

CHAPTER-IIIESTABLISHMENT AND DEVELOPMENT OF "THE KOLHAPUR
JANATA CENTRAL CO-OPERATIVE CONSUMERS' STORES
LIMITED, KOLHAPUR"

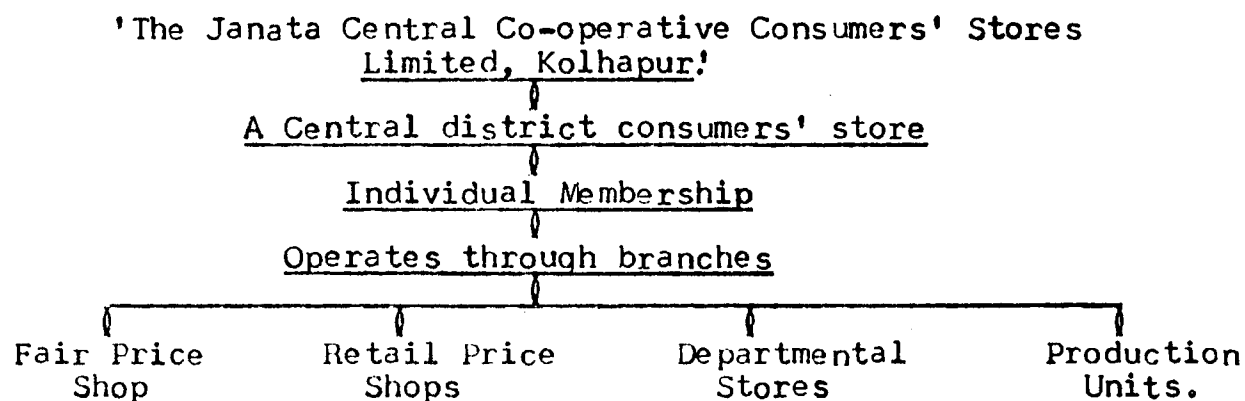
This chapter is divided into two sections. The first section gives the necessary information regarding establishment objectives, ^aare of operation and financial provisions of 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur'.

The second section deals with the various aspects of development of the store.

SECTION- IA) ESTABLISHMENT:

The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur, was established and started working on 24th January, 1963; popularly known as "JANATA BAZAR" under the scheme sponsored by the Central Government of India in October, 1962. Under the scheme it was decided to organise consumer co-operatives in all big cities and towns. The main objectives of the scheme was to protect the consumers through these newly established consumer co-operatives. The initiative in the establishment of the above store was taken by Shri Ratnappa Kumbhar and his associates.

The store started its activities on the unitary pattern. As a result of the adoption of unitary pattern 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur' works on the following lines.



B) OBJECTIVES OF 'THE KOLHAPUR JANATA CENTRAL CO-OPERATIVE CONSUMERS' STORES LIMITED KOLHAPUR':

The following were the main objectives:

1) To procure in wholesale and to store consumers' goods for supply on Whole-sale or Retail basis to consumer members and to other consumers, and their organisation.

2) To encourage marketing, processing and industrial co-operatives by obtaining supplies from them for use of the consumers and in general sponsoring their working.

3) To undertake processing and manufacturing activities as and when possible without adversely affecting the interests of the other co-operatives societies doing similar business.

4) To undertake import of consumers goods and to undertake functions for distribution of controlled commodities

and commodities in short supply, if so required by government as an agent or other.

5) To enter into partnership with two or more co-operatives societies for carrying out any specific business or businesses as per provisions of section 20 of the Maharashtra Co-operative Societies Act.

6) To provide for such servicing facilities to consumers as may be considered necessary.

7) To recommend loan applications of affiliated Primary Consumers Stores to financing agencies.

8) To supervise working of member Primary Stores and advise them on management and business techniques.

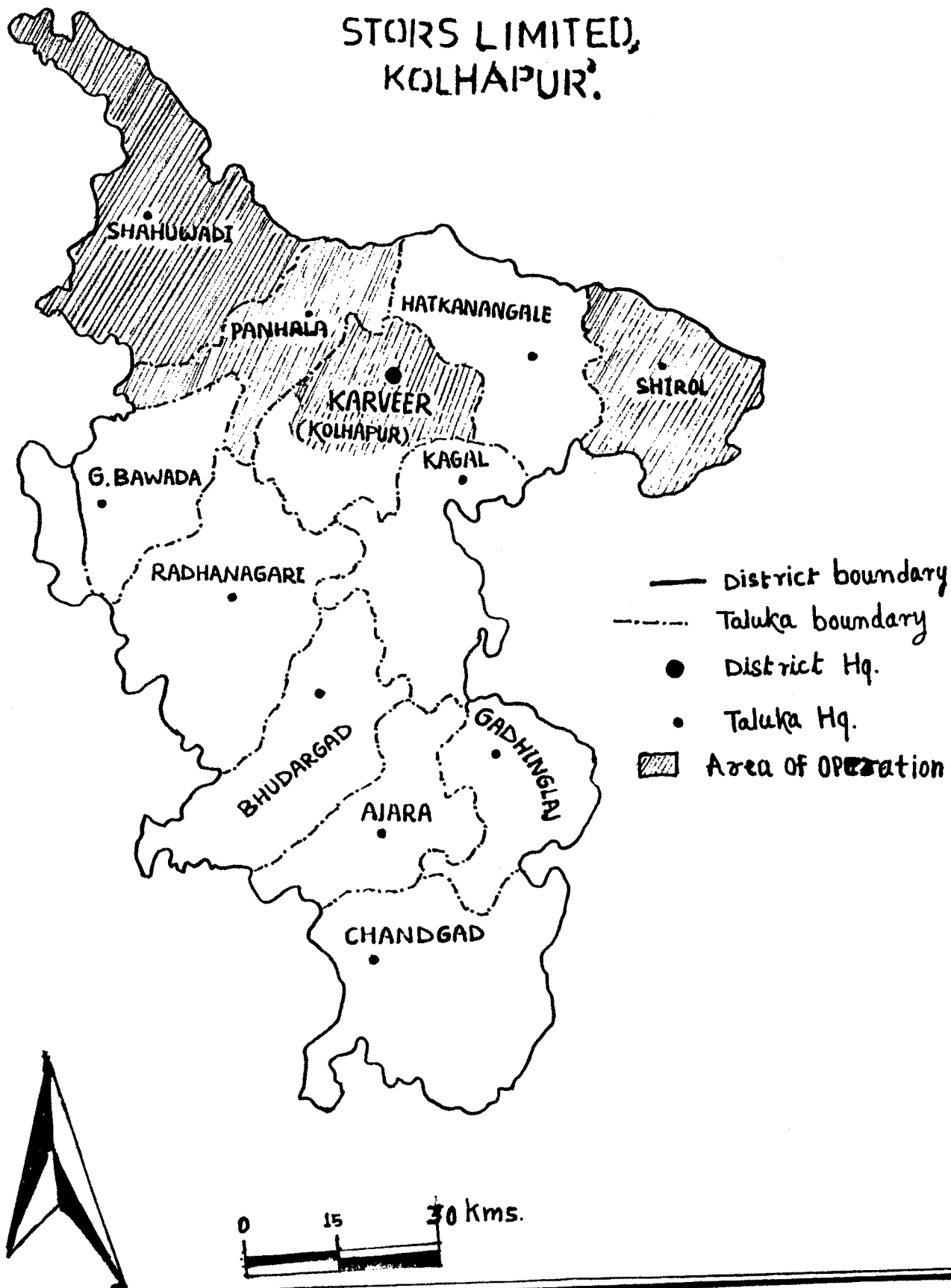
9) To constitute local advisory bodies for branches.

10) To encourage self-help, thrift and mutual aid among its members to build up trade deposits against which consumers goods would be supplied.

11) To work as ^a administrator or liquidator of the affiliated primary consumers' co-operatives if so appointed and also under-take management of such societies where necessary on such terms and conditions as may be mutually agreed to, between the society and the member-primary stores.

12) To do such other things as are incidental or conductive to the arrangements of all or any of the above objects.

AREA OF OPERATION OF THE KOLHAPUR JANATA CENTRAL CO-OPERATIVE CONSUMERS' STORES LIMITED, KOLHAPUR.



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13) To undertake and implement schemes of distribution of essential commodities as per policy of State and Central Government in the interest of consumers and the stores.

C) AREA OF OPERATION:

'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur' was designated as the district Central Co-operative Consumers' Stores. However it was not allowed to have its activities throughout the district. The reason was, at the time of its establishment, 'The Shetakari Sahakari Sangh Limited, Kolhapur', was already dealing in general retailing of consumers' goods. Therefore the area of operation of 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur' was confined to Kolhapur city and only three and half talukas of the district. These talukas were Shahuwadi, Panhala, Shirole and half of Karveer.

D) FINANCIAL PROVISION:

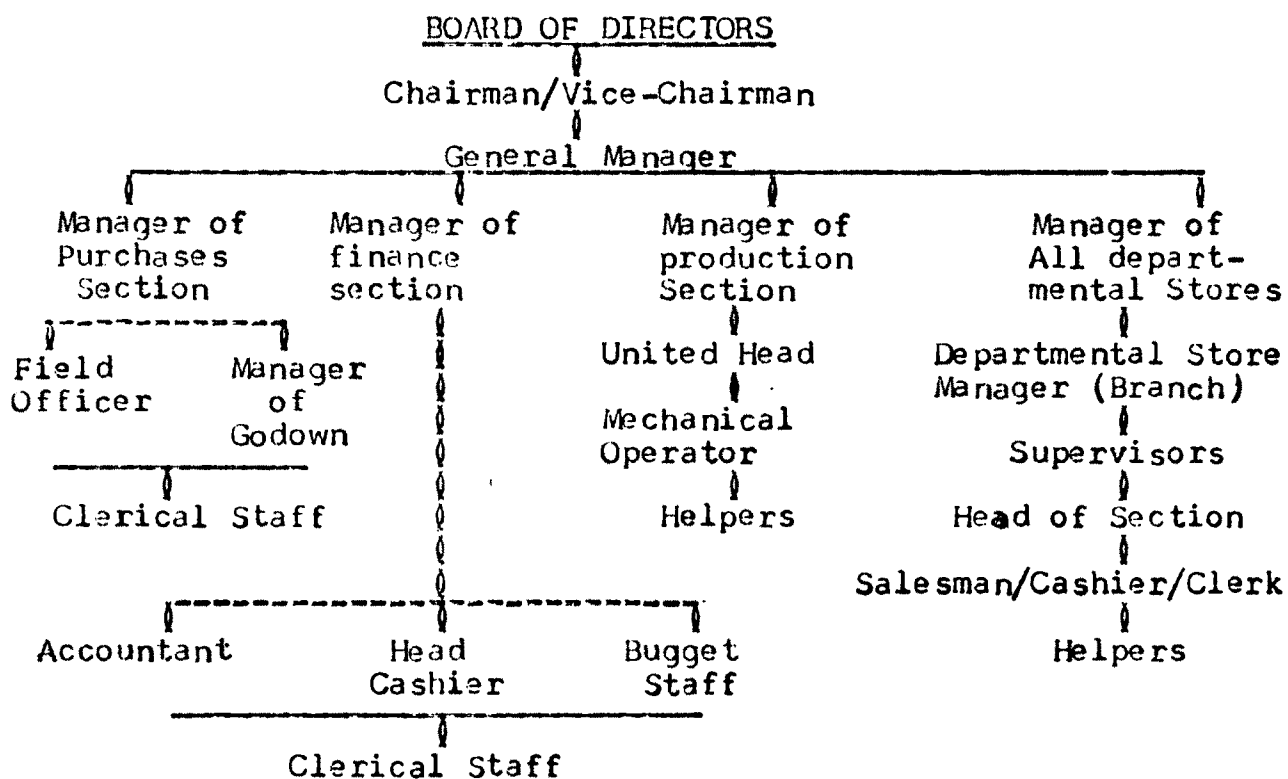
In the initial stage the store raised the necessary funds in the form of share capital. The authorised capital of the store was 5,00,000 Rupees. It was divided in 50,000 shares. The face value of the each share was 10 Rupees. The store was eligible to get the financial assistance under the centrally sponsored scheme of the government of India. As per the bye-law of the store funds may be raised by all or any of the following way -

I) 1) Issues of Shares, (2) Enterance Fees (3) Deposits from members and Non-members, (4) Loans, (v) Donations, Grants and Gifts.

II) Share Capital Contribution and other forms of State aids from State or Central Government subject to the provisions of the Maharashtra Co-operative Societies Act, 1960 and rules under State.

E) THE COMMITTEE OF MANAGEMENT AND ORGANISATIONAL SET UP:

The organisational setup of the stores is very peculiar one. The following is the organisational chart of the store.



The board of directors is elected from share holders. The only nominee is from the District Central Co-operative Bank.

Initially the board of directors was consisted of nine members. But due to the increase in membership of the store the number of members in the board of Directors increased. At

present (1986-87) the board of directors is consisted of 20 members. Following chart gives the necessary details.

CONSTITUTION OF BOARD OF DIRECTORS OF THE SOCIETY

Particulars	Members
1) Representative of Individuals (Individuals Other than employees)	'A' Class 6
2) Representative of (Consumers' (Co-operatives)	'B' Class 2
3) Representative of (Marketing and Processing Societies)	'C' Class 3
4) Representative of (Urban banks and Salary Earners' Societies)	'D' and 'E' 2 Class
5) Representative of Schedule Class	1
6) Representative of general financing Agency	1
7) Members of the stores co-operative as expands of which one would be women.	2
8) Representative of State Government	1
9) General Manager/Secretary as Ex-Officio	1
10) Representative of Employees	1

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The Chairman and Vice-chairman are elected from the Board of Directors and the General Manager is appointed. Under the guidance of Chairman and Board of Directors, General Manager as an Chief Executive executes the policies framed by the Board of Directors and carries on day-to-day activities.

The branch/section manager is fully responsible person for the particular branch/section. He can take decision with the consent of General Manager. The branch/section manager has full authority over the daily activities and he is chief controller of the branch/section. All employees working in the achievement of the objectives of the stores.

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CHAPTER -IIISECTION SECONDDEVELOPMENT SINCE ESTABLISHMENTA) BRANCH EXPANSION:

Since the establishment the store has expanded its activities by opening new branches in its jurisdiction. In 1963 the store started its working with 10 branches i.e. 7 fair price shops, one machine shop, one fair price textile shop and one wholesale sugar section. In 1986-87 it is working with 16 fair price shops, 8 departmental stores, and 4 other whole sale shops. The store has tried to provide the essential consumers goods through its mobile unit to those consumers who are residing far away from the city. The noteworthy feature is the store had not concentrated only on provision of essential goods but also has undertaken the manufacturing activities. The store has four manufacturing units namely two bakery units, one note books and files unit and one Hosiery unit. The table 3:1 shows clear picture of branch expansion.

The total number of all types of branches have increased from 10 in 1962-63 to 46 in 1975-76. After 1975-76 number of branches began to decrease and in 1981-82 there were 36 branches. The reasons of this decline were many malpractices in some branches, negligence and inefficiency in day-to-day transactions and low margin given by the government on ration commodities were

TABLE 3:1

BRANCH EXPANSION OF 'THE KOLHAPUR JANATA CENTRAL
CO-OPERATIVE CONSUMERS' STORES LIMITED, KOLHAPUR'.

Year	Head of- Godown Trans- port section	Produc- tion units	Depart- ment stores	Fair price shop	Retail out lets	Others whole- sale shop	Total
1962-63	-	-	-	7	-	3	10
1965-66	1	-	-	8	-	3	12
1970-71	1	-	-	14	-	2	17
1975-76	4	1	-	18	7	16	46
1980-81	4	4	2	15	1	10	36
1981-82	4	4	2	15	1	10	36
1982-83	3	4	2	16	2	11	38
1983-84	3	4	3	16	2	6	34
1984-85	3	4	3	16	2	6	34
1985-86	3	4	4	16	1	5	33
1986-87	3	4	8	16	-	4	35

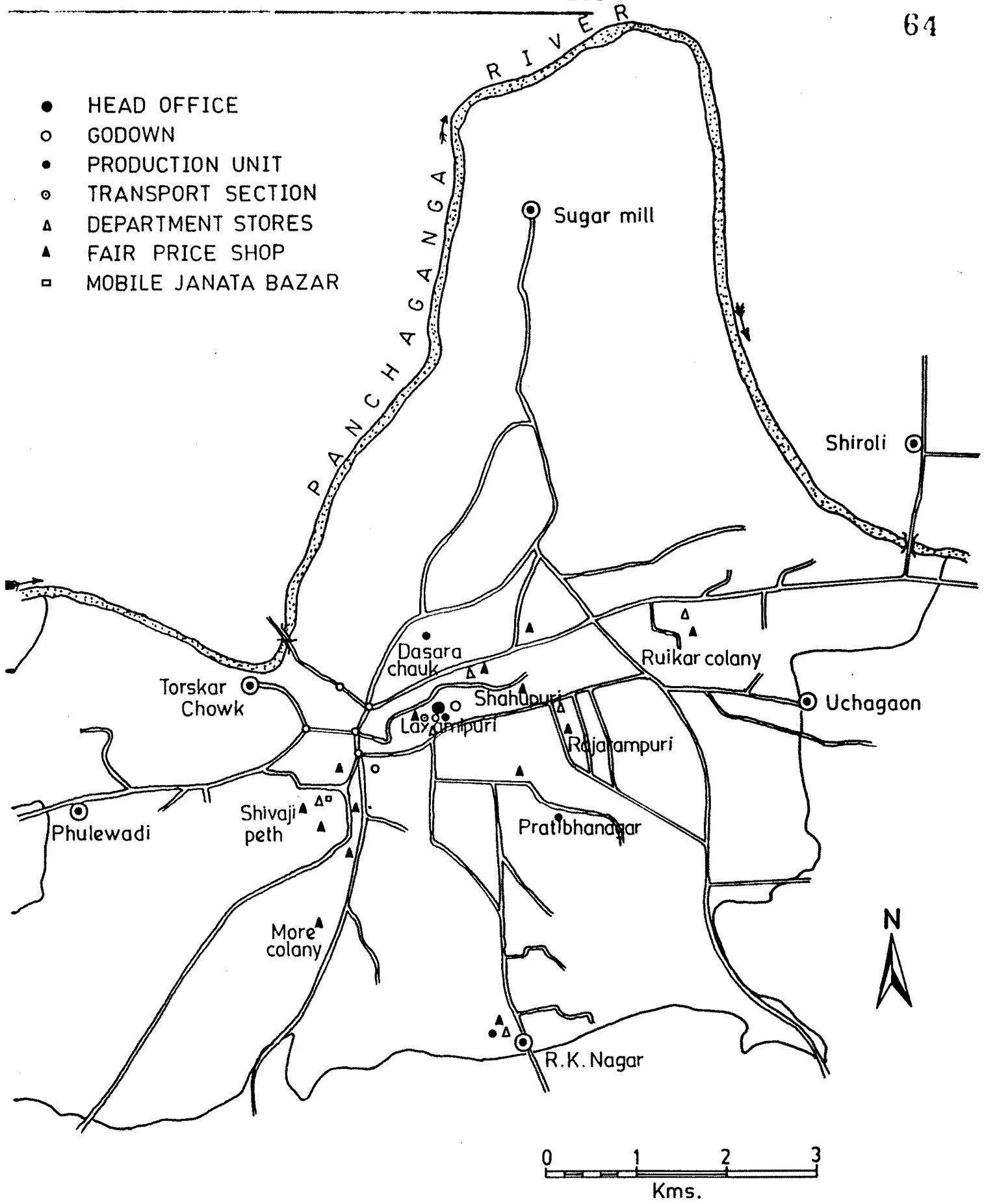
Source : Annual Reports of The Kolhapur Janata Central
Co-operative Consumers' Stores Limited, Kolhapur'

the reasons of closing down some branches. In 1986-87 the total branches of the store were 35 in which fair price shops rank first and departmental stores second.

Following are the important land marks in the branch expansion of the store:

i) In 1966-67 Rajarampuri provision stores began its working.

- HEAD OFFICE
- GODOWN
- PRODUCTION UNIT
- ◉ TRANSPORT SECTION
- ▲ DEPARTMENT STORES
- ▲ FAIR PRICE SHOP
- ▣ MOBILE JANATA BAZAR



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ii) The store entered in the field of manufacturing by opening its first bakery unit in 1971-72.

iii) Two modern departmental stores with unique facility of self service were opened in 1980-81.

iv) The largest departmental store in India was established in 1984-85 in Rajarampuri area of Kolhapur city.

v) The store introduced first self service mobile unit in India by beginning of mobile unit of the store, in 1986-87.

vi) Opening of departmental store in rural area in 1987-88.

The branch expansion activities of the store reveals that the store is trying to provide various facilities to the consumers.

B) COVERAGE OF THE AREA OF OPERATION:

The store has practically covered its prescribed area of operation. However it has extended its retail activities in the Karveer taluka mainly. In remaining talukas of its area of operation the wholesale activities ^{have} ~~has~~ been given prime importance.

C) MEMBERSHIP:

Increase in membership is the most important criterion of consumers' co-operatives, substantial increase in the membership means the spread of the spirit of the co-operation among more and more people of the community. That is why principle of open membership is adopted by consumers' co-operatives. The membership of the store is also open to any person. As per the Maharashtra Co-operative Societies Act, no society ^h ~~stall~~, without

sufficient cause refuse admission to membership to any person who is duly qualified under the provision of the Act. It is known as the principle of open membership.

Table 3:2 gives the details. As the following table shows there is continuous increase in the membership of the store. During the period under the review its individual membership increased by 15,374. Thus on an average its individual membership increased by 640.52 per year. However for four years i.e. from 1980-81 to 1983-84, its total individual membership has been increased very slowly. In 1962-63 the proportion of individual members and co-operative society members in total membership was 99.11 percent and 0.83 percent respectively. In 1986-87 the proportion of individuals and co-operative society has slightly changed i.e. 99.42 percent and 0.57 percent respectively. Within 25 years of its establishment, its individual membership increased by 918.38 percent and membership of societies by 592.86 percent.

Nearly during the same period the growth rate of membership in the district in consumers' co-operatives is 933.50 percent. Thus the growth rate of membership of the store is slightly lower than the growth rate of membership at district level.

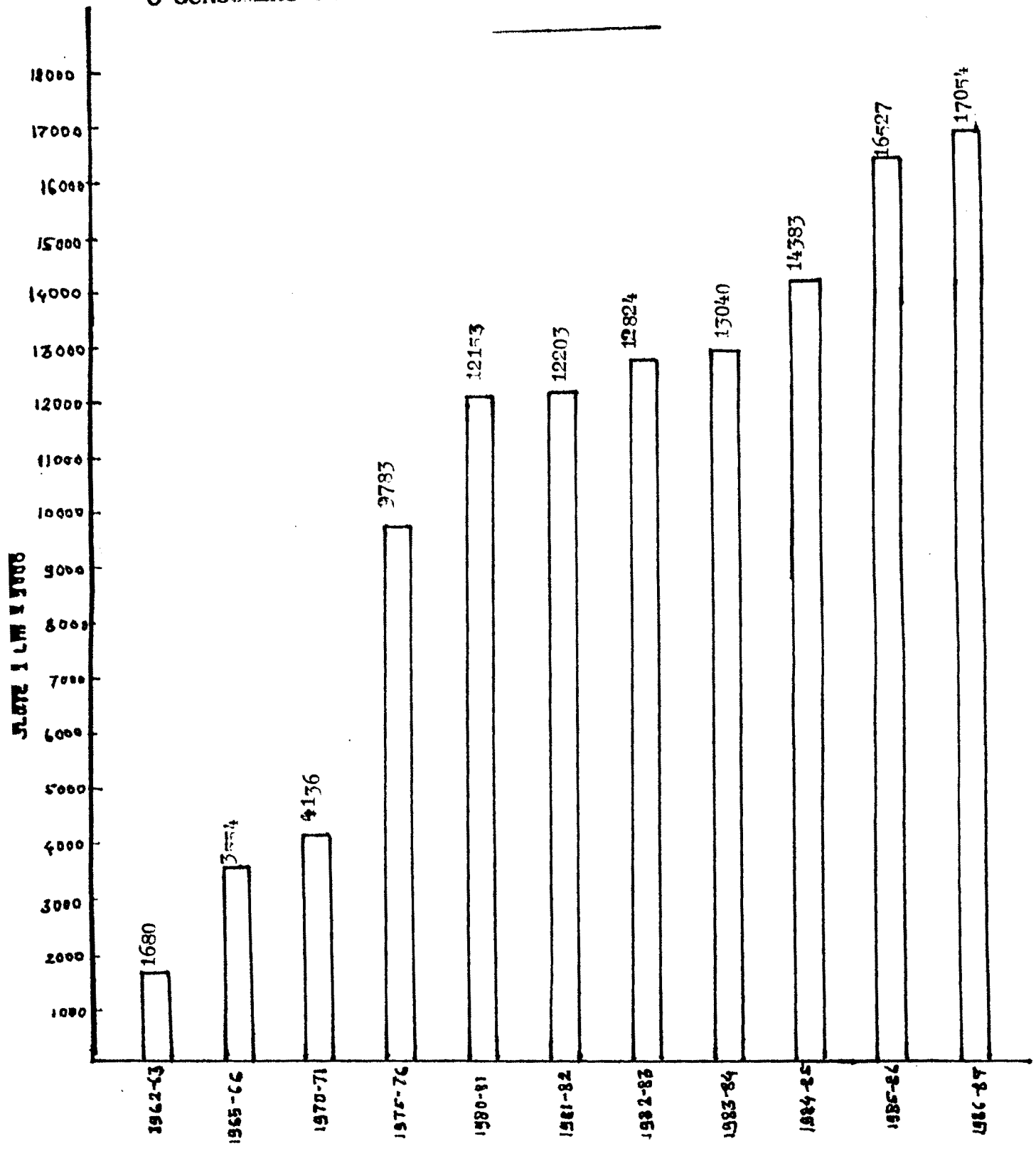
However the coverage of population through its membership is not remarkable. If the total population of its area of operation is taken into consideration the increase in membership can not be called very satisfactory. In the total co-operative membership of the district the percentage share of the store is

TABLE 3:2
GROWTH AND COMPOSITION OF MEMBERSHIP

Years	Membership					Total
	Individual	Percen -tage 1 to 6	Societies	Percen -tage 3 to 6	Government	
	1	2	3	4	5	6
1962-63	1,665	99.11	14	0.83	1	1,680
1965-66	3,523	99.12	30	0.85	1	3,554
1970-71	4,057	98.08	78	1.90	1	4,136
1975-76	9,671	98.86	111	1.14	1	9,783
1980-81	12,056	99.20	96	0.79	1	12,153
1981-82	12,106	99.21	96	0.78	1	12,203
1982-83	12,727	99.24	96	0.74	1	12,824
1983-84	12,943	99.25	96	0.74	1	13,040
1984-85	14,286	99.32	96	0.67	1	14,383
1985-86	16,430	99.41	96	0.58	1	16,527
1986-87	16,956	99.42	97	0.57	1	17,054
%Growth Rate 1986- 87 over 1962-63	918.38		592.86			915.12

Source : Annual Report of 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur'. (1962-63 to 1986-87).

GROWTH OF MEMBERSHIP OF 'THE KOLHAPUR JANATA CENTRAL CO-OPERATIVE O CONSUMERS' STORES LIMITED; KOLHAPUR'.



Graph - 1



is very ^{meagre} meagre only 1.19 percent. In fact open membership is the peculiar characteristics of co-operative movement. This principle helps increase of membership of co-operatives for strengthening their financial resource for better business. But it seems that principle of open membership has not been used in its real sense by the store.

D) TOTAL SALES:

Total sales of 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur' are given in table 3:3 . Increase in total sales denote the progress of consumers' co-operatives. Commercial profit of consumers' co-operatives is mainly determined by its total sales.

There is tremendous increase in the total sales of the store. The total sales moved from Rs.3,64,000 in 1962-63 to Rs.10,70,07,565 in 1986-87 recording a 263 fold increase.

As the table denotes decrease in its total sale during the year 1977,78 and 79 affected commercial profit. In 1980-81 the total sale increased by 1,30,63,630 Rs. over the previous year. The partial credit of the increase should be given to the beginning of departmental store.

The most significant increase in total sale of the store is the real achievement of the store.

TABLE 3:3

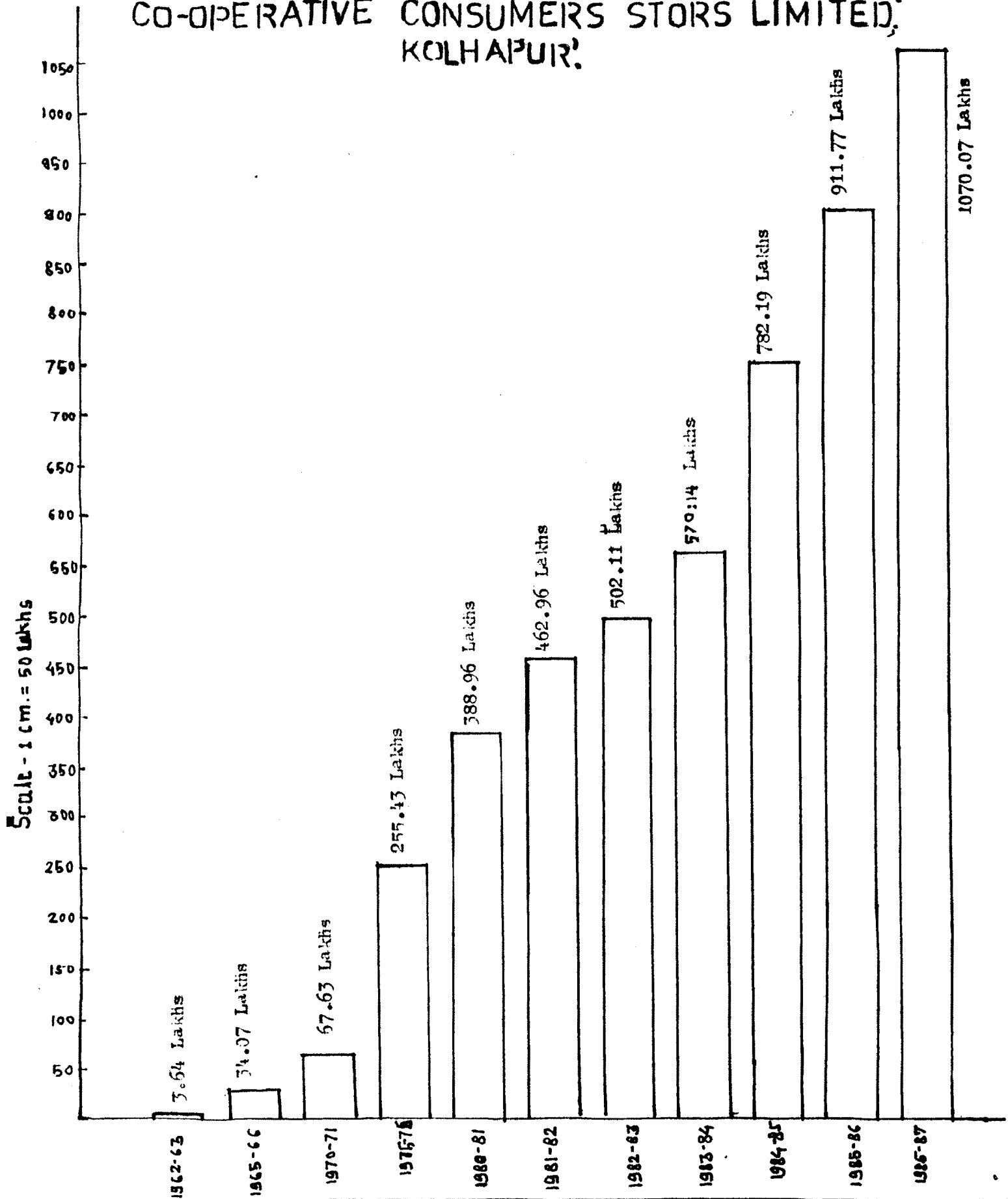
GROWTH AND DEVELOPMENT OF SALES OF 'THE KOLHAPUR
JANATA CENTRAL CO-OPERATIVE CONSUMERS' STORES
LIMITED; KOLHAPUR'

Year	Sales	Commercial Profit	% of Commercial profit to total sales
1962-63	3,64,000	6,000	1.65
1965-66	34,07,000	56,000	1.64
1970-71	97,63,000	2,54,692	2.60
1972-73	1,44,29,700	3,96,620	2.70
1973-74	2,03,90,300	5,55,050	2.70
1974-75	2,41,43,400	8,28,330	3.40
1975-76	2,55,43,600	8,08,227	3.20
1976-77	2,40,61,017	6,61,107	2.70
1977-78	1,92,54,984	5,07,249	2.60
1978-79	1,56,65,225	6,68,117	4.60
1979-80	2,58,33,280	9,49,221	3.60
1980-81	3,88,96,910	12,55,842	3.16
1981-82	4,62,95,855	18,03,153	3.90
1982-83	5,02,11,175	21,02,471	4.19
1983-84	5,70,14,228	26,69,485	4.16
1984-85	7,82,18,740	35,76,756	4.57
1985-86	9,11,77,486	41,31,062	4.53
1986-87	10,70,07,565	47,44,427	4.43
% Growth rate in 1986-87 over 1962-63	29297.68	78973.78	

Source : Annual Report of 'The Janata Central Co-operative Consumers' Stores Limited, Kolhapur'

TOTAL SALES OF THE KOLHAPUR JANATA CENTRAL 71

CO-OPERATIVE CONSUMERS STORES LIMITED, KOLHAPUR.



Graph - 2

E) FINANCIAL ASPECTS:

Sound financial base is the necessary condition to run the any business activity successfully and consumers' co-operatives cannot become exception to it. In over all financial position of the consumers' co-operatives share capital is the most important factor. Share capital means the owned funds of the consumers' co-operatives. These owned funds ultimately give these societies financial self-sufficiency naturally. While evaluating the performance of the store the position of its share capital has taken into consideration. Table 3:4 throws the light on the share capital of store.

F) SHARE CAPITAL:

The store started its functioning with very little amount of share capital. In 1962-63 its share capital was only Rs.55,310, where as its authorised capital was Rs.5,00,000.

In course of time the store expanded its activities for which more funds were required. To raise the required funds the store ⁵⁰⁰⁰⁰⁰ (seek) the permission of the co-operative registrar to increase the limit of authorised capital ^{to} Rs.75,00,000. At present (1986-87) the authorised capital of the Store is 75,00,000 Rs., divided into 75,000 shares of Rs.100 each.

As the table 3.4 shows the share capital raised by the individuals and co-operatives/ societies has (been) increased by 1794.92 percent during the period under the review. Remarkable increase indeed.

TABLE 3:4

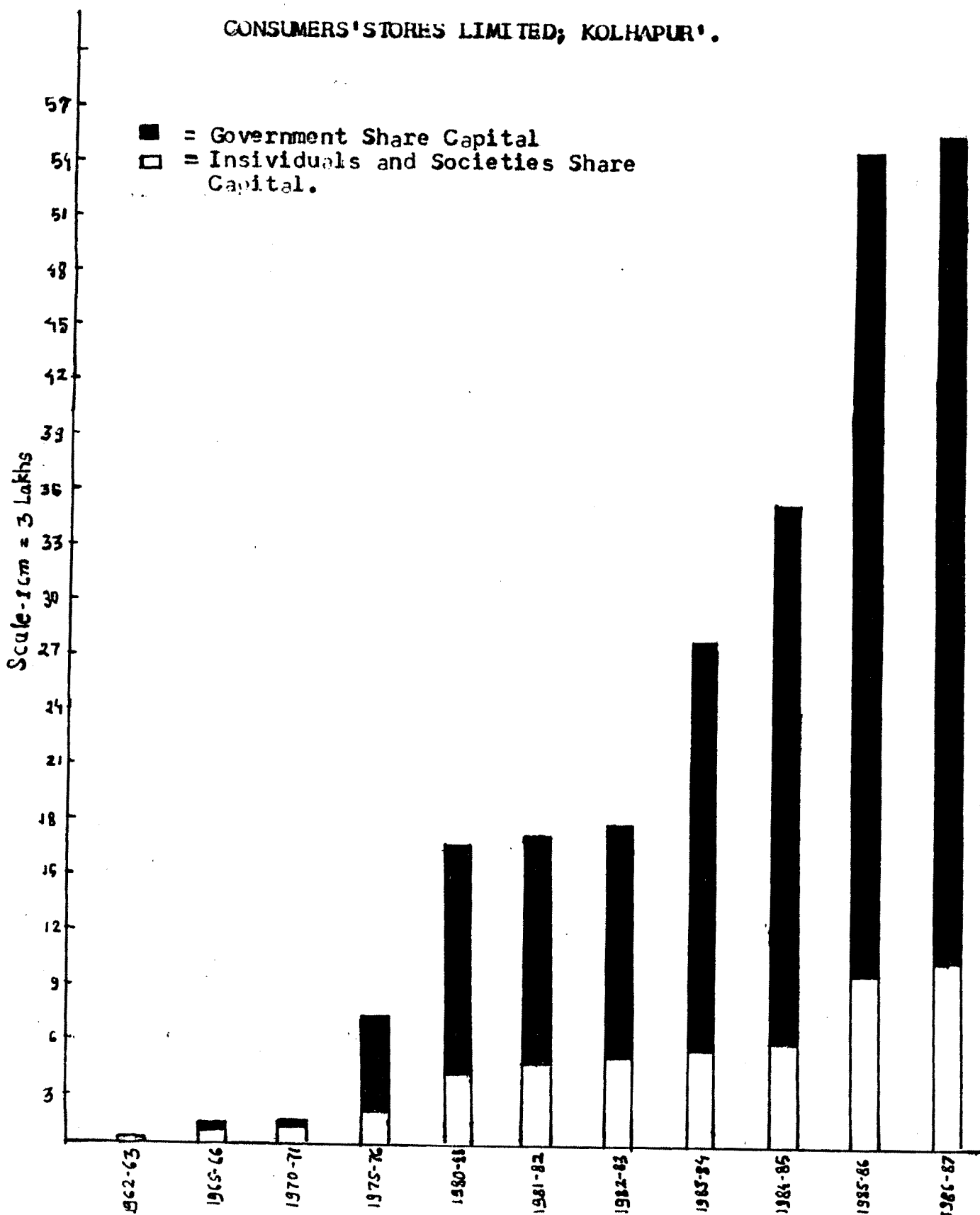
GROWTH AND COMPOSITION OF SHARE CAPITAL

Year	SHARE CAPITAL				Total
	Individual and Societies	Ratio 1 to 5	Government	Ratio 3 to 5	
	1	2	3	4	5
1962-63	55,310	-	-	-	55,310
1965-66	83,100	62.43	50,000	37.57	1,33,100
1970-71	1,03,910	67.51	50,000	32.49	1,53,910
1975-76	1,81,960	24.97	5,46,700	75.03	7,28,660
1980-81	4,29,960	25.94	12,27,336	74.06	16,57,296
1981-82	4,69,090	27.30	12,66,240	72.70	17,35,330
1982-83	5,05,620	28.20	12,87,540	71.80	17,93,160
1983-84	5,41,029	19.25	22,69,044	80.75	28,10,073
1984-85	5,95,435	16.70	29,69,044	83.30	35,64,479
1985-86	9,62,321	17.45	45,54,044	82.55	55,16,365
1986-87	10,48,081	18.71	45,54,044	81.29	56,02,125
% Growth Rate in 1986-87 over the 1962-63	1794.92		(9008.08)		(10028.59)

(N.B.: Figures in bracket indicate growth rate for the period 1965-66 to 1986-87)

Source : Annual Report of 'Kolhapur Janata Central Co-operative Consumers' stores Limited, Kolhapur.'

GROWTH OF SHARE CAPITAL OF 'THE KOLHAPUR JANATA CENTRAL CO-OPERATIVE
CONSUMERS' STORES LIMITED, KOLHAPUR'.



Graph - 3

However in the total share capital ratio of the state government is increasing very rapidly. Upto 1965-66 the ratio of individuals and co-operative societies in the total share capital was 62.43. But afterwards the trend is exactly opposite. Following reasons were responsible for the increased share of the Government.

Upto 1964-65 financial aid from the State Government was not available. Naturally store relied on share capital contribution of individuals and societies.

In 1965-66 State Government gave financial help in the form of partnership in the share capital to the store.

In the Fourth Five Year Plan, as per the directives of the Central Government 'The National Co-operative Consumers' Federation assisted the consumers' co-operatives to increase their trading activities.

The Central Consumers Co-operative Societies were given financial help from the state federations to open retail outlets as well as departmental stores.

As a result the Share of Government in the total share capital increased.

It is true that in the initial stage state partnership is necessary to strengthen financial conditions of the store. However, as time passes the owned funds of the store should increase. But, it seems that this aspect has been neglected in

the share capital composition of 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur'.

II) WORKING CAPITAL:

Working capital of the store is inclusive of reserve funds, paid up share capital, share suspenses, subsidy, loans and deposits received. Working capital is quite useful in expanding the activities of consumer co-operatives. The composition of working capital of the store is given in table 3:5.

The table reveals that from its establishment there is continuous growth in its working capital, and the growth rate is very high (20959.73%). As far as growth rate is concerned the position of working capital is definitely satisfactory.

However the composition of working capital is a pointer of certain drawbacks. As it has been mentioned earlier share capital denotes the financial soundness of the store. In the total working capital the percentage share of share capital should go on increasing. However, as the table shows ratio of paid up share capital to working capital had declined. In 1962-63 the ratio of paid up share capital to working capital was high i.e. 92.18. But after-wards the trend is exactly opposite. In 1986-87 the ratio of paid up share capital to working capital was very low (8.29%).

III) RESERVES AND OTHER FUNDS:

Building up of a strong reserve fund to meet the unforeseen losses is an important item in the composition of working capital

of consumers' co-operatives. Reserve and other funds together serve as an important asset against borrowings. It is opined that the strength of the business can be measured in terms of reserve and other funds maintained by the co-operative concerned dealing in marketing activities.

This store maintains the following types of funds out of its surplus:-

- 1) Reserve Funds.
- 2) Other Funds.

Reserve funds are created for a particular purpose. Reserve funds may be used in the business of the society or may with the previous sanction of the state government, be used in part for some public purpose likely to promote the objects of 1960's Act, or for some such purpose of the State, or of local interest. On the other funds no such restrictions exist. The total funds of the store are inclusive of Reserve fund, Share Capital Redumption fund, Benevolent fund, Price Fluctuation fund, Development Rebate Reserve, Investment Allowance, Building fund, Bad debts fund, Depreciation fund, etc.

Table 3:5 indicates that, in the year 1962-63 the reserve and other funds were Rs.1679 as to constitute 2.80 percent of the working capital. These funds increased more than 10 lakhs of Rupees within 25 years as to constitute 8.05 percent of the working capital.

The increased share of reserve fund and other funds is note worthy trend in the composition of working capital.

IV) BORROWINGS:

In the initial stage borrowings are necessary to support the owned funds of consumers' co-operatives. They have to borrow funds to make up the gap between their internal resources and their requirements. But as the time passes their dependence on borrowings should be reduced.

The major sources of borrowings of the store are the State Government and Kolhapur District Central Co-operative Bank. The District Central Co-operative Bank gives both secured and un-secured loans to the society.

As the table 3:5 shows in the total working capital of the store the percentage share of borrowings is quite high. From 1980-81 to upto 1984-85 the percentage share of borrowings from all the sources is more than 60 percent. Afterwards it has come down. But even then the percentage share of borrowings is 44. The reason of such a high percentage of borrowings was the establishment of the departmental stores by 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur'. According to concerned authorities the store in 1980-81 entered in the modern retailing technique i.e. self service system. Self service system requires departmental stores for which large funds were necessary. As a result there is sudden spurt in total borrowings of 'The Kolhapur Janata Central Co-operative Consumers' Co-operative Stores Limited, Kolhapur'.

TABLE 3:5

FINANCIAL POSITION OF 'THE KOLHAPUR JANATA CENTRAL CO-OPERATIVE CONSUMERS' STORES LIMITED, KOLHAPUR'

Year	1	2	3	4	5	6	7	8	9	10	11	12	13
	Working Capital	Share Capi -tal(Ind. Society)	% to	Reserve & Other funds	% to	Subsidy	% to	Government Borrowing	% to	K.D.C.C. Bank Borrowing (Secured)	% to	K.D.C.C. Bank % (Unsecured loans)	% to
1962-63	60,000	55,310	92.18	1,679	2.80	-	-	-	-	-	-	-	-
1965-66	3,65,487	83,100	22.74	3,703	1.01	12,500	3.42	37,500	10.26	1,35,494	37.00	2,239.	00.61
1970-71	5,50,000	1,03,910	18.89	33,958	6.17	-	-	-	-	1,05,040	19.10	78,659	14.30
1975-76	14,91,115	1,81,960	12.20	2,55,183	17.11	42,426	2.85	75,000	5.03	-	-	3,89,845	26.15
1980-81	50,70,524	4,29,960	8.48	3,25,629	6.42	2,04,676	4.04	6,17,450	12.18	22,31,916	44.02	2,38,230	4.70
1981-82	58,71,321	4,69,090	7.99	4,14,985	7.07	2,04,676	3.48	6,12,450	10.43	29,85,577	50.85	2,63,370	4.49
1982-83	66,49,273	5,05,620	7.60	4,70,612	7.08	2,04,676	3.08	7,64,350	11.50	36,19,240	54.43	2,74,044	4.12
1983-84	1,00,83,380	5,41,029	5.37	5,21,954	5.18	3,04,676	3.02	9,58,150	9.50	48,66,311	48.26	5,44,739	5.40
1984-85	1,25,21,333	5,95,435	4.76	5,79,502	4.63	3,04,676	2.63	9,58,150	7.85	59,90,511	47.84	9,54,282	7.82
1985-86	1,30,91,298	9,62,321	7.35	7,10,213	5.41	3,79,676	2.90	11,83,150	9.03	50,03,488	38.21	2,99,396	2.28
1986-87	1,26,35,840	10,48,081	8.29	10,67,356	8.05	3,83,676	3.03	11,27,150	8.052	43,74,334	34.30	2,79,148	2.10
% of Growth Rate in 1986-87 over 1962-63	20959.73	1794.92	63470.94	2969.40	* 2905.73	* 3128.43	* 12367.53						

(N.B.: * Growth rate for 1965-66 to 1986-87)

Source : Annual Report of 'Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur.'

It is true that consumers' co-operatives should try to give such services which will attract^t the consumers. But at the same time financial soundness should not ~~be kept~~^{be kept} aside. By increasing its membership it would have been possible to increase its share capital. The increased share capital atleast up to certain extent would have reduced to size of its borrowing requirements. Whatever may be the reasons but it is clear from the above table that store has preferred to borrow money than raising its own funds.

F) TOTAL EARNINGS AND EXPENDITURE OF THE STORE:

Co-operative enterprise like any other enterprise obtained^s profits when its total earnings exceeds^s the total expenditure. To obtain maximum profits (co-operative societies) is not the ultimate aim of co-operative enterprises. However, profits permit expansion of their activities. Profit can be ploughed back to meet the additional requirements of funds. As per the co-operative principles profit is treated as trade surplus. The trade surplus is equally distributed among the members which is called as dividend. Dividend creates confidence in the mind of public about the capacity of co-operative enterprises. Hence income expenditure analysis is important in the overall study of consumer co-operatives. An attempt has been made to analyse the earning and expenditure sides of 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur'.

Let us begin with total income of the store. Details regarding income are given in table 3:6. Our observations on the table are summarised below:-

i) There is continuous increase in the total income of the store during the period under the review. The total income increased by 62155.13 percent. The growth rate is quite high.

ii) In the total income of the store highest share is of the commercial profits throughout the period of study. The ratio of commercial profit to total income is as high as 97.86 in 1986-87. Thus the major factor in determining the total income of the store is difference between value of total purchases and sales.

iii) In other items of the total income contributions of transport income and other income are noteworthy. Impact of remaining items on total income is negligible.

Total Expenditure of the store are given in table 3:7
As the table denotes major items of the total expenditure are

- 1) Interest.
- 2) Cost of man power.
- 3) Director's Meeting, Travelling allowance.
- 4) Rent and Taxes paid.
- 5) Postage, Telephone expenses.
- 6) Printing and Stationery Expenses.
- 7) Depreciation.
- 8) Other expenses.

Following inferences can be drawn with the help of the table.

i) Like total income of the store total expenditure also shows continuous increase. The increase in total expenditure is 50320.91 percent over the period of 25 years.

ii) The major item in the total expenditure is cost of man power. Nearly every year one third part of the total expenditure is on cost of man power.

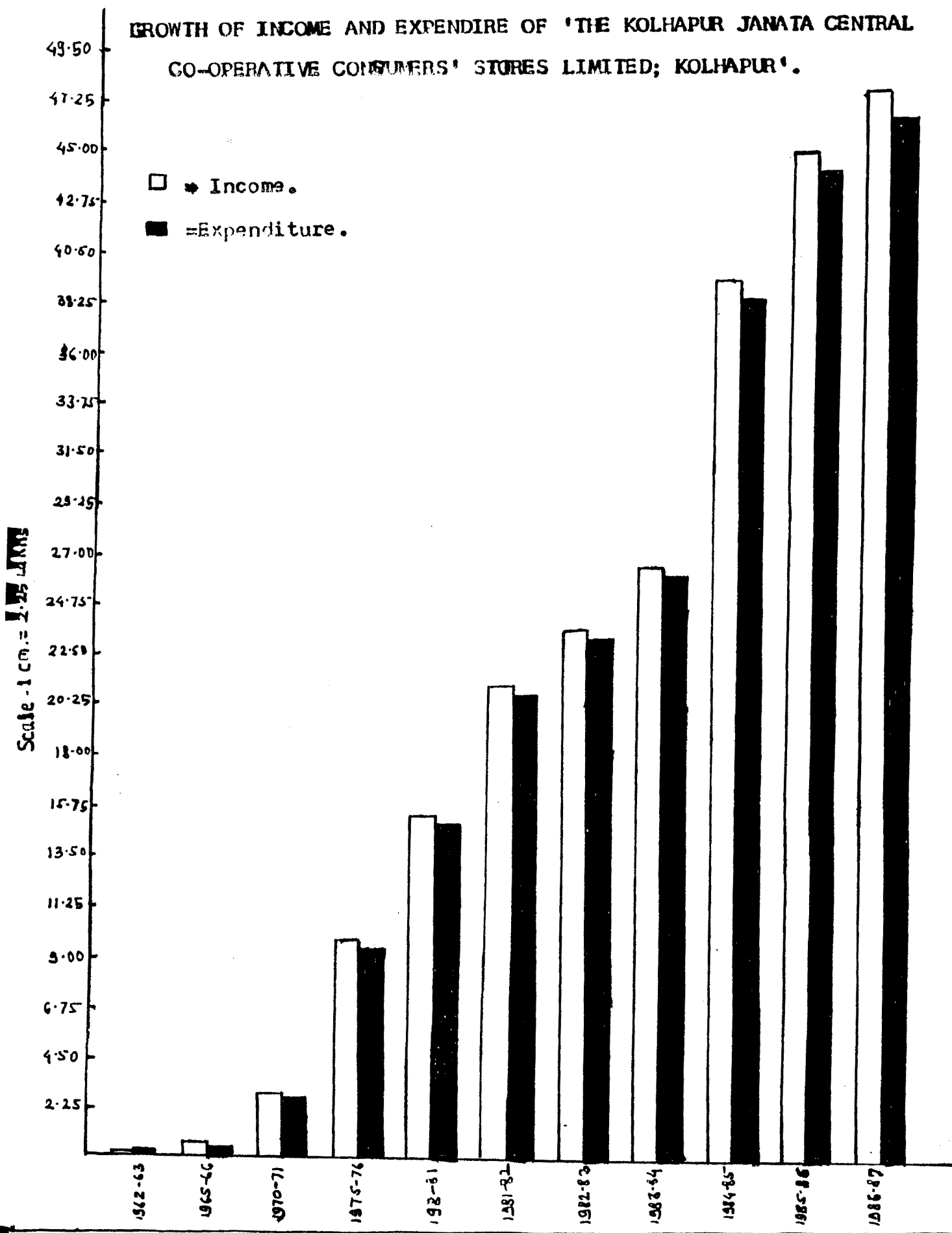
iii) Impact of interest given on borrowings is also note worthy. Due to the heavy borrowings from the State Government and The Kolhapur District Central Co-operative Bank ratio of interest given to total borrowings doubled during the period from 1970-71 to 1986-87.

iv) The contribution of other expenses in total expenses is also comparatively high. But the ratio of other expenses to total expenses declined.

v) Other items of expenditure do not have their impact on total expenditure as their ratios to the total expenditure are very small.

The growth rate of increase in total income of the store is more compared to growth rate of increase in total expenditure. The store reached above the break even stage in 1965-66 i.e. i.e. in the third year of its establishment.

GROWTH OF INCOME AND EXPENDIRE OF 'THE KOLHAPUR JANATA CENTRAL CO-OPERATIVE CONSUMERS' STORES LIMITED; KOLHAPUR'.



Graph - 4

TABLE: 3.6
GROWTH AND COMPOSITION OF INCOME

Year	Interest. Ratio 1toll	Dividend	Ratio 3toll	Transport Income	Ratio 5toll	Other Income	Ratio 7toll	Commercial Profit	Ratio 9 toll	Total Income	
	1	2	3	4	5	6	7	8	9	10	
1962-63	115	1.50	-	-	-	-	1,687	21.60	5,985	76.90	7,787
1965-66	73	0.10	301	0.41	-	-	17,475	23.77	55,664	75.72	73,513
1970-71	77	0.03	345	0.11	32,883	10.84	15,365	5.06	2,54,693	83.96	3,03,363
1975-76	6,190	0.56	452	0.04	2,46,502	22.39	39,810	3.61	8,08,287	73.40	11,01,241
1980-81	48	0.02	798	0.50	2,69,400	17.27	35,405	2.27	12,53,508	80.39	15,59,159
1981-82	1,859	0.03	112	0.08	3,34,368	15.60	2,987	0.13	18,03,153	84.16	21,42,479
1982-83	28,755	1.21	2,140	0.09	2,57,008	10.75	1,267	0.05	21,02,471	87.90	23,91,641
1983-84	8,495	0.31	3,030	0.12	2,42,218	9.04	56,796	2.12	23,69,486	88.41	26,80,025
1984-85	-	-	5,585	0.14	2,76,020	9.92	1,28,182	3.22	35,76,756	89.72	39,86,543
1985-86	6,668	0.15	4,883	0.11	3,83,022	8.40	33,412	0.73	41,31,061	90.61	45,59,046
1986-87	29,374	0.61	7,398	0.15	-	-	66,608	1.38	47,44,427	97.86	48,47,807
% of G.R. in 1986-87 over 1962-63	25442.60	2357.80	1064.60	3848.31	79171.96	62155.13					

N.B. : * Growth rate for 1965-66 to 1986-87.

** Growth rate for 1970-71 to 1986-87.

Source : Annual Reports of 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur'.

TABLE 3:7
GROWTH AND COMPOSITION OF EXPENDITURE

Year.	Interest Ratio 1 to 17	Cost of Man- Power.	Ratio 3 to 17	Director Ratio (Meeting 5 to & 17 Travelling Allow. Exp.)	6	7	8	9	10	11	12	13	14	15	16	17
			Ratio 7 to 17	Ratio 9 to 17	Ratio Printing and Stationery Expenses	Ratio Postage Telephone Expenses	Ratio Rent & Taxes paid	Ratio 7 to 17	Ratio 9 to 17	Ratio Printing and Stationery Expenses	Ratio 11 to 17	Depreciation	Ratio 13 to 17	Other Expenses.	Ratio 15 to 17	Total expenses
1962-63	NA	NA	-	NA	-	NA	-	NA	-	NA	-	NA	-	NA	-	9387
1965-66	NA	NA	-	NA	-	NA	-	NA	-	NA	-	NA	-	NA	-	48513
1970-71	24173	86550	30.86	16093	5.73	24408	8.70	5873	2.09	10209	3.64	6075	2.17	107058	38.19	280439
1975-76	97298	207098	19.46	23046	2.17	77070	7.24	27056	2.54	41646	3.91	37942	3.57	552994	51.97	1064150
1980-81	252251	514708	33.84	54092	3.55	111692	7.34	31576	2.08	60978	4.00	57144	3.76	438447	28.83	1520888
1981-82	379070	703243	33.33	56072	2.66	146130	6.93	50342	2.39	59819	2.83	106466	5.04	608890	28.86	2110032
1982-83	419915	861447	36.49	58530	2.48	154267	6.53	49626	2.13	68506	2.90	121857	5.16	626306	26.52	2360454
1983-84	447386	1072185	40.53	73830	2.79	164639	6.22	57459	2.17	85768	3.25	105527	3.99	638382	24.14	2645176
1984-85	628403	1404695	36.02	116634	2.99	430802	11.05	73968	1.90	137328	3.52	125376	3.22	982473	25.19	3899679
1985-86	866505	1476029	32.96	119234	2.66	491270	10.97	109019	2.43	127593	2.85	116252	2.60	1172694	26.18	4478596
1986-87	810829	1554305	32.84	123665	2.61	511932	10.82	128957	2.72	163452	3.45	407836	8.62	1032036	21.81	4733011
% G.R. in 1986-87 over the 1962-63	*3254.28	*1695.85		*668.44		*1997.39		*2095.76		*1501.06		*6613.35		*864		*50320.91

N.B. : * Growth rate for 1970-71 to 1986-87.

Source : Annual Report of 'The Kolhapur Janata Central Co-operative Consumers' Stores Limited, Kolhapur.

G) GROSS PROFIT AND NET PROFIT:

Table 3:8 gives ^S necessary information regarding gross and net profits of the store. The gross and net profit ratio are calculated as -

$$\text{Gross Profit Ratio} = \frac{\text{Commercial Profits}}{\text{Sales}} \times \frac{100}{1}$$

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$$

The volume of gross profit expanded throughout the period under the review. The gross profit ratio increased from 165 to 4.43 percent. However the increase cannot be called sufficient to cover the deductions from the gross profit of the store.

Net profit ratio is declining instead of increasing. The ratio is never above one throughout the period of study.

Net profit are calculated after deducting from the gross profits of the year.

i) all accrued interest which is overdue more than six months;

ii) establishment charges;

iii) interest payable on loans and deposits;

iv) audit fees;

v) working expenses and;

vi) rebate paid to the customers.

Due to these deductions the Net Profit ratio ^{has} (had) come down.

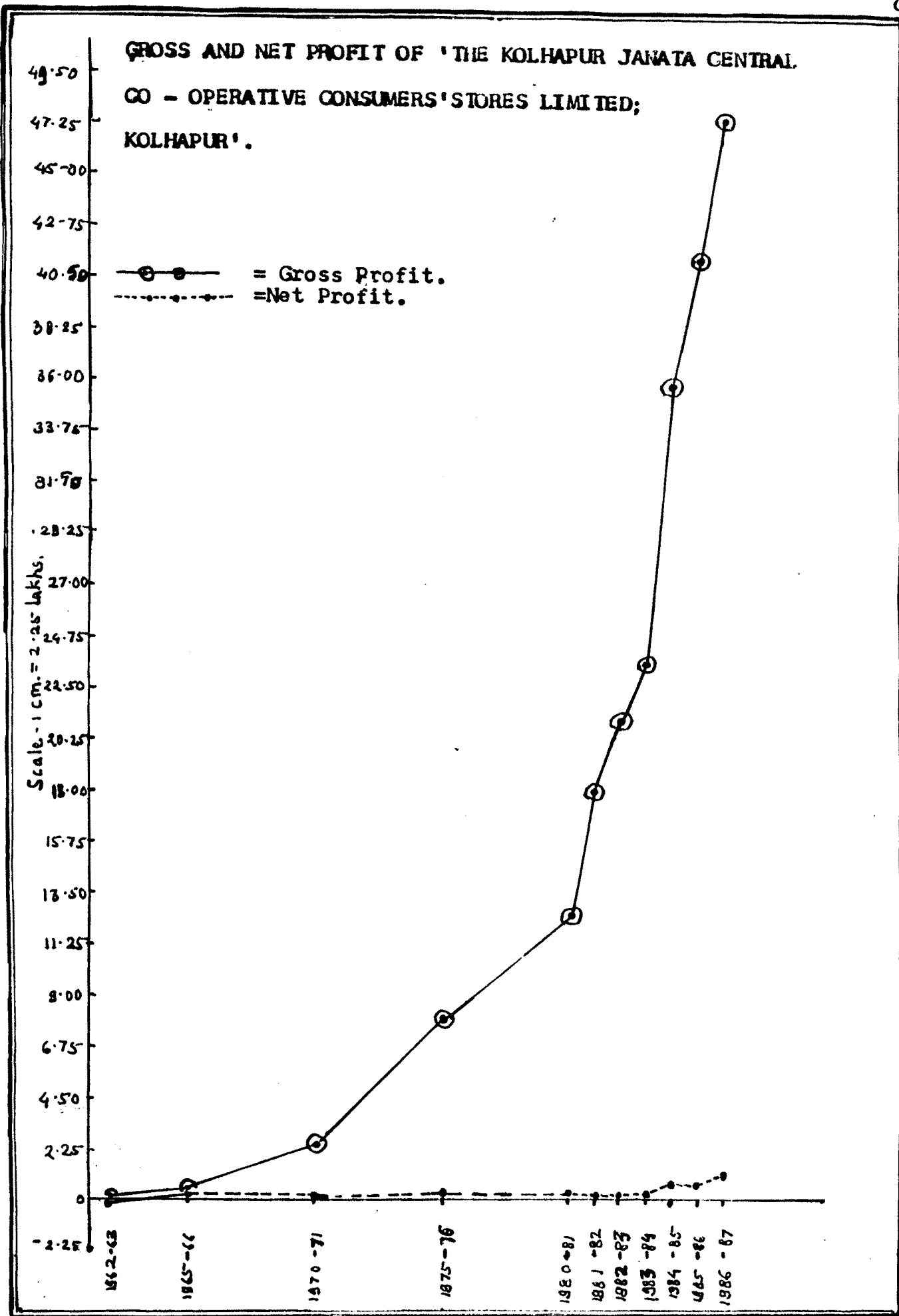
TABLE 3:8

GROWTH OF GROSS AND NET PROFIT OF 'THE KOLHAPUR
JANATA CENTRAL CO-OPERATIVE CONSUMERS' STORES
LIMITED, KOLHAPUR'

Years	Sales	Gross Profit	Ratio 3to2	Net Profit	Ratio 5to2	Dividend
1	2	3	4	5	6	7
1962-63	3,64,000	6,000	1.65	-1,600	-0.44	-
1965-66	34,07,000	56,000	1.64	25,000	0.73	-
1970-71	97,63,000	2,54,692	2.60	22,924	0.23	6%
1975-76	2,55,43,600	8,08,227	3.20	37,092	0.15	3%
1980-81	3,88,96,910	12,55,842	3.16	38,271	0.10	1%
1981-82	4,62,95,855	18,03,153	3.90	32,446	0.07	1%
1982-83	5,02,11,175	21,02,471	4.19	31,187	0.06	1%
1983-84	5,70,14,228	23,69,485	4.16	34,848	0.06	1%
1984-85	7,82,18,740	35,76,756	4.57	86,864	0.11	1%
1985-86	9,11,77,486	41,31,062	4.53	80,449	0.08	1%
1986-87	10,70,07,565	47,44,427	4.43	1,14,795	0.11	1%

% G.R. in 1986-87 over 1962-63	29297.68	78973.78		(357.98)		

Source : Annual Reports of 'The Kolhapur Janata Central
Co-operative Consumers' Stores Limited,
Kolhapur'.



Graph - 5

The dividend given to the shareholders is only one percent. To raise the reserve funds of the store 25 percent of net profit is carried to the reserve fund. Though the dividend is only one percent patronage bonus is given to the members.

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