

**REPORT
OF THE COMMITTEE
ON CONSUMERS' COOPERATIVES**

Vol. I



**NATIONAL CO-OPERATIVE DEVELOPMENT
AND WAREHOUSING BOARD**

MAY, 1961.

CONTENTS

			PAGE
Introduction	...	...	1
Chapter	I ...	The Background	5
Chapter	II ...	Organisation and Structure	12
Chapter	III ...	Finance	43
Chapter	IV ...	Business Techniques and Operations	66
Chapter	V ...	Democratic Control and Management	85
Chapter	VI ...	Governmental Assistance	92
Summary of Recommendations	...	...	98
Annexure	I ...	Questionnaire I	116
Annexure	II ...	Questionnaire II	125
Annexure	III ...	Questionnaire III	132
Annexure	IV ...	Particulars of Consumers' Stores visited by the Committee	134
Annexure	V ...	List of Registrars of Cooperative Societies who replied to Questionnaire I	140
Annexure	VI ...	List of Official and Non-official Co- operators who replied to Questionnaire I	141

INTRODUCTION

Appointment and Composition of Committee

On the suggestion of the Chairman, National Co-operative Development and Warehousing Board, the executive committee of the Board in its 28th meeting held on 19th November, 1960, decided that a committee consisting of the following members should be appointed to suggest measures for the development of consumers' co-operative movement in the country. The decision was ratified by the National Co-operative Development and Warehousing Board in its 11th meeting held on 25th February, 1961.

2. Composition of the committee:—

1. DR. P. NATESAN, ... *Chairman*
General Secretary, Tamil Nadu Co-operative Union Ltd., Madras and Member of the Executive Committee.
2. SHRI JAGAN PRASAD RAWAT, ... *Member*
Chairman, U. P. Co-operative Land Mortgage Bank, Lucknow and Member of the Board.
3. SMT. SAVITRI DEVI NIGAM, M.P. ... *Member*
4. SHRI CHINTAMANI PANIGRAHI, M.P. ... *Member*
5. SHRI B. S. DHAVLE, I.A.S., ... *Member*
Dy. Secretary, Ministry of Community Development and Cooperation, (Department of Cooperation). *Secretary.*

The Chairman of the committee was further authorised to co-opt any person to work on the committee.

The committee in its meeting held at New Delhi on 5th December, 1960, decided to co-opt SHRI M. L. BATRA, I.A.S., Registrar of Co-operative Societies, Punjab, to work on the committee.

SHRI S. T. KHUSHALANI, Research Officer of the Board, was attached to the committee to assist the committee in its work.

Terms of reference

3. The terms of reference of the committee were to review the existing position and to examine the promotional and organisational

aspects of consumers' co-operatives with a view to ensuring their sound and speedy development during the third five year plan.

Procedure of work

4. The procedure followed to collect information regarding the present position of consumers' stores was: (i) Issue of different Questionnaires to selected agencies (ii) Visits to selected consumers' stores and institutions. (iii) Discussion with officials and non-officials during visits.

Questionnaire

5. A set of three Questionnaires was prepared to elicit information from different agencies.

Questionnaire I (Annexure I) was issued to Registrars of Co-operative Societies of different states with a view to collect information regarding the working of consumers' stores in those states. Registrars were requested to give their own views and suggestions on different aspects of consumers' movement in their states, particularly, in the light of their own experiences. Information was received from 11 states in all. A list of such states is at annexure V. This Questionnaire was also issued to some officials associated with the movement and veteran cooperators experienced in the line with the object of ascertaining their views on various problems connected with the subject. A list of such persons who responded to the Questionnaire is given at Annexure VI.

6. Questionnaire No. II (Annexure II) was prepared for individual primary and wholesale stores for eliciting detailed information regarding their working and the problems faced by them. Copies of this questionnaire were also sent to Registrars of Co-operative Societies with a request to furnish information on the basis of a representative sample consisting of selected good, bad and indifferent stores. Information received covered 100 stores from different states inclusive of the 48 visited by the committee. Complete evaluation of data regarding these stores will be found in Volume II of the report. Data regarding 48 stores, i.e. 43 primary and 5 wholesale, has been utilised in this volume. These stores are functioning in the states visited by the committee. Of these 48 stores, 34 were actually visited and the remaining 14 were selected to make the data representative in character.

7. A separate Questionnaire (Annexure III) was also issued to central financing agencies with a view to ascertaining difficulties if any, experienced by them in financing consumers' stores and the extent of

financial assistance which they were in a position to provide for consumers' stores. Analysis of the data supplied by them has been included in the chapter on finance.

Visits and discussions:

8. With a view to undertake on-the-spot studies and obtain first hand knowledge of the working and problems of consumers' stores different states were visited. While selecting states for visits due consideration was given to the standard of development of the movement there and the question of regional representation was also kept in view. In all forty-eight stores in seven states were chosen for visits viz:—Madras (9), Gujerat (7), Maharashtra (13), West Bengal (10), Bihar (1), Uttar Pradesh (6) and Punjab (2). Of these 48 stores, data regarding 34 stores, has been utilised in this volume. The remaining 14 were either not purely consumers' stores, or the required data could not be made available by them. Particulars of the 34 stores visited have been given in Annexure IV.

9. During visits to various states discussions were held with Registrars on the position of consumers' movement there and their views and suggestions regarding improvement and future development were noted. Summary notes of their views will be found in Volume II of the report. Discussions were also held with leading co-operators from those States as well as with office bearers of the stores actually visited.

Meetings:

10. In all, the committee held nine meetings. The first meeting of the committee was held at New Delhi on 5th December, 1960, in which procedure and programme of visits to various states was decided. This was followed by five meetings in different states. In these meetings position of consumers' movement in the states visited and progress of the committee's work were reviewed. Three further meetings were held at New Delhi to discuss the draft outline of the report. The ninth and the last meeting was also held at New Delhi on 9th May, 1961. In this meeting the report of the committee was finalised and passed.

Acknowledgements:

11. We are indebted to the boards of directors of consumers' stores and Registrars of Co-operative Societies of the States which we visited for making necessary arrangements for our visits and facilitating our work. We are also thankful to other institutions, officials and non-officials who responded to our request and gave the committee the benefit of their views on the various aspects of the subject under enquiry. Our special thanks are due to Shri M. R. Bhide, I.C.S., Secretary Ministry of Com-

munity Development and Cooperation, (Department of Co-operation), Shri G. D. Goswami, I.A.S., Joint Secretary, Ministry of Community Development and Cooperation (Department of Co-operation), Shri J. C. Rayan, Chief Officer, Agricultural Credit Department, Reserve Bank of India and Mr. B. Mathsson, Director International Co-operative Alliance Training Centre, New Delhi who spared valuable time and gave their experienced views on the subject which were of great help to us.

12. Preparation of the report entailed collection and collation of a variety of statistics and detailed study of the various records. The staff connected with the work had to put in considerable effort and hard work. We, therefore, wish to place on record our appreciation of the commendable industry and efficiency shown by the staff particularly by Shri A. Sarkar, Deputy Director, Co-operation and Shri S. T. Khushalani, (Research Officer, National Co-operative Development and Warehousing Board) who accompanied the committee to the various states and was associated with its work throughout.

13. We also desire to express our gratitude to our Chairman, Dr. P. Natesan for his able guidance as well to our Member-Secretary, Shri B. S. Dhavle who shouldered main responsibility of the committee's work.

CHAPTER I

THE BACKGROUND

Brief history of consumers cooperative movement:

Modern consumers' co-operative movement dates as far back as 1844, when a small group of 28 flannel weavers, started a store of their own called the "Rochdale Equitable Pioneers Society" in Toad Lane, Rochdale, near Manchester in England.

2. The main idea was to make arrangements by raising sufficient amount of capital in shares of one pound each for the pecuniary benefit, and improvement of the domestic condition of members. The objects included:—

Sale of provisions and clothing etc. to members.

Building or purchase of houses for members.

Manufacture of articles for the employment of unemployed and under employed members.

Purchase or hire of estates of land for cultivation by unemployed or underemployed members.

Promotion of sobriety and establishment of a self-supporting home colony of united interests.

3. The following business rules were the main cause of its success:—

- (i) Sale of goods at prevailing local prices.
- (ii) Restriction to a fixed rate of interest upon capital and interest to have first claim upon profits.
- (iii) Distribution of profits (after meeting expenses and interest charges) in proportion to purchases.
- (iv) Purchase and sale against cash on delivery of goods.
- (v) Equality in membership rights to both sexes.
- (vi) One vote per member.
- (vii) Regular and frequent meetings for discussion of society's business and receiving suggestions for improving welfare.
- (viii) Proper maintenance of accounts and audit and presentation of balance sheets to members regularly.

4. Thus from a humble beginning in 1844, consumers' co-operatives have at present grown into a powerful co-operative sector in U.K.

Consumers' Co-operatives in India:

5. In India co-operative movement started with the enactment of the Co-operative Societies Act of 1904. Being predominantly an agricultural country the main emphasis was on agricultural co-operatives particularly credit co-operatives. In fact the Act of 1904 did not at all provide for the organisation of consumers' co-operatives. However, with the passing of the Co-operative Societies Act in 1912 this lacuna was finally removed. Nevertheless, the growth of consumers' co-operatives in the country has not been satisfactory and leaves much to be desired.

6. In 1928-29 there were 323 primary consumers' stores only in the country. Subsequent progress was so slow that 10 years later i.e. by 1938-39 the number increased from 323 to 396 only. Thus primary consumers' stores had not made any appreciable progress before the Second World War. However with the scarcity of essential commodities and rationing of foodgrains during war time and in the immediate post-war period the movement gained momentum in many of the states. Primary consumers' stores came to be utilised largely by government as agencies for distribution of various controlled commodities. While in some states they received preference over other agencies in other states they enjoyed monopoly in the distribution of rationed and other controlled commodities. Under government patronage and in the absence of keen competition in the market their number swelled considerably. As against 396 primary consumers' stores in 1938-39 having a turnover of Rs. 0.57 crores the number rose to 9,757 in 1951-52 with a turnover of Rs. 82.16 crores. But from 1951-52 onwards following de-rationing and decontrol of number of commodities, their business suffered and financial position deteriorated. Many of the stores were saddled with heavy stocks which wiped out their profits, many closed down while the rest continued their unequal competition with private trade in the open market in the hope of stabilising themselves in the field. The following figures roughly indicate the trend of growth and decline of primary consumers' stores in India:—

	1938-39	1949-50	1951-52	1955-56	1958-59
No of primary stores	396	8,949	9,757	7,359	6,857
Membership (in lakhs)	0.43	21.55	18.46	14.14	13.76
Owned funds (Rs. in lakhs)	2.47	449.46	552.70	490.00	504.67
Sales: (Rs. in lakhs)	57.15	7,045.41	8,215.69	1,448.00	2,708.65
Profit: (Rs. in lakhs)	—	101.00	80.87	29.00	49.84
Loss: (Rs. in lakhs)	—	20.70	37.64	40.00	40.73

It will be seen that the position after 1951-52 has been one of steady decline.

7. The position as on 30.6.1960 in some of the states from which information has been received has been given in the adjoining table 'A'.

TABLE 'A'

AS ON 30.6.1960

(Rupees in lakhs)

	<i>Bihar</i>	<i>Delhi</i>	<i>Gujerat</i>	<i>West Bengal</i>	<i>Uttar Pradesh</i>	<i>Punjab</i>	<i>Maharashtra</i>	<i>Rajasthan</i>	<i>Madras</i>	<i>Total</i>
1. Total number of primary stores.	218	170	491	672	422	242	1,117	409	514	4,255
2. Number in working order.	197	66	N.A.	278	120	N.A.	N.A.	209	513	1,383
3. Number of members.	24,359	11,818	89,628	83,422	1,48,000	31,700	1,69,742	39,060	2,86,342	8,84,071
4. Paid-up share capital	4.68	5.91	22.10	13.50	14.09	29.77	25.96	8.52	59.32	183.85
5. Working capital	13.11	15.90	90.15	36.56	54.78	90.19	N.A.	18.81	352.09	671.59
6. Purchases. ...	65.58	76.92	369.63	235.96	276.82	415.18	1,310.82	122.17	1,876.19	4,749.27
7. Sales. ...	70.22	80.10	381.39	277.52	280.74	206.19	1,374.29	123.42	2,359.21	5,153.08
8. Borrowing from financing banks.	0.23	1.42	N.A.	1.05	4.44	6.44	N.A.	0.35	71.80	85.73
9. Trade deposits. ...	N.A.	5.29	N.A.	Nil	10.89	N.A.	N.A.	3.77	Nil	19.95
10. Reserve fund. ...	6.98	0.76	37.64	8.00	25.36	3.88	46.37	3.44	149.43	281.86
11. Profit ...	3.45	0.34	N.A.	1.28	3.10	N.A.	1.49	1.47	50.03	61.16
12. Loss ...	—	0.63	N.A.	—	0.35	N.A.	—	—	17.18	18.16

Causes of slow progress:

8. Slow progress of consumers' stores is attributable to the following factors:—

- (i) Weak organisational structure.
- (ii) Small and uneconomic size.
- (iii) Dependence to a large extent on controlled commodities only.
- (iv) Inadequacy of funds and heavy working costs.
- (v) Lack of business knowledge or experience on the part of members of managing committees.
- (vi) Inadequate loyalty on the part of members.
- (vii) Dependence on honorary services and lack of interest in management.
- (viii) Lack of properly trained and experienced staff and inadequate supervision over personnel.
- (ix) Keen competition from private trade and very low margin of profit.

Need for consumers' stores:

9. The economic benefits which consumers' stores can confer by assuring quality, correct weight, reasonable prices etc., particularly on middle and poorer classes of the community are very valuable indeed. It is common knowledge that the general price level of consumers' goods has been on the increase, the level recording a rise of 23 per cent against the base year (1949) and there is a possibility of a further rise in prices under the third five year plan with increased developmental expenditure. Consumers' stores will, therefore, have to play a very vital role in arranging distribution of consumers' goods at fair prices.

Programme of development of consumers' co-operatives during the Third Five Year Plan:

10. It has been observed in the first five year plan that "in urban areas special importance must be attached to consumers' co-operatives. It would in our opinion be in the best interest of the planned development of distributive trade that an attempt is made to build up consumers' co-operatives over as wide a field of distribution as possible."

11. The second five year plan also reiterated the scope for development of consumers' co-operatives in the following terms:—

"A net work of consumers' co-operative stores in urban areas will be a source of strength to the consumer co-operative movement in rural

areas as well as to producer co-operatives. Although targets for developing the consumer co-operative movement have not been worked out so far, it is recommended that problems in this field should receive closer study and programmes worked out. The close linking up of producer co-operatives and consumer co-operatives will be an important factor for increasing rural incomes."

However upto the end of the Second Five Year Plan period no precise programme with targets had been worked out and no financial provision for assistance to consumers' co-operatives was made. In the third plan a programme for developing consumers' co-operatives has been accepted by government on the basis of the recommendations made by the Working Group on co-operative development.

12. Organisational set-up:

- (i) As the success of a consumers' store largely depends on the volume of its turnover, to begin with, special attention should be given to develop consumers' stores in larger towns and cities and in places where there is a fairly large concentration of persons such as in industrial centres.
- (ii) In bigger towns and cities, stores may be run by a single organisation with a network of branches to cover the entire area, or separate stores may be organised to serve different localities in a city. The balance of advantage would lie in having a few strong organisations with a number of branches.
- (iii) There is vast scope for the organisation of stores amongst employees of government, public bodies, business concerns, etc. and industrial workers. Stores for government employees, industrial workers etc., are in an advantageous position as they generally have the facility to effect credit sales to members and recover dues from their salaries or wages.
- (iv) In respect of employees and industrial workers, whether separate societies should be formed for the supply of credit and consumers' goods to them or whether the same society may undertake both the functions is a matter to be decided on the merits of each case. It may be dangerous to combine banking and trading functions. On the other hand there are advantages in combining both for this would enable a society to pay a decent rate of interest on members' deposits and make available funds required to carry on stores' business.
- (v) At the village level it may not be necessary to set up separate organisations for supplying consumers' goods required by

villagers. Service co-operative should be in a position to undertake this work.

- (vi) In some states, co-operative wholesale stores are working. They should be established in places where they have not yet been formed.
- (vii) In places where for any reason primaries cannot be set up in the near future or where the existing ones are defunct, wholesale stores may open branches to be converted into independent primaries in due course when circumstances are favourable.

13. State participation:

State contribution towards share capital may be limited to Rs. 2,500 for each primary stores subject to matching contribution by members. Similarly wholesale stores may be given a State contribution upto Rs. 25,000 subject to a matching contribution by members. This assistance should be given to new stores as to the stores taken up for revitalisation.

14. Finance:

Co-operative central financing agencies are not providing adequate finance to consumers' stores as funds obtained by them from the Reserve Bank cannot be advanced to consumers' stores and funds secured by them by way of deposit etc., are not adequate in most cases. In the first place central co-operative banks should finance wholesale stores to the extent they can on the basis of a floating charge. The State Bank of India may also be moved to finance consumers' movement, as in the case of marketing co-operatives.

15. Managerial costs:

In the initial stages subsidy may be given to primary stores and wholesale stores for meeting managerial cost to enable them to compete successfully with private trade in the open market. The amount of subsidy may be as follows:—

Co-operative wholesale stores:

- First Year ... 50 per cent of the managerial cost subject to a maximum of Rs. 1,500.
- Second Year ... $33\frac{1}{3}$ per cent of the managerial cost, subject to a maximum of Rs. 1,000.
- Third Year ... $16\frac{2}{3}$ per cent of the managerial cost, subject to a maximum of Rs. 500.

Primary stores:

- First Year ... 50 per cent of the managerial cost subject to a maximum of Rs. 900.
- Second Year ... $33\frac{1}{3}$ per cent of the managerial cost subject to a maximum of Rs. 600.
- Third Year ... $16\frac{2}{3}$ per cent of the managerial cost, subject to a maximum of Rs. 300.

16. A total outlay of about Rs. 2 crores was recommended by the Working Group on Co-operative Development as under:—

Plan outlay:

		<i>(Rs. in crores)</i>	
I—Share capital participation:			
(i) for 4,000 primary stores at Rs. 2,500 (2,000 new primary stores to be established and 2,000 primary stores to be taken up for revitalisation) ...	1.00		
(ii) for 100 wholesales stores at Rs. 25,000 ...	0.25	1.25	
II—Employment of managerial staff:			
(i) for 4,000 primary stores at Rs. 1,800 each	0.72		
(ii) for 100 wholesale stores at Rs. 3,000. ...	0.03	0.75	
Total:		2.00	

CHAPTER II

ORGANISATION AND STRUCTURE

Primary consumers' co-operative stores:

Primary stores in India are by and large rickety organisations and have a high incidence of mortality. In the context of the rising trend of prices of consumer goods and the growing need for a consumers' organisation for the benefit of industrial and urban population which, with the rapid industrial and economic development of the country is on the increase the small number of primary stores stand in a sad contrast to co-operatives in other sectors which have maintained a comparatively steady growth. During our visit to some of the states and from the data collected we have observed that primary stores are generally small units having inadequate active membership, meagre share capital and a business turnover not sufficient to make them economically viable. The following data would be relevant in this connection:—

<i>States</i>	<i>No. of primary stores</i>	<i>Average membership</i>	<i>Average share capital</i>	<i>Average business turnover (Figures approximately)</i>
1	2	3	4	5
Gujerat:				
1958-59	399	90	4,842	Rs. 48,000
1959-60	488	183	4,405	(Bombay 1958-59)
Maharashtra:				
1959-60	1,117	152	2,324	
West Bengal:				
1957-58	552	127	1,924	
1958-59	589	119	1,818	Rs. 49,153
1959-60	672	124	2,009	Rs. 41,297
Punjab:				
1957-58	288	75	3,224	Rs. 8,364
1958-59	231	82	3,108	Rs. 11,000
1959-60	223	102	3,668	Rs. 28,677
Bihar:				
1957-58	240	133	2,238	Rs. 15,863
1958-59	218	134	2,174	Rs. 32,000
1959-60	218	112	2,147	Rs. 32,211

Madras:

1957-58	514	551	7,401	Rs. 83,964
1958-59	502	550	7,420	Rs. 1,00,000
1959-60	507	549	8,313	Rs. 2,24,014

Uttar Pradesh:

1956-57	409	445	4,369	Rs. 39,081
1957-58	394	383	3,815	Rs. 38,490
1958-59	419	387	3,549	Rs. 49,313
1959-60	413	356	3,138	

It will be seen that in the states of Madras and Uttar Pradesh the average membership of primary stores exceeds 200 whereas in other states the average membership is below 200. Similarly except for the state of Madras the average share capital is below Rs. 5,000 and the average annual business turnover is upto and below Rs. 50,000.

2. The all India position in this regard is as follows:

	1956-57	1957-58	1958-59
1. Total No. of primary stores.	6,578	6,435	6,857
2. Total membership in lakhs.	11.16	13.74	13.76
3. Average membership for store	170	214	200
4. Average share capital	...	3,316	3,256

3. The following statistics for the year 1959-60 available for some of the states will indicate the position of primary stores in working order which is generally not very satisfactory:—

States	Total number of primary stores	Number in working order†	(3) as percentage of (2)
1. West Bengal	672	278	41.3
2. Uttar Pradesh	413	116	28.1
3. Bihar	218	197	90.4
4. Rajasthan	409	209	51.1
5. Delhi	168	64	38.1
Total:	1,880	864	46.0

†Includes all stores other than dormant.

gories. Rural stores, mainly organized during war-time as agencies for channelising controlled and short supply commodities, seem to be the weakest of all barring a few exceptions like the Chandrashekharapuram Rural Store which we visited in Madras.

10. It may not be out of place to make a passing reference to the position of membership, share capital and business turnover of primary stores in some of the foreign countries. The following table will give an idea of average membership in some of the Western countries:—

<i>Country</i>	<i>Total no. of stores.</i>	<i>Average membership</i>
1. Great Britain ...	947	12,745
2. Germany ...	310	6,000
3. Finland ...	495	2,000
4. Sweden ...	680	1,618

In U.K., particularly, average membership has undergone appreciable change increasing from 1,200 in 1,900 to 12,745 in 1958. The trend can be seen from the following:—

<i>Year</i>	<i>No. of societies</i>	<i>Average membership</i>
1900 ...	1,419	1,200
1905 ...	1,429	1,501
1915 ...	1,337	2,423
1925 ...	1,255	3,877
1935 ...	1,096	6,772
1958 ...	947	12,745

This steady increase is partly due to a realisation of the economics of large scale organization. More important perhaps is the fact that only large organization can undertake the range of services now demanded from a co-operative store.

11. It is equally interesting to study the changing size of membership of primary stores in U.K.

<i>Size of society Members</i>	<i>No. of societies in each size group</i>		
	1881	1914	1949
100 and below	824	821	254
1,001 — 2,000	72	228	165
2,001 — 10,000	57	259	393
10,001 — 20,000	3	48	99
20,001 — 50,000	...	21	76
50,001 ... 1,00,000	...	...	28
Over one lakh	—	—	9
Total:	956	1,377	1,024

12. Stores in U.K. and Sweden also have substantial share capital as will be evident from the following figures:

	<i>No. of stores</i>	<i>Share capital</i>	<i>Sales</i>
		In lakhs	In lakhs
1956 U.K. ...	932	£ 243.00	£ 897.340
1955 Sweden	688	...	\$ 488.000

13. As against this impressive position obtaining in these countries, the average share capital and sales turnover of primary stores in India is indeed insignificant. The all India position in 1957-58 and 1958-59 was as follows:

<i>All India</i>	<i>No. of stores</i>	<i>Share capital</i>	<i>Sales</i>
		In lakhs	In lakhs
1957-58 ...	6,275	Rs. 712.00	Rs. 2,262.00
1958-59 ...	6,857	Rs. 826.00	Rs. 2,708.00

14. On the business side primary stores in U.K. handle 14.5 per cent of the total retail trade in food and household goods. In Sweden they command about 25 per cent of the national trade in food-stuffs and about 14 per cent of the entire retail trade while in India these percentages are very low.

Wholesale consumers' co-operative stores:

15. Primary stores at the base have not as yet developed any well knit organizational structure of their own either at the district, regional or apex level. In the course of our visits to the states we came across the following organizational set-ups:—

I. Uttar Pradesh

16. In the state of Uttar Pradesh primary stores within a district are affiliated to the district co-operative federation which is a central organisation for primary stores, marketing societies and other co-operatives entrusted with distribution work. The district co-operative federations in turn have federated to form the Uttar Pradesh Co-operative Federation Ltd., Lucknow, which is an apex institution at the state level.

II. Gujerat

17. In Gujerat state primary stores are affiliated with taluka purchase and sale unions at the tahsil level and with central wholesale federation at the apex level. However no regular business link has yet been established between primary stores and the central wholesale federation and the link continues to be of an organisational nature only.

III. Madras

18. In Madras state there are primary stores at the base and at the district level there are district co-operative supply and marketing societies. In the early years of the Second World-War district level societies were organized purely as federations of primary stores for purchasing and supplying bulk of their requirements. Later during 1955-56 these were reorganized as district supply and marketing societies and their scope was enlarged to include supply and marketing activities for primary marketing societies as well. At the state level, there is an apex co-operative supply and marketing society having all district co-operative supply and marketing societies as its members.

IV. West Bengal

19. In West Bengal primary stores consist mostly of workers' and employees' stores organized on railways, in business concerns, industrial undertakings and to some extent in collieries and are functioning well. But they have no federation at the district or state level nor have they been affiliated to agricultural co-operative marketing federations at the district or state level as in the case of Uttar Pradesh, Gujerat and Madras.

At present some primary stores have become members of the state

handloom weavers' co-operative society for obtaining supplies of handloom cloth.

V. Maharashtra

20. In Maharashtra state there is one wholesale society known as the All Bombay Consumers' Co-operative Societies' Federation. It is a federation of primary stores in Greater Bombay only. It supplies to its primaries controlled commodities like wheat, sugar, rice and kerosene. In other parts of the state there are district sale and purchase unions at the district level and some primary stores have been affiliated with them. At the state level there is an apex marketing society, which also supplies controlled commodities like wheat, rice, sugar and kerosene. This overlapping of functions has led the All Bombay Consumers' Co-operative Societies' Federation to seek recognition as the sole distributor for controlled commodities.

21. Conditions thus vary widely from state to state and the affiliation of primary stores is to a limited extent either with wholesale stores or with marketing organisations at the primary or district level. At the state level the movement has not yet developed any organisation of its own with the result that in some states primary stores have affiliated with apex marketing societies.

22. Although in principle some sort of a link exists between primaries and higher level organisations in some areas, in practice no well planned business link as such has been established. Wholesale organisations themselves are not in a position to meet the needs of their constituents. Besides admission by them of individuals as members and sales in retail have further contributed to a sort of mutual indifference between them.

23. This is evident from the following particulars in respect of the 43 primary stores selected by us:—

State	No. of primary stores	No. affiliated with higher organisation	Utility of affiliation		
			Yes	No.	No. response
1. Maharashtra.	9	2	—	—	9
2. Gujerat	8	6	1	3	4
3. West Bengal.	10	—	—	1	9
4. Madras.	8	3	—	8	—
5. Uttar Pradesh.	5	2	2	1	2
6. Bihar.	3	2	—	1	2
Total:	43	15	3	14	26

Thus of the 43 primary stores only 15 are affiliated with higher organisations and only 3 have confirmed the utility of such affiliation. The rest have either replied in the negative or have not replied at all.

24. In Maharashtra, of the primary stores referred to above, only 2 are affiliated to the All Bombay Consumers' Co-operative Societies' Federation. In Gujerat of the 8 primary stores 6 are affiliated to the Ahmedabad Central Consumers' Co-operative Society. In Madras of the 8 primaries 3 are affiliated to the Chinglepet District Co-operative Supply and Marketing Society. In Uttar Pradesh of the 5 primaries, 2 are affiliated to the district co-operative federations. Of these primaries majority have replied in the negative regarding utility of existing affiliation.

25. Further details of the organisational structure in the states visited by us as available at the end of the year 1959-60 are given below:—

	<i>Madras</i>	<i>West Bengal</i>	<i>Punjab</i>	<i>Gujerat</i>
(i) No. of wholesale stores. (pure types and others)	13	10	19	3
(ii) Membership				
(a) Primary stores	485	26	Nil	88
(b) Individuals	9,412	475	7,834	171
(c) Others	2,444	Nil	Nil	—
(iii) No. of primary stores affiliated to district co-operative supply and marketing societies.	485	Nil	Nil	7
(iv) No. of primary stores not affiliated to any wholesale store or dis- trict supply and market- ing society/federation or apex marketing society/ federation.	Nil	646	254	210

26. The following facts emerge from the above analysis:—

- (i) Number of such wholesale stores in the country is quite insignificant and far below the requirement. By the end of the year 1958-59 there were 62 wholesale stores only in the country of which 55 are situated in the states of Madras, Gujerat, Maha-

rashtra, West Bengal, Uttar Pradesh and Punjab visited by us. Of these 55 also, all are not in working order and quite a number are in a dormant state. Of those in working order most of them are dealing in a few controlled commodities which are routed through them by government.

- (ii) Membership consists largely of individuals.
- (iii) Coverage of primary stores is equally small.

Working of wholesale stores:—

27. Details of the working of wholesale stores visited by us, for the period 1956-57 to 1959-60, are given below from which the trend would be noticeable:—

(Rs. in lakhs)

	1956-57	1957-58	1958-59	1959-60
I. Madras:				
1. Total no. of wholesale stores. (district supply and marketing societies)	14	13	13	13
2. No. in working order	14	13	13	13
3. Membership:				
A Class	6,238	4,848	5,037	4,516
B Class	5,493	6,752	6,448	6,826
4. Paid up share capital	19.28	14.82	15.31	17.66
5. Working capital	152.66	139.29	409.38	130.46
6. Purchases	148.79	301.06	589.65	842.85
7. Sales	107.99	319.26	339.58	1,236.90
8. Borrowings from financing agencies.	46.15	39.17	314.34	38.46
9. Reserve fund	64.18	52.91	50.91	52.15
10. Profit	5.19	4.78	4.57	26.55
11. Loss	3.63	7.55	7.63	4.33

It is clear that inspite of the fluctuations in membership, share capital and working capital there was a spectacular rise in the sales effected which stood at Rs. 1,236.90 lakhs in 1959-60 as against Rs. 107.99 lakhs during 1956-57. Most of these sales however were made to agricultural marketing societies, individual members and private agencies. Primary

stores have been responsible for only a small percentage of the total sales effected. The extent of purchases made by them, during 1959-60, from the district supply and marketing societies with which they were affiliated and from other agencies can be seen from the following table:—

<i>Purchases made from</i>	<i>Purchases</i>	<i>Percentage</i>
	<i>(Rs. in lakhs)</i>	<i>of total</i>
(i) District supply and marketing societies	Rs. 133.50	13%
(ii) Other co-operatives	Rs. 25.51	2%
(iii) Open market	Rs. 873.01	85%
Total	Rs. 1,032.02	100%

28. Thus purchases made by primaries from district supply and marketing societies constituted only about 13 per cent of the total purchases made by them and 11 per cent of the total sales made by the latter. Primary stores have in fact been making 85 per cent of their total purchases from the open market and only 15 per cent from the co-operative sector.

(Rs. in lakhs)

	1958-59	1959-60
II. Gujerat		
1. Total number of wholesale stores. ...	3	3
2. Number of members (individuals and societies)	287	299
3. Share capital	0.59	0.60
4. Reserve and other funds	1.38	1.62
5. Working capital	5.63	4.67
6. Purchases	6.40	11.97
7. Sales	7.29	12.86
8. Number of stores in Profit	3	3
Loss.	—	—

29. In Gujerat there is no business link between primary stores and wholesale stores. Their interrelationship is only of an advisory nature which emerged during the war period. During the war days primary stores dealt in rationed commodities only and wholesale stores which

functioned as federations of primaries helped them to represent their grievances to government. Beyond this no business relation was established. Wholesale stores are now carrying on business through retail branches and allow sales to individuals. By their business practice, they have ceased to be of any real benefit to the affiliated primaries.

III. Maharashtra

30. In Maharashtra state there is only one wholesale store viz. the All Bombay Consumers' Co-operative Societies' Federation with an area of operation confined to Greater Bombay city. Its membership consists of primary stores as well as individuals. On 30.6.1960, it had a membership of 226, a paid-up share capital of Rs. 1.56 lakhs and reserve and other funds amounting to Rs. 12,000. Its business is confined to controlled commodities like rice, wheat and sugar and kerosene, camphor, coffee etc. During the year ended 30.6.1960 it made purchases worth Rs. 424.47 lakhs, sold goods worth Rs. 424.17 lakhs and earned a profit of Rs. 92,000.

IV. Uttar Pradesh

	1956-57	1957-58	1958-59	1959-60
1. Total number of wholesale stores.	8	7	7	9
2. Number in working order	4	6	3	4
3. Membership	1,300	1,300	1,300	1,000
		<i>(Rs. in lakhs)</i>		
4. Paid up share capital	1.01	1.13	1.13	1.13
5. Working capital	3.59	3.50	3.73	3.37
6. Reserve and other funds.	0.57	0.61	0.61	0.62
7. Deposits	1.79	1.60	1.62	0.58
8. Borrowings from financing agencies.	0.22	0.16	0.37	1.04
9. Purchases	8.24	4.51	7.52	16.76
10. Sales	6.83	5.35	7.73	17.65
11. Profit	0.096	0.08	0.09	0.29
Loss	0.009	0.0009	—	—

31. The composition of membership is not known. But there are about 400 primary stores in the state. All of them have not yet been affiliated to wholesale stores.

Of the 9 wholesale stores during 1959-60, only 4 are in working order. The total average sale of those in working order during the year Rs. 4.41

lakhs only. It is not known to what extent sales were made to primary stores.

V. Punjab

(Rs. in lakhs)

	1956-57	1957-58	1958-69	1959-60
1. Total number of wholesale stores. (district, supply and marketing federations)	14	17	19	19
2. Membership ...	6,827	7,008	7,268	7,834
3. Paid up share capital ...	21.15	20.55	20.68	21.11
4. Working capital ...	46.47	60.06	54.61	66.51
5. Purchases ...	146.90	146.31	212.06	360.95
6. Sales ...	145.90	140.84	216.83	442.24
7. Number of stores in Profit	12	11	17	17
Loss ...	2	2	1	1
8. Amount of profit ...	1.00	0.78	1.87	2.94
Loss ...	0.12	0.25	0.02	0.13

32. Membership of these district supply and marketing federations does not include primary stores. There are 254 primary stores in the state. District supply and marketing federations are engaged in the supply and distribution of commodities like sugar, fertilizers, seeds and implements etc. But practically no sales have been effected to primary stores though during the past four years, sales have increased by more than three times. These federations have been rendering service mainly to agriculturists in rural areas and hence have not proved to be of any substantial help to primary stores.

All India position of wholesale stores:

33. The country-wide position in regard to the working of wholesale stores for which statistics are available upto 30.6.1959 was as follows:—

(Rs. in lakhs)

	1957-58	1958-59	
1. Number of wholesale stores. (pure types and others).	...	75	62
2. Number of branches	...	168	1,691
3. Number of members	...	23,511	23,128
4. Paid up share capital.	...Rs.	42.09	Rs. 41.32
5. Working capital	...Rs.	216.41	Rs. 490.23
6. Sales	...Rs.	597.70	Rs. 699.54
7. Number of stores working with profit	...	43	33
8. Amount of profit	... Rs.	7.29	Rs. 4.55

It will be seen that the number of stores and their paid up share capital showed a decline. Although the number of branches multiplied by more than ten times sales increased by about 16 per cent only and the number of stores working with profit as well as the amount of profit declined considerably.

34. From the above account it will be obvious that one of the main causes of slow growth for stagnancy of consumers' movement in India has been the absence of a strong and a well knit organisational structure. Effective business relationship between primary and wholesale stores is sadly wanting. No systematic working arrangement or method of relationship has been evolved. Primaries do not derive any real benefit from existing links and have had to function in isolation. On the other hand wholesale organisations are on the decline for want of support from their constituents and have taken up in many cases marketing of agricultural produce and supply of agricultural requisites. It was rationing and shortage of consumer goods that called for a structure and the structure grew up like mushroom. The growth was naturally haphazard and ill planned. It is therefore necessary in this context to think of a bold action programme for developing on sound lines a well planned structural organisation on which the grand edifice of the consumers' movement must rest.

Approach to the problem of organisation:

Size and viability:

35. It has been observed that weakness of consumers' movement is largely attributable to smallness of size (i.e. membership, share capital and business turnover) in so far as the organisational aspect is concerned. Therefore while organising a store particular attention has to be given to the question of size and viability. It has already been indicated that in Great Britain average membership of primary stores is fairly large (i.e. 12,745), and they have a net work of branch organisations. An investigation carried out by the Japanese Ministry of Welfare into the affairs of consumers' co-operatives revealed that a consumers' store should have about 500 to 600 members within a radius of one kilometer and should be able to sell 1.50 million to 2.00 million yen worth of goods per month to pay its way as an efficient business unit. In Germany and Scandinavian countries medium sized stores have become common feature of the consumers' movement. Many look upon them as the most suitable type not too small for retail business and not too large from the point of view of developing contacts with members. If a unit is too small it cannot withstand competition and cater to a wide range of goods for earning sufficient income and if it is large there is always a danger of

over capitalisation with its consequences. A careful and a judicious balance has therefore to be struck for determining the economic viability of a unit. Factors such as socio-economic condition of people, their standard of living, consumer preferences, as also size, volume of business, efficiency of management etc. are important and due consideration will have to be given to them. Broadly speaking the general principle should be that a store must pay its way within a reasonable period of time. Along with the primary unit it would be necessary to think of a viable wholesale store which in fact would constitute the backbone of the consumers' movement.

Size and viability of a primary store

36. To determine the minimum membership, share capital and business turnover of a primary store, it would be necessary to estimate in the first instance the minimum expenditure needed to run it efficiently. From our observations in the course of our visits we have come to the conclusion that to run a store in an urban area on fairly efficient lines so as to enable it to compete effectively with private trade the following expenditure would be necessary:—

One Manager-cum-accountant	...	...	Rs. 125 p.m.
One salesman	...	...	Rs. 75 p.m.
One weighman	...	...	Rs. 50 p.m.
One sales-agent-cum-delivery man (for home delivery service)	...	...	Rs. 60 p.m.
Rent	...	...	Rs. 50 p.m.
		Total	Rs. 360 p.m.
Annual establishment cost	...	...	Rs. 4,320 (360 x 12)
			per year
Other business expenditure and a nominal reserve			Rs. 1,680 (approx.)
			per year
		Total	Rs. 6,000 (approx.)
			per year.

A primary store will thus have to incur an annual expenditure of Rs. 4,320 towards establishment cost. A sum of Rs. 1,680 has been added to provide for unforeseen expenses inclusive of a nominal reserve. Therefore to earn Rs. 6,000 annually, a primary store must have an annual sale of Rs. 1 lakh approximately taking the average margin in retail trade to be $6\frac{1}{4}$ per cent.

37. Next comes the question of working capital required for the estimated sales turnover. In this connection, statistical statements of

the Reserve Bank of India show that during the year 1957-58, all primary stores in India having a working capital of Rs. 9.68 crores recorded a sales turnover of Rs. 22.62 crores. In the year 1958-59 all primary stores with a working capital of Rs. 8.26 crores recorded a sales turnover of Rs. 27.08 crores. It is thus clear that the working capital of these stores revolved three and a half times approximately. But it must be realized that in these stores there is a preponderance of inefficient or dormant stores on account of which the roll over has been on the low side. From our study of 43 stores, none of which was dormant, we have observed that on an average the working capital revolves for about ten times a year. This will be evident from the following table:—

Classification of primary stores according to working capital and their annual sales during 1959-60.

Size of the stores' working capital	Size of the Annual Sales				Total
	Below Rs. 50,000	Rs. 50,001 to Rs. 3 lakhs	Rs. 3,00,000 to Rs. 10 lakhs	Above Rs. 10 lakhs	
1	2	3	4	5	6
Below Rs. 50,000	4	1	—	—	5
Rs. 5,001 to Rs. 30,000	2	9	2	—	13
Rs. 30,001 to Rs. one lakh.	1	3	7	—	11
Above Rs. one lakh.	1	1	6	6	14
Total:	8	14	15	6	43

Thus of the five societies having less than Rs. 5,000 as working capital, four of them had sales below Rs. 50,000. Similarly of the 13 societies having a working capital between Rs. 500 to Rs. 30,000, 9 had sales between Rs. 50,000 to Rs. 3 lakhs. In the case of other groups also the sales were mostly the result of rolling over of working capital to the extent of ten times. On the other hand additional data collected by us for the year 1959-60 shows that in Maharashtra all primary stores with a working capital of Rs. 72.33 lakhs had a sales turnover of Rs. 1,374.29 lakhs (approx.) (i.e. about 19 times the working capital), in Bihar primary stores with a working capital of Rs. 13.00 lakhs had effected sales to the tune of Rs. 70.00 lakhs (approx.) (i.e. more than 5 times the working capital) and in West Bengal primary stores with a working capital of Rs. 37.00 lakhs had made sales to the tune of Rs. 2.70 crores (approx.)

(i.e. more than 8 times the working capital). In Madras, where the movement has gained momentum and where primary stores are above the all-India average in respect of performance, primary stores with a working capital of Rs. 302.00 lakhs had made sales of the order of Rs. 2,359.00 lakhs approximately in 1959-60 (i.e. about 7 times the working capital). Similarly the sales turnover for the year 1959-60 of primary stores in Uttar Pradesh, where only 28 per cent of them are in working order, show that the working capital has rolled for about 6 times in a year.

38. It would therefore be safe to presume that, on an average, the working capital of a primary store would roll for about six to seven times a year. On this broad assumption we are of the view that the working capital of a primary store should not be less than Rs. 15,000 to Rs. 16,000 in the initial stages. The minimum share capital required for raising this working capital from financing agencies would thus be Rs. 5,000 or so in view of the fact that central co-operative banks are generally shy of advancing loans to such stores beyond two to three times their paid-up share capital or owned funds on a very liberal estimate. As regards membership we have already observed that the average monthly sale per member in a primary store in working order varies between Rs 25 to Rs. 30 per month and sales to non-members are not less than 25 per cent to 30 per cent of the total annual sales. A primary store with about 250 members can therefore expect to have an annual business turnover of Rs. 75,000 in the initial stages the balance of Rs. 25,000 being met by non-member sales.

39. We therefore recommend that primary store should have a share capital of Rs 5,000, an annual business turnover of Rs. one lakh and a membership of 250 to become a viable economic unit in an urban area. In big cities like Calcutta, Bombay and Madras etc. the requirements of membership, share capital, business turnover etc. of a primary store would be proportionately higher because of the keen competition and the necessity to maintain an efficient managerial staff. Similarly in the case of workers' and employees' stores the requirements would be comparatively less because of the various concessions that they receive from employers in the initial stages.

Size and viability of a wholesale store at district or regional level:

40. A wholesale store is the pivot round which the movement will revolve. It must therefore have a strong foundation for enabling it to render necessary assistance and guidance to its constituents and thus command their confidence. From whatever we have been able to see during our visits a wholesale store will require a fairly large managerial

staff and equipment. It must also have good accommodation and should be situated in a proper locality. Above all it must have reasonable business turnover from its constituents to be able to pay its way. Consideration will also have to be given to the number of primary units which it should serve at the beginning when organised at the state level as an apex wholesale store or at the regional level as a wholesale store for two or three districts or at the district level as a district wholesale store. For a viable unit of the minimum economic size at the district or regional level the following staff seems necessary in the interest of efficiency of management:—

Establishment cost

1. One Manager	...	...	Rs. 250 p.m.
2. One accountant	...	...	Rs. 150 p.m.
3. Depot or stores manager.	...	...	Rs. 150 p.m.
4. Junior office staff (3) — @ Rs. 100 p.m. on average per head.	...	...	Rs. 300 p.m.
5. 2 weighmen @ Rs. 80 per month.	...	...	Rs. 160 p.m.
6. Field staff (2) @ Rs 125 p.m. on average per head.	...	...	Rs. 250 p.m.
7. Contingencies	...	...	Rs. 250 p.m.
8. Rent	...	...	Rs. 250 p.m.
Total:			Rs. 1,760 p.m.
			i. e. Rs. 21,120 or
			Rs. 22,000 per year approximately.

Rs. 22,000 approximately would be thus required to meet the annual establishment cost for which it would be necessary to have an annual business turnover of about Rs. 12 lakhs inclusive of a margin on sales of 2 to 3 per cent necessary for meeting other business expenses and building up a nominal reserve.

On this broad basis, we recommend that wholesale store at the district or regional level should have a share capital of Rs. 50,000, working capital of Rs. 2 lakhs, membership of about 100 primary stores and an annual business turnover of Rs. 12 lakhs approximately.

Size and viability of a wholesale store at the apex level with branches to serve affiliated primary stores:

41. A viable apex or state level wholesale store of the minimum economic size with three regional branches would necessitate the following

establishment:—

A—Establishment cost at headquarters

(i) One manager	...	...	Rs.	500 p.m.
(ii) One chief accountant	...	...	Rs.	350 p.m.
(iii) One accountant	...	...	Rs.	200 p.m.
(iv) Four clerks	...	...	Rs.	500 p.m.
(v) Two chaprasis	...	...	Rs.	150 p.m.
(vi) Rent for office and godown.	...	...	Rs.	500 p.m.
			Total:	Rs. 2,200 p.m.

B — Establishment cost in a regional branch

(i) One manager-cum-accountant	...	...	Rs.	150 p.m.
(ii) One store keeper	...	...	Rs.	100 p.m.
(iii) One delivery man	...	...	Rs.	80 p.m.
(iv) One weighman	...	...	Rs.	60 p.m.
(v) Rent for office and godown	...	...	Rs.	150 p.m.
			Total:	Rs. 540 p.m.

For three regional branches: ... Rs. 1,620 p.m.

A. Headquarter Esstt. ... Rs. 2,200 p.m.

B. Three regional branches ... Rs. 1,620 p.m.

Total: Rs. 3,820 p.m.

'i.e. Rs. 45,840 or

Rs. 46,000 approx.
per year.

To meet the annual establishment cost of Rs. 46,000 approximately the store must have an annual sales turnover of Rs. 30 lakhs inclusive of a margin on sales of 2 to 3 per cent necessary for meeting other business expenses and building up a nominal reserve. We therefore recommend that a store of this type should have about 200 primary stores as members, Rs. 1 lakh as share capital and a working capital of about Rs. 5 lakhs. We further recommend that the above broad standards should be kept in view for determining the size and viability of an urban primary store, a district regional wholesale store and an apex wholesale store for checking the organisation of small uneconomic units. Registrars of co-operative societies should generally not register stores (primary or wholesale) which

do not conform to these standards—or do not hold any promise of attaining these standards within a reasonable period of time.

Essentials before organising a store:

42. In modern economy if consumers' stores are to compete successfully with well-developed private trade considerable attention will have to be given to preparatory ground work for making them well organised units with strong foundations.

43. A group of consumers who want to open a primary store must realise that they are entering a business venture with all its chances and hazards. The individual who attempts to set himself up in business and fails, loses his own and perhaps his creditors' money. A store, however, which attempts to set up business prematurely and fails does much greater harm. It loses the money of a larger group of people who generally can ill-afford to lose it and earns a bad reputation not only for itself but for the movement as such. For this reason, the group must be careful and should take all necessary precautions conducive to the success of the venture.

44. It is absolutely essential that the following requirements are met:—

- (i) The participants must thoroughly understand the principles and methods of consumers' co-operation.
- (ii) The participants should make sure that there is a genuine need for organising a store in the locality chosen for the purpose and that adequate response from the inhabitants is forthcoming.
- (iii) The participants should work out a detailed plan for setting up the store, taking into consideration the resources available and the local needs.
- (iv) It would be an advantage if amongst the prospective members there are a few who are familiar with the principles of modern retailing and know what the consumer expects from a retail store which they would like to patronize. It would also be desirable if before moving for formal registration the participants make sure that they have necessary financial resources, have reasonable chances of securing suitable accommodation and services of competent managerial staff and that amongst them would be some who would be in a position to spare time to supervise the working, fairly closely, during the early stages.
- (v) Co-operative developments would, therefore, do well not to register stores in haste. While there should be no objection to

the departments taking reasonable time in educating prospective members and assessing the chances of success of the stores they should at the same time not unduly delay decisions regarding registration.

Role of women-folk in the organisation and promotion of consumer's stores:

45. The association of women is desirable in the co-operative field. Their participation is all the more essential in the consumers' movement, as consumers' stores are dealing mostly in house-hold requirements. Unfortunately for various reasons women have not been associated sufficiently with the consumers' movement.

46. The position in regard to women membership in consumers' stores for which information has been incorporated in this report is as under:—

Women-membership as on 30.6.1960:

<i>State</i>	<i>No. of stores</i>	<i>No of stores having women-membership</i>	<i>No. of women members</i>	<i>Average women-membership per society</i>
1. Gujerat ...	10	8	316	40
2. Maharashtra ...	10	5	114	23
3. Madras ...	9	8	409	51
4. West Bengal ...	10	6	27	15
5. Uttar Pradesh ...	6	2	31	16
6. Bihar ...	3	—	—	—
Total:	48	29	957	33

The 48 stores referred to above include 43 primary stores and 5 whole sale stores. Only 20 of them had a women-membership of 957 the average being 33. Madras State had the highest average of 51, Gujerat averaged 40 and West Bengal averaged 15 only. In Bihar State, all the 3 societies had no women-members.

47. Apathy of women-folk is also one of the factors retarding the progress of consumers' stores. Therefore for encouraging women's participation in consumers' activity we would recommend the following measures:—

- (i) Now-a-days women generally make purchases of all domestic requirements. Proper arrangements should therefore be made

in all stores to attend to and receive women members so that they can come in greater numbers and make regular purchases.

- (ii) Special drive should be made to enroll women members.
- (iii) Where women members are not represented on purchase committees and boards of management they should be co-opted.
- (iv) Special sub-committees of women should be formed to approach families, particularly house-wives, residing in the areas of operation of stores for explaining to them the benefits of correct weight, pure quality, fair price etc. and thus persuading them to purchase from the stores. The services of such members may be appreciated if necessary by payment of honoraria in suitable cases.
- (v) Women's organisations like the All India Women's Council with branches in the States, Mahila Kalyan Samaj, Women's Welfare Association and Mahila Mandals should be approached for educating their members in the benefits of consumers' co-operation.
- (vi) Women's organisations and women members should be encouraged to give suggestions for improving efficiency of stores.
- (vii) Embroidered articles, pickles, paper, bari, jam, jellies and stitched garments, etc., prepared by women's organisations and women members should be kept for sale in primary stores.

Structural pattern

At the ground level:

48. It is needless to mention that primary stores should form the base. As described earlier they would include the following categories. (a) Rural Stores, (b) General Stores and (c) Workers' and Employees' Stores.

Rural stores

49. Hitherto small rural stores have been tried to some extent in a few states. But by and large, barring very few exceptions, they have not been much of a success. The reasons are not far to seek. In rural areas the requirement of a variety consumers' goods has not been appreciable mainly because of the simple standard of living there. But with the impact of development programmes the position is gradually changing. Nevertheless, we visualize that for some time to come it would be difficult for a full fledged consumers' store to ensure sufficient business to warrant an independent existence there.

It would therefore be worthwhile combining consumer activity with the functions of service co-operatives so that expenses on staff, shop accommodation, godowns etc. could be cut down to the minimum. This would also help to tide over the difficulty of obtaining necessary finance. Such a combination would not only increase the business of service societies but would also foster members' loyalty who otherwise have to turn to the village bania for their consumption requirements. However, we are also conscious of the fact that too much involvement of trading with banking activities may prove harmful to the development of service co-operatives at this stage. Large scale consumer activity may very well result in over-stocking, locking of funds and involvement in trade risks due to price fluctuations. Keeping these considerations in view we would recommend that in suitable areas—the satisfactorily working service co-operatives should be allowed to take up functions of consumers' stores to a limited extent to start with. Separate sections for consumers' goods may be opened for the purpose and there should be a limit beyond which societies' owned funds should not be committed to this activity. Similarly societies taking up these functions should ordinarily deal in such goods as have a quick turnover and are not subject to heavy price fluctuations viz. kerosene oil, match boxes, sugar, gur, edible oil, ghee vanaspati, soap, salt etc.

General stores:

50. General stores in urban areas form the bulk of the existing number of consumers' stores. Their number swelled phenomenally during the war and the post-war period of controls on essential commodities. At present a large number of them are dormant, defunct and saddled with various problems. However with the rapid growth and expansion of towns and cities under development plans it has become necessary to develop the consumers' sector for the benefit of middle and poorer classes of urban population. Therefore side by side with revitalisation of the existing weak units organisation of new ones will have to be considered.

51. Broadly speaking two types could be tried in urban areas viz. (i) Unitary type (i.e. one society for each area) and (ii) a single large-scale society with branches spread over different areas of the same city or town or in different small towns. Each type has its own advantages according to circumstances.

In the unitary type the advantages are:—

- (i) Assures greater degree of members' loyalty.
- (ii) Facilitates increased member participation in management

which is in keeping with principles of co-operative democracy and

- (iii) Promotes mutual knowledge and mutual interest to a greater extent.

In a single large-scale society with branches the advantages are:—

- (i) It is possible for the central society to take advantage of the economies of large-scale operations;
- (ii) to maintain expert, highly paid staff at Headquarters and efficient personnel at each branch;
- (iii) to pool resources of the different areas and thus offset losses in some areas from the profits made in others;
- (iv) to compete with private dealers on account of its greater bargaining power.

52. In India most of the general stores are of the unitary type. It is not known, exactly, how many of the general stores in India have their own branch organisations. Statistics available as on 30.6.1959 show that against a total of 6,857 stores of various categories in the country the total number of branches was only 503 which includes ration shops also. Stores with branches are thus comparatively few in number. The T.U.C.S. and the Chandrasekarapuram store in Madras state and the south India store at Matunga in Bombay are instances of successful stores with branches that we have seen. In the U.K. and other continental countries, consumers' co-operatives have a wide network of branch organisations from headquarter cities down to small towns and even villages and they have made spectacular progress. However, we are of the view that there should be no rigidity on this question. We would therefore recommend that in small towns general stores should preferably be organised as unitary ones. In big cities like Bombay, Madras etc. both types may be tried according to local conditions and if necessary even the existing well established stores may be encouraged to start branches in suitable areas. We are also of the view that wherever such branches have gathered sufficient strength to become economically independent viable units the possibility of their conversion into independent units should be considered. Decision in each case should be taken very cautiously after making a thorough study of local conditions and the interest that could be aroused in the local population.

Workers' and Employees' Stores

53. Statistical data available show that workers' and employees' stores in India have a better record of performance than general stores.

Under the development plans industrial and commercial activities are expanding by leaps and bounds. Many new industries are fast coming up under the public as well as the private sector. Many new industrial townships like Bhillai, Rourkela, Durgapur and Chittaranjan, etc. have already been set up. Government departments too have been expanding and residential colonies for government servants are also on the increase. There is thus ample scope for successful organisation of workers' and employees' stores in all these sectors.

We therefore recommend that in each sizable factory unit, industrial area and workers' and government servants' colony workers' and employees' stores should be organised in a planned way. We further recommend that it should be made obligatory on the part of employers and industrial undertakings to introduce consumers' co-operative activity in their labour welfare programmes.

54. We are also of the view that wherever workers' and employees' co-operative thrift and credit societies have been well established, there should be no objection to their opening separate sections for consumer goods for the benefit of their members. The advantage in this arrangement is that surplus funds of the society could be profitably, invested in the store section and recovery of dues on account of credit sales could be effected by deduction from members' salaries. This experiment has worked successfully in Batanagar Employees' Store, Calcutta, which we visited and has resulted in increasing the sales of the society by more than four times. It is however necessary to safeguard adequately the interests of such societies and of the members who hold deposits in them. In our view there should be a limit beyond which the owned funds of such societies should not be invested in store sections. Besides accounts of both sections ought to be maintained separately so that working of store sections could be separately assessed.

School and College stores

55. There is ample scope for the organisation of consumers' stores in schools, colleges and other educational and training institutions. There are already some in existence and many of them are working successfully. But these have not yet been tried to any appreciable extent in all states. Such stores not only help to inculcate and foster the spirit of co-operation in the younger generation, but also help student members to a considerable extent in obtaining books, stationery and other requisities at reasonable prices.

We, therefore, recommend that efforts should be made to organise such stores in colleges, high schools and similar other institutions. The

authorities concerned should induce students to participate in the activities of such co-operative stores, and the interest shown by them should not pass un-noticed.

Revitalization of weaker units

56. Statistical data already presented show that a large number of primary stores are dormant or inactive. Such weak organisations have shaken the confidence of members themselves and have come in the way of the expansion of the movement.

57. In U.K. inspite of the fact that the movement is so well developed the Co-operative Independent Commission recommended amalgamation of consumers' stores for increasing their competitive power vis-a-vis multiple shop organisations. The commission observed that "the present large number and diverse size of co-operative retail societies places the movement under a severe handicap in competing with the multiple shop organisation. We do not believe, quite apart from any social considerations, that a strong economic case exists for the creation of a single national society. But we do believe that the number of societies should be drastically reduced and the average size increased....."

58. The study team sent by the Government of India to study co-operative movement in Israel has also observed that "a process of rationalisation and amalgamation of the weaker consumer societies has also been going on resulting in the merger of two or more societies into one strong society for each locality."

59. The Co-operative Planning Committee in 1945 had foreseen that co-operative stores might face such a situation when controls are withdrawn and had suggested that a policy of amalgamation of small stores should be followed for the purpose of creating strong city stores having adequate capital.

60. We are strongly of the view that a vigorous drive for consolidation and revitalisation of the existing weak units should be launched in all the states during the third five year plan. We therefore recommend that wherever revival is possible attempts should be made to revitalise dormant or indifferent stores by amalgamating them with the existing ones in contiguous areas or by converting them into branches of big stores according to local circumstances and feasibility of each case. Financial assistance should be made available by government for strengthening and revitalising such units. Wherever revival is not possible, the units should be weeded out.

At higher levels

Importance of higher echelon :

61. The necessity of having a strong organisation at higher levels need hardly be emphasised. Primary stores can compete successfully with traders if there is a wholesale organisation of their own to cater to their needs at favourable prices. They would then be in a position to obtain their requirements cheaper than in the open wholesale market and pass on the benefit of bulk buying to their own member consumers.

62. In U.K. and Scandinavian countries, where consumers' movement has made great strides primaries have joined together to form a strong wholesale organisation of their own which besides supplying consumers' goods undertake all sorts of processing and manufacturing activities. Some details are given below:—

63. The Central Wholesale Society of England which is one of the biggest organisations of its type, produces articles ranging from a pin to a motor car. It owns more than 200 factories employing about 52,000 workers. Its total production during 1957 was of the order of £ 144.84 million. It owns tea estates in India and Ceylon and transports goods in its own ships.

64. In Sweden the Kooperative Forbundet generally known as KF, is the wholesale society, the industrial organisation of local consumers' co-operatives and also their union. It undertakes wholesale distribution of commodities, productive activities, educational propaganda, training activities and provides assistance and guidance to local societies.

During the year 1956, it sold goods worth 935 million kroner to member societies. Through the medium of KF local societies conduct not only wholesale trading and import business but also run some 40 factories with 12,000 employees. The fundamental purpose behind many of K.Fs industrial ventures has been to serve as a check on monopolies and on the unfair fixing of prices. For instance, prices of electric bulbs and of rubber goods have been reduced by 40 per cent and 50 per cent respectively as a result of production by consumers' organisations. The very existence of the strong co-operative movement yields benefits which are shared even by those who are not members of co-operative societies.

During 1959, retail societies in Sweden handled 14 per cent of the national trade, and 26 per cent of the total food trade.

Wholesale stores—the type

65. We have seen earlier that one of the main causes of the failure of consumers' movement in India is its organisational weakness. Primary stores by and large are financially not strong enough to make bulk purchases on any appreciable scale and cannot afford to have large storage godowns needed for the purposes. There is hardly any strong and pure wholesale store which gives the benefit of bulk buying to its primaries. Bulk purchase and supply through wholesale stores is in itself sufficient to give the affiliated primaries a considerable economic advantage over their competitors. Over and above this if wholesale stores take up production of consumer goods, they would certainly be in a position to pass on higher price margins to primaries. Experience has shown that in U.K. and other Scandinavian countries, consumers' movement has flourished mainly due to the inherent strength of their strong wholesale organisation which secures for primaries the advantages of large scale buying and also undertakes productive activities. At present the Central Wholesale Society, London is meeting alone 72 per cent of the requirements of its 820 member societies. Therefore unless and until there are some strong wholesale organisations which take up similar functions the consumers' movement cannot be expected to show substantial results. We, therefore, emphasize that the objective should be that the movement should develop its own wholesale organisation in each state not only to lend the much needed support to existing stores which are generally weak but also to promote new ones. In the initial stages it may undertake purchase of the requirements of its constituents from the internal market, inter-state market as well as from foreign countries by import if necessary and later on as it grows in strength and stabilizes its position, it should take up production of consumers' goods, as far as practicable, as an additional important function to reduce the price margin further in the interest of the consumers.

66. Such a wholesale organisation should undoubtedly be a strong one having sufficient financial resources. It should be able to supply wide range of consumer goods to affiliated primary stores at competitive prices as against private wholesalers who are well established and firmly entrenched in the field. It must also have an efficient management. Its membership should consist of sufficient number of primaries to enable it to raise the required share capital. We have seen before that the number of primary stores in working order in the states is not large. There is therefore little possibility of raising on an average a share capital in excess of Rs. 500 from a primary store. On this basis about 100 stores must exist on the ground to form a wholesale store at the district or

regional level and a majority of them should have a sizeable turnover to draw upon the wholesale store regularly to make it a viable unit of the desired kind. Such conditions do hardly exist. From the statistical data already presented it is clear that in some of the states like Uttar Pradesh, Bihar, Rajasthan, and Delhi etc. the members of primary stores in working order is below 200. Therefore organising a wholesale store at the district or regional level to start with would not be a sound and an economic proposition. In fact such stores could come up later, as far as possible, independently, when conditions are ripe for their success. We, therefore, recommend that the normal pattern should be to establish in each state a wholesale store at the apex level with at least 200 primary stores as members. We further recommend that an apex wholesale store should, if necessary, open regional branches at suitable places in the state to feed constituent primary stores according to their needs. This would reduce the cost of distribution and effect a saving in managerial expenses. We also feel that each branch should have a local advisory body on which members stores of the area should be represented. As regards existing district/regional wholesale stores (pure type) we would suggest that they may not be disturbed and may be affiliated to the respective apex wholesale stores to be set up in the states.

Functions of a wholesale store:

67. A wholesale store which should be a business organisation and a promotional body for the development of primary stores should in our view appropriately have the following functions:—

- (i) Procure and store consumers' goods for supply to primary stores.
- (ii) Maintain close co-ordination with marketing, processing and industrial co-operatives of the area for obtaining supplies direct from them.
- (iii) Undertake, processing and manufacture of consumers' articles as and when possible.
- (iv) Supervise and advise member-primary stores on management, business techniques etc.
- (v) Open branches if necessary to feed members stores.
- (vi) Organise independent stores in new areas, where consumers' stores have not come up.
- (vii) Take up import of consumer goods, on behalf of constituent stores and function as an agent of government for the distribution of short supply or controlled commodities through member stores or otherwise.

- (viii) Recommend loan applications of primary stores to co-operative banks etc.
- (ix) Undertake generally all such functions as may help development of consumers' movement within its area of operation.

68. We also recommend that all types of primary stores, whether general, workers' and employees, and rural stores should affiliate with the wholesale store of the area concerned. This would give the latter better bargaining power, added organisational strength and would enable it to distribute its risks over many commodities. Attempts to organise separate wholesale stores for different types of primary stores should be avoided because such separate organisations would divide the structure into watertight compartments and thereby—weaken the movement.

69. We also recommend, that, as wholesale stores are essentially federations of primary stores, they should not encourage individual membership.

Interim arrangement:

70. We have observed in the foregoing paragraphs that loose organisational links exist in some of the states between primary stores on one hand and the district/apex agricultural marketing federations on the other. These organisational links were more or less brought about by exigencies of controlled distribution of food grains during war time and have been continuing so far though not effectively. In regard to the advisability of their continuance on a permanent footing we have already expressed the firm opinion that consumers' movement must have a separate wholesale organisation of its own. However, till such time as this objective is achieved, some interim arrangement seems necessary for meeting the needs of primary stores in the matter of bulk procurement of food grains, their storage and supply as they have no suitable godowns of their own, no touch with foodgrain growing areas and are not in a position to take advantage of bulk purchases for want of sufficient financial resources.

71. We, therefore, recommend that as interim measure the existing district and state level marketing organisations should extend the following assistance to affiliated primary stores besides supplying consumers' goods channelled through them, taking agencies for certain standard consumers' goods and undertaking imports on their behalf (1) Assess seasonal or annual food grain requirement of affiliated primaries by indent system and arrange for outright bulk purchase on their behalf during the season when prices are most favourable, (2) Arrange for storage of stocks pur-

chased (3) Issue stocks on demand by members at purchase price plus handling charge at 4 per cent for storage, shrinkage, insurance etc. plus interest at 6 per cent on the value of stocks remaining uncleared. Such an arrangement would not only benefit primary stores by helping them to maintain their competitive position vis-a-vis private traders but would also help marketing federations to stabilize their position in the market on account of assured custom. Marketing societies in Uttar Pradesh charge 6 nP. per bag per month for storage of grain belonging to their members. 'B' type warehouses charge the marketing societies 12 nP. per bag per month for storage, insurance etc. This roughly works out at 4 per cent varying of course with the value of the commodity. Even if an extra percent were to be charged over and above the margin of 4 per cent for meeting some unforeseen expenditure primary stores will have to pay not more than 11 per cent over and above the purchase price. Procurement, with this margin, of food grains and other produce which generally maintain a steady price rise varying from 12 per cent to 25 per cent on an average during the year would indeed help primary stores in offering goods at competitive prices to member consumers. In this arrangement though losses are to be borne by affiliated primary stores by creation of price fluctuation funds out of their profits, it would be desirable on the part of marketing federations to assist them by deferring handling charges etc. in a situation where primaries are not in a position to meet the entire losses.

At the national level:

72. We visualize that, for the larger interest of the consumers' movement in India, a federal organisation at the national level may be necessary in future if not immediately. As in the case of other national co-operative organisations its functions should be to advise government in planning, to conduct research on day-to-day problems of consumers' co-operatives and to guide them where necessary.

CHAPTER III

FINANCE

Need for finance:

Finance is the life blood of any business concern. It is not enough just setting up a store, but a store must have sufficient capital to operate successfully. Inadequacy of capital has forced many a store to wind up. Exact requirement of capital would of course depend upon the size of a store.

Sources of finance:

2. Sources of finance of consumers' stores can be broadly classified into categories (i) internal resources such as paid-up share capital, reserve and other funds and deposits from members and (ii) external sources such as borrowings from various financing agencies and trade credits.

Share capital:

3. Share capital raised from members usually forms bulk of the working capital of a store. Among the 43 primary stores and 5 wholesale stores, included in this study, face value of a share of a primary store ranged between Re. 1/- and Rs. 250/- and that of a wholesale store between Rs. 10/- and Rs. 1,000/-. Of the 8 primary stores, in Madras, 5 had shares of the face value of Rs. 5/- each, 3 of Rs. 10/- each and the wholesale store had shares of Rs. 50/- each. In Gujarat state face value of shares ranged between Re. 1/- and Rs. 50/- each. Of the 8 primary stores, 2 had shares of Re. 1/- each, 2 of Rs. 5/- each, 3 of Rs. 10/- each and one of Rs. 50/- each. Of the two wholesale stores, one had shares of Rs. 10/- each and the other had shares of Rs. 10/- each for individual members and Rs. 100/- each for society-members. In Maharashtra the range was between Rs. 5/- and Rs. 25/- each. Of the 8 primary stores one had shares of Rs. 5/- each, 7 of Rs. 10/- each and one of Rs. 25/- each. The only wholesale store had shares of Rs. 100/ each. In West Bengal the range was between Rs. 10/- and Rs. 250/- each. Of the 10 primary stores 7 had shares of Rs. 10/- each, one of Rs. 100/- each and one of Rs. 250/- each. In Uttar Pradesh all the 5 primary stores had shares of Rs. 10/- each and the wholesale store of Rs. 1,000/- each. In Bihar of the 3 primary stores, one had shares of Rs. 5/- each, one of Rs. 10/- each and one of Rs. 25/- each. The consolidated position was under:—

Primary stores:

<i>Face value of a share</i>	<i>No. of stores.</i>
Re. 1/-	2
Rs. 5/-	9
Rs. 10/-	27
Rs. 25/-	2
Rs. 50/-	1
Rs. 100/-	1
Rs. 250/-	1
Total	43

Wholesale stores:

<i>Face value of a share</i>	<i>No. of stores.</i>
Rs. 10/-	1
Rs. 50/-	1
Rs. 100/-	2
Rs. 1,000	1
Total:	5

4. Co-operation is essentially a peoples' movement. It is necessary therefore that people from all walks of life have easy access to the membership of stores. With wider membership stores also would derive inner strength. Higher face values of shares would keep many prospective members away due to their inability to go in for such shares. If the face value of shares is not unduly high persons of moderate means would find no difficulty in joining stores and this would help the latter to enroll more members. We would, therefore, suggest that primary stores should have shares of a face value generally not exceeding Rs. 10/-. In the case of wholesale stores too which are essentially federations of primary stores it would not be desirable to keep the face value of shares high particularly because the financial position of primary stores in the country is generally very weak. We, therefore, recommend that the face value of a share of a wholesale store should not normally exceed Rs. 100/-.

5. Details of paid-up share capital of the 43 primary stores and 5 wholesale stores, selected by us, for the period 1956-57 to 1959-60 are given below:—

**Classification of primary stores according
to size of share capital.**

<i>Size of share capital</i>	<i>Number of stores.</i>			
	1956-57	1957-58	1958-59	1959-60
Rs. 5,000 and below	11	11	12	12
Rs. 5,001-25,000	19	20	20	22
Rs. 25,001-50,000	3	3	1	2
Rs. 50,001- one lakh	—	1	4	2
Above Rs. 1 lakh	4	4	4	5
Total:	37	39	41	43

It will be seen that about 30 per cent of the stores had a share capital less than Rs. 5,000/- and about 75 per cent had less than Rs. 25,000/-.

6. Of these 43 stores only 6 had been organised after 1956-57 while the remaining 37 had worked for a long time. During the past four years, for which information has been given in the above table, no significant change took place in the volume of share capital. The following table will show age-wise grouping of these primary stores:—

<i>State</i>	<i>No. of primary stores according to their age.</i>				<i>Total</i>
	<i>5 years and below</i>	<i>6-10 years</i>	<i>11-15 years</i>	<i>above 15 years</i>	
1. Gujerat. ...	—	1	1	6	8
2. Maharashtra ...	—	1	5	3	9
3. Madras ...	2	2	—	4	8
4. West Bengal ...	3	4	2	1	10
5. Uttar Pradesh.	1	1	3	—	5
6. Bihar. ...	1	—	—	2	3
Total:	7	9	11	16	43

Thus 27 stores have worked for more than 10 years while 7 stores are below 5 years of age. In Gujerat and Maharashtra particularly, where the size of share capital is comparatively low, all stores have worked for more than 5 years.

7. State-wise classification of primary stores as on 30.6.1960, according to the size of paid-up share capital is given as under:—

(As on 30.6.1960)

State	No. of stores according to size of share capital					Total
	Rs. 5,000 below	Rs. 5,001 to 25,000	Rs. 25,001 50,000	Rs. 50,001 to 1 lakh	Above Rs. 1 lakh	
1. Gujerat	3	4	1	—	—	8
2. Maharashtra	2	5	—	2	—	9
3. Madras	1	4	1	—	2	8
4. West Bengal	4	5	—	—	1	10
5. Uttar Pradesh.	1	3	—	—	1	5
6. Bihar	1	1	—	—	1	3
Total:	12	22	2	2	5	43

Position in this regard is comparatively better in Madras state where 2 stores have share capital above Rs.1 lakh and only one below Rs.5,000/-. Gujerat and West Bengal states have 3 and 4 stores respectively having share capital below Rs. 5,000/-. In Gujerat State particularly stores have smaller share capital 7 out of 8 having less than Rs. 25,000/-.

Wholesale stores:

8. Particulars with regard to paid up share capital of wholesale stores were as under:—

(Rs. in lakhs)

Name of wholesale store	Paid-up share capital			
	1956-57	1957-58	1958-59	1959-60
Gujerat:				
1. Surat Wholesale Stores ...	0.24	0.24	0.24	0.24
2. Ahmedabad Central Wholesale Stores.	0.13	0.12	0.12	0.12
Maharashtra:				
3. All Bombay Consumers' Co-operative Federation.	0.19	0.24	0.56	1.56
Madras:				
4. Chingleput Dist. Supply and Marketing Society.	1.86	1.85	1.71	1.2
Uttar Pradesh:				
5. U.P. Co-operative Federation.	22.00	27.00	32.28	32.45

In Gujerat share capital of wholesale stores was small and declined to some extent during the past four years. In Maharashtra the All Bombay Consumers' Co-operative Federation made good progress and its share capital increased by about seven times during the past four years. Share capital of Chingleput Dist. Supply and Marketing Society declined from Rs. 1.86 lakhs during 1956-57 to Rs. 1.29 lakhs during 1959-60, a decrease of about 30 per cent. The U.P. Co-operative Federation, which is mainly an apex marketing institution, made considerable progress as a result of share capital contribution from the state government.

Deposits:

9. Deposits which stores obtain from members as well as non-members have their own advantage over outside borrowings. Besides strengthening internal resources they help to inculcate the habit of thrift amongst members and to foster their loyalty. Stores also pay less interest on deposits than on outside borrowings. Rate of interest generally varies between 3 to 5 per cent depending on the period of deposit.

10. Classification of primary as well as wholesale stores on the basis of deposits is given in the following tables:

State-wise classification of primary and wholesale stores according to average deposit per member as on 30-6-1960.

State	Number of stores according to average per member deposits.				Total
	Rs. Nil	Rs. 1-25	Rs. 26-50	Above Rs. 50	
1. Gujerat	6 (1)	—	—	2 (1)	8 (2)
2. Maharashtra	5 (1)	1	2	1	9 (1)
3. Madras.	4 (1)	1	1	2	8 (1)
4. West Bengal.	6	3	—	1	10
5. Uttar Pradesh	4 (1)	1	—	—	5 (1)
6. Bihar.	2	1	—	—	3
Total	27 (4)	7	3	6 (1)	43 (5)

*(Figures in brackets relate to wholesale stores).

It will be seen that 27 out of 43 primary stores and 4 out of 5 wholesale stores had no deposits from members at all. Only 6 primary stores and 1 wholesale store had deposits in excess of Rs. 50/- per member. In the states of Maharashtra, Madras and West Bengal there were 4 stores

each having deposits from members. In Madras state particularly, there were two stores having deposits of about Rs. 50/- per member.

Deposits as percentage of working capital:

Year	No. of stores with deposits as percentage to working capital					Total
	2%	3% to	11% to	Above		
	Nil	below 10%	25%	25%		
1956-57	... 20 (4)	1 (1)	4	5	8	38 (5)
1957-58	... 22 (4)	—	1	5	11 (1)	39 (5)
1958-59	... 22 (4)	1	4	5	9 (1)	41 (5)
1959-60	... 24 (4)	—	3	5	11 (1)	43 (5)

†(Figures in brackets relate to wholesale stores).

11. It is clear that the position of deposits remained almost stationary during the past four years. The main reason appears to be lack of adequate efforts on the part of stores to attract sizeable deposits. In Madras, T.U.C.S. has been able to collect Rs. 8.60 lakhs by way of deposits from members and non-members. Chandrasekharapuram store, in the same state, has raised Rs. 2.42 lakhs by way of fixed deposits from members alone and is financially self-sufficient. It has never taken recourse to borrowings from outside agencies which charge interest at $6\frac{1}{4}$ per cent. The store has been able to obtain deposits mainly by offering attractive rates of interest e.g. $4\frac{1}{2}$ per cent for 3 months, 5 per cent for 6 months and $5\frac{1}{2}$ per cent for 1 year, whereas the rate of interest on fixed deposits offered by Madras Central Co-operative Bank is 4 per cent for one year and 5 per cent for 2 years. We would, therefore, suggest that consumers' stores should attract deposits by offering liberal rates of interest from their members and make increasing use of this source of finance.

Trade deposits:

12. Stores also receive another type of deposit known as trade deposit. In this system members deposit amounts generally equivalent to their monthly purchases at the beginning of a month. Stores provide them with pass books in which these deposits are entered. Members draw on such deposits by making purchases from time to time which are also entered in the pass books for working out balances in credit in any month. Some stores allow interest on trade deposits varying between

2 to 3 per cent. Trade deposits thus not only provide ready cash in advance to stores for making purchases but also assure custom for them. This source has however not been tried seriously by stores in general barring a few exceptions like Chandrasekarapuram Consumers' Co-operative store in Madras state, Pragati Mandal consumers' Co-operative Store in Bombay state etc. We, therefore, recommend that primary stores should introduce a system of collecting trade deposits from members if necessary by allowing interest.

13. Internal resources, i.e. share capital, reserves, deposits etc. form the bulk of working capital of stores. The following table gives percentages of internal resources to working capital, as on 30.6.1960, for primary as well as wholesale stores.

Percentage of internal resources to working capital
as on 30.6.1960

State	No. of stores with internal resources as percent of working capital.			Total
	33% or below	34% to 66%	Above 66%	
1. Bihar	...	2	1	3
2. Gujerat	...	1 (2)	7	8 (2)
3. Madras	...	1 (1)	6	8 (1)
4. Maharashtra	...	2	6 (1)	9 (1)
5. West Bengal	...	2	8	10
6. Uttar Pradesh	...	2 (1)	3	5 (1)
Total	2	10 (4)	31 (1)	43 (5)

*(Figures in brackets relate to wholesale stores).

Thus 31, out of 43 primary stores had internal resources above 66 per cent and only 2 had below 33 per cent. Percentage of internal resources was comparatively lower in the case of wholesale stores. Of the 5 wholesale stores, 4 had internal resources below 66 per cent and only one had above 66 per cent. This difference in the percentage of internal resources of primary and wholesale stores is mainly due to the fact that wholesale stores had greater volume of outside borrowings than primary stores.

Borrowings:

14. Borrowings of stores include borrowing from central financing agencies and trade credits. From our observations we saw that practically all stores made purchases on credit. The reason advanced for such a practice was that goods purchased on credit were returnable if found bad in quality whereas with outright purchases on cash it was difficult to exchange such goods. Another reason was want of sufficient accommodation from central financing agencies.

Borrowings from central financing agencies:

15. Consumers' stores borrow funds, to some extent, from central financing agencies also. Maximum borrowing limit of consumers' stores varies from State to State. In Gujerat it is 2 to 4 times the owned funds whereas in Bihar it is upto 5 times the owned funds. In Uttar Pradesh it is equal to owned funds while in Punjab it is equal to paid-up share capital only. The rate of interest on such borrowings varies from 5 to 7 per cent. However in actual practice the extent of such borrowings is not appreciable. Barring very few exceptions, hardly any store can borrow more than one or two times its owned funds.

16. Position in this regard in different states during the past four years is given in the following table:—

Borrowing from central financing agencies:**Primary stores:***(Rs. in lakhs)*

States	1956-57		1957-58		1958-59		1959-60	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1. Gujerat	1	0.05	—	—	—	—	2	0.53
2. Madras	2	2.72	3	3.15	4	63.51	4	12.15
3. Maharashtra	1	0.11	—	—	—	—	1	0.18
4. Uttar Pradesh	—	—	—	—	—	—	—	—
5. West Bengal	—	—	—	—	—	—	—	—
6. Bihar.	—	—	—	—	—	—	—	0.20
Total	4	2.88	3	3.15	4	63.51	8	13.06

Wholesale Stores:

(Rs. in lakhs)

States	1956-57	1957-58	1958-59	1959-60
1. Gujerat				
(i) Surat ...	1.39	1.82	2.27	0.81
(ii) Ahmedabad ...	0.38	0.39	0.31	0.41
2. Madras:				
Chinglepet ...	—	—	46.25	44.45
3. U.P. Federation. ...	0.10	—	—	18.35
Total	1.87	2.21	48.83	64.02

It will be seen that though there was some progress in the advances made by C.F.As during the past four years, the number of stores receiving accommodation and the amounts advanced were negligible. During the year 1959-60 only 8 out of 43 primary stores got accommodation to the extent of Rs. 13.06 lakhs. In Uttar Pradesh and West Bengal not a single store was advanced any amount during the past four years while in Maharashtra and Bihar only one store each received accommodation to the tune of Rs. 18,000/- and Rs. 20,000/- respectively. In Madras 4 stores received accommodation of Rs. 12.15 lakhs. Financial accommodation generally given to consumers' stores consists of cash credit or overdraft or short-term loans for a period not exceeding one year. Stores commonly prefer cash credit but they seldom get adequate accommodation from central financing agencies. Reasons for such an apathetic attitude on the part of central financing agencies have a bearing on both sides. It is argued that the financial position of consumers' stores is generally not sound enough for making large scale advances. It is also contended that many a time the working and management of consumers' stores happen to be quite unsatisfactory. In a number of states e.g. West Bengal, Bihar, Gujerat and Punjab, we understand that central financing agencies already have heavy commitments on hand regarding provision of agricultural credit with the result that they do not have enough funds to meet the requirements of consumers' stores. In Maharashtra we were told that central financing agencies had sufficient funds to accommodate consumers' stores also but the weak financial position of consumers' stores had stood in the way of granting financial accommodation to them. This is a vicious circle. Consumers' stores do not get financial accommodation because their financial position is weak and their financial position is weak because they do not have any strong economical source of finance.

TABLE

Statement showing financial accommodation given to
(Rupees)

States	No. of C.F.A.'s.	1956-57				1957-	
		No. of primary stores assisted.	Amount advanced	No. of wholesale stores assisted.	Amount advanced.	No. of primary stores assisted.	Amount advanced
1. Gujarat ...	3	8	0.55	1	2.50	12	1.68
2. Punjab ...	4	3	0.09	—	—	7	0.13
3. Madhya Pradesh	3	5	1.22	—	—	6	2.20
4. Rajasthan	2	—	—	—	—	1	—
5. Maharashtra ...	7	—	—	—	—	3	0.07
6. Andhra ...	4	16	2.62	3	63.05	16	2.14
7. Madras ...	14	127	18.51	10	55.50	121	24.42
8. Kerala ...	3	20	3.82	1	11.50	19	3.31
9. Mysore	2	3	0.72	—	—	4	0.58
Total:	42	182	27.53	15	132.55	189	34.53

'A'

consumers' stores by the central financing agencies.

in lakhs)

1958		1958-59				1959-60			
No. of wholesale stores assisted.	Amount advanced.	No. of primary stores assisted.	Amount advanced	No. of wholesale stores assisted.	Amount advanced.	No. of primary stores assisted.	Amount advanced	No. of wholesale stores assisted.	Amount advanced.
2	3.40	17	1.56	2	3.70	31	3.11	2	3.70
—	—	7	0.18	—	—	7	0.30	—	—
—	—	6	9.72	—	—	12	2.58	—	—
—	—	10	—	—	—	—	—	—	—
—	—	5	0.55	—	—	7	3.84	—	—
3	55.03	16	2.91	3	55.88	20	3.79	3	58.69
11	57.95	127	79.21	11	231.02	125	35.32	11	171.87
1	4.00	22	4.97	2	1.20	23	5.16	2	0.87
1	—	6	0.66	3	—	5	0.77	4	—
18	120.38	216	99.76	21	291.80	230	54.87	22	235.13

17. Enquiries were made with central financing agencies in different states regarding accommodation granted by them to consumers' stores during the past four years, the number of defaulter-stores, the amounts involved in such cases and the estimated amounts which could be advanced by them. Information was received from 42 central financing agencies from nine states. Particulars in regard to accommodation granted to primary as well as wholesale stores have been indicated in table 'A' on the next page. It will be seen there-from that there has been a steady rise in the number of stores accommodated and the amounts advanced during the past four years. During 1959-60, of the total number of 230 primary stores accommodated and the total amount of Rs. 54.87 lakhs advanced by 42 banks in different states, in Madras State alone 125 stores were granted accommodation to the tune of Rs. 35.32 lakhs by 14 banks. In the case of wholesale stores also bulk of the help was rendered in Madras state where of the 22 wholesale stores accommodated and Rs. 235.13 lakhs advanced, 11 wholesale stores received Rs. 171.87 lakhs. C.F.As. in the states of Andhra, Kerala and Gujerat have also been able to advance sizeable amounts. In the rest of the states however the number of stores assisted and the amounts advanced were not much.

18. Of these 42 banks 22 had defaulters. In all 91 stores had made defaults and the amount involved was Rs. 5.82 lakhs. These defaults were mostly the result of weak financial position of the stores concerned. State-wise position relating to defaulting-stores is given in the following table:—

(As on 30.6.1960)

(Rs. in lakhs)

State	No. of C.F. As. having defaulters	No. of defaulter stores.	Amount involved
1. Gujerat	2	8	0.64
2. Punjab	4	5	0.05
3. Madhya Pradesh	1	1	0.01
4. Andhra Pradesh	3	30	1.37
5. Madras	8	43	3.21
6. Kerala	2	2	0.48
7. Mysore	2	2	0.06
Total	22	91	5.82

Madras state had the largest number of defaulting stores viz. 43 involving an amount of Rs. 3.21 lakhs.

19. 26 of the 42 banks have estimated the amounts which they would be in a position to advance to consumers' stores provided the prescribed terms and conditions are fulfilled. State-wise position of these estimates has been indicated in the following table:—

**Estimate of amounts that could be advanced by C.F.As.
to consumers' stores:**

(Rs. in lakhs)

State	No. of C.F.As. which can advance funds	Amount that could be advanced	Prevalent rate of interest.
1. Gujerat ...	2	5.10	5½-6½%
2. Punjab ...	1	0.56	6½%
3. Madhya Pradesh	2	2.75	6½-7½%
4. Rajasthan ...	1	5.00	7½%
5. Maharashtra ...	5	17.40	6-6½%
6. Andhra Pradesh	2	26.00	5-7%
7. Madras ...	10	158.67	4½-6½%
8. Kerala ...	2	12.00	5½-7%
9. Mysore	1	25.00	6¼%
Total:	26	252.48	4½-7½%

Central financing agencies in Madras state have given an estimate higher than any other state. Rate of interest is also lower in that state. During our visit to various states some of the stores represented that the procedure and terms and conditions prescribed by C.F.As were rather tough and that therefore it was difficult to approach them for financial accommodation. We have already seen that, of the 43 primary stores included in the study only 8 had secured financial accommodation from central banks during the year 1959-60.

Terms and conditions:

20. Terms and conditions required to be fulfilled were as follows:—

- (i) The society should hold shares of the bank of adequate value which should be either 5 per cent of its own paid up share capital plus reserve fund or 10 per cent of the maximum borrowing from the bank whichever is higher.
- (ii) Interest will be charged at half yearly rates,
- (iii) Rate of interest will be subject to change on 7 day's notice.
- (iv) In case of default of the bank's dues penal interest will be charged

- at 1 per cent above the usual rate of interest.
- (v) All combustible stocks should be got insured against fire, for their full value with an approved insurance company and policies of hypothecated stocks should be got endorsed in favour of the Bank.
 - (vi) No sales on credit of whatever type should be allowed.
 - (vii) All sale proceeds of hypothecated goods should be directly banked in the respective cash credit account and should not be utilised for any other purpose without the previous permission of the bank.
 - (viii) Sureties should be taken from all responsible employees of the society, such as secretary, salesman etc.
 - (ix) Monthly statements regarding financial position and fortnightly statement regarding hypothecated stocks, showing particulars of kind, quality, value etc. for the fortnight ending 15th and 30th/31st for each month as the case may be, should be submitted to the bank regularly so as to reach on or before the 20th of the current and 5th of the succeeding month respectively.
 - (x) The bank will be at liberty to take actual possession of the stock, hypothecated to it, in case any of the banks' conditions in respect of credit is not satisfactorily observed.
 - (xi) Wherever necessary licence should be obtained from the authorities concerned before drawing on the credit.
 - (xii) No operations on credit should be allowed unless all necessary documents are fully executed by the authorised office bearers of the society.
 - (xiii) Maximum borrowing power will be taken into account while sanctioning credit.
 - (xiv) Members of managing committee will be held responsible personally in case the bank suffers any losses in transactions. For this purpose it will be necessary to execute a security bond on stamped paper signed by all managing committee members, for the full amount of cash credit sanctioned to them and they will be held responsible jointly and severally.
 - (xv) The store should function in such a way as to command sufficient volume of business and work at a profit.
 - (xvi) Value of stocks should not, at any time, exceed the amount for which they have been insured.

- (xvii) Value of stocks in trade held should not fall below the amount outstanding under cash credit.
- (xviii) Loan applications should be got recommended for credit by the Registrar.
- (xix) Manager should be from among personnel who have received proper training in business. The institution should be big enough, with large turnover and share capital, for paying its staff adequately lest they should resort to malpractices. The board of directors should be strong and efficient.
- (xx) The society should use funds only for the purpose for which they are sanctioned.

21. Conditions governing overdraft accommodation:

- (i) Overdraft will be in force for the period ending 30th June of every year and application must be made sufficiently early if renewal of the facility is required.
- (ii) Without reference to foregoing rule overdraft may be terminated or reduced on 15 days' notice.
- (iii) Interest will be charged on daily balances at 5 per cent on the drawn portion and at $\frac{1}{2}$ per cent on the undrawn portion per annum.
- (iv) The society should keep goods in the joint names of the society and the bank insure them against loss or damage by fire, deposit in the bank such policy or policies and produce, when called upon to do so, the last receipts of payment of premia thereunder.
- (v) The facility should be used only for the purchase and stocking of provisions and essential food-stuffs.
- (vi) All payment to wholesale stores or any other suppliers should be made only by cheques.
- (vii) Amount of overdraft, at any time, shall not exceed 10 per cent of the amount advanced and outstanding against the stock, in the custody of the society, and the cash on hand.
- (viii) At the end of every quarter the society should send a statement furnishing therein particulars regarding quality, quantity, value of stock on hand, amount advanced and the amount for which the stock has been insured. In case there is any fluctuation in the market value, the fact should be reported to the bank at once.
- (ix) All facilities should be offered for the verification of stocks by an employee of the bank or by a departmental Inspector whenever necessary.

- (x) In case any of the conditions laid down is violated the bank will be at liberty to take possession of the stock and sell or otherwise dispose it off for the realisation of the amount due.
- (xi) The society should submit daily collections to the bank towards its overdraft account. It can utilise its collections (sale proceeds) otherwise only after the amount drawn from overdraft account is completely recouped.
- (xii) Usual bond for the amount of overdraft should be executed and sent to the bank within 15 days of the receipt of the sanction order, in default of which the same will lapse. All withdrawals from the account can be made only after the receipt of the bond by the central bank.
- (xiii) The society should furnish a certificate once a month signed by the bank inspector in the area, to the effect that stock register and other necessary registers are being maintained up-to-date.
- (xiv) The society should furnish to the bank within 15 days from the date of drawing the amount, from overdraft 'B' accommodation, a statement of stock purchased from the money so drawn showing the value falling which no further cheques will be honoured by the bank.
- (xv) Conditions (i) to (xiv) above should be placed before the meeting of the board of directors and incorporated as subsidiary rules.

22. From the details given in the foregoing paragraphs it is clear that:—

(i) Number of stores receiving accommodation from C.F.As. is very small (ii) Amounts advanced cover only a fraction of the total needs of consumers' stores, (iii) Number of defaulting stores is alarming, which is about 40 per cent, (iv) Repaying capacity of consumers' stores is weak where their general financial condition is not strong enough. (v) Central banks do not have sufficient funds, over and above their requirement for rural credit, to meet the needs of consumers' stores also. (vi) Terms and conditions prescribed by central banks are partly responsible for keeping away consumers' stores from approaching them for financial accommodation and (vii) Rates of interest on borrowings ranging from 6 to 7 per cent in some States are on the high-side.

Working capital:

23. Primary as well as wholesale stores have been classified according to the size of their working capital in the following table:—

Year	Number of stores according to size of working capital				Total
	Rs. 5,000 & below	Rs. 5,001 to 30,000	Rs. 30,001-1 lakh	Above Rs. 1 lakh	
1956-57	5	16	7 (1)	9 (4)	37 (5)
1957-58	5	13	12	9 (5)	39 (5)
1958-59	5	13	13	10 (5)	41 (5)
1959-60	5	13	11	14 (5)	43 (5)

(Figures in brackets relate to wholesale stores).

It will be seen that during 1959-60, of the 43 primary stores 29 had a working capital less than Rs. 1 lakh and 18 less than Rs. 30,000/-. Similarly there was no appreciable change in the size of working capital of primary stores during the past four years. This reflects the financial stagnancy of primary stores.

24. State-wise position during 1959-60 regarding size of working capital was as under;—

State-wise classification of primary and wholesale stores according to the size of working capital (as on 30-6-1960)

State	No. of stores according to size of working capital				Total
	Rs. 5,000 & below	Rs. 5,001 to 30,000	Rs. 30,001 - 1 lakh	Above Rs. 1 lakh	
1. Bihar	—	1	1	1	3
2. Gujerat	—	1	4	3 (2)	8 (2)
3. Madras	—	3	—	5 (1)	8 (1)
4. Maharashtra	1	2	3	3 (1)	9 (1)
5. West Bengal.	3	4	2	1	10
6. Uttar Pradesh	1	2	1	1 (1)	5 (1)
Total:	5	13	11	14 (5)	43 (5)

Position was better in Madras state, with 5 primary stores out of 8 having a working capital in excess of Rs. 1 lakh. In West Bengal 7 primary stores out of 10 had a working capital less than Rs. 30,000/- and less than Rs. 5,000/-.

It is possible to conclude from the above details that the financial position of a majority of consumers' stores is weak and far below the required limit necessary for running business on economic lines. Inadequacy of capital has led to many evils viz. business inefficiency, reduced turnover and less managerial efficiency and credit worthiness. As explained already working capital of consumers' stores mainly consists of share capital and reserves. When the share capital is low borrowing power is also low. Stores therefore resort to making purchases on credit by paying higher prices which in turn reflect in their low profits and also adversely affect the building up of their owned funds. Thus weakness at one place circles around and affects the position at every other place. The problem therefore needs to be tackled at the very root by devising ways and means to increase borrowing power of stores, strengthen their internal resources and provide larger financial accommodation to them.

(a) State participation in share capital of consumers' stores to increase borrowing power.

25. It is needless to reiterate that the very reasons and justifications which actuated government to offer financial assistance to other types of societies in the form of share capital participation apply to consumers' stores equally well. When government has been rendering liberal financial assistance in the form of loans, share capital participation etc. to marketing, processing, producers and other co-operative societies for accelerating the pace of their development, it is all the more necessary for it to render financial assistance to consumers' stores as well to enable them to undertake effective distribution of all consumers' goods produced at reasonable prices under conditions of planned economy.

26. Consumers' stores need funds mainly for working capital. One of the ways of helping them to raise adequate working capital from central financing agencies would be to strengthen their share capital base since credit given depends upon owned funds. We would therefore recommend that government should participate in the share capital of consumers' stores on a matching basis in the same way as in the case of service societies, processing societies, marketing societies etc. Such contributions from government towards share capital of consumers' stores should be retired by them within a period of 10-15 years as in the case of societies of other types.

27. We have already recommended that a primary store, to be a viable unit of the minimum economic size, should have a paid-up share capital of Rs. 5,000 and a membership of 250 to start with. We have also re-

commended that the value of a share should be fixed at Rs. 10 to keep it within the paying capacity of an average consumer. Thus a share capital of Rs. 2,500 can be expected from a primary store in the initial stages and it would be necessary to meet the balance of Rs. 2,500 by governmental share capital contribution to enable it to raise the required working capital. We have further recommended that the minimum paid up share capital for a district/regional wholesale store should be Rs. 50,000 and for an apex store Rs. 1 lakh. Wholesale stores at the district regional level which may hardly have about 50 primary stores as members, cannot be expected to raise even 50 per cent of the required share capital of Rs. 50,000. We have therefore suggested organisation of apex wholesale stores with branches which are likely to have about 200 primary stores as members, to start with, who can contribute on an average Rs 250 each to the minimum. The balance of Rs. 50,000 should, as before come from government by way of matching share capital contribution to enable them to have a share capital base of Rs. 1 lakh. We would therefore recommend governmental participation in the share capital of consumers' stores on the following scale:—

- I. Upto Rs. 2,500 for a primary store (new /revitalised)(on matching basis).
- II. Upto Rs. 50,000 for an apex wholesale store. (on matching basis).

Financial assistance in the above form would not only mean lesser financial burden on government but would also help to strengthen the confidence of central financing agencies in consumers' stores.

(b) Measures to provide increased financial accommodation:

28. Consumers' stores must necessarily turn to central financing agencies for their requirements of credit. However, being preoccupied with agricultural credit central financing agencies have not been able to finance consumers' stores to any appreciable extent. We, therefore, recommend that central financing agencies should be persuaded by government to earmark funds out of their own resources for providing loans and advances to consumers' stores.

29. The Reserve Bank of India have already taken up schemes for the supply of long and short term credit to industrial co-operatives. On this analogy we would recommend that the Reserve Bank of India should make additional funds available to central financing agencies for providing increased financial accommodation to consumers' stores.

30. Consumers' stores do not get any representation in the management of co-operative banks. To safeguard their interests, it is necessary

that they should be given adequate representation either on the boards of management or on the loan sub-committees set up by co-operative banks. We would, therefore, recommend that adequate representation should be given to consumers' stores on the boards of management of co-operative banks failing which their representatives should be co-opted on the loan sub-committees set up by co-operative banks.

31. We have observed in chapter 2 that a viable primary store would require a paid up share capital of Rs. 5,000 and a working capital of Rs. 15,000 to 16,000. Similarly a viable apex wholesale store would require a share capital of Rs. one lakh and a working capital of Rs. 5 lakhs. Thus the gap between their owned funds and the required working capital works out at two times the paid up share capital in the case of primary stores and four times the paid up share capital in the case of apex, wholesale stores. We have already seen that C.F.A's in Gujerat provide cash credit to consumers' stores from 2 to 4 times their owned funds and in Bihar and Madras upto 5 times their owned funds. C.F.A's should, therefore, be able to provide cash credit to primary stores upto two times their owned funds in the initial stages. We, therefore, recommend that central financing agencies should provide cash credit to primary stores at least upto twice their owned funds on the basis of a floating charge on their assets.

32. In the case of apex wholesale stores the requirement of working capital would be much in excess of their owned funds and state co-operative banks may not come forward to meet the requirement without government guarantee. We, therefore, recommend that state co-operative banks should provide working capital loans to apex wholesale stores upto 4 times their owned funds against government guarantee and on the condition that losses, if any, would be sharable in the ratio of 50 : 40 : 10 between central government, state government and state co-operative bank concerned.

33. It has been accepted in principle that wherever central financing agencies are not in a position to meet financial requirements of co-operatives the State Bank of India may finance such co-operatives according to their terms and conditions. On this basis the State Bank of India has been offering financial accommodation to some extent to marketing and processing societies. We, therefore, recommend that wherever central financing agencies are not in a position to meet financial requirements of consumers' stores, the State Bank of India should provide necessary financial accommodation on the same terms and conditions as are applicable to marketing and processing societies.

(c) Measures to increase internal resources:

34. Although we have recommended assistance from government and financial accommodation from co-operative financing agencies for encouraging the speedy development of consumers' stores, it is necessary that consumers' stores should take every possible step to raise funds from within and build up their own funds sufficiently. In this connection we have already suggested that deposits in addition to trade deposits, should be attracted from members by paying enhanced rates of interest where necessary. We have also suggested that payment of rebates on purchases should be extended even to non-members to enable them to purchase shares through accumulated amounts in their accounts opened for the purpose. Over and above this, internal resources could be strengthened by increasing membership and the average size of share holdings per member. In western countries consumers' stores have from the very beginning tried to be self-sufficient. For instance in Great Britain primary consumers' stores financed the entire increase in capital assets during 1953 to 1955 without any recourse to external borrowings.

35. However general position in this respect in consumers' stores here is not satisfactory. This is mainly due to the fact that stores have low membership and members are apathetic towards increasing their share capital holdings. The following table will give an idea of population covered by primary stores in their areas of operation:—

Classification of primary stores according to percentage of population covered (as on 30.6.1960).

State	No. of stores.	Category of stores	Percentage of population covered					Total
			10% and below	11-25 %	26-50 %	51-75 %	Above 75 %	
1. Bihar	3	General	—	—	1	—	—	1
		Workers & employees.	—	1	1	—	—	2
2. Maharashtra.	9	General	4	—	—	—	—	4
		Workers & employees.	—	—	1	1	1	3
3. Gujerat	8	General	2	2	2	—	—	6
		Workers & employees.	—	—	1	—	1	2
4. Madras	8	General	5	—	—	—	—	5
		Workers & employees.	1	1	1	—	—	3

State	No. of stores.	Category of stores.	Percentage of population covered					Total	
			10% and below	11-25 %	26-50 %	51-75 %	Above 75 %		
5. West Bengal	10	General	2	1	1	—	—	4	
		Workers & employees.	1	1	2	1	1	6	
6. Uttar Pradesh.	5	General	2	—	—	1	—	3	
		Workers & employees.	1	—	—	—	1	2	
Total:		43	General	15	3	4	1	—	23
			Workers & employees.	3	3	6	2	4	18

Of the total 43 primary stores such information was available in the case of 41 stores only. Of these 41 stores, 23 were general stores and 18 workers' and employees' stores. Of the 23 general stores, 15, i.e. about 63 per cent, had covered even less than 10 per cent population in their areas of operation. There was only one store which had covered more than 50 per cent population, while the rest had covered less than 50 per cent population. In the case of workers' and employees' stores position was slightly better. Of the total of 18 such stores 6 had covered more than 50 per cent employees and 12 less than 50 per cent employees of which 3 had covered less than 10 per cent employees. Normally, such stores are expected to bring in their fold majority of employees but this was not so with the stores selected. From these details it is possible to conclude that the position with regard to coverage of population by stores is far from satisfactory. Reasons in brief are:—

- (i) Absence of organised and planned efforts to increase membership. Members of the boards of directors do not approach local people individually to join consumers' stores. Their attitude in this respect is one of passiveness. In some stores we even found that management did not want to increase membership as they feared clash of group interests.
- (ii) Lack of proper publicity and propaganda on the part of stores. (iii) Inadequate commodity coverage by stores. We, therefore, recommend that (a) An intensive drive should be made to attract and increase membership. Members of the boards of directors should personally approach local people regularly and persuade them to join stores. (b) During co-

operative weeks cultural programmes should be organised by stores to develop contact with people. (c) Stores should print leaflets giving accounts of their working and services rendered by them (d) Stores should increase commodity coverage according to local needs.

36. Details regarding average share holding per member in the stores selected for study have been given below:—

Classification of primary stores according to average share holding per member as on 30.6.1960.

State	No. of stores according to average shareholding per member.				Total
	5 or below	6-10	11-15	Above 15	
1. Gujerat	8	—	—	—	8
2. Maharashtra	6	2	—	1	9
3. Madras.	6	1	1	—	8
4. West Bengal.	9	—	—	—	9
5. Uttar Pradesh	2	—	—	1	3
6. Bihar	3	—	—	—	3
Total:	34	3	1	2	40

The above information was available for 40 stores only. Of the 40 stores 34, i.e. 85 per cent had an average share holding per member of 5 shares and below. In the remaining 15 per cent of stores, i.e., 6 members had on an average more than 5 shares each. It is thus obvious that members have not taken adequate interest in building up owned funds of stores. We, therefore, recommend, that (i) Managing committees should approach members and persuade them to purchase more shares. (ii) Stores should adopt following business practices which would increase members' share holdings:—

- (a) Dividend on shares should not be distributed in cash, but credited to members' share account,
- (b) Rebate on purchases should not be paid in cash but credited to members' share account.
- (iii) Stores should allocate higher percentage of distributable profits towards strengthening their reserves position.

CHAPTER IV

BUSINESS TECHNIQUES AND OPERATIONS

It has been well said that "there is no particular quality, virtue or magic in co-operation which will enable it to succeed without the application of sound business principles". Consumers' co-operatives must therefore employ scientific business principles to compete successfully with private trade. The following are some of the important principles enunciated by Rochdale Pioneers:—

- (i) Sale at prevailing local prices.
- (ii) Restriction to fixed limit of interest upon capital.
- (iii) All trading against cash.
- (iv) Distribution of profits in proportion to purchases.
- (v) Proper maintenance of accounts.

These principles still hold good. To these must be added two more, viz., (i) Correct weightment and (ii) Pure quality goods.

2. The success of any consumers' store is measured by its efficiency in supplying goods and services that members need. It is, therefore, necessary for any primary store to ascertain preferences of its members first. In India, no organised system or method seems to have been adopted by stores to ascertain consumers' preferences. The growing range of domestic requirements has made an organised study of consumers' needs essential. In Great Britain, C.W.S. is one of the few manufacturing and distributing concerns to have a market research department which employs its own field staff for establishing direct contact with consumers. More than 25,000 members of the public are interviewed annually by the market research departments' staff. In India stores can not embark upon such costly ventures with their weak organisational structure and financial position. We would however emphasize the necessity of ascertaining consumers' preferences with the object of developing contacts with them. We, therefore, recommend that (i) Primary stores should organise monthly or quarterly meetings of their members to discuss the working of the stores and invite suggestions for improvement. (ii) Stores should also keep suggestion books for purchasers to indicate commodities and quality of goods that they need, (iii) Stores should contact other associations particularly women's associations for ascertaining consumers' preferences.

This practice is widely followed in Great Britain, where the National Women's Co-operative Guild, the National Co-operative Men's Guild and the National Guild of Co-operators have always lively interest in the standards maintained by retail societies and the C.W.S.

Commodity-coverage:

3. The success of stores also depends to a great extent upon the range and variety of commodities they can deal in. In India consumers' stores were mostly organised during the war period for distributing controlled articles and this heritage still continues. Majority of stores deal in few commodities only. Of the 43 primary stores, selected for the purposes of our study, 15 stores dealt in controlled commodities like sugar, kerosene and cereals. In Gujerat, particularly, the range of commodity coverage was very small. All the 8 primary stores that we visited were dealing in few selected commodities. The reason given for not dealing in many commodities was that maintenance of stock account would become difficult due to shrinkages in weight. However some of the other stores that we visited dealt in a wide variety of goods. For instance T.U.C.S., in Madras, was dealing in about 344 articles while Chandrasekarapuram store, in the same state, and Pragati Mandal Consumers' Co-operative Store in Bombay State, dealt in about 1,000 articles each. All of them had worked well and made good profits. These stores have acquired sufficient experience in estimating possible shrinkages in commodities which are taken into account while fixing prices. Chandrasekarapuram Store, though, functioning in a rural area, is dealing in a wide range of goods such as foodgrains, provisions, patent foods, tinned goods, general merchandise, cloth, cycles, cycle accessories, chemical fertilizers, cement etc. It has in fact been organised like a multi-departmental store and this has helped to ensure loyalty of members and keep up their interest. In a store dealing in few commodities, members are apt to lose interest for the simple reason that the store does not serve all their needs. A primary store must therefore adapt itself to the growing needs of consumers. In western countries too co-operative stores try to bring under one roof all possible requirements of consumers. We, therefore, recommend that primary stores in India should aim at providing variety of goods and serving larger interests of consumers. In the beginning it may not be possible for a primary store to cover wide range of articles. It should, therefore, start by dealing in few selected commodities of daily necessity like foodgrains and provisions which have a quick turn-over so that its capital will not remain locked up for a long period. Later, as it establishes itself, it should expand the field of coverage also.

4. Range and variety of commodities to be covered depend upon

several factors, e.g. (i) Socio-economic conditions in the area of operation (ii) Composition of population in the area and (iii) Consumption habits in the area. Stocking of specialised articles in an area inhabited largely by labour class will not be desirable. In fact the general principle should be that commodities needed by the major section of members should be stocked in preference to such commodities as have a short-turn-over. Similarly it would not be desirable to deal exclusively in such articles which have low demand. We would, therefore, emphasize that commodity coverage should be decided keeping in view local conditions and needs of consumers.

Purchase policy:

5. We have already seen that well organized wholesale stores do not exist at present which can cater to the needs of primary stores. Those which exist deal mostly in few controlled commodities. Primary stores have therefore no option but to be at the mercy of private wholesalers. We have come across some well organised stores which make purchases from production centres but such stores are very few indeed. Thus in one of the major spheres of operation, viz. purchase policy, the consumers' movement has not developed any system conducive to the growth of primary stores and this has resulted in low business efficiency.

6. We have also observed that majority of stores make purchases on credit. This is because most of them are short of funds and want to take advantage of credit facilities available in the market. Private wholesalers generally allow credit, ranging from a fortnight to a month, but they charge interest on the value of goods supplied with the result that a store has to bear an extra percent or two over the actual sale price. This additional expenditure is much in excess of the interest payable on a corresponding loan amount and as such proves unduly costly in the end. Unless such economies are effected by primary stores, chances are that they would not be in a position to offer competitive prices having regard to the fact that the average retailer in the country today has been retailing at extremely low margin indeed. Solution of the problem obviously lies in establishing strong wholesale stores and developing effective business links with them which we have already recommended.

7. Primary stores have generally been dealing in foodgrains. This is expected in a country where a large portion of the consumers' income is spent on daily necessities. It would be advantageous if purchases of such agricultural commodities are made in bulk from production centres immediately after the harvest when prices are low. It would also be desirable to make such purchases through appropriate co-operative agencies

in the local area or in surplus state. In fact T.U.C.S. and Chandrasekrapuram Store, in Madras, which we have visited have been purchasing bulk of their requirement of rice from Nellore district of Andhra Pradesh which happens to be surplus in rice.

8. Similarly it would be in the interest of primary stores to attempt establishment of links with industrial co-operatives for purchasing articles manufactured by them.

9. We, therefore, recommend that primary stores should take advantage of favourable market conditions in surplus states by making bulk purchases of agricultural commodities through appropriate co-operative agencies. They should also develop links with other production societies if such links do not exist through higher level organisations.

Processing and production activities:

10. One of the objects of consumers' stores is to check unfair rise in prices. They can effectively do so if they are in a position to undertake manufacturing and productive activities also. In Sweden the K.F. has been able, by undertaking manufacturing activities, to reduce prices of certain electrical and rubber goods by as much as 40 to 50 per cent.

11. Primary stores should therefore, if funds permit, undertake simple processing activities like oil extraction, rice hulling, coffee grinding, wheat and spices grinding etc. This would enable them to offer competitive prices and supply pure quality commodities. Large scale processing activities could be more economically undertaken by whole sale stores.

12. It is, however, necessary to see that this does not lead to unhealthy competition between processing undertaken by producers societies and that undertaken by primary or wholesale stores. At present only in Madras State some stores have undertaken processing activities. We have visited two such stores viz. the T.U.C.S. and the Chandrasekrapuram Co-operative Store. During the year 1959-60, in Madras State, 10 stores had undertaken paddy husking, 15 stores oil crushing and 14 stores coffee grinding. The extent of processing activity has been indicated in the table below:—

	1957-58	1958-59	1959-60
(i) No. of stores undertaking processing activities	16	28	39
(ii) Total value of goods processed (Rs. in lakhs)	18.12	60.59	92.95
(iii) Kind of processing activity:			
(a) rice hulling			
(b) coffee grinding,			
(c) oil crushing.			

Increase in the value of goods processed, during the past three years, was more than five times. This result is no doubt encouraging.

13. We, therefore, recommend that wherever processing societies have not or are not likely to come up and where there is no risk of unhealthy competition with processing societies, suitable primary or wholesale stores should be encouraged to take up processing activities for which financial assistance from government, should be made available according to the scale applicable to processing societies.

Import of consumer goods:

14. With the restrictions on import quotas profiteering is rampant, at present, in imported consumer goods. It is needless to mention that if consumers' stores are allowed to import all permissible items of consumer goods, distribution at reasonable prices could more effectively be done according to the requirement of consumers. Consumers' stores are, however, given licences to import very few items of consumer goods. The terms and conditions for import as indicated in the import policy decision of government for the period ending 31.3.1961. are reproduced in brief below:—

A co-operative society:

- (i) Should have a membership of not less than one hundred and a minimum annual sales turnover of Rs. 20,000.
- (ii) Should have been in operation during the last three co-operative years.

Eligible Co-operative societies should submit applications on the usual forms, furnishing the following additional information:—

- (i) Share Capital
- (ii) Working Capital
- (iii) Number of members
- (iv) Sales turnover during the last three co-operative years.
- (v) Items in which the society deals in.
- (vi) Arrangements for financing imports.
- (vii) Balance sheet for the last three years.

A statement showing the above particulars should be attached to the application duly certified by the Registrar of Co-operative Societies of the state concerned.

15. The list of permissible items to be licensed to consumers' co-operatives during the period (October—March, 1961) is as follows:—

<i>Description</i>	<i>S. No. and part of the import trade control schedule.</i>	
(1)	Part IV.	(2)
Milk powder	9
Milk food for infants	74
Drugs and medicines mentioned in list I of Appendix 19.	109
Books	169-170
Time pieces	108 (c)
Artists' brushes	324 (a)
Fishing hooks	325 (a)
Part V.		
Farinaceous and patent foods	12 (a)
Water colours	34-37 (b)
Rubber contraceptives	41 (i) (b)
Tennis balls	95 (a)
Squash balls	95 (b)

Representatives of consumers' stores who saw us at the places visited by us stressed the need for relaxation of the above terms and conditions on the following grounds:—

- (i) The present restriction, that a consumers' store should have been in operation during the last three years to qualify for a licence, excludes newly organised stores and wholesale stores even if they have made a promising start and have good turnover.
- (ii) The maximum value up to which licence can be granted to a consumers' store for the import of a single permissible item is very small.
- (iii) The total maximum value upto which all permissible items can be imported to the full extent by an apex or a district wholesale store does not exceed the corresponding maximum limit fixed for a large sized primary store. This denies to an apex for a district wholesale store scope for import upto the aggregate value of the indents placed by affiliated primaries.
- (iv) As against the twelve permissible items of import for consumers' stores most of which are not popular established importers are permitted to import a much wider range of popular consumer goods.

cash and the remaining 8 which were formed by workers and employees, mostly allowed credit sales to their members. Bye-laws of these workers' and employees' stores permit them to allow credit to their members upto a certain percentage of their salary, generally 50 per cent and yet all of them did not allow credit sales. Of the total of 19 workers and employees' stores covered in the study only 8 allowed credit. In workers' and employees' stores or in credit societies running store sections, credit sales can be justified on the ground that employers undertake responsibility of collecting dues from members. There is therefore no danger of the capital being locked up for longer period and of bad debts arising. However to safe-guard adequately the interest of workers' and employees' stores and the interest of depositors and creditors in workers and employees' credit societies running store sections, we recommend that the following terms and conditions laid down in the model bye-laws for primary stores as adopted in some states should be strictly adhered to:—

- (i) No credit should be given to any member on daily wage.
- (ii) Any member who is on weekly or monthly wages or pay should pay in full the credit allowed to him for a week or month on receipt of his wages or salary for that week or month as the case may be.
- (iii) There should be a list of members showing the extent to which credit can be allowed to each member with reference to his earning capacity on the recommendation of a director of the store/society concerned.
- (iv) No credit should be allowed to a member unless he enters into agreements with the store/society and the officer disbursing his salary in the form prescribed agreeing for the deduction of dues to the store/society from his salary and authorising the pay disbursing officer to effect such recoveries.
- (v) If a member does not pay the amount due on or before the date fixed (i.e.) the date on which he receives pay for the month or wages for the week or before the 10th of the month as the case may be, no further credit should be allowed and interest at $6\frac{1}{4}$ per cent should be collected from the date of default to the date of collection.
- (vi) For a member who has contributed substantially towards share capital, the credit limit should not exceed 80 per cent of the paid up share capital.
- (vii) Such credit transactions should be brought to the notice of the board of directors at least once a month.

- (viii) When the directors themselves want credit the limit should be fixed by the general body.

Sale to members only

21. This principle has come to be relaxed and in every country sales have been allowed to non-members in varying degrees. In India it would be difficult to restrict sales to members only. The reasons are obvious: Membership generally is low and purchases per member are few which make it uneconomical to run stores on members' sales only at this stage of development. Sales to non-members has been the legacy of the war period during which primary stores had to undertake distribution of controlled commodities and sell them to non-members also. Even now primary stores dealing in controlled commodities or commodities in short supply are obliged to sell them to non-members. This is because controlling authorities make it a condition that societies entrusted with distribution of such commodities should sell them to non-members as well. The table given below shows percentage of non-member sales in respect of the stores selected by us for study:—

Classification of primary stores according to percentage sales to non-members:

State	Percentage sales to non-members:				Total
	25% and below	26%-50%	51%-75%	Above 75%	
1. Gujerat	—	1	1	1	3
2. Maharashtra	1	2	1	1	5
3. Madras.	1	3	1	—	5
4. West Bengal	3	2	2	1	8
5. Uttar Pradesh	—	1	—	—	1
6. Bihar	—	2	—	—	2
Total:	5	11	5	3	24

Of the 43 primary stores, information was available for 24 stores only. Of these, three stores made more than 75 per cent and five stores made more than 50 per cent of their sales to non-members.

22. Basically primary stores are associations of consumers. They cannot, therefore, thrive long on the patronage of non-members alone. This calls for an effort to make non-member customers as members. In Great Britain, every member of a consumers' store is not necessarily a share holder. A purchaser visiting a store is first made a member by

charging a nominal fee, one shilling or so, at the time of purchase. As a member he is then entitled to patronage dividend, generally termed 'Divi' on purchases that he makes. The dividend is accumulated for conversion into shares. By purchasing a share subsequently he can become a share-holder when besides 'Divi' on purchases, he is entitled to a fixed interest on his shares. Thus an opportunity is given to each non-member to accumulate the minimum share capital necessary for becoming a full member (share-holder). Through this system a store has the advantage of selling to non-members who are then made members and the sanctity of one of the fundamental principles of co-operation is preserved. But in India sales to non-members without any such arrangement has become a rule rather than an exception. We, therefore, recommend that a system of patronage dividend to non-members on their purchases, to be accumulated in their names for contribution towards share capital by the indirect method, should be adopted to bring more and more consumers within the co-operative fold.

Pricing policy:

23. Formulation of correct pricing policy is another important factor for the survival of a store. In India where the general managerial efficiency of store is by no means satisfactory it is necessary to work out carefully a judicious pricing policy. This would require a good deal of technical knowledge as well an upto date knowledge of market conditions and market movements. Members of managing committee should therefore be well conversant with these matters. They should also be in a position devote sufficient time to the affairs of stores. But with honorary members who are generally not in a position to devote much time on account of their pre-occupations, the main aspect of business policy gets neglected altogether. It is, therefore, necessary to appoint experienced and well trained persons as paid managers of stores who should be closely associated with members of managing committees. During our visits we came across stores where managers had not been associated with the formulation of purchase and price policies and this lack of co-ordination had led to their failure. We also came across stores like the T.U.C.S., Chandrasekarapuram Store, Pragati Mandal Consumers' Store etc. which were following a well planned policy and as a result were highly successful. We, therefore, recommend that primary stores should lay special emphasis on the adoption of suitable purchase and price policies and on the establishment of proper co-ordination between managers and members of managing committees.

24. The policy underlying pricing of articles by primary stores has always been a much debated issue. The time-honoured principle, en-

unclated by Rochdale Pioneers, emphasises that consumers' co-operatives must sell at market price. This is because if a primary store undersells, it is bound to invite rivalry and competition from private traders who would combine together, notwithstanding competition amongst themselves, for ousting it from the field. This is particularly true under Indian conditions where primary stores have practically no hold on market conditions. By selling below the market price a store would not be in a position to make good profits which would ultimately lead to a weakening of its financial position. However, prevalent thinking in western countries is that consumers' co-operatives are meant for consumers and that therefore they should benefit them by selling at lower prices. In fact in some of the countries like Sweden where consumers' movement is well developed consumers' stores have adopted what is called the "Active Price Policy". Prices are worked out in such a way that the net surplus after allocations to funds etc. is just sufficient to permit payment of 3 to 4 per cent dividend on purchases. This shows that prices fixed by private traders do not govern prices in co-operative shops. Private traders are thus obliged to maintain prices which are as low as those charged in co-operative shops. In actual practice societies giving low rates of dividend on purchases have tended to grow more rapidly in Sweden than those which sold at market prices and gave high dividends. But such a policy is not suitable under Indian conditions where primary stores are few in number, are financially weak, are unable to undertake manufacturing and productive activities and have very little say in the handling of national trade. It is, therefore, advisable to follow a market price policy in the country.

25. Prices in a primary store must necessarily be somewhat higher than what the store itself has paid. If the difference just covers the stores' expenses there will be neither profit nor loss. It is however impossible to know in advance the exact extent of expenses. A store must also accumulate in order to expand. It is, therefore, necessary to keep the difference between retail price and the price paid by a store sufficiently high to cover wages, rent, interest and other expenses and to provide for a net surplus.

26. Primary stores visited by us generally followed the market price policy. Average margin charged by them was $6\frac{1}{2}$ per cent varying with the nature of commodities handled. Percentage of margin charged by them generally, on different classes of goods was as follows:—

(i) Food-grains	...	4 to 6%
(ii) Provision goods	...	6 to 8%
(iii) Cloth	...	8 to 10%

The margin kept usually varied with the frequency of turnover of a commodity. The margin kept on short turnover commodities was higher than on quick turnover commodities. Foodgrains generally have the highest turnover and therefore the margin kept on them was the lowest.

Certain well organised primary stores, particularly, T.U.C.S. and Chandrasekarapuram store in Madras State, Pragati Mandal Consumers' Co-operative Store and South Indian Consumers' Co-operative Store in Bombay and Dum Dum Air Port Employees' Co-operative Store and Batangar Consumers' Co-operative Store in Calcutta have evolved, from their own experience of working, an elaborate system of fixing prices. In this system possible shrinkage in each commodity is estimated first. Cost price is then determined by adding to the purchase price the possible value of shrinkage, handling charges and even the cost of paper bags required for packing. After arriving at the cost price, prevailing market rates are examined and if the difference between them is too large goods are sold below market rate by adding a reasonable margin to the cost price already worked out. If the difference is not appreciable, goods are sold at market price. By following such an elaborate costing system these stores were in a position to know the exact margin and profitability of each commodity. This system can be advantageously followed by other stores as well.

We would, therefore, recommend that primary stores should follow such a system of fixing prices which would not only benefit them but would benefit consumers also.

Adjustment of prices:

27. Market prices fluctuate from time to time. Primary stores should, therefore, keep proper vigil on the trend of market prices and adjust their prices accordingly. Well organised stores, such as those mentioned earlier, followed market trends closely and maintained an upto date record showing all price changes. We have also come across some stores that took no notice of price fluctuations and some which followed a one-way policy only viz. reduction of prices with fall in market prices. Such unbusinesslike policy had put them into a disadvantageous position and they had suffered losses in consequence. We, therefore, recommend that primary stores being part and parcel of the common trade channel should keep close watch on market price fluctuations and adjust their prices accordingly in either direction.

Creation of price fluctuation fund:

28. It has been observed that consumers' stores many a time suffer heavy losses due to sudden price fluctuations in some commodities. To

guard against such possibilities we recommend that all consumers' stores should create price fluctuation funds and set apart portions of distributable surplus each year for the purpose.

Sales incentives:

29. Consumers' stores should pay particular attention to methods and practices which are conducive to the promotion of their sales. First and foremost amongst them are correct weighing and pure quality of consumer goods. Consumers' stores should try and set high standards of quality and build up reputation for quality marks.

Home delivery:

30. In modern times with increased complexities of daily life, people find very little time to shop by themselves. They, therefore, expect stores to deliver goods at their doors. Primary stores have to meet this rising demand from consumers. Home delivery service also helps to ensure assured clientele. Such facilities have however not been extended by all primary stores. Of the primary stores, visited by us, only 16 were providing such service to their members. Of these 16 only a few had undertaken this service on an organised scale. Mention may be made here of the Pragati Mandal Consumers' Co-operative Store in Bombay which has undertaken this service on a planned scale. The store introduced this service during the year 1949-50 when rationing was in force and consumers had to queue up for hours together to obtain their ration. At present, the store has a special staff of 2 salesmen and three delivery-men for the purpose. Salesmen carry sample boxes of commodities, price lists and order books and approach members individually for orders according to which goods are delivered at their doors through delivery men. Managing committee members make surprise checks on the way by weighing goods to make sure that goods are not pilfered in the process. This service is provided free of cost to all consumers. Out of a total of 1,800 members, 1,400 are now taking advantage of this service which has helped to assure their loyalty. We, therefore, recommend that primary stores should introduce home delivery services to stimulate sales and ensure members' loyalty.

Disposal of unsold stocks:

31. It is a common problem with primary stores that unsold stocks lie with them for longer periods and lock up their capital. During our visits to various states we came across such stores, particularly weaker types, which had accumulated larger stocks of unsold goods as a result of which their financial position had worsened. We, therefore, suggest

that primary stores should follow a system of clearance sales by reducing rates of unsold stocks. This practice can be undertaken with advantage particularly during festive occasions like Diwali and X'mas. Some of the stores that we saw actually followed this practice. There is yet another way of clearing stocks in which stores do not pay patronage dividend in cash but in kind. Prices of unsold stocks are reduced when patronage dividend is declared and stocks are then sold to members in lieu of patronage dividend. This practice is widely followed in U.K. and deserves a trial here also.

Payment of rebate:

32. The practice of paying rebates (patronage dividend) to members, in proportion to purchases made by them is a unique feature of consumers' movement which distinguishes a store from a capitalistic enterprise whose main object is to earn maximum profit. Consumers' stores in U.K. distributed about 95.8 per cent of their distributable surplus by way of patronage dividend during 1953-55. In other western countries also consumers' co-operatives distribute major portion of their net surplus by way of patronage dividend. In India byelaws of primary stores provide that certain percentage of profits, usually not exceeding 25 per cent of net profits, may be paid as bonus on purchases made by members. But in practice very few stores are declaring such dividend on purchases made by members. Of the 43 primary stores, covered by this study, only 11 declared rebates on purchases during 1959-60 inspite of the fact that all had worked with profits in that year. State-wise position in this regard will be clear from the following table:—

**Number of primary stores which paid
rebate during 1959-60.**

<i>State</i>	<i>No. of stores which paid rebate</i>		<i>Total</i>
	<i>Yes</i>	<i>No.</i>	
1. Bihar ...	1	2	3
2. Gujerat ...	3	5	8
3. Madras. ...	1	7	8
4. Maharashtra ...	5	4	9
5. West Bengal ...	Nil	10	10
6. Uttar Pradesh.	1	4	5
Total:	11	32	43

33. In West Bengal no store granted rebate, in Gujerat and Maharashtra a number of them paid rebates while in the rest of the states only one each allowed rebate.

In Gujerat stores paid rebates to non-members as well. The Madras Co-operative Societies Act, however, provides that rebate on purchases may be paid to members only. T.U.C.S. pays cash rebate of 2 per cent to members on the bill itself.

34. It will thus be seen that very few stores declared rebates on purchases and that the system followed is not uniform. We, therefore, suggest that patronage dividend should be declared by all primary stores working with profit. Wherever the financial position of primary stores does not permit payment of rebates in cash the amount should be credited to the share account of members and shares of equal value should be issued to them. Similarly wherever byelaws of stores permit payment of such rebate to non-members also the amount should not be paid to them in cash but instead it should be accumulated in share accounts to be opened with a view to issuing shares and making them members.

Storage facilities:

35. We saw during our visits that primary stores had insufficient storage accommodation for stocking goods. This affected their working because, for want of sufficient accommodation, they were not able to make bulk purchases. Adequate storage facility is all the more essential for wholesale stores which have to make bulk purchases for their members. Securing accommodation on reasonable rent, particularly in urban areas, is not an easy task. We, therefore recommend that government should provide loans and subsidies to viable primary stores for the construction of shop-cum-godowns and to viable wholesale stores for the construction of godowns on the following pattern in case they are able to secure plots of land in suitable localities.

- (i) Primary store upto Rs. 15,000/- (75% loan and 25% subsidy).
- (ii) Apex wholesale store upto Rs. 50,000 for a godown at headquarters upto Rs. 25,000 for each regional branch godown. (75% loan and 25% subsidy).

It is necessary to point out here that although we have not recommended earlier the organisation of district/regional wholesale stores as a pattern we feel that wherever such viable units come up on their own and affiliate with apex/wholesale stores government may extend financial assistance to them for the construction of godowns on the same terms and conditions as are applicable to regional branch godowns.

36. In our view till such premises are constructed, government should subsidise rent for the hired accommodation to the extent of 50 per cent, subject to a maximum of Rs. 500/- per annum in the case of primary store, and Rs. 900/- per annum in the case of an apex wholesale store, for the first three years. This would enable them to go in for adequate accommodation in proper localities.

Transport facilities:

37. For procurement and supply of consumer goods, apex wholesale stores and their regional branches would need adequate transport facilities of their own to effect economies in time and operational cost. We would therefore suggest that long term loans should be provided by government to apex wholesale stores to enable them to purchase trucks.

Advertising and publicity:

38. Advertising, publicity and display have an important function of bringing to the consumer information about prices, quality, new commodities, sale services, etc. with a view to creating consumers' preferences for the goods and services offered and promoting sales. It is, therefore, necessary that advertising and display should form an integral part of a store set up as it would help in augmenting its business turnover.

39. At present primary stores have not yet adopted any scientific system of advertising and publicity. Except for a few well organised stores, most of the stores are poor at displaying their commodities. Some of the bigger stores arrange and display their commodities well and fix price labels on each commodity. Of the stores visited by us the publicity scheme of Batnagar Store on its working results, deserves mention. The store had prepared elaborate, attractive charts and graphs showing its working results and had displayed them on walls. Such charts have great informative value as they serve to impress members as well as visitors. We, therefore, recommend that the following steps should be taken to improve methods of publicity, window dressing and display of goods in primary stores.

- (i) Staff should be properly trained in methods of sales, organisation, advertising, window dressing, publicity and display of goods.
- (ii) Attractive bulletins should be brought out showing varieties of goods available, their prices and the services and facilities offered.
- (iii) Charts on working results should be prepared and posted at conspicuous places.

- (iv) Sale depots and godowns of stores should be kept clean and tidy. All articles should be properly arranged and displayed and prices clearly indicated.

Correct accounting:

40. The importance of correct accounting in any business concern need hardly be emphasised. Consumers' stores, apart from being business concerns, are also democratic institutions. Managements of stores are, therefore, answerable to general bodies of members which have to be kept informed of the financial position from time to time. The main purpose of account keeping is to record the financial effect of each business transaction in a given period so that the net result of trading as well as correct financial position can be ascertained. Essential requisites of proper accounting are, (i) Account must be a record of facts, (ii) Entries should be clear enough to give an idea of the nature of transactions at any future date, (iii) Books should be so arranged that the total result of all transactions for a given period may be easily determined and (iv) Amount of labour involved in keeping accounts should not be out of proportion to the results obtained.

41. The following accounts books are kept by primary stores under the provisions of rules and bylaws:—

- (i) Share ledger and register of members.
- (ii) Minutes book.
- (iii) Admission book.
- (iv) Cash book.
- (v) Receipt book.
- (vi) Voucher file.
- (vii) Register of dividend.
- (viii) Register of bonus on purchases made by members.
- (ix) Goods ledger containing a classification of goods stocked and sold.
- (x) Sales bill book.
- (xi) Daily sales book.
- (xii) Daily summary.
- (xiii) Purchase book showing daily purchase of articles.
- (xiv) Register of purchases made by members.

42. Primary stores deal in a number of articles. It is, therefore, essential that accounts are kept section-wise and commodity-wise so as

to ascertain the margin and profitability of each commodity and section. From our study we have seen, that except for a few well organised stores like T.U.C.S. and Chandrasekarapuram Store in Madras state and Pragati Mandal and South Indian Consumers' Store in Bombay, others were not maintaining accounts in such detail. We, therefore, recommend that primary stores should maintain accounts in such a manner as would enable them to determine the margin, the profitability and the comparative cost of each commodity with a view to guarding against losses while dealing in them.

43. In T.U.C.S. stock accountings are done by persons other than those transacting sales. This practice serves as a check against manipulations. We, therefore, recommend that in all primary stores stock accountings and sale transactions should be done by different persons.

44. Byelaws of consumers' stores make it incumbent on managing committees to verify stocks at least once in a quarter. However this practice is hardly followed in stores. We, therefore, suggest that stock verifications should be done at the end of each quarter in the presence of one or more managing committee members. When this is done managing committees should value stocks according to the purchase price or the ruling market price whichever is lower and work out the total value of stocks-in-trade in the stores.

CHAPTER V.

DEMOCRATIC CONTROL AND MANAGEMENT

Democratic set-up, in consumers' stores:

Consumers' cooperatives aim at the realisation of a co-operative community in which members become their own manufacturers and are able to supply themselves with goods of the best quality at the lowest possible price. The burden of management thus obviously falls on members. It is, therefore, essential that there should be active participation by members in the management of stores. It would also be advantageous if consumers' stores have conscientious membership because the ultimate authority in all matters relating to administration and conduct of business vests in the general body formed by them. In some stores the general body consists of all the members while some stores have representative general bodies consisting of representatives elected by the members.

2. The executive management of a store normally vests in a board of directors consisting of 9 to 12 members elected by the general body.

3. The board of directors often set-up one or more special elected committees to look after specific jobs. Thus many stores have purchase or control committees consisting of 3 members elected from amongst the board of directors which look after the purchase and the sales policy.

4. In this connection it may be of interest to refer to the typical democratic managerial set-up of the Triplicane Urban Co-operative Store which is the largest consumers' store with about 42,000 members and 62 branches.

The management of the store vests in a board of directors elected by its various branches, each branch electing one director. Members of the branches, who purchase at least Rs. 50 worth of provisions per half year, are eligible to vote at such elections. Each branch has a panchayat elected by its members to supervise its working.

The general body of the store consists of directors, panchayatdars of various branches, five representatives elected by each branch and representatives elected by other consumers' associations like hostels etc., which purchase goods to the extent of Rs. 1,000 every half year.

The board of directors conducts management through various committees and all matters, except those specially reserved for the board, are

disposed of by such committees. The following committees have been set-up:—

- (i) *Office Committee*: Consists of 7 directors. Work includes general office management, control of staff and appointment of staff drawing less than Rs. 50 per month.
- (ii) *Purchase Committee*: Consists of 7 directors. Work consists of purchase and distribution of commodities.
- (iii) *Education Committee*: Consists of 7 directors. Work relates to admission of members, issue of bulletins and propaganda.
- (iv) *Oil Mills Committee*: Consists of 5 directors who manage production and distribution of gingely oil at society's oil mill.
- (v) *Accounts Committee*: Consists of 5 directors who supervise the maintenance of accounts, preparation of half yearly budget etc.
- (vi) *Building Committee*: Consists of 5 directors. Work includes purchase of new buildings and maintenance of all buildings owned and occupied by the society.
- (vii) *Transport Committee*: Consists of 5 directors who are in-charge of lorries, cars and vans belonging to the society.

General body meetings:

5. The position in general in regard to democratic management of consumers' stores is far from satisfactory. While general body meetings reflect the active interest taken by members in the management of stores we have found that a number of stores visited by us had not held even a single general body meeting in the course of a year. The following table gives details of general body meetings held by stores during the past four years:—

Details of general body meetings:

Year	General body meeting held	
	Yes	No.
1956-57	34	7
1957-58	34	8
1958-59	38	5
1959-60	32	11

It will be seen that during the year 1959-60, 11 societies did not hold any meeting of the general body. This is mainly the result of lack of appreciation on the part of managing committees of their obligatory duties.

Attendance in general body meetings:

6. The trend of attendance at general body meeting is also not encouraging as is evident from the following table for the year 1959-60:

Percentage attendance at general body meetings during 1959-60.

State	Number of stores according to percentage attendance				Total
	10% or below	11-25 %	26-50 %	Above 50%	
1.	2	3	4	5	6
1. Bihar	1	—	—	—	1
2. Gujrat ...	3	3	—	—	6
3. Madras ...	2	2	1	2	7
4. Maharashtra	2	1	—	1	4
5. West Bengal	2	2	1	4	9
6. Uttar Pradesh	—	—	—	1	1
Total:	10	8	2	8	28

Of the 32 stores selected by us that had held general body meetings, information was available for the above 28 stores only. In 18 stores attendance was below 25 per cent and in 10, even below 10 per cent. Only 8 stores had an attendance above 50 per cent. Such indifference on the part of members has led to inadequate patronisation in many cases.

7. We have further seen that stores having larger percentage attendance in general body meetings have been able to effect higher per member sales than stores with low percentage attendance. This is clear from the table given below:—

Classification of primary stores according to percentage attendance at general body meetings and average per members sale during 1959-60:

Percentage attendance in general body meetings	Average sale per member per annum				Total
	Rs. 100 or below	Rs. 101-250	Rs. 251-500	Above Rs. 500	
10% and below	4	3	2	1	10
11 — 25%	1	5	2	—	8
26 — 50%	—	1	1	—	2
Above 50%	1	3	2	2	8
Total	6	12	7	2	28

Thus of the 10 stores with percentage attendance below 10 per cent effected an average per member sale of Rs. 250 and 4 below Rs. 100 while amongst the eight stores with a percentage attendance above 50 per cent four effected an average per member sale in excess of Rs. 250 two above Rs. 500 and only one below Rs. 100.

Our studies as well as the studies made by various other committees have brought out this glaring drawback viz. inadequate membership participation, as one of the main causes that has retarded the progress of the consumers' movement. The remedy would obviously lie in having within the movement sufficient numbers of active members familiar with co-operative principles and practices. One of the ways of bringing this about would be to launch a programme of membership education on as wide a scale as possible. We, therefore, recommend that adequate measures should be taken to educate members in the philosophy, principles and practices of consumers' co-operation.

Role of the board of directors:

8. The board of management is equally responsible for the efficient functioning of a consumers' store. Its functions include (i) Formulation of business policy; (ii) Selection and appointment of personnel, (iii) Supervisions and implementation of policy decisions. The board has thus the most significant role to play in ensuring all round efficiency.

9. The bye-laws of a consumers' store generally provide for a meeting of the board of directors once a month, once a fortnight or oftener if necessary but, in actual practice the directors seldom meet in the required manner. The following data in respect of stores selected by us will give an idea of the number of meetings held by the boards of directors during the past four years:—

Classification of primary stores according to the number of meetings held by the boards of directors.

Year	<i>Number of stores and the number of meetings held by the boards of directors:</i>				Total
	<i>3 and less</i>	<i>4 to 6</i>	<i>7 to 12</i>	<i>Above 12</i>	
1956-57 ...	12	8	13	8	41
1957-58 ...	12	4	19	7	42
1958-59 ...	11	3	17	12	43
1959-60 ...	9	5	17	12	43

It will be seen that about 75 per cent of the stores had less than 12 meetings and about 33 per cent less than 6 meetings, during the year. Preoccupation of directors with their own work is mainly the cause of this state of affairs. Besides, in many cases directors are ill informed and have no knowledge of business principles with the result that they keep on avoiding such meetings.

10. Success or failure of a store depends primarily on the efficiency and capability of the members of the board of directors. The board of directors in fact should consist of members who are interested in the working of the store and who are able to devote some time regularly for the purpose. We would, therefore, recommend that in choosing the board of directors' persons who have some business experience, capacity to inspire confidence amongst members and who can take active interest in the working of the store by sparing some time regularly should be considered.

Need for managerial efficiency:

11. The importance of managerial efficiency in a business concern need not be over emphasised. The success of any business enterprise depends on the talent and ability of its captain. Measures taken by full-time officials are obviously of decisive importance in big economic enterprises, as no enterprise can be better than the men who administer it. Consumers' stores also being essentially business concerns need higher standards of managerial efficiency. Stores which have grown to be big and powerful organisations owe a great deal to their managers.

12. Most of the consumers' stores that we visited had a skeleton staff of two to three persons consisting of a manager-cum-accountant and one or two salemen. Some of the well organised stores had much more staff. For instance the T.U.C.S. which we visited had employed 373 persons. The staff generally was not trained in business management or co-operative principles except in a few cases where stores had made some arrangements for their training in co-operative institutions. This general inadequacy and low efficiency is attributable to the small size and weak financial position of consumers' stores. In most cases they were not in a position to engage well qualified and well-paid staff.

13. The ultimate result has been that working efficiency of stores has suffered in consequence. We, therefore, recommend that consumers' stores should attach more importance to experience and practical knowledge rather than educational qualifications and engage competent managerial staff since any saving effected by maintaining low paid, ineffi-

cient staff is off-set by bad handling and mistakes committed by them. We have already recommended managerial subsidy to consumers' stores by government during the first three years of their working with a view to helping them in maintaining adequate and competent staff.

14. We would also recommend the following measures which would go a long way in improving managerial efficiency of stores:—

- (i) One of the common mistakes made in selecting managers is the employment of relatives or friends of influential members without regard to their business ability. The team sent by the government of India to study the working of the co-operative movement in Yugoslavia has found that in Yugoslavia managers are recruited through a special commission on the basis of technical ability and administrative experience. Although it may not be possible to adopt such a procedure here we feel that managers should be selected from managerial cadres which should be created and maintained by the state co-operative unions.
- (ii) The success of a store largely depends upon the volume of sales effected by it. Salesmen should therefore be induced to promote sales by offering them commission on sales exceeding certain minimum limits.
- (iii) Better human relations is another important factor, for, the employees must feel that they are playing their role as members. Employees should, therefore, be permitted to become members having a right of vote, but they should not be represented in the board of directors.
- (iv) The need to train managers, accountants and salesmen employed by consumers' stores cannot be overstressed. Different courses on co-operative training have been started by a number of co-operative training institutes in the country. Managers of consumers' stores should, therefore, be given training not only in the subject of co-operation but also in business and shop management with special reference to sales promotion. Lower categories of staff also should be trained in the existing training institutions and subjects like salesmanship, store keeping, accounts, display, packing etc. should be included in the syllabi.
- (v) Excessive interference by members of boards of directors in the day to day working of stores has affected the performance of many stores. The boards of directors would therefore do well to confine themselves to broad policy matters covering the range and quality of goods to be purchased, the mode of fixing of

prices, merchandising of goods etc. giving the managers freedom to carry on work according to the policy laid down.

- (vi) Participation by managers in board meetings would be advantageous in as much as they could advise the board on matters relating to business policy. Managers should, therefore, be associated with the activities of the board even though they may not have become members.
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CHAPTER VI.

GOVERNMENTAL ASSISTANCE

In a country wedded to a socialistic pattern of society government is largely responsible for the promotion of the welfare of people by encouraging and assisting development of economic activities through voluntary organisations like co-operatives. For this very reason co-operatives in the field of agricultural credit, marketing, processing, farming etc. have been receiving governmental assistance in various forms. Development of consumers' co-operatives is equally important as they are obviously one of the most suitable agencies through which the price policy of government could be effectively implemented. As pointed out earlier consumers' co-operatives have not been able to consolidate their position and develop a strong structure of their own which can sustain them against keen and unhealthy competition from private traders. Their progress has suffered in consequence. However amongst consumers' stores primary stores organised by workers and employees have shown a better record of performance than general stores. This has been possible to a large extent due to the assistance extended to them by employers such as:—

- (i) Recovery of dues from members on account of credit sales by deduction from their salary bills,
- (ii) Supply of loans at concessional rates of interest or free of interest towards working capital,
- (iii) Provision of accommodation at nominal rent,
- (iv) Grant of managerial subsidy, and
- (v) Grants for purchase of furniture etc.

2. Workers' and employees' stores organised on railways receive the following facilities from the railway board:—

(a) *Financial:*

- (i) Subsidy equal to 50 per cent of the establishment and administrative charges incurred by stores during the first three years of their working.
- (ii) Provision of accommodation to stores on concessional rent or nominal rent of Re. 1/- p.m.

(b) *Other facilities:*

- (i) Recovery of share money from members through their salary bills.
- (ii) Recovery of dues of members on account of credit sales from their salary bills.
- (iii) Deputation of railway employees to work as secretaries or managers of such stores.
- (iv) Members of managing committees are allowed special casual leave and granted passes to attend committee meetings.
- (v) Employees of such stores are granted privilege passes and privilege ticket orders on restricted scale.

3. The above concessions given by railway administrations have been largely responsible for the success of the stores organised by their employees. Similarly facilities granted by employers to primary stores organised by workers and employees of public and private undertakings have placed them on a better footing than general stores.

4. We are, therefore, of the view that governmental assistance is necessary at this stage for facilitating the development and speedy growth of consumers' co-operatives in the country.

5. Governmental assistance would include (a) Supervision, inspection and audit, (b) Financial assistance, (c) Tax concessions and (d) Other developmental measures.

Supervision, inspection and audit:

6. Supervision and inspection of consumers' stores are as important as in the case of co-operatives of other types. While inspection helps in the assessment of the financial position of a society and its general working, supervision involves general guidance and assistance both from the point of view of business and co-operative principles. Efficiency of co-operative institutions thus depends largely on the arrangement made for periodical audit and regular supervision.

7. This question has not received proper attention from most of the state co-operative departments. Under the existing set up, in almost all co-operative departments, field staff can spare very little time to visit consumers' stores. It is, therefore, necessary to provide adequate staff for supervision, inspection and audit of consumers' stores.

8. The working group on co-operative development during the third five year plan has also laid considerable stress on the need to appoint special

staff for supervision of consumers' stores. We, therefore, recommend that in each state, necessary additional staff should be appointed for supervision and audit of consumers' stores. This would mean additional expenditure to states who may not be in a position to bear the entire cost. We would, therefore, recommend that central government should bear 50 per cent of the cost on additional staff appointed by state governments as in the case of other co-operative development schemes.

9. As regards audit we are of the view that apart from annual audit there should be an arrangement for concurrent audit in the case of large-sized primary stores and wholesale stores.

10. At present consumers' stores are charged audit fee on the basis of their business turnover. Representatives of stores visited by us argued that this was a cause of hardship because a store having a large business turnover does not necessarily work with profit. In such a situation additional liability on account of audit fee worsens the financial position of a store all the more. We are, therefore, of the view that in the case of consumers' stores government may consider the desirability of linking audit fee with profits. We further recommend that newly organised consumers' stores should not be charged any audit fee for the first three years of their working and that consideration should be given to the question of exempting a consumers' store from payment of audit fee in the year in which it incurs a loss keeping in view its over all financial position.

Financial assistance:

11. In the chapter on finance, we have recommended financial assistance from government in the form of share capital contribution to primary and wholesale stores on a matching basis for strengthening their borrowing power. We have also recommended that government should guarantee loans to be given by state co-operative banks to apex wholesale stores on the basis of sharing losses at 50 : 40 : 10 between central government, state government and state co-operative bank concerned. We have further arrived at the minimum turnover necessary to make a primary or an apex wholesale store a viable unit. In the initial stages however it may not be possible for consumers' stores to have the required sales turn-over. On the other hand it is imperative that they should maintain minimum experienced managerial staff to ensure efficient business.

12. A primary store in an urban area would need at least a manager-cum-accountant with a pay of about Rs. 125 per month. The pay would be higher for stores located in big cities and towns. Similarly an apex wholesale store would need at least a manager and an accountant costing

the store Rs. 1,000 per month to the minimum. We would therefore recommend that for the first three to five years government should provide managerial subsidy to selected primary and apex wholesale stores in the following scale:

Managerial subsidy shareable on a 50 : 50 basis between centre and states:

- (i) For a primary store upto Rs. 1,800.00
- (ii) For an apex wholesale store upto Rs. 12,000.00

13. We are also of the view that financial assistance on the above pattern should be given to existing primary stores which would be revitalised according to a suitable programme to be drawn for the purpose. As regards existing district/regional wholesale stores no such assistance for revitalisation seems necessary as their affiliation with apex whole-sale stores would help them to obtain assistance where necessary.

14. Consumers' stores both primary and wholesale would require shop and godown accommodation for which loans and subsidies would be necessary. We have already made recommendations in this regard. It is, however, necessary to point out in this connection that representatives of consumers' stores drew our attention to the 'Pagree' system in vogue under which private proprietors insisted on the payment of a pre-determined lump sums for making available rental accommodation in good business areas. Consumers' stores can ill afford to pay such sums. We would, therefore, recommend that government should help consumers' stores in securing accommodation in suitable localities by requisitioning premises if necessary.

Tax concessions:

SALES TAX

15. The general complaint made by consumers' stores was regarding payment of sales tax. Consumers' stores are obliged to maintain proper records and collect sales tax from their customers. The records kept by them are subjected to check by different persons at different levels. In the case of private traders the records maintained by them are not subjected to such varied check. With the result that instances of sales tax evasion are not difficult to find. This has led to unfair competition between them. In the stores that we visited it was represented to us that stores need be exempted from collecting sales tax on this very ground. We are told that under the system of collecting sales tax at source this disadvantage does not exist but where the multipoint sales tax system is in vogue consumers' stores are positively handicapped. While we hope

that this situation will not pass unnoticed, we feel that a case for exemption of wholesale stores from payment of sales tax exists in so far as sales by them to their affiliated primaries are concerned. We understand that this concession has been allowed in Madras state. In our view similar concession is necessary in other states also in the interest of primary stores existing there.

Income-tax

16. Under the provisions of the Indian Income Tax Act 1922, as amended by Finance Act 1960, consumers' store earning profits in excess of Rs. 15,000 have been subjected to the payment of income tax. During our visits we were told that this would adversely affect the reserves position of stores and weaken them in consequence. We have given considerable thought to this question and find that although consumers' stores are required to pay income-tax, they have been permitted by a separate provision to treat rebates on the total annual sales to members as deferred discounts to be deducted from gross profits. In our view, therefore, it would be worthwhile reviewing the operation of this provision at a later date to decide if further concessions are called for in the interest of consumers' stores.

Other developmental measures:

17. The following are some of the other development measures which we would recommend:—

- (i) Various ministries, government departments and undertakings run by them through corporations etc. should by providing assistance, if necessary, promote the organisation of consumers' stores amongst their employees as a part of welfare activity and as a measure to reduce the cost of living.
- (ii) Government should make it obligatory on the part of private industrialists to encourage and assist the organisation of consumers' stores amongst their employees as a part of their welfare programme.
- (iii) Training course for Labour Welfare Officers should include the subject of consumers' co-operation also.
- (iv) Consumer goods manufactured in state controlled and state subsidized industries should be distributed through consumers' stores to the maximum extent possible.
- (v) Governments' requirement of consumer goods should be met through consumers' stores in preference to other agencies.

- (vi) Preference should be given by the State Trading Corporation to wholesale stores while appointing agents and distributors for the imported consumer goods.

DR. P. NATESAN — (*Chairman*)

SHRI JAGAN PRASAD RAWAT.

SMT. SAVITRY DEVI NIGAM.

SHRI CHINTAMANI PANIGRAHI.

SHRI M. L. BATRA.

SHRI B. S. DHAVLE — (*Member-Secretary*)

New Delhi, 9th May, 1961.

SUMMARY OF RECOMMENDATIONS

ORGANISATION AND STRUCTURE:

(CHAPTER II)

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Size and viability:

1. In organising a primary consumer store particular attention should be given to the question of size and economic viability. Factors such as socio-economic conditions of people, their standard of living, consumers' preferences as also size, volume of business, efficiency of management etc. are important and due consideration will have to be given to them. Broadly speaking the general principle should be that a store must pay its way within a reasonable period of time. Along with the primary unit it would be necessary to think of a viable whole-sale store which in fact would constitute the back-bone of the consumers' movement. The following broad standards should be kept in determining the size and viability of primary stores:
 - (i) A primary store should have a share capital of Rs. 5,000, an annual business turn over of Rs. one lakh and membership of 250 to become a viable economic unit in an urban area. In big cities like Bombay, Calcutta and Madras, requirements of membership, share capital and business turnover of a primary store would be proportionately higher. Similarly, workers and employees' stores which get certain facilities and concessions from employers would have smaller requirements to begin with. 39
 - (ii) A wholesale store at the district or regional level should have a share capital of Rs. 50,000 working capital of Rs. 2 lakhs, membership of about 100 primary stores and a business turnover of Rs. 12 lakhs approximately per annum. 40
 - (iii) An apex wholesale store should have about 200 primary stores as members, Rs. one lakh as share capital, a working capital of about Rs. 5 lakhs and a business turnover of Rs. 30 lakhs per annum. 41
2. Registrars of Co-operative Societies should generally not register stores (primary or whole-sale) which do not conform to these 41

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standards or do not hold any promise of attaining these standards within a reasonable period of time.

Some important considerations:

3. In the interest of development of consumers' stores on sound lines 44
it is absolutely essential that the following considerations are kept in mind before organising a primary store.
 - (i) The participants must thoroughly understand the principles and methods of consumers' co-operation. 44
 - (ii) The participants should make sure that there is a genuine need for organising a store in the locality chosen for the purpose and that adequate response from the people of the locality would be forthcoming. 44
 - (iii) The participants should work out a detailed plan for setting up the store, taking into consideration the resources available and the local needs. 44
 - (iv) It would be advantageous if at least a few of the prospective members understand the principles of modern retailing and are aware of the expectations of consumers from a co-operative store. 44
 - (v) It would also be desirable, if before moving for formal registration, the participants make sure that they have necessary financial resources, reasonable chances of securing suitable premises for the store and services of competent managerial staff and that there would be some among them who would be able to spare time to supervise its working, fairly closely during the early stages. 44

4. Co-operative departments would do well not to register co-operative stores in haste. While there should be no objection to the departments taking time in educating prospective members and assessing the chances of success of a store, decisions regarding registration should not be unduly delayed. 44

Women's participation:

5. Participation by women in the activities of consumers' stores is essential as they deal mostly in house-hold requirements. Following measures are suggested to encourage women's participation in consumers' stores: 47

<i>Sl. No.</i>	<i>Page No.</i>
(i) Proper arrangements should be made in the stores to receive and attend to women members so that they can come in greater numbers to make purchases regularly.	47
(ii) Special drive should be made to enrol women members.	47
(iii) Where women members are not represented in purchase committees and in boards of management, they should be co-opted.	47
(iv) Special sub-committee of women should be formed to approach families, particularly house-wives, and persuade them to make purchases from stores by explaining the benefits of correct weight, pure quality and fair price. Service of women members should be appreciated, if necessary, by payment of honoraria in suitable cases.	47
(v) Women's organisations like the All India Women's council, Mahila Kalyan Samaj, Women's Welfare associations and Mahila Mandals should be approached and induced to educate their members on the benefits of consumers' co-operation.	47
(vi) Women's organisations and women members of the stores should be encouraged to give suggestions for improving efficiency of store.	47
(vii) Articles like embroidery, pickles, jams, jelly etc. prepared by women's organisations and women members should be kept in primary stores for sale.	47

ORGANISATION AT THE GROUND LEVEL:

Rural stores:

6. It is visualised that, for sometime to come, it would be difficult for a full fledged consumers store to ensure sufficient business and warrant an independent existence in a rural area. It would, therefore, be worthwhile combining consumers' activity with the functions of a service co-operative so that expenses on staff, shop accommodation, godowns etc. could be cut down to the minimum. Satisfactorily working service co-operatives should therefore be allowed to take up functions of a consumers' store to a limited extent to start with. A separate consumers' goods section may be opened by each society and there should be a limit beyond which the owned funds of the society should not be committed to this activity. It should

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deal in such commodities, which are not subject to heavy price fluctuations.

General stores:

7. With the rapid growth and expansion of towns and cities, under development plans, it has become necessary to develop the consumers' sector for the benefit of the middle and poor classes of the urban population. Side by side with the revitalisation of the existing weak units, organisation of new ones will have to be considered. 50
8. In small towns general stores should preferably be organised as unitary ones. In big cities like Bombay, Madras, etc. unitary types as well as large scale stores with branches may be tried according to local conditions, and if necessary, even the existing well established stores may be encouraged to start branches in suitable areas. 52
9. When such branches have gathered sufficient strength, to become economically independent viable units, the possibility of their conversion into independent units should be considered after making a thorough study of local conditions and interest that could be aroused in the local population. 52

Workers' and employees' stores:

10. In each sizeable factory unit, industrial area and workers and government servants' colony, workers' and employees' stores should be organised in a planned way. It should be made obligatory on the part of employers and industrial undertakings to introduce consumers' co-operative activity in their labour welfare programmes. 53
11. (i) Wherever workers' and employees' co-operative thrift and credit societies have been well established, there should be no objection to their opening separate sectors for consumers' goods for the benefit of their members. The advantage in this arrangement is that surplus funds of a society can be profitably invested in the stores section and recovery of dues from members on account of credit sales can be effected by deduction from their monthly salaries. It will also help in increasing the sales turnover. 54

- (ii) Where a workers and employees credit society opens a store section, adequate steps should be taken to safeguard the interest of such a society and of the members who hold deposits in it. There should also be a limit beyond which the owned funds of a society should not be invested in the stores section. It would also be necessary to ensure that accounts of both the sections are kept separately so that the working of the consumers' section can be separately assessed. 54

School and college stores:

12. Efforts should be made to organise consumers' stores in colleges, high schools and similar other institutions. The authorities concerned, should induce students to participate in the activities of such co-operative stores and the interest shown by them should not pass unnoticed. 55

Revitalisation of existing weak and dormant stores:

13. Intensive drive for consolidation and revitalisation of existing weak units should be launched in all states during the third five year plan. Attempts should be made to revitalise dormant or indifferent stores by amalgamating them with the existing ones in contiguous areas or by converting them into branches of large scale stores according to circumstances and feasibility of each case. Financial assistance for strengthening and revitalising such units should be made available by government. Wherever revival is not possible, the units should be weeded out. 60

Wholesale stores

14. The objective should be that the movement should develop its own wholesale organisation in all states not only to lend the much needed support to the existing primary stores which are generally weak but also to promote new ones. 65
15. The normal pattern should be to establish a wholesale store at the apex level in each state with at least 200 primary stores as members. 66
16. An apex wholesale store should, if necessary, open regional branches at suitable places in the state to feed constituent primary stores according to their needs. This will reduce cost 66

<i>Sl. No.</i>		<i>Para No.</i>
	of distribution and effect a saving in managerial expenses. There may be a local advisory body for each branch on which member stores of the area should be represented.	
17.	District or regional wholesale stores in existence may also be affiliated to these apex wholesale stores.	66
	Functions of whole-sale stores:	
18.	A wholesale store should have the following functions:	67
	(i) To procure and store consumer goods for supply to primary stores,	
	(ii) To maintain close co-ordination with marketing, processing and industrial co-operatives of the area for obtaining supplies direct from them,	
	(iii) To undertake processing and manufacturing activities as and when possible.	
	(iv) To supervise and advise member-primary stores on management business techniques, etc.	
	(v) To open branches, if necessary, to feed member stores.	
	(vi) Organise independent stores in new areas where primary consumers' stores have not come up.	
	(vii) To take up import of consumer goods and function as an agent of government for distribution of short supply and controlled commodities, through member stores or otherwise.	
	(viii) To recommend loan applications of primary stores to co-operative banks.	
	(ix) To undertake generally all such functions as may help development of consumers' movement within its area of operation.	
19.	All types, of primary stores whether general, workers' and employees and rural or school and college stores should affiliate with the wholesale store of the area concerned.	68
20.	As wholesale stores are essentially federations of primary stores they should not encourage individual membership.	69
	Interim arrangement:	
21.	As an interim measure existing district and state level marketing organisations should extend the following assistance to affiliated	71

- primary stores besides undertaking imports on their behalf, taking agencies for certain standard consumer goods and supplying consumer goods channelled through them.
- (i) To assess seasonal or annual food-grain requirement of affiliated primary stores by indent system and arrange for outright bulk purchase on their behalf during the season when prices are favourable.
 - (ii) To arrange for storage of the stock purchased.
 - (iii) To issue stock on demand at the purchase price plus a handling charge at 4 p.c., for storage, shrinkage, insurance etc. and interest at 6 p.c. on the value of stock remaining uncleared.
22. In this arrangement, though losses are to be borne by affiliated primary stores by creation of price fluctuation funds out of their profits, it would be desirable on the part of marketing federations to assist them by deferring handling charges etc. in a situation where primaries are not in a position to meet the entire losses. 71

Organisation at the national level.

23. In the larger interest of the consumers' movement in India a federal organisation at the national level may be necessary in future if not immediately. As in the case of other national co-operative organisations, its functions should be to advise government in planning, to conduct research on the day-to-day problems of consumers' co-operatives and to guide them where necessary. 72

FINANCE

(CHAPTER III)

24. Primary stores should have shares of a face value generally not exceeding Rs. 10. 4
25. Wholesale stores are essentially federations of primary stores. Under the present weak financial position of primary stores, the face value of a share of a wholesale store should not normally exceed Rs. 100. 4

<i>Sl. No.</i>	<i>Para No.</i>
26. Consumers stores should attract deposits by offering liberal rates of interest from their members and make increasing use of this source of finance.	11
27. Trade deposits provide ready cash in advance to stores for making purchases and also assure regular custom for them. Primary stores should, therefore, introduce a system of collecting trade deposits from members, if necessary, by allowing interest.	12
28. To strengthen the financial base of consumers' stores, government should participate in their share capital on a matching basis in the same way as in the case of service societies, processing societies, marketing societies, etc. Such contributions from government towards share capital should be retired by consumers' stores within a period of ten to fifteen years as in the case of societies of other types.	26
29. Government participation in the share capital of consumers' stores should be on the following scale:- (i) Upto Rs. 2,500 for a primary store. (new/revitalised). (on matching basis). (ii) Upto Rs. 50,000 for an apex wholesale store. (on matching basis).	27
30. Central financing agencies should be persuaded by government to ear-mark funds out of their own resources for providing loans and advances to consumers' stores.	28
31. Reserve Bank of India should make additional funds available to central financing agencies for providing increased financial accommodation to consumers' stores.	29
32. Consumers' stores should be given adequate representation on the boards of management of co-operative banks, failing which their representatives should be co-opted on the loan sub-committees set up by co-operative banks.	30
33. Central financing agencies should provide cash credit to primary stores at least up to twice their owned funds on the basis of a floating charge on their assets.	31

<i>Sl. No.</i>	<i>Para No.</i>
34. State co-operative banks should provide working capital loans to apex wholesale stores up to four times their owned funds against government guarantee and on the condition that losses, if any, would be shareable in the ratio of 50 : 40 : 10 between central government, state government and state co-operative bank concerned.	32
35. Wherever central financing agencies are not in a position to meet financial requirements of consumers' stores, the State Bank of India should provide necessary financial accommodation on the same terms and conditions as are applicable to marketing and processing societies.	33
36. Consumers' stores should take every possible step to raise funds from within and build up their own funds sufficiently. Internal resources could be strengthened by increasing membership and the average size of share holding per member.	34
37. For increasing membership, primary stores should take the following steps:—	35
(i) An intensive drive should be made to attract and increase membership. Members of the boards of directors should personally approach local people regularly and persuade them to join stores.	
(ii) During co-operative weeks, cultural programmes should be organised by stores to develop contact with people.	
(iii) Stores should print leaflets, giving accounts of their working and services rendered by them.	
(iv) Stores should increase commodity coverage according to local needs.	
38. To increase the average share holding per member, primary stores should adopt the following measures:—	36
(i) Managing committees should approach members and persuade them to purchase more shares.	
(ii) Stores should adopt the under mentioned business practices for increasing members' share holding:—	
(a) Dividend on shares should not be distributed in cash,	

Sl. No.

Para No.

- but credited to members' share account.
- (b) Rebate on purchase should not be paid in cash but credited to members' share account.
- (iii) Stores should allocate higher percentage of distributable profits towards strengthening their reserves position.

BUSINESS TECHNIQUES AND OPERATIONS (CHAPTER IV)

39. To ascertain consumers' preferences, stores should introduce the following practices:— 2
- (i) Monthly or quarterly meetings of members should be organised to discuss the working of stores and invite suggestions for improvement.
- (ii) Suggestion books should be kept in the stores for purchasers to indicate commodities and quality of goods that they need.
- (iii) Close contacts should be maintained with other associations, particularly women's associations and consumers' preferences ascertained.
40. Primary stores should aim at providing variety of goods and serving larger interests of consumers. In the beginning it may not be possible for a primary store to cover wide range of articles. It should, therefore, start by dealing in few selected commodities of daily necessity like foodgrains and provisions which have a quick turnover so that its capital will not remain locked for a long period. Later as it establishes itself, it should expand the field of coverage also. 3
41. The variety and range of commodities to be covered would depend upon local conditions and the needs of consumers. Therefore the general principle should be that commodities needed by the major section of members should be stocked in preference to such commodities which have a short turnover. 4
42. Primary stores should take advantage of favourable market conditions in surplus states by making bulk purchases of agricultural commodities through appropriate co-operative 9

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- agencies. They should also develop links with other production societies if similar links do not exist through their higher level organisations.
43. If funds permit, primary stores should undertake simple processing activities like oil-extraction, rice hulling, coffee grinding, flour making etc. Large scale processing activities could more economically be undertaken by wholesale stores. 11
44. Wherever processing societies have not or are not likely to come up and where there is no risk of unhealthy competition with processing societies, suitable primary or wholesale stores should be encouraged to take up processing activities for which financial assistance from government should be made available according to the scale applicable to processing societies. 13
45. Positive preference should be given to consumers' stores in the matter of granting import licenses. 16
46. To enable deserving consumers' stores to import consumer goods to meet genuine needs of members, primary and wholesale stores of one year's standing, recommended by the Registrar of Co-operative Societies, should be considered for the issue of import licenses for permissible items of consumer goods. 16
47. The entire range of importable, popular items of consumer goods applicable to established importers should be thrown open to consumers' stores. 16
48. The maximum value upto which a single permissible item can be imported and the total maximum value upto which all permissible items can be imported to the full extent by a primary store should be raised by 50 per cent so as to enable it to import a reasonable quantity of popular consumer goods for meeting genuine needs of its members. 16
49. The total maximum value upto which all permissible items of consumer goods can be imported to the full extent by an apex or district wholesale store importing on behalf of its affiliated primaries should be raised and made equal to the 16

<i>Sl. No.</i>	<i>Para No.</i>
	16
50. Sale of imported goods to non-members by a primary stores should be permitted mainly as a support measure.	16
51. Government should consider the question of giving adequate and direct representation to consumers' stores on the Import Advisory Council.	19
52. Consumers' stores, as a general rule, should trade strictly against cash except in those cases where they are in a position to ensure weekly or fortnightly recoveries from member—workers and employees.	19
53. To overcome the difficulty of members' preference for credit sales, stores would do well to train the opinion of members and apprise them of the possible disadvantages of credit sales encouraged by private traders, viz. less weight, unfair price, defective accounting etc.	20
54. Credit sales in workers' and employees' stores or credit societies running store sections can be justified on the ground that employers undertake responsibility of collecting dues from members and as such there is no danger of the capital being locked and bad debts arising. To safeguard adequately the interest of such stores provisions of model bye-laws for primary stores as adopted in some states should be strictly adhered to.	22
55. A system of patronage dividend to non-members on their purchases, to be accumulated in their names for contribution towards share capital by the indirect method, should be adopted to bring more and more consumers within the co-operative fold.	23
56. Members of managing committees of stores should be well conversant with market conditions and market movements and should be in a position to devote sufficient time to the affairs of stores.	

<i>Sl. No.</i>	<i>Para No.</i>
57. Consumers' stores should lay special emphasis on the adoption of a suitable purchase and price policy and the establishment of proper co-ordination between managers and members of managing committees.	23
58. Keeping in view the stage of development of consumers' stores in the country it would be advisable for consumers' stores to follow market price policy.	24
59. Primary stores should follow a carefully worked out system of fixing prices which would not only not operate to their disadvantage but would benefit consumers also.	26
60. Consumers' stores, being part and parcel of the common trade channel, should keep proper watch on price movements in the market and adjust their prices accordingly in either direction.	27
61. Consumers' stores should create price fluctuation funds as a safety measure against violent price fluctuations in certain commodities and set apart portions of distributable surplus for the purpose.	28
62. Consumers' stores should try and set high standards of quality, build up reputation for quality marks and pay particular attention to correct weighment and pure quality of consumer goods.	29
63. Primary stores should introduce home delivery service to stimulate sales and ensure members' loyalty.	30
64. Primary stores should follow a system of clearance sale at reduced rates to dispose of unsold stock. This practice can be undertaken with advantage particularly during festive occasions like Diwali and Christmas.	31
65. Primary stores should also try the system of clearance sales in which, when patronage dividend is declared, prices of unsold stocks are reduced and they are sold to members in lieu of patronage dividend	31

<i>Sl. No.</i>		<i>Para No.</i>
66	Patronage dividend should be declared by all primary stores working with profit. Wherever financial position of primary stores does not permit payment of rebates in cash, the amounts should be credited to share accounts of members and shares of equal value issued to them.	34
67	Wherever bye-laws of stores permit payment of such rebates to non-members also, the amounts should not be paid to them in cash but instead accumulated in share accounts to be opened with a view to issuing shares and making the members.	34
68.	Government should provide loans and subsidies to viable primary stores for the construction of shop-cum-godowns and to viable wholesale stores for the construction of godowns on the following pattern in case they are able to secure plots of land in suitable localities:—	35
	(i) Primary store upto Rs. 15,000. (75 per cent loan 25 per cent subsidy).	
	(ii) Apex wholesale store upto Rs. 50,000 for a godown at headquarters upto Rs. 25,000 for each regional branch godown. (75 per cent loans 25 per cent subsidy).	
	As the organisation of district/regional wholesale stores has not been recommended as a pattern, wherever such viable units come up on their own and affiliate with apex wholesale stores government may extend financial assistance to them for the construction of godowns on the same terms and conditions as are applicable to regional branch godowns.	
69.	Till such premises are constructed government should subsidise rented accommodation to the extent of 50 per cent, subject to a maximum of Rs 500 per annum for a primary store and Rs. 900 per annum for an apex wholesale store for the first three years.	36
70.	Long term loans should be provided by government to apex wholesale stores to enable them to purchase trucks for the procurement and supply of consumer goods.	37
71.	Primary stores should introduce the following measures to	39

- improve methods of publicity, window dressing and display of goods:—
- (i) Staff should be properly trained in methods of sales organisation, advertising, window dressing, publicity and display of goods.
 - (ii) Attractive bulletins should be brought out showing varieties of goods available, their prices and the services and facilities offered.
 - (iii) Charts on working results should be prepared and posted at conspicuous places.
 - (iv) Sale depots and godowns of stores should be kept clean and tidy. All articles should be properly arranged and displayed and prices clearly indicated.
72. Primary stores should maintain accounts in such a manner as would enable them to determine the margin, the profitability and the comparative cost of each commodity with a view to guarding against losses while dealing in them. 42
73. Stock accounting should be done by persons other than those transacting sales, as, this would serve as a check against manipulations. 43
74. Verifications of stock should be done at least once in a quarter in the presence of one or more managing committee members and the total stock-in-trade should be valued according to the purchase price or the ruling market price whichever is lower. 44

DEMOCRATIC CONTROL AND MANAGEMENT

(CHAPTER V)

75. Adequate measures should be taken to educate members in the philosophy, principles and practices of consumers' co-operation with a view to bringing within the movement sufficient number of active members familiar with co-operation principles and practices. 7
76. While choosing a board of directors persons who have some business experience, capacity to inspire confidence amongst 10

<i>Sl. No.</i>	<i>Para No.</i>
members and who can take active interest in the working of a store by sparing some time regularly should be considered.	
77. Any saving effected by maintaining low paid and inefficient staff is off-set by bad handling and mistakes committed by them. Consumers' store should therefore engage competent managerial staff and attach more importance to their experience and practical knowledge rather than their educational qualifications.	13
78. Managers should be selected from managerial cadres which should be created and maintained by state co-operative unions.	14
79. Salesmen should be induced to promote sales by offering them commission on sales exceeding certain minimum limits.	14
80. To establish better human relations employees of stores should be permitted to become members having a right of vote but they should not be represented in the boards of directors.	14
81. Managers of consumers' stores should be given training not only in the subject of co-operation, but also in business and shop management with special reference to sales promotion.	14
82. Lower categories of staff should also be trained in the existing training institutions and subjects like salesmanship, store keeping, accounts, display, packing etc. should be included in the syllabi.	14
83. The boards of directors would do well to confine themselves to broad policy matters covering range and quality of goods to be purchased, mode of fixing prices, merchandising of goods etc., giving managers freedom to carry on work according to the policies laid down.	14
84. Participation by managers in board meetings would be advantageous in as much as they could advise the board on matters relating to business policy. Managers should therefore be associated with the activities of the board even though they may not have become members.	14

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Para
No.

GOVERNMENT ASSISTANCE

(CHAPTER VI)

85. It is necessary to provide adequate staff for supervision, inspection and audit of consumers' stores. In each state necessary additional staff should be appointed for the purpose. 8
86. Central government should bear 50 p.c. of the cost on additional staff appointed by state governments as in the case of other co-operative development schemes. 8
87. Besides annual audit there should be an arrangement for concurrent audit in the case of large-sized primary stores and wholesale stores. 9
88. The desirability of linking audit fee with profit instead of turnover may be considered by government. 10
89. Newly organised consumers' stores should not be charged any audit fee for the first three years of their working. Consideration should also be given to the question of exempting a consumers' store from payment of audit fee in a year in which it incurs a loss keeping in view its overall financial position. 10
90. Government should provide managerial subsidy to selected primary and apex wholesale stores for the first three to five years in the following scale to be shared on a 50 : 50 basis between centre and states: 12
- (i) For a primary store upto Rs. 1,800/-.
 - (ii) For an apex wholesale store upto Rs. 12,000/-.
91. Government should help consumers' stores in securing shop accommodation in suitable localities by requisitioning premises if necessary. 14
92. Wholesale stores should be exempted from payment of sales tax on sales effected to their affiliated primaries. 15
93. It would be worthwhile reviewing the operation of the provision regarding income tax concessions to consumers' stores at a later date to decide if further concessions are called for in the interest of consumers' stores. 16

<i>Sl. No.</i>		<i>Para No.</i>
94.	Various ministries, government departments and under-takings run by them through corporations etc. should, by providing assistance if necessary, promote the organisation of consumers' stores amongst their employees as a part of welfare activity and as a measure to reduce the cost of living.	17
95.	Government should make it obligatory on the part of private industrialists to encourage and assist the organisation of consumers' stores amongst their employees as a part of their welfare programme.	17
96	Training course for Labour Welfare Officers should include the subject of consumers' co-operation also.	17
97	Consumer goods manufactured in state controlled and state subsidized industries should be distributed through consumers' stores to the maximum extent possible.	17
98	Governments' requirement of consumer goods should be met through consumers' stores in preference to other agencies.	17
99	Preference should be given by the State Trading Corporation to wholesale stores while appointing agents and distributors for the sale of imported consumer goods.	17

ANNEXURE I

QUESTIONNAIRE ON "CONSUMERS' COOPERATIVE STORES" (NO. I.)

Brief Review of Consumers' Cooperative Movement in the State

1. (A) Please furnish a brief note on the working of Consumers' Co-operatives in your State on the lines indicated in Annexure 'A'.
- (B) Has a survey been made of the areas where optimum conditions exist for successful working of Consumers' Stores?

Structural Pattern:

2. What should be the suitable structural pattern for Consumers' Co-operatives (i.e. occupational, non-occupational and mixed types) according to needs and local conditions? What should be the higher organisation with which they should be affiliated? Should there be separate District and Apex Federation of Consumers' Stores or they should be affiliated to District/Apex Marketing Societies?

Viability and Size:

3. What should be the minimum membership, share capital, volume of business and financial requirement necessary, in the light of your experience, for starting a viable primary consumers' store and a wholesale store?

Financial Assistance from Government:

4. What financial assistance, if any, do the consumers' stores need at the initial stage of their working from Government?

Management:

5. What should, in your opinion, be the pattern of managerial set up (paid staff) of a primary consumers' store and a whole sale store to ensure efficient management?
 - (a) How the paid staff should be recruited and what should be their qualifications and training?
 - (b) What incentives need be given to the staff to improve efficiency of work? Is it necessary to give representation to the employees in the Board of Directors?
 - (c) Is creation of a managerial cadre necessary? If so, who should maintain it?
 - (d) What are the main functions which a Board of Directors should perform so as to ensure efficient functioning by the managerial staff without undue intereference?
 - (e) Whether any appointment of women as employees of the stores would help in the increase in sales of consumers' stores and if so, whether special separate arrangements for their training are necessary?

Account keeping:

6. Is the system of maintenance of accounts by the Consumers' Stores in the State generally satisfactory? If not, what are your suggestions for improvement?

Business Finance:

7. (a) What is the extent (%) of borrowings by Consumers' Stores from Central Co-operative Banks?
- (b) What steps need be taken to induce Central Co-operative Banks to finance Consumers' Stores adequately?

- (c) To what extent have consumers' stores been able to attract trade deposits from members?
- (d) What is the usual rate of interest on borrowings and trade deposits?
- (e) What other sources of finance can be tapped by consumer's stores in the state?

Purchases:

- 8. (a) What is the extent (%) of purchases made by primary consumers' stores in the States from ;
 - (i) Parent societies
 - (ii) Other co-operatives
 - (iii) Open market.
- (b) What is the extent of purchases made by wholesale stores from:
 - (i) Co-operatives.
 - (ii) Open market.
- (c) Have you any suggestions for improving the prevailing system of purchases by consumers' stores in the State?
- (d) What, in your opinion, would be the most suitable arrangement for enabling primary consumers' stores to undertake distribution of foodgrains under the scheme of State Trading? Is any distribution of foodgrains being done by primary consumers' stores in the State under the above scheme? If so, how many such consumers' stores have been entrusted with the work and on what terms?

Import of Consumer Goods:

- 9. Are the consumers stores importing consumer goods under the Import Trade

Policy decisions of Government? If so, how many? State the difficulties, if any, in brief and give suggestions to enable the consumers' stores to participate effectively in the import of consumer goods in future.

Pricing and Sales:

10. (a) What is the average margin between purchase price and sales price retained by primary consumers' stores and wholesale stores? Do the primary consumers' stores effect sales on cash alone or against cash and credit?
- (b) Would you recommend credit sales to members by primary consumers' stores and if so, to what extent and under what conditions?
- (c) Would you recommend sales to non-members as a routine business?
- (d) What should be the pricing policy of a primary consumers' store, taking into account the factor of competition around?
- (e) What are your suggestions for cushioning violent price fluctuation by consumers' stores?

Payment of Rebates:

11. What is the system of payment of rebates or patronage dividend and how these are calculated? What is your suggestion for simplifying the system?

Advertising and Publicity:

12. Are the Consumers' Store practising any system of advertising and display? If this is considered necessary, indicate a suitable method.

Training and Education:

13. (a) Is it necessary to include additional

subjects to meet the requirements of training of the managerial staff of consumers stores in the existing co-operative institutes? If so, what additional subjects would you recommend and what should be the duration of suitable courses of training for the different categories of managerial staff?

- (b) Do you consider that there is need for membership education so far as consumers' stores are concerned? If so, how best can this be done?

Supervision and Audit:

14. (a) What is the existing system for supervision of consumers' stores, in the co-operative department of the State?
- (b) What steps need to be taken to make the system of supervision adequate in the State?
- (c) Is there any system of supervision for the affiliated primary consumers' stores by the Apex/District marketing societies or wholesale stores?
- (d) Are the consumers' stores regularly audited in time? If not, what are your suggestions for improving the position?

Productive Activities:

15. Do you consider it possible for the primary and wholesale stores to take up processing or manufacturing activities? If so, which items of production can be taken up by them?

Link with other Co-operatives:

16. What are your suggestions for ensuring an effective link up between consumers' stores on one hand and Industrial and Marketing Societies on the other?

Role of Womenfolk:

17. What role can womenfolk and women's organisations play in the development of consumers' stores? What measures would you suggest to ensure their participation?

General:

18. Please give other suggestions, if any, for improving the working of consumer's stores.

ANNEXURE 'A'

1. A brief review of the Consumers' Co-operative movement in the State.
2. (a) Special features of the movement in the State.
 - (b) Details of assistance — financial and other — given by State Government to consumers' stores.
 - (c) General staffing pattern and pay scale of managerial staff employed by consumers' stores.
3. Main problems and deficiencies of consumers' stores with broad outline of suggestions for improvement.
4. Give details of the different types of consumers' stores in the proforma attached.
5. Structural pattern of consumers' stores in the State:
 - (a) No. of wholesale stores
 - (b) Average membership of wholesale stores:—
 - (i) No. of primary consumers' stores.
 - (ii) No. of individuals.

- (iii) Others, if any.
- (c) No. of primary consumers' stores affiliated to District/Apex Marketing Societies.
- (d) No. of primary consumers' stores not affiliated to any wholesale/District marketing/Apex marketing Societies.
6. Have any of the primary consumers' stores and wholesale stores undertaken manufacturing activities? If so, give the following details, separately for each.
- | | 1956-57 | 1957-58 | 1958-59 | 1959-60 |
|--|---------------|---------|---------|-----------------|
| | (if possible) | | | |
| (i) No. of stores undertaking processing or manufacturing activities. | | | | |
| (ii) Total quantity/value of goods produced. | | | | |
| (iii) Kind of the processing activity (i.e. rice hulling, oil crushing etc.) | | | | No. of units. . |
| (a) | | | | |
| (b) | | | | |
| (c) | | | | |
| and so on. | | | | |
7. Give the names and address of:
- (a) 2 good primary consumers' stores
- (b) 2 average stores.
- (c) 2 indifferent stores
- (d) 2 wholesale stores (one good and one indifferent, if any).
8. Please furnish a copy of the model bye-laws of each type of primary consumers' stores referred to at (4) above and also for a wholesale store.
-

P R O F O R M A

<i>Sl. No.</i>	<i>Type of Consumers' Stores.</i>	<i>Year</i>	<i>Total no. of societies.</i>	<i>No. out of col. 4 in working order</i>
1	2	3	4	5
A.	General Consumers Stores (Non-occupational) ..	1956-57		
		1957-58		
		1958-59		
		1959-60		
B.	Industrial workers' Stores. ..	1956-57		
		1957-58		
		1958-59		
		1959-60		
C.	Employees' Co-op. Stores. ..	1956-57		
		1957-58		
		1958-59		
		1959-60		
D.	Mixed type stores (Employees credit societies having stores section) ..	1956-57		
		1957-58		
		1958-59		
		1959-60		
E.	Wholesale stores	1956-57		
		1957-58		
		1958-59		
		1959-60		

Proforma (Contd.)

(Rupees in lakhs)

DETAILED PARTICULARS OF SOCIETIES UNDER COLUMN 5.

<i>No. of members</i>	<i>Paid up share capital.</i>	<i>Working capital</i>	<i>Purchases</i>	<i>Sales</i>	<i>Borrowings from financ- ing Banks.</i>	<i>Trade deposits.</i>	<i>Reserve fund.</i>	<i>Profit/ Loss.</i>
6	7	8	9	10	11	12	13	14

ANNEXURE II.

NATIONAL CO-OPERATIVE DEVELOPMENT
AND WAREHOUSING BOARD (No. II.)

Questionnaire on Consumers' Co-operative Stores for Individual
Consumers' Store (Wholesale/Primary)

- I. General particulars:
1. State..... 2. District.....
 3. Full name and address of the Store.
 4. Whether Primary/Whole-sale.
 5. Date of Registration.
 6. Date of commencing business (please give reasons for delay, if any, between the date of registration and commencing business).
 7. Area of operation.
 8. Total population of the area of operation. 1956-57 1957-58 1958-59 1959-60
 9. Number of branches. (Please give figures for the last four years).
 10. Are/were there other consumers' stores the same area? If so, please mention their number during the four years.
 11. Membership:
(Please give figures for the last four years).
 - (a) Societies.
 - (b) Individuals.
 - (c) Of (b) above, number of women members.
 12. Do you think women members are more useful to patronise the stores? If so,

what steps are being taken to attract women membership?

13. Is it an Industrial worker store employee store or a genral (non-occupational) store?

II. Financial Aspects:

1. What is the face value of the shares of the store? Are there only one type of shares or different types? Please mention all types and the system of issue.

1956-57 1957-58 1958-59 1959-60

2. Paid-up share capital.
- | | |
|-------------------------------|-------|
| (a) Individuals' contribution | (Rs.) |
| (b) Societies' contribution | (Rs.) |
| (c) Total | |
3. Reserve and other funds.
4. Deposits.
- | |
|------------------|
| (a) Members. |
| (b) Non-members. |
5. Borrowings.
- | |
|-------------------------|
| (a) Co-operative Banks. |
| (b) Commercial Banks. |
| (c) Others. |
| (d) Total. |
6. Total working capital
7. Is the financial position of the stores adequately strong? How do you raise the capital? Do you get adequate finances by way of short and medium-term loans from the central financing agency or any other organisation and at what rate of interest?
8. What is the attitude of central financing agency towards the financial needs of the stores?

9. Have you received any financial or other assistance from the Government? If so, please give details of such assistance received during the last four years.
10. Do you think the progress of the store has been hampered for want of funds? If so, what are your financial requirements? How would you like them to be met? Please give your suggestions in the light of your experience.

III. Structure, Functions and Business Techniques and operations:

1. Is the store affiliated to the wholesale or State level organisation? Do you think this inter-relationship has worked to the mutual benefit? If so, in what respects and how? Have you any suggestions regarding the structural set up of consumers' stores which might work better?
2. Does the store deal in all the consumer articles or few selected controlled articles only? What system is better?
3. How do you make your purchases? What is the pricing policy followed? What is the usual margin between purchases and sale price?
4. Do you make sales on cash only? Do you sell to non-members also? If so, what will be the percentage of such sales to total sales?
5. What steps do you take to ensure that consumers get pure quality of goods at reasonable rates? Have you any further suggestions to make this more practicable?
6. What steps you take to know the consumers' preferences? Does the store

make any efforts to develop the consumers' preferences through consumers' associations or such other methods? If so, what are the difficulties and suggestions to overcome them.

7. Does the store also deal in such hand/home made articles like embroidered articles etc. prepared by the members themselves? What is the scope of such articles etc. prepared by the members themselves? What is the scope of such business? Will it not develop the interest and association of members with the store? Please give your experience and suggestions.
8. What methods are followed for publicity, propaganda and display of goods to attract and create interest amongst consumers to buy more from the store? Are the arrangements adequate? If not, what are the difficulties and suggestions?
9. What other facilities are offered by the store (like home-delivery of goods, taking orders at the consumers' houses etc.) to satisfy the consumers and patronise the store with them?
10. Please give quantities account of the business operations of the store for the last four years:

	1956-57	1957-58	1958-59	1959-60
(a) Total purchases (Rs.)				
(b) Goods received on consignment.				
(c) Total sales.				
(d) Total credit sales				
(e) Total income.				
(f) Total expenditure.				
(g) Management cost.				
(h) Net profit/loss.				
(i) Rebate granted.				

11. Does the store grant rebate? What is the rebating system? How rebate is calculated and distributed?
12. Is the store connected with any marketing society or processing society? Or does it undertake production, processing or manufacture of goods that it sells? If so, please give details for four years:

	1956-57	1957-58	1958-59	1959-60
--	---------	---------	---------	---------

 - (a) Name of commodities/articles produced/processed.
 - (b) Quantity.
 - (c) Value (in Rupees).
13. Are you experiencing difficulties in undertaking such activity or in linking up with producers'/processing societies? If so, please mention such difficulties, the scope of such activity and the suggestions to overcome those difficulties.
13. What is the extent of losses suffered by the store due to violent price fluctuations in certain commodities? What steps and safeguards are taken by the store against such eventualities? Please give an account of such phenomenon during the past four years and your suggestions with regard to steps needed to safeguard the consumers' stores against such hazards.

IV. Management and Administration:

1. Please indicate the present strength, composition and occupation of the Board of Management.
2. Is the Managing Committee, as a whole or a substantial section of it, taking interest in the development of the store?
3. To what extent is the success/failure of the store due to the management? Is the

management alive to the responsibilities? Have any particular actions of the management been responsible for the success/failure of the store?

4. Please give particulars with regard to the regard to the dates and attendance of the Board meetings during the past four years:

	<i>Date of the meeting</i>	<i>Strength of the Board.</i>	<i>Attendance</i>
1956-57			
1957-58			
1958-59			
1959-60			

5. (A) What are the average purchases made by a member during the year and what percentage do they constitute to his total purchases from all sources?

(B) What steps are taken to increase the interest of ordinary members in the working of the store?

6. Please give particulars with regard to the dates and attendance of General Body meeting during the last four years:

	<i>Date</i>	<i>Strength</i>	<i>Attendance</i>
1956-57			
1957-58			
1958-59			
1959-60			

7. Who looks after the day-to-day working of the Store? (Hon. Secretary/Paid Secretary/Paid Manager).
8. What are the qualifications and emoluments of paid Secretary/paid Manager?
9. Has the store adequate staff? Please give the details of staff employed by the store during the past four years.

10. Does the store experience any difficulties in getting adequately trained and experienced staff? Do you feel the necessity of Government staff to work on deputation in consumers' stores? What is the present arrangement for recruitment?
11. (A) Does/Did the store experience difficulties arising out of the operation of any of the byelaws etc.? If so, please mention them and give your own suggestions to overcome them.
- (B) Whether *members* have made suggestions and if so, were they accepted?

V. General:

1. Did the private traders, any time create any difficulties in the working of the store? How did you try to overcome them and with what results?
2. Has the store shown uniform development since its organisation or has it gone through ups and downs? Please give brief account of the growth and difficulties encountered during its life time.
3. Have you any further suggestions to offer with regard to the development of consumers' movement, especially with regard to:
 - (a) Organisational structure
 - (b) Finances.
 - (c) Methods of operation, and
 - (d) Staff requirements.
4. Please supply a copy of the byelaws of your Store.
5. Please supply a copy of the annual statement of accounts (Trading A/c.) Profits and Loss A/c. and Balance Sheet) for the last four years, 1956-57 to 1959-60

ANNEXURE III.

QUESTIONNAIRE ON "CONSUMERS' CO-OPERATIVE STORES".

(For selected Central Co-operative Banks)

1. Are the Consumers' Stores getting financial accommodation from the central co-operative bank? If so, please give the following details:

	1956-57	1957-58	1958-59	1959-60
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(If possible)

- (i) No. of primary consumers' stores assisted.
- (ii) No. of wholesale stores assisted.
- (iii) Financial accommodation given:
- (a) Primary consumers' stores.
- (b) Wholesale consumers' stores.

-
2. Nature and duration of the loan given at 1(iii) above:
3. Rate of interest charged.
4. State the difficulties, if any, in extending credit facilities to consumers' stores.
5. Have there been cases where eligible consumers' stores have been refused financial accommodation for want of funds? If so, how many? The approximate amount involved in such cases may be stated.

6. How many stores have defaulted loans of central banks? To what extent and for what reasons?
 7. What are the minimum terms and conditions which the consumers' stores are required to fulfil to make them eligible for loans?
 8. Please give a rough estimate of the volume of financial accommodation which can possibly be given per year to consumers' stores, if terms and conditions required are satisfied.
-

ANNEX

PARTICULARS (AS ON 30.6.1960) OF CONSUMERS

<i>Sl. No.</i>	<i>Name of Store</i>	<i>Year of registration</i>
1	2	3
I. Maharashtra:		
1.	The South Indian Co-operative Consumers' Society Ltd., Bombay-1.	1929
2.	The Jaihind Consumers' Co-operative Society Ltd., Bombay-2.	21.8.1947
3.	The All Bombay Consumers' Co-operative Societies Federation Ltd., Bombay-1. ..	31.8.1948
4.	Pragati Mandal Co-operative Consumers' Society Ltd., Bombay	23.8.1957
5.	National Chemical Laboratory Co-operative Consumers' Society Ltd., Poona. ..	29.4.1950
II. West Bengal:		
6.	Asansol Railwaymen's Co-operative Stores Ltd., Station Road, Asansol, Distt. Burdawan. ..	20.8.1948
7.	The Kerala Club Co-operative Society Ltd., Calcutta-20. ..	17.5.1957
8.	Calcutta Airport Employees' Co-operative Society Ltd., Calcutta-28.	21.11.1951
9.	Batanagar Employees' Co-operative Society Ltd., Batanagar, 24 Parganas	16.12.1949
10.	Belgachia Consumers' Co-operative Stores Ltd., Calcutta. ..	20.5.1948
11.	Railway Employees' Co-operative Multipurpose Society Ltd., Calcutta-12. ..	31.7.1954
12.	Chittaranjan Locomotive workers Employees' Stores, Ltd., Chittaranjan, (Dist. Burdwan). ..	30.9.1948

URE IV.

STORES VISITED BY THE COMMITTEE:

<i>Type of store</i>	<i>Membership</i>	<i>(Share Capital) (Rs. in thousands)</i>	<i>Working Capital (Rs. in thousands)</i>	<i>Sales (Rs. in lakhs)</i>
4	5	6	7	8
General	5340	53.40	300.41	22.60
General	642	10.12	230.84	3.83
Wholesale General	226	155.55	423.29	421.67
General	1,370	50.00	86.62	8.86
Workers and Employees.	267	13.18	31.00	2.01
Workers and Employees.	894	15.97	40.41	4.50
General	42	23.70	2.70	0.13
Workers' and Employees'	401	11.56	25.00	2.00
Workers' and Employees'	4,370	135.64	1,408.40	7.82
General	104	6.44	11.52	1.69
Workers' and Employees'	103	22.60	80.55	2.38
Workers' and Employees'	1,603	12.47	63.53	15.70

1	2	3
III. Madras:		
13.	The Chingleput Distt. Co-operative Supply and Marketing Society Ltd., Madras. ..	28.8.1942
14.	The Park Town Co-operative Stores Ltd., Madras. ..	18.3.1959
15.	T-933 Thiruvaiyairu Co-operative Stores Ltd., Thiruvaiyaru Distt. ..	25.9.1942
16.	The Triplicane Urban Co-operative Society Ltd., Madras ..	20.9.1905
17.	The Kodambakkam Co-operative Stores Ltd., Madras. ..	27.12.1942
18.	Chandrasekarapuram Co-operative Stores Ltd., Chandrasekarapuram ..	4.12.1944
19.	The Integral Coach Factory Employees Co-operative Stores Ltd., Madras. ..	12.9.1955
20.	The Madras Dock Workers' Co-operative Stores Ltd., Madras-21 ..	6.12.1957
21.	The Simpson and Group Companies Employees Co-operative Credit Society Ltd., Pudupet, Madras. ..	22.12.1951
IV. Bihar:		
22.	The Jamshedpur Co-operative Stores Ltd., Jameshedpur ..	10.12.1940
V. Gujrat:		
23.	The Ahmedabad Central Consumers Co-operative Society Ltd., Ahmedabad. ..	25.11.1943
24.	The Arvind Mills Co-operative Supply Society's Canteen, Ahmedabad. ..	3.4.1940
25.	The Raikhad Consumers' Co-operative Society, Ltd., Raikhad, Ahmedabad. ..	30.10.1943

<i>Name of state</i>	1958-59		1959-60	
	<i>Total no. of stores</i>	<i>No. in working order</i>	<i>Total no. of stores.</i>	<i>No. in working order</i>
1	2	3	4	5
I. Union Territory—Delhi				
(a) General stores	82	15	82	19
(b) Workers & employees stores	67	38	86	45
II. Ahmedabad District— (Gujerat)				
(a) General stores	134	110	173	139
(b) Workers and employees stores	43	43	43	43

Thus in Delhi union territory about 50 per cent of the workers' and employees' stores are in working order, whereas in the case of general stores only 25 per cent of them are in working order. In Ahmedabad district, where about 50 per cent of the total number of primary stores in Gujerat state are located, all workers' and employees' stores are in working order whereas in the case of general stores only 139 out of 173 are in working order. In West Bengal successful primary stores are by and large amongst employees and industrial workers. On the railways even the performance of workers' and employees' stores has been satisfactory as is evident from the following figures:

<i>Year</i>	<i>Total number of workers' and employees' stores (Railways)</i>		<i>Number in working order</i>
1956-57	...	110	110
1957-58	...	120	120
1958-59	...	143	143
1959-60	...	159	159

9. School and college stores have also made a promising start although from point of utility they cannot be compared with other cate-