

An Evaluation of the Business Performance of Fishery Cooperative Societies in Vasai Taluka of Thane District, Maharashtra

SMITHA R. NAIR, S.K. PANDEY, ARPITA SHARMA & SHYAM S. SALIM*

Abstract

Fishery cooperative movement is considered to be the most effective way to develop the fishery industry and improve the standards of living of the poor fishermen. It is also viewed that fishery cooperatives could spare from the exploitation and improve their socio-economic conditions. Efforts made in this direction have yielded goods results in some areas, but the overall picture of fishery cooperatives is not encouraging. It is therefore required to strengthen fishery cooperatives and revitalise their activities. There is a need to create an economically viable, technically sound and professionally managed fishery cooperative which should be capable of

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providing genuine support to fishers. The present study is conducted in Vasai taluka of Thane district, Maharashtra to evaluate the performance and their role in fishery cooperatives in terms of their business activities. Ratio analysis technique was used to evaluate the business performance of primary fishery cooperatives of Vasai taluka. Result showed that gross profit ratio and operating ratio of majority of societies are unsatisfactory whereas net profit ratio and efficiency ratio are satisfactory in most of the cases.

Introduction

Fishermen community in India is amongst the weakest sections of the community. Illiteracy, poverty, and lack of knowledge of latest technologies are major contributing factors to their retarding socio-economic growth. This vicious circle is further strengthened by lack of institutional support both in infrastructure and finance. Consequently, middlemen who act as money lenders/traders subject fishermen to exploitation. Fishermen discovered that the cooperatives could save them from the exploitation and improve their socio-economic conditions.

The fishery cooperatives have made impressive progress particularly after introduction of Five Year Plans. There had been tremendous growth in establishment of different levels of cooperative societies in India. The most common structure of fishery cooperatives in different states of India is three tier, starting from primary cooperatives at village level, central federations of district/regional level, apex federation at state level and FISHCOPFED at national level (Mishra, 1997). Presently, there are one National level federation, 17 state level federations, 108 central level federations and 12,427 primary fishery societies functioning throughout India (Tewary, 2000).

While the coverage of cooperatives has been quite encouraging because of governmental support, there are very few well organized and managed cooperative units in this field. Efforts made in establishing cooperative societies have yielded good results in some areas but the overall picture of fishery cooperative societies in throughout India is not encouraging (Prakash, 2000). A major cause of collapse of cooperative movement in fisheries is the absence of effective management (Annamalai, 1996).

In the present era of competitive economy, the concept of management has gained predominance. Therefore the emphasis has been on self-reliance and ability to compete, resource mobilisation, professional management, trained and strong workforce, access to indigenous marketing channels as well as global market and effective financial management. Professional management would ensure higher level of productivity, bringing

* Central Institute of Fisheries Education (Deemed University, ICAR) Versova, Mumbai - 400061

about a higher rate of economic growth and higher standards of living for the fishermen.

In view of the above facts, an attempt has been made to evaluate the performance of primary fishery cooperatives and also to identify the constraints that are affecting to their business activities. The objectives of the study are as follows :

- to evaluate functioning of fishery cooperatives in Vasai taluka.
- to examine the financial performance of fishery cooperatives.
- to find out the constraints involved in the management and operation of societies

Methodology

The study was conducted among eight fishery cooperatives of 11 existing primary cooperative societies in Vasai taluka of Thane district. Quantitative data were collected from these societies with the help of a structured interview schedule and referring to last 3 years (2000-01 to 2002-03) financial. Ratio technique was used to study financial performance of fishery cooperatives.

Ratio analysis is the process of determining and interpreting numerical relationship based on financial statements. Profitability ratio measures overall performance and profit earning capacity of business. They reveal total effect of business transaction on profit position of the enterprise and efficiency of firm as a whole. The following ratio have been used for the evaluation of business performance of societies :

- Gross Profit Ratio (GPR) shows the relationship between the gross profit and net sales and is generally expressed in percentage.

$$\text{GPR} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

- Operating Ratio (OR) is calculated by dividing the total operating expenses by net sales and is expressed as percentage. Total operating expenses include all costs except financing costs and income tax. This is the most general measure of operating efficiency and is important to management in judging its operations.

$$\text{OR} = \frac{\text{Total Operating Expenses}}{\text{Net Sales}} \times 100$$

- Net-Profit Ratio (NPR) is determined by relating the net income after taxes to the net sales for the period and measure the profit per rupee of sales. This percentage in conjunction with the operating ratio throws light on the importance of organisation's non-operating activities.

$$\text{NPR} = \frac{\text{Net profit}}{\text{Net sales}} \times 100$$

- The efficiency of operation of an enterprise can be judged by Efficiency Ratio (ER) by relating total sales and final inventory at the end of the year. The ratio is calculated as :

$$\text{ER} = \frac{\text{Total sales}}{\text{Ending inventory}}$$

Garrett ranking technique was used to analyse the constraints faced by the fishery cooperative in Thane district. The respondents were asked to rank the factors that are limiting the performance of societies. viz, availability of resources, lack of organisational skill and know how, lack of training, lack of fund, dominance of middlemen, lack of cooperation among members. The order of the merit given by the respondents was changed into ranks using the following formula :

$$\text{Percent position} = \frac{100 \times (\text{R}_{ij} - 0.50)}{N_j}$$

Where R_{ij} = Rank given for the i th item by j individual

N_j = Number of items ranked by j th individual

The percent position of each rank was converted into sores by referring tables given by Garrett and Woodsworth (1969).

Details of activities and functioning of cooperatives and constraints facing were collected through interviews with the chairmen, secretaries, and members of these cooperatives and analysed the same.

Results and Discussion

Fish and Fisheries of Vasai taluka :

Vasai is a well developed and a prominent marine fishing center in Thane district of Maharashtra located 50 Km. away from Mumbai on the western railway. The shore length of the taluka extends from Naigoan to

Arnala and Fort. There are seven fishermen villages in the taluka. According to the Census Report of Department of Fisheries, Government of Maharashtra, 1997, the population of active fishermen is reported to be 5007. There are 735 motorized boats in Vasai taluka.

The main gears operating in this area are gill nets, and dol nets. The main fishery of Vasai taluka is Kav fishery and operated up to a depth of 10-20 fathoms from Bombay high to Jafrabad. The important species caught in Vasai zone are Bombay duck, shrimps, ancheviella, dracons and catfishes.

Vasai zone with a production of 32,643 tonnes had contributed to the tune of about 32 percent of the total marine fish landing of Thane district in 1995-96, which has come down to about 9,943 tonnes by the year 2002-03. This decline is mainly due to overexploitation of fish and loss of fish stock due to increasing pollution level in the area. Though, Vasai being a coastal taluka is dominated by marine fishery, fish culture practices are also followed in brackishwater and freshwater areas. The available brackish water area in the taluka is 988 ha. off which 75 percent area used for farming. Shrimp farming is mainly carried out in these brackishwater areas. There are about 130 village ponds in Vasai taluka. The main species cultured are catla, rohu, and mrigal.

Fishery Cooperatives in Vasai taluka :

There are 11 primary fishermen cooperative societies in Vasai taluka, off which 8 have been selected for present study. All surveyed societies are actively engaged in marine fishing and other allied activities and their names are as follows :

1. Vasai Macchimar Sarvodaya Sahakari Sanstha Ltd.
2. Vasai Sahakari Koli Macchimar Sahakari Sanstha Ltd.
3. Vasai Taluka Macchimar Sahakari Sangh Ltd.
4. Naigaov Macchimar Vividh Karyakari Sahakari Sanstha Ltd.
5. Kochivada Macchimar Vividh Karyakari Sahakari Sanstha Ltd.
6. Arnala Macchimar Vividh Karyakari Sahakari Sanstha Ltd.
7. The Arnala Fishermen Sarvodaya Sahakari Society Ltd.
8. Daisarang Macchimar Sarvodaya Sahakari Sanstha Ltd.

Functions of Fishery Cooperatives :

The primary fishery cooperatives in Vasai play a very important

role in fulfilling the needs of fishermen. These primary societies are affiliated to the Central Society, Thane Zilla Macchimar Madhyavarti Sahakari Sangh Ltd, Palghar, Thane. It serves as liaison between primaries and apex body, 'Maharashtra Rajya Macchimar Sahakari Sangh Ltd.', which is situated in Mumbai. The district level federations as well as primary societies are affiliated to the apex society. The main functions of the primary societies in Thane district are as follows :

1. Coordination and lending of credit facilities from various institutions - These societies procure the credit from National Cooperative Development Corporation (NCDC) and Thane District Central Cooperative Bank located at Palghar and Satpati. Societies recover loans from members' catch proceeds.
2. Transport, marketing, and storage of fish - Most of the studied societies have ice plant and cold storage facilities for the storage of fish. Marketing of fish is expected to be an important activity of such societies and majority of the surveyed societies are engaged in marketing. One society namely 'Vasai Taluka Macchimar Sahakari Sangh Ltd.' is engaged fully in marketing.
3. Supply of ice, diesel, rope, and other fishery requisites - Majority of societies have undertaken supply of nylon twine, ropes, nets, diesel, oil etc., engine spare parts, and other fishery requisites at subsidised rates to the fishermen.
4. Supply of consumption items through shops - Most of the societies are supplying consumption items through their gain shops.
5. Arranging training - These societies are arranging fishermen training for a period of six months for their members every year from Fisheries Training Center located at Vasai. The board members and staff usually get management training from Cooperative Training Institutes, Pune.
6. Insurance for boats and life and help from Distress Relief Fund - Considering the risk and uncertainty involved in this sector, there are number of schemes providing assistance to fishermen in case of any eventuality. The important one is the Centrally Sponsored Group Accident Scheme formulated by National Federation of Fishermen's Cooperatives Ltd. (FISHCOPFED). Central government and State government contribute in premium paid by individual fishermen.
7. Supply of marginal profit to member fishermen - Every year profit making societies are expected to give dividend to their members out of the net profit earned. The dividend ranges from 12-15% of the net profit. Out of the eight societies surveyed except one, all are running in profit.

8. Welfare and charitable services - Most of the societies are spending money for welfare and charitable services like education, marriages, building etc. for common use out of the net profit earned in each financial year.

Ratio Analysis :

1. Gross-Profit Ratio (GPR)

The ratio is of vital importance for evaluation of business results. A profit of at least 9 percent of net sales is considered to be ideal range. The average gross profit ratio of last 3 years of 5 societies is found to be above 9 percent. While remaining five societies GPR is less than 9 percent. The study found that for majority of societies gross profit ratio is far below than the ideal norms. This indicates that low profit margin for the societies. The gross profit can be increased either by reducing the costs of goods sold or by increasing sales. For better financial management the societies ought to have improved its financial position significantly to enhance its financial strength.

2. Operating Ratio (OR)

This is the most general measure of operating efficiency and important for management in judging its operations. Operating ratio ranging between 75-85 percent is considered to be ideal. The study reveals that none of the societies comes under the accepted norm of 75-85 percent. The costs of goods sold plus expenses are more than sales or nearer to sales in all the societies. The high ratio for all most all the societies in the last 3 years shows lower operational efficiency. Therefore, due attention should be given to change this business situation into favourable one. The management should be given to change this business situation into favorable one. The management should take proper steps to control or eliminate wasteful expenditure in future to strengthen its operational efficiency.

3. Net Profit Ratio (NPR)

It is determined by relating the net income after taxes to the net sales and measures the profit per rupee of sales. This percentage in conjunction with the operating ratio throws light on the importance of an organisation's non-operating activities. A net-profit ratio ranging from 0.5-1.0 is considered to be ideal. It is found that out of 8 societies studied, no societies come within the ideal range of 0.5-1.0 percent. The ratio was negative for one society, namely 'Vasai Taluka Macchimar Sahakari Sangh Ltd.' which indicates that the society is running in losses. For other seven societies the ratios are above one which indicates a satisfactory picture as far as the net profit ratio is considered.

4. Efficiency Ratio (ER)

The efficiency of operation of an enterprise can be judged by relating its total sales and final inventory at the end of the financial year. The efficiency ratio is expected to be in between 9-12 times of the ending inventor. The following table indicates the efficiency ratio of surveyed societies.

Table - 1

Efficiency Ratio (Average of last 3 years)

Sl. No.	Efficiency Ratio (%)	Number of Societies
1.	Less than 9	1
2.	9 - 12	2
3.	Above 12	4
4.	Total	7

For four primary fishermen societies the ratio is above 12, off which two societies come under the ideal norm of 9-12 percent. Here the sample size for study is 7 as one society 'Vasai Taluka Macchimar Sahakari Sangh Ltd.' reported no inventory for last 3 years, primarily being a marketing society. Thus except one society the ratio is favourable to all the surveyed societies.

Constraint Analysis

There are number of factors responsible for poor performance of the majority of fisheries cooperatives societies in India. Garrett's ranking technique has been used to analyse the constraints faced by the fishermen cooperatives in Vasai taluka. The following table shows major constraints faced by the marine societies in the order of priority.

Table 2

Constraints Experienced by the Fishermen Cooperatives in Vasai Taluka

Sl. No.	Constraints	Score	Rank
1.	Lack of resources/infrastructure facilities	67	1
2.	Dominance of middlemen	62	2
3.	Lack of training	52	3
4.	Availability of fund	51	4
5.	Lack of organizational skill and know-how	42	5
6.	Lack of cooperation among members	31	6

The study revealed that the major problem affecting the societies is the lack of resources mainly less catch from the sea and lack of infrastructure facilities. This is mainly due to trawling operation in the coastal waters by mechanized vessels. The second problem as reported by members of the societies is the involvement of middlemen in marketing. The middlemen act as money lenders/traders and take their fish catch at very low rate that. The inadequate amount of credit, problems of preservation, transport and marketing have increased the influence of middlemen and eventually make the fishermen indebtedness.

The third major problem is the lack of proper training especially to board members and staff members. This is mainly due to the lack of awareness of the board members and staff about the need for training and lack of collaborative relation with cooperative training institutions. The fourth major constraint is reported to be the availability of finance. Inadequate institutional finance has been hindering the effective performance of fishery cooperatives. This is mainly due to lack of coordination between financial institutions and cooperative organizations.

The fifth problem as faced by the cooperatives is the lack of organizational skill and know-how. This is mainly because of lack of experienced personnel having skill in management, supervision, accounting, auditing, record keeping etc. Lack of cooperation among members ranked as last (6th) among all listed problems.

In view of above results and discussion, it is therefore required to take necessary steps to improve the functioning and business performance of fishermen cooperative societies. In order to provide sincere support to fishermen and to develop fisheries sector, it is essential to organize technologically feasible and professionally managed fisheries cooperative societies.

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