
CHAPTER-I

INTRODUCTION

- A) CONCEPTUAL BACKGROUND
 - B) METHODOLOGY.
-

CHAPTER -I

INTRODUCTION

A) Conceptual Background

Meaning and objects of Consumers' Co-operation,

A Consumers' Co-operative store is a voluntary organisation of consumers, organised to obtain their requirements of consumer goods and services on terms of the greatest advantage to them. This type of a co-operative undertakes retailing, wholesaling and sometimes the production and processing of consumer goods.

Most consumer stores have been established on the principles enunciated by the Rochdale Pioners. The main object of the consumer store is to serve its members and customers with goods required by them for household consumption. It is expected to provide goods at reasonable price and to protect the interests of the members. These stores are also expected to stabilize the price-line and check the exploitation of the consumers by the private business.

Origin and development of consumers co-operation :

The development of the consumers' co-operation as an economic system is well associated with the name of Rochdale

Pioneers in Britain. A batch of 28 weavers in Rochdale formed a society that shot into world fame as the "Rochdale Society of Equitable Pioneers". The movement gradually spread over to other countries on the continent of Europe and played a significant role in holding the price line in food and consumer articles specially during the crucial post-war era. The movement has achieved spectacular success in some of the western countries like Sweden, Denmark, Finland and Britain.

The Consumer co-operative movement in Sweden is perhaps the most progressive and influential in the world. The movement has more than a million members in the total population of 7 million and handles about 14 percent of the entire turnover in retail trade in food stuffs and 14% turnover in groceries and dairy produce.

Among the East European countries considerable progress has been made in the U.S.S.R. by the consumer co-operative stores.

Rise of Consumer Consciousness :

In the old village life, when the producer produced for the village, generally everybody bartered his produce for that of others. Distinction between the producer and consumer was then of not much significance. But it is no longer the case in the highly complex society of today.

There are no conflicting interests among the consumers while the producers are generally combative by nature. If the price of corn is raised, the producers of corn are happy, while other producers, say, those of milk, are unhappy about the raise. Such is not the case with consumers who represent not a section but the whole society. Hence, co-operation of people as consumers is on a higher plane and more in the interest of the world society.

The concentration of business in a few hands who control the price as well as the supply of articles has placed the helpless consumer at the mercy of the producer. The more essential a commodity is, the higher its price can be forced without consumption being perceptibly diminished. These monopolies can press most severely on the consumer where he is the weakest. Similar is the impact of the retail trade associations which aim at a price policy limiting competition and thereby constituting quasi-monopolies.

The influx of too many middlemen have jeopardised the interest of consumers. The producers are underpaid and consumers are overcharged. The intermediaries make large profits which are reckoned as the costs of distribution. In the U.S.A. they have been estimated at 15 to 65 percent of the price paid by the consumer.

Attempts have been made in every country to prevent adulteration by legislation. In India, the institution of Agmark, the Indian Standard Institution and various food, drug and health acts aim at not only prevention of adulteration but also at

giving quality goods to the consumer. But these measures are too inadequate to fulfil overall objective. There are, moreover, other factors which affects the interests of the consumer. If the consumer is not alert , his interests are likely to be harmed.

Consumers' Co-operative Movement in India

Our country is the seventh largest and second most populous country in the world. After Independence, India has adopted a definite strategy for systematic economic development and accepted mixed economy with private sector, public sector and co-operative sector working together to achieve common socio-economic goals.

In our country co-operative movement is not new. It has long history of more than 80 years. In fact, co-operative movement was started in India by the British Government with the enactment of Credit Co-operative Societies Act in 1904.

The main object of the movement was to start the co-operative societies for economic development of rural area by providing agricultural credit to farmers. The Credit Co-operative Societies Act, 1912, replaced the Act of 1904 and the special provisions were incorporated for registration of non-credit co-operatives including consumers' co-operative societies.

Progress during the war period :

The abnormal conditions created by the first war, gave great impetus to the consumers' co-operative movement. In the year 1914-15, 11 such societies were registered. By the end of 1920-21, there were 103 consumer co-operative societies in the country.¹

After the First World War, under the new scheme of "Montagu Chemsford Reform" in 1919, the need for non credit co-operatives to supply essential commodities to public with the fair price was stressed. During this time essential consumer goods were scarce and their prices increased tremendously. Therefore consumers' societies were used as agency for distribution of essential commodities to the public by the British Government. Large number of consumers' co-operatives came into existence to supply essential consumer goods at fair prices. Following table shows the progress of consumer co-operatives during II World War and thereafter.

1. R.B.I. : Review of Co-operative Movement, 1939-46.,
P. 43.

Table No. 1.1 : Statement showing progress of Consumers'

Co-operatives during 1939-40 to 1950-51.

Year	No. of consumer co-operative societies.	Membership (in thousand)	Annual sales (Rs. in lakhs).
1939-40	408	16	57
1944-45	3,539	60	2,000
1950-51	9,745	1,845	8,187

Source : Dr. B.S. Mathur.

Co-operation in India, 3rd ed., 1977, P. 390.

High prices, black marketing, income generating effects of increased employment a highly inflationary situation, artificial and real shortage of goods, failure of internal transportation system, set-back in respect of import trade, introduction of control and rationing system increased the hardships of common man during the II War. This accelerated the growth of Consumers' Co-operatives in distribution of rationed goods. The Government favoured them by granting licences for stocking and selling the controlled goods and extended them financial assistance for expansion.

The next landmark in the progress of co-operative movement in India was setting up a co-operative Planning Committee appointed

1945. The committee recommended conversion of primary societies into multipurpose societies and suggested that efforts should be made to bring 50% of villages and 30% of rural population within the ambit of the reorganised societies within a period of three years. The Planning Committee also urged greater financial assistance to the co-operatives by the R.B.I. During this period the movement was entirely supported by Government.

Development during Five Year Plans.

The consumers' co-operative movement did not receive any special attention during the First and Second Five Year Plans. No targets were laid down and no specific financial assistance was envisaged during these two plans. The result was that during most of the years of the first two plans, the position of consumers' co-operatives continued to deteriorate. As majority of the 7000 consumer co-operatives, existing at the end of the Second Plan, were not working satisfactorily and those working were operating in a small way, the need for revitalizing the existing consumers' co-operative structure and the organisation of new stores was keenly felt.

Third Plan :

In November, 1960, the National Co-operative Development and Warehousing Board appointed a Committee to review the existing position of the consumer co-operatives and to suggest measures for the speedy development of the consumers' movement during

the Third Plan period. The Committee provided for the organisation of 50 wholesale stores and 2200 primary stores and made a number of valuable recommendations regarding organisation structure, pattern of consumer co-operatives, size and viability, need for strong wholesale stores, improvement of managerial efficiency, business techniques and government assistance.

In the Third Plan the consumer co-operatives were given special attention. A scheme was introduced from the very beginning of the Third Plan to revitalize some of the existing stores and for the organisation of new stores in urban areas. The scheme was to revitalize and organise 2200 primary stores and one apex wholesale stores in each State during the Plan period. However, the scheme did not receive the requisite attention and, as a result, the progress was slow.

Fourth Plan :

The consumer co-operative movement made a fairly good progress during the Fourth Plan Period. A countrywise network of consumer co-operatives has been built up, as a result of the various organisational and promotional efforts. The central/wholesale consumer co-operative stores have been organised in all the districts having urban population of 50,000 and above. By the end of June, 1974, there were about 400 central wholesale consumer co-operatives and about 13,150 primary consumer co-operatives, 14 State Federations of Consumer Co-operatives and the National Co-operative Consumers' Federation at the Apex.

The central/wholesale stores had also set about 2300 branches and were running 134 departmental stores.

The consumer co-operatives, however, could not achieve the target of Rs. 400 crores of retail sales during the fourth plan. The actual retail sales of consumer co-operatives during 1973-74 were about Rs. 325 crores. This shortfall was largely due to decrease in the business of consumers' co-operatives in the wake of relaxation of controls of foodgrains and sugar.

Programme during the Fifth Plan :

During the Fifth Plan, one of the important objectives was to build up viable consumer co-operative movement to enable it to function as an important element in a consumer oriented distribution. It can be stated that a consumer co-operatives can serve as an instrument of consumers protection in the sphere of retail distribution and have a vital role to play in the task of stabilisation of prices. It was decided to organise 50 large departmental stores, 150 small departmental stores and 1300 retail shops. The State Government made financial help of 10.91 crores and the Central Government provided Rs. 9 crores under the centrally sponsored scheme. Due to the efforts made by the Government and NCCF, the share capital of central stores increased from Rs. 15.57 crores in 74-75 and 24.5 crores in 77-78. Volume of retail trade by these stores increased from Rs. 400 crores in 1974-75 to Rs. 550 crores in 1975-76.

Scheme for Industrial Workers :

Apart from consumers co-operatives organised among the general public in urban areas, separate consumer co-operatives have been organised among workers in industry and mines, and employees of Railways and other Public undertakings. Under the scheme sponsored by the Ministry of Labour and Employment for organisation of consumers co-operatives among workers in industrial and mining undertakings employing 300 or more workers, 5065 primary consumers co-operatives/fair-price shops had been organised in such undertakings.

Scheme for Rural Areas :

The importance of organising and developing an efficient consumer service through co-operatives in rural area lies in that it enables the farmers to secure essential supplies of household needs at fair price, such a service would also help in getting them out of the clutches of the money lenders who are often the shopkeepers selling consumer goods at unduly high prices.

It was in the wake of national emergency in 1962, that the centrally sponsored scheme for distribution of consumers goods in rural areas through marketing and service co-operatives was sanctioned by the Government of India during the year 1963-64. Under this scheme the primary marketing societies and primary agricultural credit societies were expected to open separate sections for the distribution of essential consumers goods to the rural population.

During 1973-74, over 46,000 rural credit societies and 1,570 marketing societies were engaged in the distribution of consumers goods in rural areas. The value of goods distributed by the societies moved from Rs. 198 crores in 1965-66 to Rs.398 crores in 1974-75. By the end of June 1978 there were 23000 retail sale centres in consumers co-operative structure in India.

Sixth Five Year Plan :

Following table shows the details regarding consumer co-operatives during 1971-72, 1975-76 and 1979-80.

Table No. 1.2 : Statement showing Position of Consumer Co-operatives during 1971-72, 1975-76 and 1979-80.

Particulars	1971-72	1975-76	1979-80
1. Wholesale/Central Consumers' Co-operatives.			
a) Number of stores (Nos.)	383	449	500
b) Membership (thousand)	955	1558	1950
c) Total sales (Lakhs)	132,81	329,38	404,39
2. Primary Consumers' Co-operatives.			
a) Number of stores	12,883	18,093	15,539
b) Membership (thousand)	34,31	55,05	43,65
c) Total sales (Lakhs)	14,37	307,17	319,98

Source: Taken from article by Prof. S.B.Rao, "Consumer Co-operatives -A Management Perspective", The co-operator Vol XX, No.12, Dec.15, 1982, P. 365.

The Sixth Plan envisages retail sale target of Rs. 1250 crores by Consumer Co-operatives by the end of 1983-84. A scheme is proposed to improve sick units and organize new consumer co-operatives to cover all the cities having population of 50 crores or more. It also envisages to strengthen the State Federation and the NCCF in order to purchase consumable goods from manufacturers. The Government of India has an agreement with the manufacturers according to which 20% of the production is to be made available through consumer co-operative network. The consumer items cover vanaspati, matches, cycle-tyres and tubes, electric lamps, drugs, medicines and babyfood.

Seventh Five Year Plan :

During the 7th Plan period, the NCCF, as the Apex body of the consumer co-operatives, has plans to increase the number of retail outlets from 75000 to 4,00,000 and the annual turnover, which was Rs. 160 crores in 1985 is expected to be doubled by the end of VII Plan.

Public Distribution and Consumer Co-operatives :

A Public distribution system has been functioning in India since 1977. In 1982-83, there were 2.84 lakhs fair price shops in the country for distribution of essential commodities to the consumer in the rural and urban areas. The commodities supplied by the Central Government for distribution have been wheat, rice, sugar, Kerosene, controlled cloth, cycle-tyres and tubes, pulses etc. These are produced and supplied to the states through the

important agencies such as STC of India, Food Corporation of India etc. The consumer co-operative in urban area and primary agricultural societies in rural areas are also being strengthened with central assistance for setting up consumer distribution activity in a larger way. So consumer co-operatives are regarded as the backbone of the public distribution system in the country.

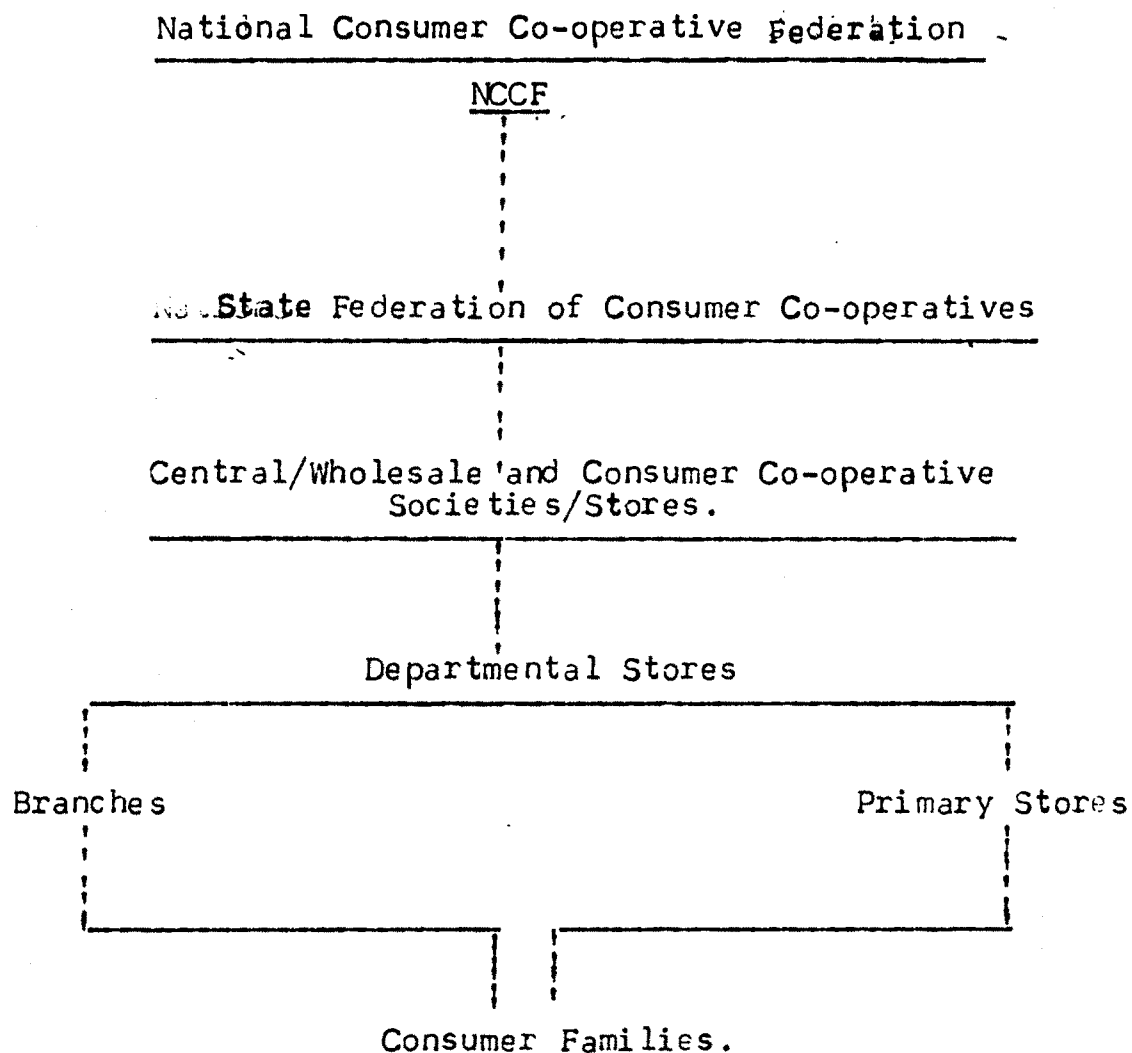
Role of Consumer Co-operatives in 20 Point Economic Programme :

The main objective of the 20 point economic programme is to uplift socio-economic life of the weaker sections of the society through democratic process. In the revised 20 point programme the public distribution system has been given important place. Under this programme the Government has decided to start mobile shops to supply goods to industrial workers, students' hostels and other weaker sections of the society.

Organisational Structure in India :

Organisational structure of Consumer Co-operatives in India is depicted in the following figure.

Four Tier Structure



1. NCCF :

NCCF was registered in 1965. The main object is to assist, aid and counsel its members, institutions and facilities their working. A review of the working of NCCF in the past few years reveals that it has done a little promotional and developmental work. It has set up branches in major

cities in the country. It has also started processing and manufacturing units at different places in the country. It also publishes and circulates monthly news, bulletines containing information about market rates, availability of goods, sales turnover etc.

2. State Federation of Consumer Co-operatives :

State Federations are working at the State level and are affiliated to NCCF. Their main objectives are to co-ordinate and facilitate the working of the affiliated wholesale consumer co-operatives and to assist in the promotion, organisation and development of the activities of wholesale consumer co-operative societies.

3. Central/Wholesale Stores :

Wholesale stores are organised at district/town level having population of more than 50,000. Under the centrally sponsored scheme (1962) a number of wholesale consumer stores have been set up in different parts of the country. Wholesale stores sell the goods to the primary co-operative consumer societies under their jurisdiction. They provide guidelines to the primary stores.

4. Departmental Stores :

Departmental stores provide all types of consumer goods to their customers under one roof and the same management. In this

type of stores, consumers need not go to other stores for their purchases. Departmental stores were established in our country after 1966. These stores were opened in the cities the population of which is more than 2 lakhs.

5. Primary Societies :

It is the last link in the structure of consumer co-operative movement in India. They are opened in the locality or ward of the city to provide essential goods to consumers. They make their purchases from wholesale stores and sell them to the ultimate consumers. Such stores are opened in the locality where the population is more than 10,000. These societies are formed by the members residing in the same locality.

Consumer Co-operative Movement in Maharashtra :

The first consumer co-operative store was organised by the late Shri G.K.Deodhar in Pune in the year 1913-14. During World War I, because of Government support many other consumer co-operative stores were organised. The number of societies increased from 29 societies in 1919 to 88 in 1921. But these stores could not compete in the open market and naturally their number fell to 25 by 1937. During World War II, shortage of food stuff and other essential commodities and the rise in their prices forced the people to turn to the consumers co-operatives. Then the Government also provided all types of assistance to the Consumer Co-operatives to run authorised Fair Price Shops.

Till 1952 there was a steady rise in number, membership, capital and turnover of Consumer Co-operatives. Because of decontrol thereafter, the consumer co-operatives received a set-back. Bombay State Consumers' Co-operative Society went into liquidation. During I & II Five Year Plans there was no special scheme of the Government for Consumer co-operatives. During emergency in 1962, there was a sharp rise in the prices of consumer goods and also the scarcity thereof. The Government of India launched the centrally sponsored scheme of consumer co-operatives and the present structure of movement in the state is evolved under this scheme. It consists of the State Federation of central consumers co-operative societies, retail shop in each district and each town with the population exceeding 50,000 and primary consumer co-operatives in towns with the population exceeding 10,000. These stores were provided all types of financial assistance in the form of Share capital contribution, working capital, management subsidy as well as loans and subsidies. The State federation provides all types of guidance, training, information to the consumers stores for their development. The Federation makes bulk purchases and necessary arrangements to sell goods and services to the primary consumers' co-operative societies. It also sells to wholesale and primary stores and arranges conferances at the state level, reviews the progress of the movement and formulates plans for further development.

Progress at a glance :

The progress of consumer co-operatives in the State of Maharashtra is shown in the following Tables.

Table No.1.3 : Statement showing the Primary Societies in the
State of Maharashtra.

Item	1961	1971	1981	1982	1983	1984	* 1985
Stores(No.)	1140	1385	1737	1844	1902	2024	2181
Membership (No.in '00)	1752	3835	10062	10418	11022	11324	11600
Share capital (Rs.Lakhs)	52	124	345	433	423	462	510
Share capital Govt.(Rs.Lakhs)	N.A.	6	27	54	62	43	50
Owned funds (Rs.Lakhs)	102	234	710	874	887	957	1100
Working Capital (Rs.Lakhs)	169	355	1685	1950	2180	2252	2300
Borrowings (Rs.Lakhs)	24	83	306	276	358	296	320
Purchases (Rs.Lakhs)	887	3435	9330	11386	12377	12328	13000
Sales (Rs.Lakhs)	931	3544	10103	11950	12440	12447	13650
Stores in Profit(No.)	489	781	1051	1104	1140	1171	1175
Amt.of profit (Rs.Lakhs)	16	35	106	113	121	126	130
Stores in loss (No.)	182	327	419	491	507	541	550
Amount of loss (Rs.lakhs).	2	22	22	25	32	31	32

Source : i) Co-operative movement At A Glance In Maharashtra State-1985.(For years 1961, 71, 81, 84, 85).

ii) Co-operative Movement At a Glance In Maharashtra State-1983.(For year 1982)

iii) Co-operative Movement At a Glance In Maharashtra State-1984. (For year 1983).

Notes : i) * 1985 figures are provisional

ii) N.A. : Not available.

Table No. 1.4 : Statement showing the Wholesale Societies in the State of Maharashtra.

I t e m	1961	1971	1981	1982	1983	1984	1985*
Stores(No.)	1	43	75	72	77	89	83
Branches(No.)	9	360	461	442	442	424	430
Membership('00)	2	1350	1232	2092	2182	2070	2320
Share capital (Rs.Lakhs)	3	133	249	309	324	344	375
Govt.Contribu- tion(Rs.Lakhs)	N.A.	97	150	156	165	179	195
Owned funds (Rs.Lakhs)	3	195	423	503	575	568	620
Borrowings (Rs.Lakhs).	2	205	283	350	537	502	560
Working Capital (Rs.Lakhs).	7	463	1100	1468	1605	1640	1800
Purchases (Rs.Lakhs)	189	2833	5865	7415	8851	1374	9950
Sales (Rs.Lakhs)	187	3031	6396	7814	9677	10024	11020
Stores in Profit(No.)	---	28	45	45	46	48	50
Stores in Loss (No.)	1	15	17	19	23	24	26
Amount of Profit(Rs.lakhs)	-	9	16	25	20	23	25
Amount of Loss (Rs.Lakhs).	Neg.	17	25	17	20	27	25

Sources : i) Co-operative Movement at A Glance, In Maharashtra State-1985
(for years 1961, 71, 81, 84, 85).

ii) Co-operative Movement At A Glance, In Maharashtra State-
1983 (For the year 1982)

iii) Co-operative Movement At A Glance in Maharashtra State-
1984 (For the year 1983).

Notes : i)* 1985 Figures are provisional.

ii) N.A. : Not available.

iii) Neg. : Negligible

Table No. 1.5 : Statement showing Progress of Maharashtra
State Co-Operative Consumers' Federation.

Item	1961	1971	1981	1982	1983	1984	1985*
Branches (No.1)	-	-	7	8	12	14	14
Membership ('00)	28	41	192	208	225	228	251
Share Capital (Rs.Lakhs)	3	14	146	158	180	203	217
Govt.Contri- bution (Rs.Lakhs)	1	6	96	107	129	152	165
Owned funds (Rs.Lakhs)	SNA	17	190	203	225	249	262
Borrowings (Rs.Lakhs)	SNA	18	173	295	302	568	575
Working Capital (Rs.Lakhs)	6	38	647	763	902	833	872
Purchases (Rs.Lakhs)	48	313	2078	1232	1457	2005	2404
Amt.of Profit (Rs.Lakhs)	Neg.	0.08	1	-	-	5	-
Amt. of Loss (Rs.Lakhs)	-	-	-	2	8	-	16

- Sources : i) Co-operative movement At A Glance In Maharashtra State-1985 (For years 1961, 71, 81, 84,85).
ii) Co-operative Movement At A Glance In Maharashtra State-1983 (For Year 1982).
iii) Co-operative Movement At A Glance In Maharashtra State 1984. (For year 1983).

Note: i) * 1985 Figures are provisional
ii) Neg.: Negligible.
iii) SNA : Separately not available.

According to the 1981 " Census" the total area of Kolhapur district was about 8059 square Kilo-meter. The total population of Kolhapur district was 25.06 lakhs out of which 6.23 lakhs lived in Urban area and 18.84 lakhs lived in rural area of the district. There were, in 1981 12 cities and 1159 villages in Kolhapur district.

Development in Kolhapur District :

The developments of consumer co-operative stores (wholesale and Primary) in Kolhapur district is given in the Table below:-

Table No. 1.6 : Statement showing the Progress of Consumer Co-operative Stores in Kolhapur District during 1982-83 to 1984-85.

Year	Total Societies	Out of total consumer Co-operatives.
1982-83	3377	79
1984-85	3565	90
1985-86	3717	95

Source : Co-operative Movement At A Glance in Maharashtra State 1983, 1984, 1985.

Today in Kolhapur district Janata Bazar, Shetkari Sahakari Sangh, Warna Bazar, Datta Bazar are the leading consumer co-operative societies.

Kolhapur City :

Kolhapur is a city with a population of 5 lakhs which has two of the leading 20 stores in whole country that is Shetkari Sahakari Sangh and Janata Bazar. The Shetkari Sahakari Sangh has, with a net work of specialised shops in the city, a high image in Kolhapur for several decades besides its rural retailing. The Janata Bazar has shown a rapid growth rate. There are a few pockets in the city where Janata Bazar and Shetkari Sahakari Sangh have both increased their sales side by side, which proves that they are capturing bigger share of the open market retailing. The successful working of Shetkari Sahakari Sangh and a wide varieties of big and successful co-operative like those established by Sugar Mills have generated confidence of the common man of the district in the co-operative movement. The ultra-modern giant departmental stores like Janata Bazar have shown a new dimension in co-operative retailing. It has conspicuously boosted the image of co-operatives.

(B) Methodology :

The Researcher thought that a study of Janata Bazars run by Kolhapur Janata Central Co-operative Consumers' Stores, Kolhapur, would give an insight into the working of consumer co-operatives. The Researcher has selected, for the purpose of study, the following three Janata Bazars and a study of their operations for a period of four years, i.e., from 1982-83 to 1985-86:-

- i) Ruikar Colony Janata Bazar (established 1980);
- ii) Varuntirth Janata Bazar, (establishment 1981); and
- iii) Rajarampuri Janata Bazar, (establishment 1984).

By operations of the Janata Bazars is meant mainly following three aspects of their working :-

- i) Purchase Policies and Procedures;
- ii) Sales; and
- iii) Stock Control.

Objectives of the Study :

The objectives of the study were :

- i) To study the operational aspects of Janata Bazars over a period of four years, i.e., from 1982-83 to 1985-86 (The year 1985-86 was considered for inclusion because of the availability of data).
- ii) To test, verify and find out scope for applicability of the theory of business management in respect of different operational aspects; and

iii) To make suggestions for improvement, if any.

Scope of the Study :

Scope of the study is limited to the three Janata Bazars in Kolhapur city, their major operations of (i) Purchasing, (ii) Selling and (iii) Stock Control and the four years covered by the study.

Data Collection :

Data were collected mainly with the help of following records/methods :-

- i) Records at the Janata Bazars, including their published Annual Reports and unpublished records like files maintained, statements and notes prepared from time to time.
- ii) Records of Kolhapur Janata Central Co-operative Consumers Stores Ltd., Kolhapur.
- iii) Discussion with the various officers of the Janata Bazars.
- iv) Books and periodicals published, containing material concerning the consumer's co-operatives.

Chapter Scheme :

Data collected have been compiled, analysed and presented in the following manner for the purpose of this Dissertation.

- Chapter I : Introduction
A) Conceptual Background
B) Methodology.
- Chapter II : Prospect and Retrospect of Janata Bazar, Kolhapur.
- Chapter III: Purchases at Janata Bazar, Kolhapur.
- Chapter IV : Sales and Stock Control at Janata Bazar, Kolhapur.
A) Sales
B) Stock Control.
- Chapter V : Evaluation of Operations of Janata Bazar and
Suggestions for Improvement.

Limitations of the Study :

The Researcher could not find adequate time to study the operations of Janata Bazar with a view particularly to satisfactorily fulfil the objective No.2 of the study, i.e., to test, verify, and find out the scope for the applicability of the principles of business management in respect of various operational aspects of Janata Bazar. This could be undertaken in a separate study.