

CHAPTER - III

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CHAPTER - III

NEED OF FEDERATIONS AND THEIR PROGRESS

3.1. INTRODUCTION :

The success of consumer co-operative movement depends very much upon the strong apex organization. In countries like England, Switzerland, the success of consumer co-operatives was attributed to strong apex organization. In this content it is rightly remark that one of the outstanding factor responsible for the success of the movement is the existance of strong wholesale societies.

The whole secret of co-operative strength lies in federalization, through which a tiny co-operative unit of the village level becomes a part of big movement at the apex of which stands the international co-operative allience. Thus federation enables even the small unit to enjoy the economic of large scale to any extent to which the movement is capable of growing.

Consumer co-operatives are organized either on a unitary pattern or on a federal pattern. Under the unitary pattern a central store with individual membership operates through branches. In federal pattern primary stores with individual members

generally form a central/federal organization to give them adequate support in the matter of procurement and supply. The structure can be mixed one the central stores having individual as well as primary stores as their members.

The federal type of store ensures autonomy decentralization and inculcation of the co-operative spirit amongst the members. The unitary stores have all the advantages of large scale economy. They can work at lower cost. There are greater opportunities to make use of mechanical aid and thereby more efficient service. In a unitary store, there is uniformity in policy, prices, staffing pattern etc.

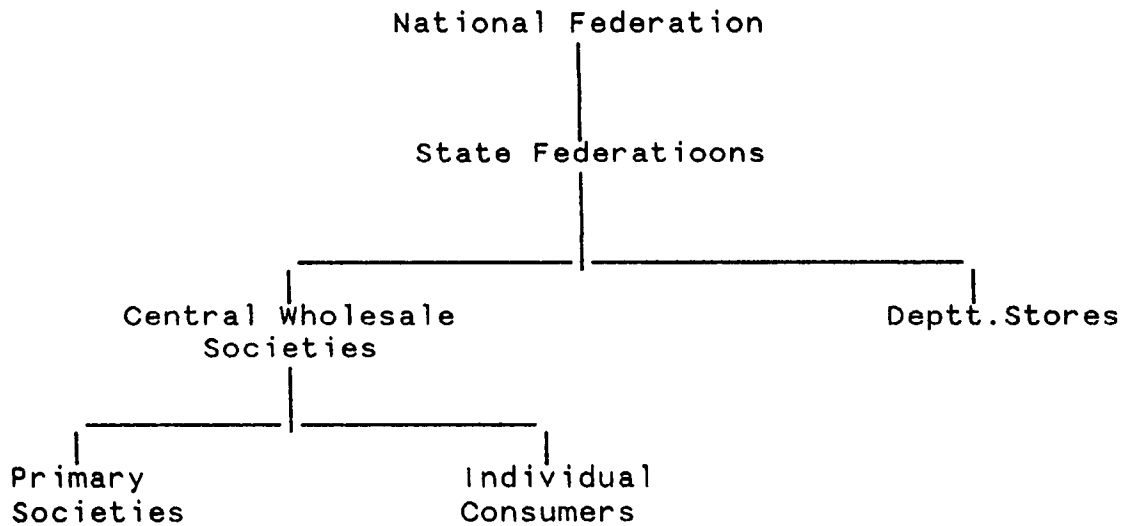
Past experience in India has also clearly demonstrated the advantages of the unitary pattern of organization, which makes for greater economic viability and operational efficiency. The primary consumer co-operatives have not had reckonable success in their avowed twin objective of holding the price line and equitable distribution. Their main stumbling block - in fact, basic, built-in disadvantages - is the smallness of their size of their operation, which ruled out their entry into the consumer-supplier market in a

truly effective way. This was not particularly conspicuous so long; but the advent of the departmental stores seems to have had the effect of showing up the inherent weakness of these primary stores.

The Indian co-operative union has suggested that as a normal practice, there should be only one consumer society in a city operating a number of shops catering to the requirements of consumers in various localities. The membership of the the city society should be open to all sections of consumers and it should try to attract a large and broad-based membership as may give it a character of a community institution. Co-operatives are business organization and the economic results alone will create a feeling of loyalty among the consumers towards the co-operative stores. In this context there is need to reconsider the existing organizational structure of consumer co-operatives at the district level.¹

In India, one of the essential feature of the consumer co-operatives is a four-tier structure - National Federation at the National level, State Federations at the state level Wholesale/Central Stores at district level, supported by a number of primary

consumer co-operatives at the base. The structure is shown in the following chart.



3.2. NATIONAL CO-OPERATIVE CONSUMER'S FEDERATION :

At the all India level there is a National Co-operative Consumer's Federation. It was registered in August 1965. It is an apex organization of all consumer co-operatives in the country. All the states federation of consumer co-operatives are affiliated with NCCF. The main functions of this highest body are :

1. To assist and facilitate the working of consumer societies.
2. To establish trade connections with suppliers and manufacturers so as to arrange procurement of consumer goods for co-operative stores.

3. To arrange import and export of consumer goods.
4. To build up ancillary service for the benefit of consumer co-operatives.
5. To establish and run processing and manufacturing units for consumer goods.
6. To undertake publicity and propaganda for the development of consumer movement.
7. To hold seminars, conferences and to discuss plans and problems of consumer co-operatives.

The sales turnover of the NCCF during 1981-82 was Rs.125.67 crores as against Rs.91.16 crores and Rs.63.81 crores during 1977-78 and 1976-77 respectively. As on 30th June 1986, NCCF had 105 members. The total paid-up share capital of NCCF as on this date, amounted to Rs.499.94 lakhs, out of which Government of India's contribution was Rs.224.76 lakhs. The sales turnover of the federation during 1985-86 was of the order of Rs.156 crores.

On the promotional side, NCCF publishes and circulates monthly news bulletins containing information about market rates, availability of goods

etc. A bi-weekly bulletin containing information about the wholesale market rates in Delhi is also published and circulated by it to consumer co-operatives.

3.3. STATE CO-OPERATIVE CONSUMER FEDERATION

Until June, 1982, at the state level, 20 state federations had been established. The main functions of a state federation are to co-ordinate the work of consumer stores at the state level; and to obtain supplies from NCCF and other sources and supply same to the consumer stores. On 30th June, 1982 the total membership of 20 state federations was 13,092 and their total share capital was Rs.1,746 lakhs. These state federations sold goods worth Rs.224 crores during 1981-82.

3.4. WHOLESALE STORES :

Consumer wholesale co-operative stores with a network of branches have been set up in all big cities. These stores were organized under the centrally sponsored scheme. By March 1966, such stores had been set up in all cities with a population of 50,000 and above. Today, there are wholesale consumer stores in all districts except where urban population is less and scattered.

The progress achieved by the wholesale stores has not been uniform in all the states. They have attained good progress in some states while on others the progress is far from satisfactory. By and large, the wholesale stores which adopted unitary pattern have shown better result while those with federal pattern have shown poor performance.

3.5. DEPARTMENTAL STORES/(Super Bazar) :

The beginning of Super Bazars was made in India on 15th July, 1966. The biggest departmental store was set up in Delhi. The opening of this store proved to be indeed a landmark in the consumer co-operative movement in India. The programme of organization of the departmental stores which was initially restricted only to big cities was later extended to towns with population below 2 lakhs, on a selectire basis. By the end of June there were 20 large and small departmental stores.

These newly established institutions are now envisaged to become an important tool in the development of consumer stores and an instrument of policy in the strategy for better distribution. During the Fifth plan, these stores are to become the linch

pin in the high powered drive to hold the price line. They are expected to prove to be one of the surest means of combating excessive retail prices on the one hand and a major tool on equitable distribution of essential commodities on the other. They are expected to serve as pricesettlers and act as market leaders in matters of fixing prices of consumer goods. It is hoped that they will enable the weaker sections of the society to stretch their income a little further in terms of bread and butter.

The departmental stores/super bazars are, by and large, run by wholesale stores. Only in few states separate co-operative societies have been organized while two departmental stores are being run by two state consumer federations.

Most of department stores/super bazars occupy floor space ranging from about 5,000 sq.ft. to 15,000 sq.ft. and 4 of them occupy space between 15,000 to 40,000 sq.ft. and the biggest store in Delhi has 90,000 sq.ft. of selling area. In each of the metropolitan cities of Delhi, Bombay, Calcutta and Bangalore, 3 to 4 departmental stores have been functioning. Most of these departmental stores deal in wide range of

consumer articles which include groceries, cosmetics, toiletries, household goods, textiles, readymade garments, drugs and medicines etc. A large number of them are also selling fruits and vegetables, eggs, fish and meat. A few are selling articles such as furniture, footwear, radio and gramophone records, opticals, popcorn, ice-cream, etc. and also running cafeterias. Some of them are providing services such as dry-cleaning, tailoring, dental clinic and cooking gas. Banking facilities have been provided in the premises of four department stores in collaboration with the scheduled banks/co-operative banks. Some of these stores have given a lead in modern retailing techniques by providing attractive lay-out and shop designs, artistic display of goods, fixing prices, self-service, pre-packing of goods, price marketing, etc. A significant feature of their operation is the negligible proportion of controlled articles handled by them and their complete dependence on non-controlled articles for their business.

Of the total turnover, the share of the departmental stores in metropolitan cities, namely Bombay, Calcutta, Hyderabad, Ahmedabad, Madras, Bangalore and Delhi was about 51% of the total sales.

There has been a significant improvement in the functioning of these stores. Most of them have started showing profits.

3.6. PRIMARY STORES/CONSUMER CO-OPERATIVES :

The primary stores are the last ladder in the structure of the consumer's co-operative movement in India. They have been organized either on unitary or federal pattern. The area covered by a primary/branch store located in a city is generally a locality or ward of the city in which a wholesale store operates. These primary stores have been primarily organized to provide rationed commodities or other necessities to members living in the locality.

In spite of this rapid progress, the primary consumers co-operatives are the weakest link in the consumers co-operative movement. About one third of the primary stores have ceased to function and have become dormant.

The net result of operations of these revealed that out of 16,152 primary consumer stores only 50% showed profits, while the remaining incurred losses or showed no profit, no loss. The working of the stores shows that most of them are not viable or potentially viable

units. A simple study undertaken in a couple of states indicated that not more than 15 to 20% of the total number of primary consumer co-operatives could manage as 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.

At present the number of primary consumer co-operatives in urban areas was 17,748 as on 30th June, 1986 with membership of 57.13 lakhs. The sales amounted to Rs.752.74 crores during 1985-86.

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