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CHAPTER IV

ROLE OF CONSUMERS' CO-OPERATIVES IN THE INDIAN CO-OPERATIVE MOVEMENT

1. MEANING

A Consumers' Co-operative Store is a voluntary organisation of consumers, organised to obtain their requirements of consumer goods and services on terms of greatest advantage to them. Modern consumers' Co-operative Stores have been established on the principles of Rochdale Pioneers.

2. OBJECTIVES

These stores have the following objectives:

- a. To serve the members and customers by supplying household consumption goods required by them at their doorsteps.
- b. To provide the consumer goods of good quality at a reasonable price and protect the interest of members.
- c. To stabilise the price line and check the exploitation by the private investment.

3. TYPES OF CONSUMERS' CO-OPERATIVE STORES

The following are the types of consumers' co-operative stores.

- a) Primary consumers' stores

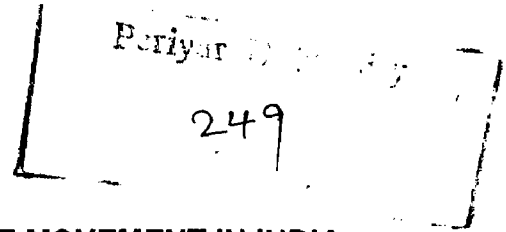
- b) Super Bazaars
- c) Wholesale consumers' stores
- d) State consumers' co-operative Federations
- e) National consumers' co-operative Federation.

4. FUNCTIONS AND OPERATIONS

- a. To protect consumers from the exploitation of private businessmen like inferior goods, overcharged prices, less weight and adulteration.
- b. To freeze the price line at its level and try to bring it down.
- c. To extend customer services like dental clinics, medical advice, tailoring, banking and postal services.
- d. Propaganda on unfair trade practices, done by businessmen.
- e. To supply household consumer goods to consumers at reasonable price in good quality.
- f. To supply controlled goods like sugar, kerosene etc.
- g. To eliminate middlemen in the business field between consumers and manufacturers and establish private properties earned by business people.
- h. To give the benefit of the stores to the members by distribution of dividend and patronage dividend.

5. PROGRESS OF CONSUMERS' CO-OPERATIVE STORES

These stores have been organised either on unitary or federal pattern. Area of operation is a city. It has a tremendous progress. It may be seen that there has been on all round progress in the working of these stores. The membership and the working capital of these stores doubled during the period under review, while the share capital and number of branches more than trebled. However, the first significance increase has been recorded in the sales, which moved from Rs.35.40 crores, in 1961-62 to Rs.343.9 crores in 1977-78, recording a 10 fold increase. About 80% to 90% of these sales are estimated to be controlled and rationed food grains. Even though, there was a tremendous progress, one third of these stores have ceased to function and have become dormant. The net result of operations of these stores revealed that out of 16152 primary stores only 50% showed profits, while the remaining incurred losses or showed no profit or loss. A sample study undertaken in a couple of states indicated that not more than 15% or 20%, of the total number of these co-operatives could manage as viable or potentially viable institutions. It is futile to imagine that these weak units would play any significant role in holding the price line or even compete with the retail traders.



6. PROBLEMS OF CONSUMERS' CO-OPERATIVE MOVEMENT IN INDIA

a) Indifference of the state Government

In matters of supply of goods to the stores the State Governments are indifferent. They prefer only private agencies to whom supply is made in spite of the earnest directions from the Central Government.

b) Lack of supervision and audit

The store movement has failed because of the lack of supervision, inspection and audit. There was nobody to see if proper accounts were kept, correct prices were charged and prescribed rules and regulations are followed. All vices like, misappropriation, embezzlement, pilferage, false weight, adulteration, inordinate prices and partiality, are existing in these stores for eradication of which they were formed. It is distressing to report that in 1979-80 as many as 3958 stores were not audited. As many as 2180 stores were pending audit for two or more than two years.

c) Narrow basis of operation

Due to narrow basis of operation, they deal in limited number of goods. So, the consumers are not in a position to get more of their requirements from them.

d) Weak Organisational Structure

Absence of proper organisational structure is another debacle of this movement. The Co-operative Planning Committee had recommended that for

each group of 50 stores, a central store should be organised to act as an active and effective procurement and supply agency to provide promotional guidance and management advice including supervision of the primary stores. Unfortunately, the wholesale store had not taken any such step.

e) Small and Uneconomic size

Most of these stores have been very small and non-viable units. Poor membership, inadequate working capital and their average sale have been so low on account of their uneconomic size and most of them were not making profit or were incurring losses.

f) Inadequacy of Funds

Lack of funds is another shortcoming to them. They failed to collect large share capital. Banks did not oblige them with funds.

g) Lack of efficient management

They are managed by persons who have no experience in business. There is no arrangement of training of the staff on account of the inefficient management. The co-operative stores could not compete with private retail traders.

h) Lack of loyalty on the part of members

Members are not showing continuous loyalty. Most of them patronize the store so long as their prices are lower than those of the market. Even at the same price, they have not shown any preference to the stores.

i) Want of popular leadership

Persons who have been running these stores have not been able to inspire confidence among the general public. In many cases, ambitious persons of the locality with ulterior motives assumed control of the store. Thus, they retarded their growth, due to lack of popular leadership.

j) High Cost Management

The private trader is free from a number of overhead expenses. He enjoys many relative advantages over to consumer stores. According to an expert survey the working cost of a consumer co-operative works out to be about 8.7% against 1% of the average retailer. So, the high cost of management has been another factor for the failure.

k) Lack of link with other co-operatives

They fail to establish link with producers and marketing co-operatives. The planning committee had stated that when the producer co-operatives dealt with goods, which the consumers required, it was to their mutual advantage. Consumers' stores and producers' co-operatives were linked up in a buyer and seller relationship.

e) Lack of Co-operation and Co-ordination

The wholesale store supply goods on credit to the primaries, which were expected to repay the amount of credit supplies as soon as the goods were sold or at the most by the close of the month in which the supplies were made. It is

distressing to note that the primary stores have been utilising this money, which has been available to them without payment of interest for making purchase from the private trader. The credit sales by the wholesale stores have thus proved a double-edged weapon against themselves. The lack of co-ordination between these units has considerably damaged the course of consumer movement in the state.

m) Dishonesty of the employees and management

Some of the stores have come to grief because of the dishonesty of their employees. No action was taken against the employees who had misappropriated the store money. 20% to 30% of the gross profit of Delhi Super Bazaar was eaten away by pilferage. Large scale pilferage in the Central Government Employees' Consumer Stores was indulged by higher officer. (E.g.) Several lakhs of rupees invested in the Super Bazaar gone done to the private coffers. Inefficiency, red tapism, nepotism and corruption have crept into the co-operatives and shaken public confidence in these stores.

7. CONSUMERS' CO-OPERATIVE STORES IN INDIA

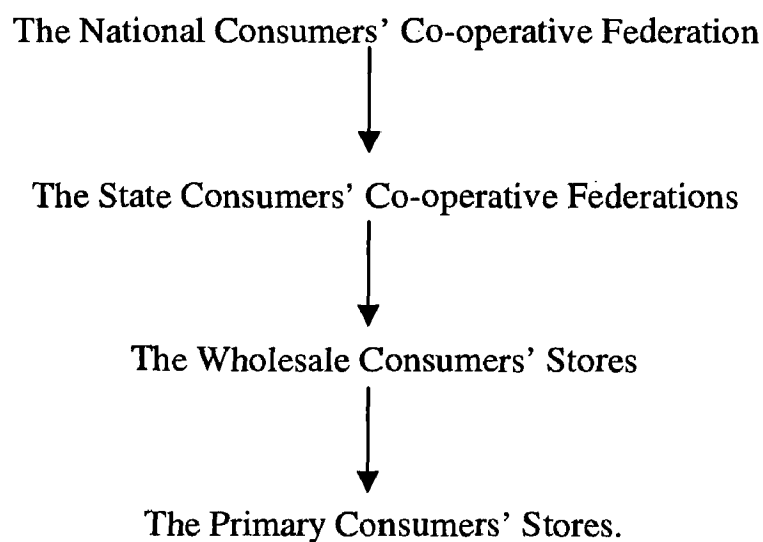
It was unsafe when the Public Distribution System (PDS) was in the hands of private hands who were running it for their selfish interest. They indulged in various malpractices in the form of food adulteration, weigh-less, artificial scarcity, higher prices etc. They exploited consumers. To hold price

line and supply of quality goods to the consumers is always a problem to the Government. The solution was drawn in the form of Consumers' Co-operative Stores.

8. STRUCTURE OF CONSUMERS' CO-OPERATIVE STORES IN INDIA

Regarding the structure of consumers' Co-operatives in India, no uniform pattern of organisation was followed in India. In some states, they followed 'two-tier system'. In some other states, we find 'unitary system', while in various other states we find 'federal structure'.

Chart showing the federal structure of consumers' co-operative stores in India



(i) Primary Consumers' Stores

Membership is restricted to a particular locality, to persons engaged in a particular profession or occupation. The main activity of these stores is supply of consumer goods. In some cases, subsidiary service also provided like oilseed crushing, paddy husking etc. They act as fair price shops. (E.g.) Students' Consumers' Co-operative Stores.

(ii) Super Bazaars Of Departmental Stores

Establishing of departmental stores was sponsored by the Government to check the price rise in cities and towns. First of this kind was established in Delhi in 1966. They were sponsored by the Government and managed by trained and professional staff. Restriction to metropolitan big cities, later extended to small towns with a population of 2 lakhs. By the end of June 1976, 170 stores were formed all over India. They are selling wide range of consumer goods. Number of services like dental clinics, medical advice, tailoring, hair-dressing, watch and radio repair etc. They followed attractive lay-out, artistic display of goods, offer fixed price and self-service facilities etc.

(iii) Wholesale Consumers' Stores

In 1962, the Central Government wanted to start the consumers' co-operative stores in all big cities and towns. Independent societies were organised and federated in wholesale societies. They admitted in dividend members and started retail shops.

(iv) State Consumers' Co-operative Federations

In each and every state, a State Consumers' Co-operative Federations were set up to co-ordinate the activities of primary consumers' stores with the wholesale consumers' stores.

Functions

1. Supervise and co-ordinate primary stores.
2. Bulk purchase of consumer goods from the wholesale stores within the state and outside the state in order to supply to affiliated societies.
3. Arrangement for storage, grading and transporting commodities.
4. Setting up and maintaining the manufacturing and the processing units.
5. Advising and assisting affiliated societies in stock control methods.
6. Giving technical advice in bulk purchase, standardisation, packing, storage, display, pricing etc.
7. Development of consumers' co-operative movement by holding seminars and publicity propaganda campaigns.

(v) The National Consumers' Co-operative Federation

It was registered in August 1965 and started functioning in September 1966. All the 14 state consumers' co-operative Federations, Government of India are holding membership in the National Consumers' Co-operative Federation.

Functions

1. It publishes and circulates monthly news bulletin on the availability of goods and market price.
2. It undertakes publicity, propaganda campaign, holds seminars and conferences.
3. It establishes trade connections with the manufacturers and suppliers.
4. It imports and exports consumers goods.
5. It sets up manufacturing and processing units.
6. It finds out solutions for problems faced by the State Consumers' Co-operative Federations.
7. It supplies market intelligence to consumers' co-operative stores.

9. SUGGESTIONS TO PROBLEMS OF THESE STORES

1. Promoters of these stores should understand the co-operative principles and methods of consumers' co-operation.
2. It should be made sure about the need of such a store in a particular area and adequate response from the public should be obtained.
3. Special drive should be taken to enroll women members in the stores.
4. Women organisations should educate their members for the benefits of themselves.
5. Suggestions of women members should be given due consideration.

6. The Central Financing Agency should provide funds out of their own sources for providing loans and advances, cash credit at least up to twice their owned funds on the basis of floating charge.
7. Raising funds by increasing share capital.
8. Aim to provide variety of goods depend upon local condition and the needs of consumers.
9. They should make bulk purchase through appropriate co-operative agencies.
10. They have to undertake processing activities like oil-extraction, flour-making etc.
11. Preference should be given in granting import licences.
12. The store should enter into an agreement between employer and store for making credit sales in order to deduct the dues to the society on credit sales from the salary of the employee.
13. To the members, patronage dividend should be given on the basis of purchases made by members during the year.
14. It should lay special emphasis on suitable purchase and price policy.
15. Home delivery services will be extended to stimulate sales.
16. Attention should be given for the supply of quality goods.

17. Bulk purchases should be made from the manufacturers directly for securing wholesale agencies.
18. Managing Committee should consist of persons who have some business acumen, experience and public confidence.
19. All members of staff of stores should be given training in co-operative principles through Co-operative Training Institutes.
20. Incentives like commission should be given to salesmen.
21. Freedom should be given to the managers to carry on policies laid down by the Board / the Managing Committee.
22. Proper system of supervision and checking should be introduced.
23. Stress should be laid on the importance of prompt accounts and audit of books.

10. LACK OF INVENTORY CONTROL

There is no system of inventory control in most of these stores. In number of central stores goods were put in as overstock. This led to a good deal of pilferage. The public accounts committee in its 105th report quoted that the management of Central Government Employees Consumer Co-operative Society fell as a prey to hazardous purchases and the absence of proper systems of inventory control.

11. DEFECTIVE 'PRICE AND PURCHASE POLICY'

In planning and formulating price and purchase policy sub-committees had not played any useful role in the most of the stores. 'Defacto Powers' in most of the cases were exercised by the Chairman or Secretary or the Executive Officer alone or in consultation with one another. The lack of proper purchase policy has been responsible for heavy losses in some of the newly established departmental stores.

12. OTHER FACTORS

Bad-debts, dependence of honorary services, defective system of stock-keeping and lack of business knowledge or of experience on the part of managing committees have been some of the other factors resulting in the poor performance of the consumer co-operative movement in India.