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SELECTIVE SURVEY OF COOPERATIVES: CHARACTERISTICS OF THE MAIN  
FINANCIAL-ECONOMIC INDICES OF THE ACTIVITY  
OF COOPERATIVES\*

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### I. Information Basis of Survey.

Scientific publications and articles on social and political affairs in the press on the subject of cooperation, as a rule, are based on either on the data regarding development of cooperation on the whole, or on the examples of individual cooperatives. It is no mere chance, that the results obtained on this basis are often contradictory and acquire too biased and generalized character. Various types of sociological studies elucidating certain aspects of the cooperative movement have become wide-spread of late. While admitting in principle the great importance of the study of public opinion, the results of anonymous public-opinion polls should be treated with a certain degree of criticism. In particular, for example, the conclusion made on the basis of questionnaire of cooperatives concerning the fact that the extract of profits is not among the stimulating motives of their activity, is quite doubtful.

Another problem with the information basis for the survey of cooperation is connected with the unreliability of the data of the State Committee of the USSR for Statistics. The matter is

that there is a considerable deviation in the data between the statistical and financial reports. Thus, in Voronezh region, by the 1st April, 1989 the statistical bodies registered 932 cooperatives or 37% less than the figure stated by the financial bodies; the number of acting cooperatives according to statistics reached 399 whereas there were submitted 905 declarations of cooperatives to the financial bodies; the statistics on employment were 50% understated. At the same time, the volume of production of cooperatives was overstated by 18%. If out of all the links of the state management, the financial bodies are expected to have most close contacts with cooperatives, it is just their data that should be regarded as most true to life. Hence it follows that the actual analysis of cooperation can be carried out basing only on the data of financial bodies.

The materials of selective survey of cooperatives on the basis of the data of the financial bodies served as information basis for the present survey.

Total there were spread about 500 questionnaire forms. 181 filled-in forms returned to the Institute. 11 of them could not be used in the studies for various reasons. Thus, as the initial information basis there were 170 forms on the activity of cooperatives including 66 cooperatives in Moscow, 36 - in Kiev, and 10 - in other towns of the Russian Federation, and Ukraine.

Methods of mathematical statistics were applied for the assesment of the representativeness of the information available. As additional means of verification, the average results of survey in Moscow were compared with the data of the Moscow City

Financial Board concerning the activity of cooperatives in 1938. Both methods have proved the reliability of the information used.

2. Types of Activities of Cooperatives.

Basing on the main direction of work the group of 170 cooperatives comprises 11 types.

1. Consumer goods - 29.

Besides, separately:

- |  |      |
|--|------|
| 2. Production of garments and shoe-wear                    | - 10 |
| 3. Manufacture of accessories                              | - 5  |
| 4. Consumer services                                       | - 37 |
| 5. Medical and sanitation services                         | - 6  |
| 6. Cultural and artistic services                          | - 6  |
| 7. Public catering establishments                          | - 28 |
| 8. Designing-constructing and repair-construction services | - 21 |
| 9. Scientific-production activity                          | - 11 |
| 10. Commercial-purchasing activity                         | - 11 |
| 11. Collection and processing of recycled resources        | - 6  |

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Total: 170 cooperatives.

Despite the fact that this survey cannot be used for the analysis of dynamics of development of certain types of activity, nevertheless, it indirectly characterizes this process. Thus, if out of 6 cooperatives for procurement and processing of the recycled resources stated in the survey there is only one which was established in 1938, among medical cooperatives this fact occurred 5 times out of 6. In scientific-production cooperatives - 2 out of 11, and as regards commercial-purchasing cooperatives - they all were established in 1938. Such a shift in cooperative

movement is the result not only of the deepening of the new principles of economic management, but also of certain difficulties in acquisition of material and technical resources for production purposes. Consequently, reorganization of the system of material and technical supplies, extension of wholesale trade can become an important economic lever of influence on the branch structure of cooperation.

### 3. Conditions characterising the process of formation of cooperatives.

Analysis of the time period which elapses from the moment of registration of cooperative up to the beginning of its activity, proves that, in the average, this time period covers about one month and a half and its duration does not depend on the type of cooperative. Absolute records are set here by medical and purchasing cooperatives: 0,5 and 2,5 months respectively. But there are also cooperatives in which this period of time reached 6 - 10 months. On the whole, it was reduced in 1988 by approximately one week as compared to that in 1987. As regards territorial principle, the data obtained by us prove that cooperatives in Kiev start working twice as quicker than cooperatives in Moscow.

An important feature of formation of cooperatives is the process of their "propagation". As the survey materials show, 5 - 7% of cooperatives are detached from other cooperatives. For the time being, such level of "self-formation" in cooperation should be regarded as quite normal. However, in future this process may be artificially stimulated by the policy of granting privilege to the new cooperatives. It is necessary to foresee possible negative consequences of such policy (for example, the deviation of cooperative as a means of evasion from payment of taxes) and to

provide for such cases in legislation.

#### 4. Employment in Cooperation

For analysis of employment there were taken two indices: the average number of workers per one cooperative, and classification of all those employed into members of cooperative and people working under labour contracts.

On the whole, basing on selective survey, there are 42 workers in one cooperative, 12 of them are members of cooperative and 30 - work under labour contracts.

As regards territorial aspect these data are as follows:

	Number of workers in 1 cooperative	including: members of cooperative	under labour contracts
Moscow	48	10	38
Kiev	41	18	23
other towns	38	11	27

The average value of the indices in question as per cooperatives of various status (attached to enterprises or independent) do not show considerable differentiation. In the cooperatives attached to enterprises there are 43 workers in the average, including 11 members of cooperative and 32 - under labour contracts. In independent cooperatives there are 37 workers= 10+27 respectively. The highest differentiation is observed in Moscow.

The analysis of employment in cooperatives according to their types of activities enables us to make conclusions regarding the use of hired labour in cooperatives of various types. First, in all types of cooperatives the number of hired workers exceeds the number of members of cooperative. From the original materials of the survey it is clear that the inverse ratio is observed only

in a few cooperatives. Further, if in a cooperative producing garments and footwear there are 12 hired worker per every 10 members of cooperative, in cooperatives processing recycled resources - 15 hired workers, in cooperatives for accessoried - this index reached 39, in scientific-production cooperatives - 61.

The development of this process is connected with the influence of a great number of various conditions of economic and administrative character, and it is extremely difficult to forecast it, but the following model might be suggested. On the stage of extensive growth of cooperation the ratio in question will keep its stability and may even decrease. But with the cooperative sector getting stronger and with the intensive factors inevitably joining in, the laws on concentration of capital and hired labour will enter into force, which will lead to the increase of the share of hired workers in the total number of cooperators. In the conditions of free market, the introduction of joint-stock forms is an ideal prerequisite to expedite this process.

#### 5. General Economic Conditions of Activity of Cooperatives

In this section the subject of study will be the sources of raw materials, sale prices and consumers.

The state enterprises occupy the main place among the consumers of cooperative production. Despite the fact that over 30% of cooperatives sell their production to the population, only 42% of the whole production of cooperatives is the share that is consumed by population. It must be also pointed out that the volume of inter-cooperative trade is quite small and unimportant. Only 7% of cooperatives supply their production to other cooperatives



taking into consideration the supply of raw materials. The general structure of sale of cooperative production is as follows: 56% of cooperatives deliver their production to the state enterprises, 7% - to other cooperatives, 32% - to the population ( the amount exceeds 100% as many cooperatives have more than one channel of sale).

Comparing consumers of production of cooperatives of various status, it can be noticed that independent cooperatives have a much wider range of consumers, and the general structure of sales is the following (%):

Production is sold by	to the state enterprises	to other cooperatives	to the population
Cooperatives attached to enterprises	59	8	20
Independent cooperatives	49	3	69

Although a cooperative may have various consumers, there is no variety in the price range: as a rule, the cooperative uses only one price - the state price or contract prices. Over 90% of cooperatives sell their production at contract prices, 10% - use the state prices. It is interesting, that on the whole there is practically no difference in the types of prices between the cooperatives attached to enterprises and independent cooperatives: they all use both types of prices in close proportions.

The analysis of prices depending on the orientation branch of cooperatives proves that most often the state prices are applied in the production of consumer goods, in consumer services and in design-construction sector. In this survey there is not a single

cooperative making garments or working in the sphere of cultural and artistic services, or trade-purchasing cooperatives which would use the state prices.

In the structure of sources of supply of raw materials the absolute priority belongs to the retail sale. Over 50% of cooperatives use these sources. The share of obtaining raw materials from customers and population is also high. Their own production and inter-cooperative deliveries of raw materials are of minor importance. But these trends along with the development of the wholesale trade seem to be most preferable sources of supplies for cooperatives. Production wastes are not widely used by cooperatives either, although it is very well known that it is just in this particular field of the national economy the losses are very high. In this sector cooperation might be an important factor of increasing complex processing raw materials. The factor of complex production in the national economy should become one of the most significant for stimulating cooperation.

Cooperatives for production of consumer goods obtain raw materials in the wholesale and retail trade, they also use production wastes. Consumer service cooperatives have a big share of purchases in the retail sales. Among other peculiarities of obtaining raw materials by cooperatives of various trends it must be pointed out that purchasing cooperatives as well as public catering cooperative establishments apply to the population for obtaining raw materials much more often than others, whereas construction and scientific-production cooperatives have raw materials supplied by customers.

The basic production assets are also an important economic indicator of cooperation. Unfortunately, in connection with not ample data it is impossible to obtain rather reliable information on this question directly from the questionnaire forms. But we shall try to evaluate the assets of cooperatives indirectly, through the amount of depreciation charges. If we presume that the depreciable value is proportionate to the basic assets available in cooperative, and if we suppose that the coefficient of proportionality is for example 5%, then we can calculate the amount of the depreciable value. Of course, this evaluation will be quite approximate (as the accounting is far from being faultless, the depreciation standards are different, etc), but still it can give us a certain idea of the amount and structure of the funds. The calculations are made only on the basis of those cooperatives which indicate their depreciation charges in declarations. As only half of cooperatives have depreciation charges (we shall dwell on this subject later), the results obtained in the average under all cooperatives should be regarded as half of this figure.

One cooperative, in the average, has the basic assets in the sum of 40 thou.rbls. The scientific-production cooperatives, cooperatives for production of consumer goods and public catering cooperatives have the highest assets. Whereas the assets of cooperatives for consumer services, medical and cultural services, as well as trade-purchasing cooperatives, are lower than the average.

The basic assets of cooperatives attached to enterprises and the assets of independent cooperatives are approximately the same. In the territorial aspect, considerable funds are used by cooperatives in Kiev.

## 6. Financial Indices of Work of Cooperatives

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As the survey has proved, gross income of one cooperative in 1988 was 144,1 thou.rbls. and namely: in Moscow - 180,8 (for comparison - as per data of Moscow City Financial Board - 160,5 thou.rbls), in Kiev - 112,3 , in other towns - 131,4 thou.rbls. The difference in the volume of production of cooperatives attached to enterprises and independent ones, proved to be very small (2,7 thou.rbls).

The largest cooperatives, in the average, are design-construction cooperatives (321 thou.rbls), and accessories cooperatives (232,8 thou.rbls.). The average amount of income is considerably influenced by the territorial peculiarities. For example, if in Moscow the average income of a cooperative for recycled resources was 323 thou.rbls., in Kiev - gross income of cooperative of this trend was 5 times less (61,3 thou.rbls.).

The percentage of expenditures in gross income of cooperatives is 32,2%. In Moscow it is for example 35,7 whereas in Kiev - 30,2%. In independent cooperatives this index is one and a half times higher than in cooperatives established to enterprises, which is explained by higher expenditures of the independent cooperatives under all expenditure items, except repayment of credit. In the framework of the present study this interesting circumstance cannot find a proper explanation.

Minimum share of expenditure in the gross income (10,3%) is in medical cooperatives, maximum - in cooperatives of public catering (59,5%).

The study of declarations submitted by cooperatives has proved that approximately 10% of cooperatives have no expenditures on raw materials. Mostly they are cooperatives working in the field of trade, purchase, public health service and culture. Among other types of expenditures stated in declarations the following are most often encountered: payment for the services of other organizations - 89% cooperatives, transport charges - 79%, social insurance fees - 66%. Less than half of cooperatives pay depreciation charges, interest on credit and make charity donations.

Although with difficulty but one still can imagine that there may be cooperatives working without transport and depreciation charges, but the fact that social insurance fees are missing indicates not only to the shocking state of accounting, but also to the absence of proper control over the activity of cooperatives. Chaos in book-keeping stimulates swindling and concealment of incomes, and thus will place honest businessmen in an unfavourable light and discredit the idea on the whole.

The introduction of new regulations for accounting and the improved declaration form will scarcely help. Without proper control they will still remain an evidence of good intention. Today we pin our hopes on setting up taxation inspection, and everything must be done in order to make its work efficient. In this connection it should be realized that economic responsibility should be strict and mutual: the issue of a senseless document - sabotage, and evasion of tax payment - pilferage.

From the point of view of economic-statistical analysis, the problem of tax payment in cooperation is of no interest, as in 1922 the income tax from cooperatives was firstly egalitarian,

and secondly, symbolical. In general, the taxation of cooperation is connected with settlement of two main tasks: income control and working out justified system of tax rates. The first task can not be settled in any other way but administratively, bureaucratically. The second one - should have an economic settlement. The reconstructive character of the present stage of economic development and the necessity of integrated approach to its reconstruction will determine, on the one part, sequential, well thought-out, unhurried improvement of the tax system, as the strict tax regulations can not be in advance adjusted to the future economic system, and on the other part - uniform taxation in all sectors of economy, which at present means that tax from cooperatives is bent for distributing proportions which are forming in the state sector.

The income which the cooperatives have available after payment of the income tax is distributed as follows: 71,3% - for remuneration of labour, 15,4% - into the fund of development of cooperative, 2,7% - for repayment of bank credit, 2,6% - for insurance fund and 3,0% of the income remain not distributed. The lowest percentage of remuneration of labour in the income is typical for cooperatives in Moscow (68,1%), Moscow cooperatives more often use credits and invest bigger amounts of money into the insurance fund and leave them undistributed. Most probably, these peculiarities are connected with the fact that in Moscow, as it has already been stated, there are comparatively more independent cooperatives, the risk of their work is higher. Along with that, 15% of Moscow cooperatives do not invest the funds into development of production.

The investments into the fund of development of cooperative are made by 94% of cooperatives attached to enterprises, and only 74% of the independent cooperatives. The first category of cooperatives also has a higher average investment (15,2 against 12,1 thou.rbls.).

The peculiarities of income distribution branchwise can be observed on the basis of the following data. In the average, 90% of cooperatives make investments into the fund of development. Out of those cooperatives studied in this survey there are only construction cooperatives without exception, that are using the funds for development. Close to them there are cooperatives for production of consumer goods. The cooperatives for consumer and cultural services least of all trouble about their extension.

The investments into the fund of development may serve as an index of one of the most important processes in the cooperative sector - process of accumulation. In the previous section of this study we estimated the value of the basic assets of cooperatives. When comparing it with the investment for development, one can have an idea of the extensive reproduction of cooperation.

On the whole, the process of accumulation is going on very intensively, although unevenly. Some types of activity have evidently passed already the primary stage of concentration of capitals, but still continue to accumulate them at a high pace. Those, which lack behind in establishing material basis, demonstrate really fantastic activity of accumulation.

The share of wages in net income is especially high in the cooperatives for consumer service, making garments and footwear, procurement and processing recycled resources, but it does not

mean that these cooperatives have the highest individual wages. In general, the analysis of wages and distribution of incomes in cooperatives raises up more questions rather than clarifies the situation. How, for example can be explained the existence of cooperatives the members of which receive 30-40 roubles monthly for years? Does it in fact illustrate that people need to display initiative and independence, or is it a case of swindle?

In all types of activities there are cooperatives with high and quite moderate incomes. There are certain cooperatives in which the wage of cooperators is less than that of hired workers. Most often such cooperatives work in the field of making garments or public catering. Besides, due to this fact, they have the lowest average correlation between the wages of members of cooperatives and those working under contracts. On the whole, on the basis of the survey, this correlation is 2,5 i.e. the average income of the member of cooperative is 2,5 times higher than that of hired worker. For garment production cooperatives it is 1,3, and for accessories - 4,5. There is every reason to believe that this index directly depends on the level of individual income: the higher is the income, the bigger is the gap between the wages in various categories of cooperators.