11	62.66	72.30	00
36	Reserve for Income tax	20.00	20.00	00	00
37	Tax total	90.11	82.66	72.30	00
38	Net profit	44.52	29.17	30.52	17.19
39	Contribution	111.37	278.23	348.5	352.38

(Table Contn....)

(Table Contn....)

40	Total income	4992.65	5132.44	5770.67	6033.40
41	Total fixed cost	291.33	315.81	379.03	426.43
42	BEB <sup>1</sup>	1483.405	4593.97 <sub>9</sub>	5264.14 <sub>3</sub>	5738.39
43	Safety margin	70.28	10.49	8.77	4.88
44	Per Rupee Income Distribution <sup>2</sup>				
45	Material consumed	2793.54 (55.95)	2943.58 (57.98)	3230.22 (55.98)	3359.13 (55.68)
46	Wages and Benefits	1829.5 (36.64)	1843.86 (35.93)	2130.89 (36.93)	2248.71 (37.27)
47	Total society's expenses	161.29 (3.23)	176.67 (3.44)	222.83 (3.86)	164.13 (2.72)
48	Employee cost	39.99 (0.80)	56.48 (1.10)	83.90 (1.45)	232.30 (4.35)
49	Tax total	90.11 (1.80)	82.66 (1.61)	72.30 (1.25)	00
50	Margin	1.58%	0.57%	0.53%	0.59%

Note: Figures in parentheses are percentage to total income  
Source: Annual reports of ICWCS Ltd.No.4317

<sup>1</sup> Break Even Business excluding Establishment Expenditure  
<sup>2</sup> Per Rupee Income Distribution Presented in the Chart.

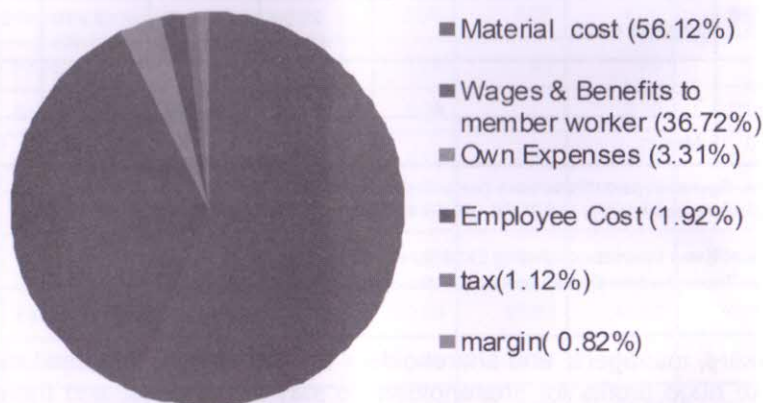
workers, managers, and shareholders are the same. They don't need to make huge profits for shareholders to stay in business, and there's no pressure to keep wages low. Cooperatives also have the advantage of needing only modest amount of capital to get started. Members can pool their skills and resources which enable the workers to reap more benefits and have a stronger voice in their workplace.

The above discussion clearly brings out the ultimate objective of a worker cooperative. The data of ICWCS clearly communicates that the society adheres to all norms prescribed for a worker cooperative. An analysis into the spread of income to different expenses and notional costs of the society reveals that 38.63 percent of total income is taken by the employees who incidentally are the members of the society. The employee benefits are in the form of

- (a) Salary
- (b) Bonus

- (c) gratuity
- (d) EPF
- (e) Pension
- (f) Leave salary
- (g) Health Care /Medi claim
- (h) Washing allowance
- (i) Off-duty allowance
- (j) Incentives
- (k) Interest rebate

### Per Rupee Income Distribution



The employee/worker benefits in ICWCS are highest in the industry. The member user concept is really practiced by the society in its true spirit. The entire functions carried out falls in line with the cooperative identity statement of ICA. The economic needs are met by the society in a relentless manner. All employee benefits ensure the socio-economic protection to the members. Employees' high morale plays a crucial role in achieving the customer delight by ICHs in the country.

ICHs are the icons of maintaining the quality persistently. All the material for the preparation of dishes shall have to be purchased by the purchasing committee of each unit and periodical inspection and supervision will be done by the head office. The purchase committee attached to each unit is very effective. The purchase committee includes the waiters, who

directly interact with ultimate consumers/customers. The feedback from customers on real time basis is an indicator for purchasing genuine items from the market. It is a matter of policy that all sorts of powders required for the dishes shall be produced by each unit. Readymade powder packets should not be purchased for the preparations, which are the potent source of adulteration. The efforts of ICWCS to maintain the quality reminds us the principle adopted by the Rochdale Pioneers. Pioneers in their consumer business uncompromisingly adopted the principle of 'Supply of pure and unadulterated goods'. This is one of the reasons for the sustainability of Rochdale Pioneers in the cooperative movement. ICH crossed all the milestones by observing the cooperative identity.

### Safety Margin

The break even business of the society was analyzed for the last four years. The safety margin is very low which a potent source of internal weakness. If the reserves and provisions reduce considerably, a comfortable safety margin can be achieved. An accounting and tax management policy is required for the organization. This policy will have to ensure more benefits to the employees and improve the net-worth position of the organization. Much of the reserves and provisions are not helpful to reduce the tax liability. Releasing of reserves created in the yester years in the credit side of the profit and loss account will attract more tax liability.

### Share Capital –Pros and Cons

ICWCS, Kannur recently enhanced share capital by allotting more number of shares to the existing members. The inflow of funds in the form of share capital is utilized for bank deposit and advancing loans and advances to members. The interest generated from bank deposit and loans and advances increases income, simultaneously the tax liability is also increased. The members will benefit by getting dividend subject to a maximum of 25 per cent of their share capital. The negative side of mobilizing more shares capital is that there will not be any capital appreciation as the society needs to follow the provisions of Cooperative Societies Act and Rules. The members will get dividend only when the society earns disposable profit. In order to provide 25 per cent dividend more profit has to be earned which will attract tax liability.

The alternative method shall be planned and implemented in a judicious manner. The collection of hybrid debt capital from members at CASA rate would be one of the methods which will benefit members as well as the society. More incentives must be given to members and the same may be collected towards hybrid deposit to be repaid at the time of retirement. This will reduce the tax liability.

### **Sale of Coffee Powder**

The sale of coffee powder by the units is negligible while considering their total sales turn over. In this respect the support to coffee industry by the society is not commendable. The standards set by the ICH will be beneficial to the regular and floating population who are using the services.

Indian Prime Minister Narendra Modi took everyone by surprise by dropping in at the iconic Indian Coffee House in Shimla's Mall Road, while on the way to Annandale helipad after the oath-taking ceremony of Himachal Pradesh's new Chief Minister. Modi was met with by a huge crowd of locals and tourists, who greeted him and cheered him on, as he enjoyed his coffee. "In Shimla, relished coffee at the Indian Coffee House and reminisced old days. The coffee tastes as good as it did two decades ago, when I would frequently visit Himachal for party work," the Indian PM later wrote in a Twitter post "This is the intrinsic value of ICH which is created by the workers cooperatives over a period of half century. The case of ICH demonstrates that workers can join together and form themselves as a cooperative instead of depending on others for employment.

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