



## **Performance analysis of consumers' cooperatives in India (An overview)**

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### **Abstract**

The consumer cooperatives are a reaction against the retailing system in a capitalistic economy. The primary objective of the consumers' cooperative is elimination of the middlemen and distributes the goods at reasonable price. In several countries, Government has taken measures to avoid acute scarcity of consumption goods, exploitation of the consumers and exorbitant prices which paved way for development of the Consumers' Cooperative Movement throughout the world. The Rochdale Pioneers was an example to the world for the activities such as collective purchasing and distribution of consumer goods. It also brought a revolution in the purchase and sale of consumer goods with a service motive rather than profit motive. To implement this programme, the Government sponsored a special scheme, known as the 'Centrally Sponsored Scheme', which was a massive programme for the establishment of Consumers' Co-operatives in the country to obtain maximum functional efficiency backed by professional management and skilled workforce. In this regard, this article visualize the performance of consumer cooperative movement in India.

**Keywords:** consumer cooperatives, consumption, distribution, exploitation, efficiency, middlemen, professional management

### **Introduction**

A consumer cooperative is an autonomous association of consumers united voluntarily to obtain their requirements of consumer goods and services on terms of greatest advantage, through a jointly owned and democratically controlled enterprise. Consumer cooperatives play a vital role in distributing consumer goods and necessary provisions to the public at large through wholesaling as well as retailing. The consumers' cooperative is safeguarding the consumers who are exposed to various problems such as higher prices, under-weighting, and adulteration of goods, false labeling, etc. The consumer cooperatives are a reaction against the retailing system in a capitalistic economy. The primary objective of the consumers' cooperative is elimination of the middlemen and distributes the goods at reasonable price. In several countries, Government has taken measures to avoid acute scarcity of consumption goods, exploitation of the consumers and exorbitant prices which paved way for development of the Consumers' Cooperative Movement throughout the world.

### **Origin**

The cooperative movement has been originated in several parts of the world in the form of Consumers' Cooperatives. The foundation of the Consumers' Cooperative Movement was laid down by the Rochdale Pioneers in Manchester in England in the year 1844. The development of the consumers' cooperative as an economic system was well – associated with Rochdale Pioneers and made tremendous progress. They were popularized in several western countries and occupied an important position in the national economies of these countries. The Rochdale Pioneers was an example to the world for the activities such as collective purchasing and

distribution of consumer goods. It also brought a revolution in the purchase and sale of consumer goods with a service motive rather than profit motive.

### **Evolution of consumers' cooperatives in India**

The Cooperative Movement came into existence after passing the Cooperative Credit Societies Act, 1904 in India. This act gave stress on starting of Cooperative Credit Societies only. Later, Government was inspired on the success of the working of the consumers' stores in England and took steps for starting a similar one in India.

In India, Madras State was the pioneer in the field of Cooperative Movement. The first consumers' society was started in Madras (now it is called as Chennai) under the name, 'The Triplicane Urban Cooperative Society Limited' on 9<sup>th</sup> April 1904 with the objective of supplying essential commodities to its members. This earned well reputation and goodwill among the consumers of Chennai. The Second World War (1939 - 1945) was a great boon for the Consumers' Cooperatives. They witnessed the greatest expansion during this period due to the persistent shortage of the essential consumption goods and the periodic price hikes. In order to check the tide of rising prices and ensure equitable distribution, the Government of India decided to develop the Consumers' Co-operatives as a media for the distribution of essential consumption goods.

It has been growing in size and sheltered lakhs of consumers from unfair trade practices of private trade which had the symbol of the banyan tree for the store rightly selected. It had been rehabilitated under financial aid by the Government of India in 1978 – 79 as it was not working smoothly. These stores were called 'war babies'. Immediately after the war,

prices of most of the commodities came down and goods were most freely available. One immediate result of this changed situation was the fast decreasing popularity of the consumers' stores. Consequently, many stores languished for want of business and in many cases, members virtually deserted the stores and reposed their confidence in private traders.

**Need and importance of consumer cooperatives**

- Supply of goods and services as per need of the consumers.
- Eradication of malpractices like black marketing, artificial scarcity, hoarding and cheating in measurements.
- Establishments of proper trading system – consumer co-operatives supply good quality products at reasonable costs.
- Eradication of trader’s chain – There is a long chain of middlemen between producers and consumers who add their profits making the things costly. Consumer cooperatives purchase things directly from producers at cheaper price.
- Consumer have to satisfy their needs as per their income – Due to existence of consumer cooperatives consumers automatically learn to satisfy the needs as per income and the habit of savings.

**Objectives of the consumer co-operatives**

- To provide consumable goods require for member and other consumers at reasonable rates
- To protect interests of the members and provide better consumable goods for them
- Try to stabilize prices of consumable goods and protect from exploitation from private traders
- To eliminate the middlemen from the distribution channels
- To eradicate the malpractices and establish the fair trading practice in the goods market

**Impact of Natesan committee**

The Government was unhappy about this trend and asked the National Cooperative Development and Warehousing Board to appoint an expert committee. Accordingly, the Committee on Consumers' Cooperatives was appointed in 1960 under the chairmanship of Dr. P. Natesan to make recommendations to revive the consumers' cooperative stores in India.

The specific recommendations of the Natesan Committee may be classified under five broad headings:

- Organizational and structural reforms.
- Strengthening the finances of consumers' stores.
- Need for improved business techniques and operations.
- Revitalizing the system of democratic control and management.
- Enhancement of Government assistance.

The Government came to the conclusion that the only solutions to check the rising prices of essential commodities and to ensure their fair and equitable distribution at reasonable prices to the masses was to reorganize the network of consumers' stores in the community. To implement this programme, the Government sponsored a special scheme, known as the 'Centrally Sponsored Scheme', which was a massive programme for the establishment of Consumers' Co-operatives in the country. The Centrally Sponsored Scheme of

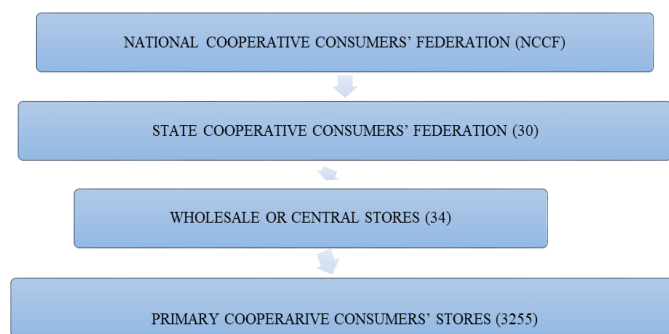
the organization of the consumers' stores is basically a three-fold one. It envisages:

- Organization of Central / Wholesale Consumers' Co-operative Stores with branch Primary Stores in cities and towns having a population of 50,000 and above,
- Organization of consumers' sections by Marketing Co-operatives, by the sale and purchase unions and service co-operatives, and
- Organization of consumers' stores among industrial workers in the private and public sector undertakings

According to this scheme, the marketing societies would also undertake the retail distribution of articles in wholesale stores and procure commodities for supply to village societies for distribution in rural areas. The modification was on the following lines:

- Setting up of new retail outlets by wholesale / primary stores,
- Department stores,
- Large-sized retail outlets, and
- Small-sized retail outlets.
- Rehabilitation of weak / sick wholesale stores
- Setting up of the consumer industries
- Establishment of common kitchen centres for students of universities and colleges
- Strengthening of the State Consumers' Co-operative Federation, and
- Setting up of regional distribution centres by the State Consumers' Federation

The consumers' stores have also introduced new distribution techniques into retail trade of the country such as pre-packing, departmental stores operations, mobile shops and regional warehousing. In a few big cities and towns, they have also exercised countervailing influence on prices, in the market. The consumers' stores cannot segregate themselves and develop independently. They can only hope that things would change, with a proper understanding of the basics of co-operatives, by the Government and by the consumers.



**Fig 1:** Structure of Indian consumers’ cooperatives

**National cooperative consumers’ federation (NCCF)**

NCCF is the apex body of Consumers’ Cooperative in India and it is governed by the Multi – State Cooperative Societies Act, 1984. It was started on January, 1966. The main object of the NCCF is to supply and distribute consumer goods at affordable prices, rendering technical guidance and support to the Consumers' Co-operative Societies in the field of packaging, standardization, bulk buying, pricing, account keeping, other business techniques and management methods

which helps in improving their operational and managerial efficiency. The NCCF is the spokesman of the Consumers' Cooperative Movement in India.

The membership of the NCCF is 135, which consists of State Level Consumers' Cooperative Federations, large-sized Wholesale / Primary societies besides National Cooperative Development Corporation, National Agricultural Cooperative Marketing Federation of India Limited, National Cooperative Union of India and the Government of India. The sanctioned strength of the Board of Directors is 21. The paid-up share capital of the NCCF was Rs. 11.43 crores as on 31<sup>st</sup> March 1998, out of which Rs. 8.55 cores was contributed by the Government. The following Table 1 shows the financial performance of NCCF.

**Table 1:** Financial Performance of NCCF (Rs. in Crores)

Years	Sales	Trend Analysis (%)	Net Profit	Trend Analysis (%)
2005-06	651.49	100	4.12	100
2006-08	458.88	70.43	1.07	25.97
2007-08	551.08	84.58	1.60	38.83
2008-09	859.94	131.99	1.58	38.34
2009-10	1322.39	202.97	8.33	202.18
2010-11	1464.55	224.80	6.81	165.29
2011-12	847.62	130.10	3.62	87.86
2012-13	1128.08	173.15	5.35	129.85
2013-14	975.01	149.65	3.01	73.05
2014-15	610.45	93.70	4.45	108.00
2015-16	778.67	119.52	2.02	49.02
2016-17	791.93	121.55	5.18	125.72

**Source:** Compiled data

Table 1 describes the sales details of consumable goods and the business results (net profit) of National Consumers' Cooperative Federation (NCCF) and their trend in percentage for the period from 2005-06 to 2016-17. The sale of essential commodities has been seen as high percentage (224.80%) during 2010-11 and net profit (202.18%) during 2009-10. Both sales and net profit shows a highly fluctuating trend over a period of 12 years.

### State Cooperative Consumers' Federation (SCCF)

The SCCF, which is located one in each state, are coordinate the activities of wholesale stores and also assist the Consumers' Cooperatives in their overall growth and development. These federations undertake purchases commodities and pooling them on behalf of wholesale/ central consumers' stores to gain the benefit of bulk buying. It has undertaken reallocation and distribution of quotas of imported and confiscated goods and certain essential consumer commodities.

The membership of the federation consists of wholesale stores of respective states and Government who are also the shareholders. It also consists of cooperative printing press, student cooperative stores and cooperative marketing societies. The sources of finance are member share capital, government share capital, cash credit accommodation from State Cooperative Banks and borrowings from State Government. The following Table 2 conveys information on financial performance of SCCF by using trend analysis for the

Chosen variables sales and net profit.

**Table 2:** Financial Performance of State Consumers' Cooperative Federation (Rs. in Crores)

Year	Sales	Trend Analysis (%)	Net Profit	Trend Analysis (%)
2005-06	82.61	100	NA	-
2006-07	113.39	137.25	42.96	100
2007-08	301.67	365.17	73.14	170.25
2008-09	653.82	791.45	84.26	196.13
2009-10	771.76	934.22	73.84	171.88
2010-11	1203.62	1456.99	76.67	178.46
2011-12	1267.12	1533.85	109.62	255.16
2012-13	1125.92	1362.93	90.75	211.24
2013-14	857.48	1037.98	52.84	122.99
2014-15	1844.64	2232.95	129.66	301.81
2015-16	2853.18	3453.79	80.35	187.03
2016-17	3528.57	4271.35	103.76	241.52

**Source:** Compiled data

Table 2 depicts the sales position and net profit margin of State Consumers' Cooperative Federation (SCCF) for the period from 2005-06 to 2016-17. The sale of essential commodities has been seen as high during 2016-17 i.e. Rs. 3528.57 crores. The net profit was high during 2014-15 i.e. Rs. 129.66 crores. The study revealed that there was much variation in its trend.

### Wholesale or central stores

As per the recommendation of Prof. M.L. Dantwala Committee, 1966, the supply and marketing societies working in district level, were converted into cooperative wholesale stores. Originally, each district had one district cooperative wholesale stores and subsequently some of the districts started more than one cooperative wholesale store in cities and towns. The membership consists of primary consumer cooperative stores, student' cooperative stores, employees cooperative stores, women cooperative stores, primary cooperative agricultural bank, primary marketing cooperative society, government organization and state government and the individuals residing within the area of operation. The sources of finance are members share capital, Government share capital, loan from central cooperative bank, and deposits like fixed deposits, trade deposits, etc.

**Table 3:** Performance of Consumers' Cooperative Wholesale Stores (Rs. in Crores)

Year	Target	Sales	Trend Analysis (%)
2005-06	NA	321.32	100
2006-07	440.55	317.75	98.88
2007-08	441.80	392.11	122.03
2008-09	525.00	505.80	157.41
2009-10	702.20	511.27	159.11
2010-11	689.00	525.82	163.64
2011-12	655.29	589.91	183.58
2012-13	678.00	613.63	190.97
2013-14	691.00	643.72	200.33
2014-15	773.00	636.03	197.94
2015-16	700.00	772.61	240.44
2016-17	850.00	NA	-

**Source:** Compiled data

Table 3 depicts the sale of goods of Consumers' Cooperative Wholesale Stores (CCWS) and its trend in percentage for the period from 2005-06 to 2016-17. The sale of essential commodities has been seen as high percentage (240.44%) during 2014-15 and it was minimum (98.88%) during 2006-07. The overall picture of sales describe fluctuating trend over a period of 12 years.

### Primary consumers' cooperative stores

The PCCS was started to provide helping hand to the consumers. It was started at the gross root level of the consumers' cooperative structure to provide quality and unadulterated goods at reasonable prices. There are 21,014 stores working across the India. They also function as the outlets for distribution of essential commodities to the public under the Public Distribution System (PDS).

The area of operation of PCCS is a town or a Panchayat. The members of the stores consists of individuals within the area of operation, state government and other institutions like educational institutions, hospitals, social development institutions, local bodies, etc. The stores mobilize resources from members share capital, deposits, borrowings from District Central Cooperative Bank, subsidies grants from Government, NCDC, etc.

**Table 4:** Performance of Primary Consumers' Cooperative Stores (Rs. in Crores)

Year	Sales		Total Sales	Trend Analysis (%)
	CG	NCG		
2005-06	2.10	1.49	3.59	100
2006-07	1.76	1.58	3.34	93.03
2007-08	1.53	1.65	3.18	88.57
2008-09	1.79	2.74	4.59	127.85
2009-10	2.36	2.23	4.59	127.85
2010-11	2.55	2.34	4.89	136.21
2011-12	2.33	2.46	4.80	133.70
2012-13	2.04	2.46	4.49	125.06
2013-14	2.20	2.66	4.86	135.37
2014-15	2.51	3.12	5.63	156.82
2015-16	2.08	2.95	5.03	140.11
2016-17	1.64	2.86	4.50	125.34

**Source:** Compiled data

Table 4 shows the actual growth on sale of goods of Primary Cooperative Stores (PCS) and its trend in percentage for the period from 2005-06 to 2016-17. The sale of essential commodities has been seen as high percentage (156.82%) during 2014-15 and it was minimum (88.57%) during 2007-08. The overall sales describe fluctuating trend over a period of 12 years.

### Problems/challenges faced by consumer cooperatives

The following are the challenges of consumer cooperatives.

- Inadequate owned fund or limited internal resources
- Shortage of working capital
- Absence of scientific and systematic purchase policy
- Inadequate supply of goods by government,
- Defective pricing policy
- Lack of innovative sales promotion techniques
- Lack of members participation in management,

- Lack of unison among members,
- Lack of skilled and qualified personnel,
- Lack of professionalism in Management
- High cost of borrowings
- Stiff competition
- Poor infrastructure,
- Heavy administrative overheads
- Lack of awareness among the members, etc.

### Solution for overcoming the problems

The consumer cooperatives have to adopt the following strategies to overcome the above specified problems such as,

- Adoption of business-like and efficient administration and operational procedures,
- Reduce the cost of expenditure,
- Continuous / frequent stock verification and strict inventory control
- Reformation of purchase policies,
- Diversification of business,
- Modernisation of retailing techniques,
- Financial assistance by the state governments in the form of share capital and loans to those institutions which have the necessary potential for further growth, etc.

### Conclusion

Consumer Cooperatives have come to occupy a significant place in our distribution system. To compete with the private traders, the stores must enhance their quality of service by applying scientific management principles for the excellence of management. Management excellence in consumer cooperatives should aim at improving service quality initiatives, information technology initiatives and partnership initiatives. They should develop a vision to integrate quality with cost reduction and consumer focus and launch quality initiatives. The introduction of new projects and programmes, consumer cooperatives should pay adequate attention to project planning, monitoring and budget allocations for proper implementation. Therefore, cooperative wholesale stores should strengthen the management excellence to obtain maximum functional efficiency backed by professional management and skilled workforce.

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