

**PUBLIC ACCOUNTS COMMITTEE
(1972-73)**

(FIFTH LOK SABHA)

EIGHTY-FOURTH REPORT

[Para 71 of the Report of the Comptroller and Auditor General of India for the year 1969-70 — Central Government (Civil) — relating to Department of Cooperation].



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EIGHTY-FOURTH REPORT OF P.A.C. (1972-73)
PRESENTED TO LOK SABHA ON 25.4.1973.

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(1972-73)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Eighty-Fourth Report of the Public Accounts Committee (Fifth Lok Sabha) on Paragraph 71 of the Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Civil) relating to Department of Cooperation.

2. The Report of the Comptroller and Auditor General of India for the year 1969-70 was laid on the Table of the House on 22nd June, 1971. The Committee examined the Audit paragraph relating to Department of Cooperation at their sittings held on 13th and 20th July, 1972. The Committee considered and finalised this Report at their sitting held on the 13th April, 1973. Minutes of these sittings form Part II* of the Report.

3. A statement showing the summary of the main conclusion/recommendations of the Committee is appended to the Report (Appendix). For facility of reference, these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of this paragraph by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the officers of the Department of Cooperation for the Cooperation extended by them in giving information to the Committee.

NEW DELHI;
April 17, 1973.

Chaitra 27, 1895 (Saka).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

*Not printed (one copy laid on the Table of the House and 5 copies placed in the Parliament Library)

REPORT

MINISTRY OF FOOD, AGRICULTURE, COMMUNITY DEVELOPMENT AND COOPERATION

(Department of Co-operation)

Consumer Co-operatives

Audit Paragraph

1.1. With a view to ensuring equitable distribution of consumer goods at fair prices, in November, 1962, Government of India started organisation of consumer co-operatives in important urban areas with a population of 50,000 and above. The scheme was enlarged, following devaluation, to provide for establishment of large department stores in cities and towns with a population of 2 lakhs and over with a view to exercise a healthy influence on the retail distribution trade. Till the transfer of the scheme to the State sector in 1968-69, the entire outlay of Rs. 22.78 crores, consisting of share capital contribution, loan-cum-subsidy for trucks and godowns and managerial subsidy, was borne by Government of India out of which the amounts representing share capital (Rs. 955.13 lakhs) and loan (Rs. 877.69 lakhs) constitute loans to State Governments. From 1969-70 Central assistance to consumer co-operatives forms part of the block loans and grants to State Governments.

1.2. The centrally sponsored scheme launched in November 1962 envisaged establishment of 200 wholesale/central stores and 4,000 primary stores/branches of wholesale stores. Following devaluation Government decided to set up in addition 101 new wholesale stores, 2,000 primaries/branches and 43 department stores in the first instance. The following table shows the number of societies actually established under each group upto 30th June, 1969:—

Type	Number	Remarks
Primary Societies.	13,950	The number presents the position on 30-6-1968. Actual number on 30-6-1969 not available. Out of 13,950 societies about 7,000 had been organised before the scheme was started.
Central/ Wholesale stores.	385	
Department Stores.	80	

1.3. In addition, 14 State Federations of Wholesale Stores and one National Federation were also set up.

[Paragraph 71 of the Report of Comptroller and Auditor General of India for the year 1969-70 (Civil) Central Government]

1.4. The objectives of the Centrally Sponsored Scheme was mentioned in the Ministry of Community Development and Cooperation letter No. 9-9/62-Coord. dated 15th November, 1962, thus:

“The Third Five Year Plan for cooperation included a scheme for organisation of consumer cooperatives with financial assistance which was to be shared by the Centre and the States. The progress in the implementation of this scheme, however, has been slow. In the present national emergency, it has, therefore, become necessary to devise measures on a large scale for ensuring equitable distribution of consumer goods at fair prices to consumers, particularly in urban areas. One of the most important means to achieve this object is to organise a net work of consumer cooperatives in all important towns and cities in the country. The Government of India have now sanctioned a centrally sponsored scheme for the organisation of consumer stores in the country. The entire financial assistance under the scheme will be given by the Central Government, and the outlays will be outside the state plan ceilings. The scheme is intended to serve towns and cities with a population of more than 50,000. Cities with a population of more than a lakh are to be taken up first.”

1.5. According to the Report of the Programme Evaluation Organisation—1966 (Planning Commission): “The main object of this scheme was to enable the consumer to get the essential commodities at reasonable prices and to reduce the margin of profit of the middleman. Based on the past experience, a number of safeguards and precautions had been taken at the time of the formulation of the scheme. The pattern of Government assistance provided in the scheme was quite liberal and comprehensive. A provision of Rs. 10 crores was made for this purpose, which consisted mainly of share capital contribution, loan and grants for certain purposes and the managerial subsidy.”

1.6. As regards evaluation of the programme from time to time, the representative of the Department of Cooperation stated during evidence:—

“Evaluation of the consumer cooperative programme has been

made from time to time by various authorities. Almost in the very beginning, in 1964 the Programme Evaluation Organisation of the Planning Commission submitted a report and gave its evaluation. The programme was taken up as a Centrally Sponsored Scheme in 1962-63. Then again, an ILO expert came to India to assist us in organising consumer cooperative in 1966 and in 1967 he gave this report. In 1968 the Administrative Reforms Commission examined the working of the cooperatives by appointing a Working Group. That Group submitted a Report on Cooperation which included observations on consumer cooperatives. The Central Advisory Committee on Consumer Cooperatives, which has been set up by the Ministry of Agriculture appointed a sub-committee to make a study of consumer cooperatives in various States in the Country. This Committee was appointed towards the end of 1969. It started visiting the States in December 1969 and continued visits during 1970 and in April 1971, it submitted its reports. It toured five States, viz. Maharashtra, Mysore, Tamil Nadu, Kerala and Bihar and submitted five reports relating to these States and one general report. They suggested various measures for their improvement and for greater operational efficiency and they recommended higher priority and financial and administrative support to this programme. These reports were circulated to the States by the Minister in the Ministry of Agriculture and replies have been received, appreciating the recommendations and suggestions made by the Committee. They agreed that the programme should be further supported.”

1.7. Referring to the objective of the scheme to hold the price line, the Committee drew attention to the observations of the ILO expert that “...it must be bluntly stated that it is an impossible thing.” The Committee enquired what Government proposed to do in this regard. The witness stated, “The Consumer Cooperatives are intended to undertake equitable distribution of commodities in short supply and to sell consumer goods in general at fair and reasonable prices. One fact that is known is that much of the production is with the private trade. So far as agricultural commodities are concerned, there have been controls on certain essential foodgrains; otherwise, there has been generally free economy or free trade in regard to this. Therefore the role of consumer cooperatives is limited in the task of stabilisation of prices. But prices otherwise depend upon the cost of manufacture, availability of raw materials, government's fiscal policies and other

factors. So, within these limitations the consumer cooperatives play a certain role; they will not do hoarding, profiteering or blackmarketing, or sell adulterated or sub-standard or spurious goods. They will follow all healthy trading practices and will not evade taxes. So, these are the malpractices of the private trade in which the consumer cooperatives will not indulge."

1.8. In reply to a question whether consumer goods had been made available to the public by consumer cooperatives society at a fair price, the witness stated, "In the first instance, in the matter of prices, the consumer cooperatives adopt what is called the active price policy. The active price policy means selling goods so far as possible, wherever the margin allows at a rate which is slightly less than the market rate. They are supposed to be doing it by eliminating the middlemen to the extent possible and adopting other sound management practices. Next we come to the question to what extent the consumer cooperatives have been in a position to do so..... It has to be admitted the performance varies considerably, from State to State, from region to region and from one individual store to another. The consumer cooperatives were doing well over a certain period. Then, on account of certain factors their performance deteriorated and they started incurring losses. In spite of these there are certain stores in the country which are outstanding examples of success and which have more than fulfilled the objectives for which the consumer cooperatives were intended."

1.9. In reply to another question whether any scientific study had been made into the working of consumer cooperatives by the Ministry, the witness stated: "Studies have been made of the entire consumer cooperative movement in the States of Jammu and Kashmir, Bihar, Rajasthan Orissa, West Bengal, Assam, Gujarat, Manipur and Tripura etc. Out of above 400 stores that we have about 150 stores including departmental stores have been visited and the work of individual consumer cooperatives and specially these incurring losses and those for which Government guarantees have been given have been studied in detail by officials of the Department of Cooperation and we have got their suggestions, views and impressions."

1.10. The Committee enquired whether any study was made to find out the percentage of the turn over of all the Cooperative Societies in the country to the total retail turn over of consumer goods and if so what is the percentage. In a note the Department of Cooperation stated: "While figures of the total retail sales of consumer cooperatives are available, there are no reliable statistics available with regard to the value of total turnover of consumer goods. In the absence of these statistics, it is not possible to work out precisely what percentage of retail trade has been achieved by

consumer cooperatives. In quantitative terms, the total retail sales turnover of consumer cooperatives during 1969-70 is estimated to be about Rs. 250 crores."

1.11. The Committee desired to know whether any attempt was made to analyse purchases made by all the Cooperative Societies and if so what was the percentage of wholesale and retail purchases. In a note, the Department of Cooperation stated:

"The extent of purchases made by wholesale cooperatives, (State Consumer Federations and Wholesale/Central Stores) and primary stores, the figures for the years 1966-67, 1967-68, 1968-69 and 1969-70 (based on Statistical Statements published by the Reserve Bank of India) are as follows:—

	(Rs. in lakhs)			
	1966—67	1967—68	1968—69	1969—70
Wholesale stores	17,896·94	16,922·39	15,226·45	*15,389·16
Primary stores	18,592·52	18,125·00	16,842·44	16,760·22
National Cooperative Consumers Federation	118·32	252·36	237·67	369·31

1.12. As regards the sources of purchase, the bulk of the business of consumer cooperatives at wholesale/central and primary store level has been in controlled commodities, (foodgrains, sugar, etc.) which are purchased from sources specified by Government at controlled prices. A number of other commodities, of which quotas have been reserved for the cooperative sector, are obtained at the prescribed prices through cooperative channels. A certain proportion of purchases are also made from the open market, the details of which are not available. However, all State Governments have been requested to introduce a system of reporting of purchases, with reference to the source of purchase, and other details, at least in the case of wholesale/central stores, department stores, and State Consumer Federations, and also advise the primaries to compile such information. The National Cooperative Consumers Federation, has also been requested to compile this information."

*Including State Consumer Federations.

1.13. Asked to state the commodities the purchases of which made by the consumer cooperative societies have been institutionalised so far to get them at the price at the first point of distribution and the arrangements made in regard to each of them, the Ministry furnished the following information:—

“The manufacturers of the following commodities have agreed to make supplies of their products to consumer cooperative wholesale/central stores through their own distributing system or through their sole selling agents, as the case may be, at prices as charged at the first point of distribution, subject to lifting of the prescribed minimum quantity at a time:

1. Vanaspati;
2. Edible oils;
3. Baby food;
4. Paper;
5. Dry battery cells;
6. Soda-ash;
7. Razor blades;
8. Cycle|rickshaw|scooter|bullock-cart tyres and tubes;
9. Hurricane lanterns;
10. Textiles;
11. Domestic electrical appliances;
12. Soaps;
13. Matches;
14. Electric bulbs and tubes.

1.14. In respect of a large number of other commodities, the manufacturers have agreed to make supplies to consumer cooperative wholesale/central stores on uniform terms and conditions as applicable to their wholesalers/authorised dealers and, in some cases, with special discount. These include the followings:—

1. Biscuits, confectionery, beverages and breakfast food;
2. Cigarettes;
3. Tea;
4. Condensed milk and allied products;
5. Cycles;
6. Drugs and medicines;

7. Footwear;
8. Fountain pen, ink etc.;
9. Kerosene oil;
10. Stationery including pencils, erasers;
11. Polishes and washing/cleaning material;
12. Polythene bags;
13. Pressure cookers, stoves etc.;
14. Readymade garments;
15. Salt;
16. Sewing machines;
17. Toiletries and cosmetics;
18. Sports goods;
19. Hosiery;
20. Thermos flasks;
21. Toys;
22. Umbrellas.

1.15. The details of the arrangements for supply of these commodities made with the manufacturers, are given in the hand-book entitled "A Guide to arrangements for supply of essential and other articles to Consumer Cooperatives", (1969). Modifications and additions, where required, are made from time to time.

1.16. Purchase of a number of commodities are coordinated by the National Cooperative Consumers Federation and the State Consumer Federations, and these include certain textiles, food-grains, pulses, and also paper and soda-ash apart from confiscated goods and permissible imported consumer goods.

1.17. The Committee desired to know the details of the commodities in respect of which certain quota has been reserved for the Co-operative Sector by the manufacturers. In a note, the Department of Cooperation stated: "Quotas of the following commodities have been reserved by manufacturers for the cooperative sector to the extent indicated below:—

(i) *Baby Food:*

Amul Baby Food and Amul Spray—20 per cent of the Statewise allocation/market release.

(The manufacturers of Amul Baby Food have now agreed to meet the genuine requirements of consumer cooperatives in respect of Amul Spray to the maximum extent possible.)

Glaxo Baby Food—20 per cent in eastern states and 15 per cent in other states to Consumer Cooperatives out of the state-wise allocation/market release.

(ii) *Textiles:*

10 per cent of the cross-section of the production of cotton textiles to consumer cooperatives and fair price shops.

(iii) *Dry battery cells:*

10 per cent of the state-wise allocation of dry battery cells for torches and radio transistors.

(iv) *Razor blades:*

20 per cent of the state-wise allocation.

(v) *Cycle|auto-rickshaw tyres and tubes:*

20 per cent of the state-wise replacement sales.

(vi) *Scooter tyres & tubes:*

10 per cent of the State-wise replacement sales.

(vii) *Bullock-cart tyres and tubes:*

5 per cent of the state-wise replacement sales.

(viii) *Paper:*

2,000 tonnes of paper per year to the cooperative sector for distribution through National Cooperative Consumers Federation and State Consumer Federations.

(ix) *Soda-ash:*

300 tonnes per month by two manufacturers for sale through National Cooperative Consumers Federation and State Consumer Federations.

(x) *Coffee-seeds:*

The Coffee Board allocate a quota of coffee seeds/coffee powder to cooperatives every year, amounting to about 15 per cent of internal market release.

1.18. The state-wise allocation of quotas for the cooperative sector is re-distributed among Consumer Cooperatives in the State by the State Governments or the State Consumer Federations.

1.19. Pointing out that a number of irregularities were noticed in the working of the Consumer Cooperatives, the Committee enquired what action has been taken to check them. The representative of the Department of Cooperation stated: "Every year conferences are held at various levels at which the position of consumer cooperatives of various tiers are reviewed, remedial measures discussed and guidelines formulated and circulated. This is an exercise which takes place year after year and whatever position emerges in a particular year is reviewed and lines of action determined." The representative added: "There are a number of stores which did not improve their position in spite of the guidelines that have been given continuously almost from the very inception of the Centrally Sponsored Scheme in 1962-63. Right from 1963-64 onwards the short-comings and defects were pointed out in the circulars from the Central and State Governments by the Registrars and others. There are some stores which have improved and implemented the suggestions and guidelines. Others which have not implemented them either fully or to the extent required continue to suffer losses."

1.20. Asked whether the Department had research section to survey and point out as to what were the difficulties which beset the stores, the Secretary stated: "There is no research section as such. The spurt to consumers cooperative movement was given in 1962 and 1966. One was in the wake of Chinese aggression and the other following devaluation. Policy decision was taken at the level of the Government to provide funds under a Centrally sponsored scheme so that States may not plead that they have no funds. It was decided to set up a wholesale cooperatives in urban areas with a population of 50,000 or more, and for this and other schemes financial assistance was provided. At Centre we give guidelines. It makes regular inspections. We try to identify defects. We evolve broad guide lines in consultation or discussion at official and higher levels from time to time. Where the faults have been noticed in the working of the consumer cooperative movement, we have tried to remove them. If at the implementation stage, there is no determination to see that the schemes are put through nicely, what can we do at the Centre."

1.21. The Committee pointed out that they wanted to know whether any study has been made. The Secretary stated: "My own reaction will be in the light of the observations which you have made that the system of reporting of data and their analysis would call for improvement."

1.22. The Committee enquired in which States the Central Gov-

ernment's direction that the organisation of the Consumer Cooperatives should be on a unitary type, has been implemented so far. In a note, the Department of Cooperation stated: "The Central Government have advised the State Governments that the unitary system of organisation has a number of advantages over the federal system. The State Governments were requested to bring about a gradual shift to the unitary system, by adopting in the first instance, the "mixed" system i.e. a wholesale store having both primary societies and individuals as their members, and make suitable amendments to the bye-laws of the wholesale stores to allow for the same. The unitary system has been adopted in Haryana, Punjab and Andhra Pradesh, whereas the mixed pattern is by now followed in all the other States."

1.23. The Committee enquired whether any study was made to evaluate how far the societies financed under the scheme conformed to the pattern of assistance laid down both in regard to the matching share capital contribution, minimum memberships to be eventually attained etc. In a note, the Department of Cooperation stated:

"An evaluation of the working of consumer cooperatives organised under the Centrally Sponsored Scheme was carried out, at the instance of the then Ministry of Community Development and Cooperation by the Programme Evaluation Organisation of the Planning Commission towards the end of 1964. The study covered *inter-alia*, the growth of share capital contribution and membership of the societies, with reference to the requirements of the Centrally Sponsored Scheme."

1.24. The Ministry further stated that "besides, appraisal of the progress of consumer cooperatives set up under the Centrally Sponsored Scheme, was made annually covering *inter-alia* growth of share capital and membership." The Committee find that these appraisals bring out analysis of the performance of the stores based on the monthly reports received from the stores.

1.25. The findings of this Study Team of Planning Commission were thus summed up:

"The findings of the Study does not all point in one direction. The organisation and functioning of the cooperative stores present a better picture in 1964 than in 1963. Though membership, capital and business had expanded considerably

in 1964, they were still heavily dependent on the Government's contribution to their share capital and clean credit. The working capital and volume of business recorded a significant expansion in 1964. But most of them were suffering from inadequacy of working finance and lack of accommodation from the institutional credit agencies and as a result, had not been able to sufficiently diversify their business. While the stores in States like Punjab and Madras have done very well, the record in a number of other States has not been so good."

1.26. "Finally, the future of the Consumer Cooperatives sponsored under the central scheme depends on the extent to which membership can be built up and their loyalty to the stores ensured. While performance and efficiency in the functioning of the stores leaves scope for improvement, the findings also show that loyalty of the members to their stores is far from full or complete."

1.27. The Ministry have stated in the written reply that "Financial assistance for the development of consumer cooperatives was given to the State Governments on the basis of the proposals furnished by them. The State Governments were responsible to ensure that the institutions assisted fulfilled the conditions laid down under the scheme, such as matching share capital contribution of individuals societies, minimum membership, potential membership etc. In the case of individual societies visited by Central Government officers, the position is examined and reported. The results differ from one society to another.

1.28. The Committee desired to know the state-wise break up of the total share capital contribution of Rs. 955.13 lakhs made under the centrally sponsored scheme and how much of this amount had so far been recovered. In a note, the Department of Cooperation stated: "The total amount of loans given to State Governments for enabling them to participate in the share capital of consumer cooperatives under the Centrally Sponsored Scheme during 1962-63 to 1968-69 is Rs. 924.82 lakhs. In addition, an amount of Rs. 38.51 lakhs was given to the Union Territories for Contribution to the Share Capital of Consumer Cooperatives, and a sum of Rs. 15 lakhs was given as share capital to the National Cooperative Consumer's Federation, New Delhi. The total of all these amounts comes to Rs. 978.33

lakhs. A statement, giving State-wise/Union Territory-wise break-up is given below:—

Statement indicating the loans given to state Governments during 1962—69 for contribution to share capital of consumer cooperatives under the Centrally Sponsored Scheme.

(Rs. in lakhs)

S.No.	Name of State	Amount released
1.	Andhra Pradesh	81.280
2.	Assam	15.225
3.	Bihar	40.000
4.	Gujarat	40.585
5.	Haryana	4.170
6.	Kerala	38.915
7.	Jammu & Kashmir	9.030
8.	Madhya Pradesh	55.680
9.	Maharashtra	134.225
10.	Mysore	103.210
11.	Orissa	15.690
12.	Punjab	46.270
13.	Rajasthan	50.615
14.	Tamil Nadu	96.220
15.	Uttar Pradesh	96.285
16.	West Bengal	96.880
	Total :	924.820
Union Territories		
17.	Delhi	34.930
18.	Chandigarh	2.000
19.	Andaman & Nicobar Islands	1.580
	Total Union Territories	38.510
	Grand Total :	963.330
	National Cooperative Consumers Federations Ltd., New Delhi.	15.000
	Grand Total :	978.330

1.29. Out of this, an amount of Rs. 356.21 lakhs was released to State Governments through the National Cooperative Development Corporation, who are responsible for re-payment. As against the total loan of Rs. 8,64,50,000 given for this purpose to the Corporation, the Corporation sanctioned Rs. 8,97,54,670 to States for the development of consumer cooperatives. The balance of the amount was provided by the Corporation from its own funds. The position as on 31-3-1972, according to the information obtained from N.C.D.C., is that the amount due upto 31-3-1972 by way of principal, which was Rs. 4,17,09,235—32, and interest due upto that date, which was Rs. 2,81,61,918.19 had been repaid, and there were no overdues so far as Government of India is concerned. The balance outstanding as on 31-3-1972 with N.C.D.C. was Rs. 4,47,40,764.74.

1.30. In regard to the financial assistance provided to State Governments directly for share capital contribution by way of loans by the Government of India during 1968-69, the Accountants General in the States maintain the accounts and watch recovery of the loans. Cases of default brought to the notice of this Department are taken up with the State Governments. State Governments are required to repay the loans to the Government of India, including those given for share capital contribution, in accordance with the prescribed terms and conditions, irrespective of the fact whether the societies are able to repay the loans/interest or not.

1.31. The Committee enquired as to the total amount of subsidy released under the scheme and whether Central Government have satisfied themselves about the proper utilisation of this amount and if so the details thereof. In a note, the Department of Cooperation stated: "The total amount of subsidy sanctioned to the State Governments was Rs. 4.45 crores. The State Governments/Registrars of Cooperative Societies are required to furnish utilisation certificates to the Government of India. The responsibility of ensuring that the subsidies sanctioned are properly utilised is that of the State Governments, who have the administrative and supervisory machinery for this purpose. Besides, the accounts of the societies are audited by auditors appointed by the Registrar of Cooperative Societies and any cases of misuse of the funds would be brought to the notice of the Registrar, who would take necessary action."

1.32. To a question whether it was correct that whatever loss occurred had to be borne by the State Government. The witness stated, "the liability of the State Government to repay the loan remains as it is, even though a particular society or a number of them may have incurred losses or may have gone into liquidation." The witness added: "Under the Centrally sponsored programme, financial assistance was given on the basis of schemes, for each

individual scheme. According to the prescribed procedure, we had to obtain a utilisation certificate from them, and these certificates are examined by Audit, so that the assistance given by us has, by and large, been utilised for the purpose for which it was intended. A few cases where the amounts remain unutilised have been taken up by us."

1.33. The Committee pointed out that the Fourth Plan envisages an outlay of Rs. 11 crores, but the States provided only Rs. 8 crores for the purpose and enquired about the reasons for this shortfall. The witness stated: "The position is that after the transfer of the programme to the State sector with effect from 1969-70, most of the State Governments have not given the required priority and financial support to this programme."

1.34. The Committee desired to know the state-wise and year-wise allocation of funds for the consumer cooperatives in respect of the Fourth Plan and also the actual expenditure against the allocation in each case for each year. In a note, the Department of Cooperation furnished the following statement:—

(Rs. in lakhs)

S.1 No.	States/U.Ts.	4th Plan provison	1969-70 Actual expdtr.	1970-71 actual expdtr.	1971-72 Anticipa- ted expdtr.	As reco- mmended by W.G. 1972-73
1.	Andhra Pradesh	48.35	0.76	11.43	12.21	8.74
2.	Assam	20.00	1.45	4.24	3.72	6.64
3.	Bihar	25.30	1.71	3.74	1.17	6.00
4.	Gujarat	30.00	4.88	1.77	5.25	7.00
5.	Haryana	Nil	Nil	Nil	Nil	6.00
6.	Jammu & Kashmir	30.25	1.85	—	0.51	0.75
7.	Kerala	24.50	9.59	8.66	3.50	4.90
8.	Tamil Nadu	169.20	10.43	19.74	45.75	18.88
9.	Madhya Pradesh	29.89	3.31	3.05	2.60	7.00
10.	Maharashtra	80.00	2.88	0.74	3.5	10.00
11.	Mysore	66.15	7.24	16.67	14.14	12.35
12.	Orissa	35.47	1.07	1.34	5.48	10.00
13.	Punjab	40.00	—	—	5.00	6.00

1	2	3	4	5	6	7
14.	Rajasthan	11.27	1.38	0.07	1.31	1.50
15.	Uttar Pradesh	46.80	3.17	2.76	17.43	14.74
16.	West Bengal	52.96	3.59	3.58	10.65	11.95
17.	Nagaland	8.25	2.12	2.42	1.44	0.88
18.	Meghalaya	4.00	—	0.58	1.43	1.00
19.	Himachal Pradesh	4.00	—	—	—	—
20.	A&N Islands	5.00	0.36	0.07	6.04	0.73
21.	Delhi	43.19	27.31	1.71	2.85	3.28
22.	Goa, Daman & Diu	4.17	0.39	0.38	0.49	0.54
23.	Manipur	2.00	0.18	0.31	.48	0.49
24.	Tripura	4.00	0.10	0.09	0.04	1.62
25.	Pondicherry	2.13	0.10	0.33	0.37	2.75
26.	NEFA	150.00	1.55	7.91	3.44	4.70
27.	Laccadives	—	—	—	—	.34
28.	Chandigarh	—	—	—	—	Nil
Total :		802.68	85.42	91.59	148.45	146.38

1.35. In their report submitted in April, 1971, the Sub-Committee of the Central Advisory Committee on Consumer Cooperatives made the following observation with regard to the financial assistance given to consumer cooperatives:

"In this context, the Sub-Committee received the impression that the State Governments were not giving the required priority to this programme, and were markedly hesitant to help consumer cooperative institutions, which might have incurred losses, but have now learnt from their past mistakes and are prepared to turn a new leaf. The total recommended outlay for the Fourth Plan comes to Rs. 808.55 lakhs, as against the original recommendations exceeding Rs. 1156 lakhs. The outlays of some of the States, particularly Maharashtra and Kerala are very meagre, and that of Bihar is also on the low side. The position in regard to Maharashtra needs particular attention."

1.36. The Committee appreciate that in the wake of the national emergency in 1962, a centrally sponsored scheme for the establishment of consumer cooperatives in urban areas was introduced for the laudable purpose of ensuring equitable distribution of consumer goods at fair prices. The scheme was enlarged following devaluation. It was transferred to the State Sector in 1968-69 upto which year the entire outlay of Rs. 22.78 crores was borne by the Government of India. From 1969-70 central assistance to consumer cooperatives forms part of the block loans and grants to State Governments. The Committee find from the review of the working of the consumer cooperatives given in the Audit Report that some of the stores have not been functioning satisfactorily.

1.37. The Committee would like the Ministry itself to make a scientific appraisal of the working of the consumer cooperatives in the country with a view to identify the drawbacks and to suggest remedial measures.

1.38. According to the figures furnished by the Ministry the total retail sales of consumer cooperatives during the year 1969-70 is estimated to be Rs. 250 crores. The Committee feel that this amount of sales turnover for the whole country is too meagre as compared with the total retail sales by the private traders, to have the desired impact on the retail prices.

1.39. The consumer cooperative societies have made arrangements to get certain goods at the first point of distribution with some manufacturers. In case of some other commodities the manufacturers have agreed to make supplies on terms applicable to their wholesalers/authorised dealers. The Committee feel that there is need to obtain more products at the first point of distribution in order to reduce the cost prices.

1.40. The Centrally Sponsored Scheme was aimed at a pattern of assistance in respect of matching share capital, contribution, minimum membership to be eventually attained. The Committee have been informed that State Governments were responsible to ensure that the institutions assisted fulfilled the conditions laid down under the scheme. The Committee feel that the Ministry should

have kept under constant review the fulfilment or otherwise of the conditions with a view to taking necessary steps. Admittedly the system of collecting data from the States and their analysis calls for improvement.

1.41. The Sub-Committee of the Central Advisory Committee on consumer cooperatives in their report submitted in April, 1971 have pointed out that the State Governments were not giving the required priority to this programme. The total recommended outlay for the Fourth Plan comes to Rs. 808.55 lakhs as against the original recommendation exceeding Rs. 1156 lakhs. The actual outlay during the first three years of the Plan is of the order of only Rs. 325.46 lakhs. The actual outlays of some of the States, particularly Maharashtra and Kerala are very meagre and that of Bihar is also on the low side. The Committee also find that some States like Haryana, Punjab, Himachal Pradesh made no allocation at all during the years 1969-70 and 1970-71. The Committee desire that necessary steps should be taken to impress upon the States the need to accord requisite priority for providing assistance.

1.42. The unitary system of organisation of cooperative societies as recommended by the Central Government has many advantages, the chief of which are reduced overhead expenses and better co-ordination. The Committee learn that only Haryana, Punjab and Andhra Pradesh States have adopted this system. They desire that the Central Government should actively assist in and watch over the change to this system in the remaining State.

1.43. A review conducted by Audit in September, 1970 disclosed the following.

Primary Stores

Audit Paragraph

The total financial assistance given by Government of India to primary stores upto the end of 1968-69 was Rs. 242 lakhs comprising contribution to share capital Rs. 188 lakhs and subsidy Rs. 84 lakhs. Data about working of primary stores are given below:—

(Rs. in lakhs)

Year	No. of socie- ties	Paid up capital	Sales	Cost of management	Profit No.	Amount	Loss No.	Amount	No. of societies working without profit/loss
(Co-op. year)	(Co-op. year)								
1965-66	13,077	615.93	16,229.51	485.64	6709	214.75	2763	79.36	3605
1966-67	13,837	730.15	19,537.56	603.11	6834	224.44	3233	111.71	3770
1967-68	13,950	766.65	18,321.40	706.46	6136	266.55	4163	129.18	3651

1.44. A review by the Ministry in 1969 showed that primary societies were "the weakest link in the consumer co-operative movement" and that a sample study carried out by Government in West Bengal and Gujarat had revealed that not more than 15 to 20 per cent. of the total number of primary consumer cooperatives could emerge as viable or potentially viable units. In August 1969 Central Government recommended to the State Governments that a quick survey should be undertaken by the States to identify the viable or potentially viable units, so that they could be amalgamated with wholesale stores, if necessary, compulsorily, and the remaining stores liquidated. In Punjab a survey was not considered necessary by the State Government. In other States the survey has not been completed (November, 1970). In the conference of State Ministers for Co-operation and Registrars held in September-October 1970 it was emphasised that the survey should be completed early and a programme formulated by March, 1971.

[Paragraph 71(i) of the Report of the Comptroller and Auditor General of India for the year 1969-70 (Civil) Central Government.]

1.45. The following data about the working of primary stores for the years 1968-69 to 1970-71 was furnished by the Ministry:

(Rupees in lakhs)

Year (Coop. Year)	No. of societies	Paid up Capital	Sales	Cost of management	Profit		Loss		No. of societies working without Profit/loss
					No.	Amount	No.	Amount	
1	2	3	4	5	6	7	8	9	10
1968-69	13,913	772.11	17040.26	680.25	5482	176.29	4117	121.19	4314
1969-70	13,562	817.71	17541.97	742.96	5179	201.88	4104	135.80	4279
1970-71	13,134	818.32	15121.38	N.A.	4638	182.80	4375	150.24	4121

(Provisional, based on
information collected
by the Deptt.)

1.46. In reply to a question regarding financial assistance given by Government to primary societies, the witness stated, "Upto 1969-70, the financial assistance given by Government was only to 3780 primary societies and the remaining stood on their own. . . . In the case of primaries, the condition was that Government share capital would be given on a matching basis viz. Rs. 2500 but later on we raised it to Rs. 4000. In fact for the Fourth Plan Period, we have said that it can be to the extent of Rs. 10,000 on a matching basis."

1.47. In reply to a question what the Ministry had done in regard to the suggestion made in the Conference of State Ministers of Co-operation and Registrars held in September-October 1970 that surveys should be undertaken by the States to identify the viable or potentially viable units so that they could be amalgamated with wholesale stores, if necessary, compulsorily and the remaining stores liquidated, the witness stated, "They requested the Ministry to prepare a proforma for conducting the surveys. We prepared the proforma and circulated to them. We collected from the States the information about the progress made by them in regard to these surveys and the information has been received that such surveys have been completed in 8 States and 2 Union Territories and the surveys are still in progress in 7 other States."

1.48. Asked to indicate the result of the surveys so far undertaken and action taken thereon and the progress made in the remaining states, in a note the Department stated that, "Surveys are in progress in 10 States, and yet to be undertaken in 4 States, viz., Himachal Pradesh, Jammu & Kashmir, Nagaland and Meghalaya. However, in these four States, the number of primary stores is very small and action to reorganise primary stores can be undertaken without a regular survey."

1.49. As a result of the surveys in 6 States and 1 Union Territory, 181 primary stores and 2 wholesale stores have been placed under liquidation, 16 primaries reorganised, and 15 uneconomic branches of wholesale stores closed. The number of primary stores has been reduced from 13,950 in 1967-68 to about 13,134 in 1970-71. Progress is slow, due to the practical difficulties involved, in the process of amalgamation/merger of primary stores with the central stores. Viable stores hesitate to merge with the institutions which have sustained losses. In the event of compulsory merger, members have to be paid their share capital, if demanded, which may not always be possible.

1.50. The Committee enquired why survey was not conducted in Punjab. The witness stated: "In the case of Punjab, a survey of

the primaries was not considered necessary, because in Punjab, the pattern is of the unitary type mostly. The wholesale stores are running their own branches as retail shops, and the number of primaries extremely small and many of them are defunct."

1.51. The Committee desired to know how many societies were liquidated and how much amount was embezzled. The witness stated that they would ask the State Government to furnish the information.

1.52. The Committee were informed that in the statistical statements of Reserve Bank of India, 1969-70, Part II, it has been stated that over 4,000 primary societies were dormant in 1969-70.

1.53. The Committee feel concerned to note that out of total number of 13,134 primary societies, 4375 societies incurred losses to the extent of Rs. 150 lakhs during the year 1970-71 and 4121 societies made no profit/loss. It is discouraging that the number of primary societies making profits have decreased from 6709 in 1965-66 to 4638 in 1970-71, while the number of those incurring losses have increased from 2763 to 4375. The Committee were informed that according to the statistical statements prepared by the Reserve Bank of India over 4000 societies were dormant during the year 1969-70. In August, 1969 the Central Government recommended to the State Governments that a quick survey should be undertaken by the States to identify the viable or potentially viable units, so that they could be amalgamated with wholesale stores, if necessary, compulsorily, and the remaining stores liquidated. The Committee have been informed that the surveys are still in progress in 10 States and yet to be undertaken in 4 States viz. Himachal Pradesh, Jammu & Kashmir, Nagaland and Meghalaya. As a result of the surveys in 6 States and 1 Union Territory, 181 primary stores and 2 wholesale stores have been placed under liquidation, 16 primaries reorganised, and 15 uneconomic branches of wholesale stores closed. The number of primary stores has been reduced from 13,950 in 1967-68 to about Rs. 13,134 in 1970-71. It has been stated that the progress is slow, due to the practical difficulties involved in the process of amalgamation/merger of primary stores with the central stores. Viable stores hesitate to merge with the institutions which have sustained losses. In the event of compulsory merger, members have to be paid their share capital, if demanded, which may not always be possible. The Committee desire that the survey in the remaining States should be completed expeditiously and difficulties in amalgamation/merger of uneconomic societies should be resolved in consultation with the State Governments.

1.54. The Committee find that the sales turn-over of the primary societies has progressively come down from Rs. 195.38 crores in 1966-67 to Rs. 151.21 crores in 1970-71. The reasons for this decline require to be gone into critically and measures devised to improve sales and reduce expenditure. It is significant that the percentage of cost of management to sales turn-over has increased from 2.20 per cent in 1965-66 to 4.23 per cent in 1969-70 mainly because of increase in the cost of management. It is also desirable to fix a norm for sales turn-over which would make a primary store viable so that the performance of the stores may be reviewed on that basis periodically.

1.55. In their 102nd Report (Fourth Lok Sabha), the Committee examined in some detail the working of the Central Government Employee's Consumer Cooperative Society, Ltd., New Delhi, a primary society and made suggestions for improving its working. The Committee feel that working of primary societies in the country as a whole will improve if their suggestions are adopted for the working of these Societies.

Central Wholesale Stores

Audit Paragraph

1.56. The following table shows the number of Central Wholesale stores and their financial position during the three years ending 1968-69:—

	1966-67	1967-68	1968-69
	(Co-operative year)		
No. of stores	371	385	365
No. of Branches	2,267	2,425	2,472
Paid-up Capital			
(a) Members' share	Rs. 3.43 crores	Rs. 3.78 crores	Rs. 3.54 crores
(b) Government's share	Rs. 4.66 crores	Rs. 6.45 crores	Rs. 7.24 crores
Total	Rs. 8.09 crores	Rs. 10.23 crores	Rs. 10.78 crores
Sales	Rs. 150.15 crores	Rs. 168.76 crores	Rs. 160.2 crores
Stores in profit			
(a) Number	246	168	122
(b) Amount	Rs. 123.94 lakhs	Rs. 81.40 lakhs	Rs. 41.06 lakhs
Stores in loss			
(a) Number	98	188	1
(b) Amount	Rs. 60.19 lakhs	Rs. 141.94 lakhs	Rs. 127 lakhs
No. of stores without profit/loss	27	29	**

The figures are tentative and pertain to 365 Central wholesale store.

**Information in regard to the remaining 71 stores is not available with the Ministry.

1.57. Reasons for losses:—The last annual review carried out by the Ministry in September, 1970 identified *inter alia* the following reasons for losses:—

- (i) "Adverse fluctuations in prices of agricultural commodities.
- (ii) Decline in sales turnover (due to relaxation of control and easing of food situation) without corresponding reduction in costs of establishment and other expenditure.
- (iii) Credit sales to primaries resulting in accumulation of large overdues.
- (iv) Indiscreet purchases resulting in overstocking,....shortages, pilferages and other malpractices."

1.58. The Ministry stated (December 1970) that the above shortcomings had been brought to the notice of the State Governments through the conference of Registrars of Co-operative Societies and State Ministers of Cooperation held in September-October, 1970.

1.59. The following further points came to notice as a result of test check:—

- (a) Ninety-eight stores were running losses for three successive years from 1966-67. Their cumulative loss upto 1968-69 was about Rs. 2.24 crores. Eight stores went into liquidation and loan/share capital of about Rs. 12.96 lakhs was outstanding from six of them. One other store in Madhya Pradesh, which had secured financial assistance of Rs. 8 lakhs, suffered a cumulative loss of Rs. 10.433 lakhs upto 30th June, 1969. It owes Rs. 16.81 lakhs to the District Central Co-operative Bank and its functioning is reported to have "seriously affected the financial position of the Bank which is the life-line of the co-operative movement in the district."
- (b) Forty-nine stores recorded a progressive fall in turnover since 1966-67. The decline in 1968-69 was 66 per cent. or more in 5 cases, 50 to 66 per cent. in 7 cases and 40 to 50 per cent in 7 cases.
- (c) As on 30th June 1968 credits amounting to Rs. 388.97 lakhs afforded to affiliated primary societies and other bodies were outstanding. The periods for which the credits were outstanding are not known, but the Ministry found that a large number of primaries had defaulted in repayment of

their credits thereby jeopardising the viability of the wholesale stores. Besides, they had utilised these interest free credits for making purchases from private traders. These credits according to the Ministry had turned out to be "a double-edged weapon" against the wholesale stores.

1.60. The Ministry stated (December 1970) that the need for regulating credit sales to primaries and repayment of dues had been stressed on State Governments.

[Paragraph 71(ii) of the Report of the Comptroller and Auditor General of India for the year 1969-70 (Civil) Central Government.]

1.61. At the instance of the Committee, the Ministry furnished the following position in respect of the wholesale stores for the years 1968-69, 1969-70 and 1970-71:

	1968—69 (final)	1969—70 (final)	1970—71 (Provisional)
1. Number of wholesale/central stores.	387	383	365
2. Number of branches	2,647	2,356	2,305
3. Paid up share capital			
(a) Members' share (Rs. in crores)	3.97	3.75	4.38
(b) Government share (Rs. in crores)	7.49	7.01	7.44
Total	11.46	10.76	11.82
4. Sales (Rs. in crores)	163.02	153.35	147.79
5. Stores in profit :			
(a) Number	152	136	153
(b) Amount (Rs. in lakhs)	66.68	42.51	100.53
6. Number of stores without profit or loss	23	27	13
7. Stores in loss :			
(a) Number	212	220	199
(b) Amount (Rs. in lakhs)	171.42	329.79	514.75

*Relate to reporting stores only.

1.62. Pointing out that in the Administrative Report of the Department of Cooperation for the year 1971-72, it has been stated that the working of the wholesale/Central stores has been studied, their shortcomings identified and measures evolved for improving the economic viability and operational efficiency of the stores, the

Committee desired to be furnished with a copy of the Study Report and details of the action thereon. In a note, the Department of Cooperation stated: "A Sub-Committee of the Central Advisory Committee on Consumer Cooperatives was set up in 1969 to undertake closer observation and study of the working of consumer cooperatives at various levels and to formulate general guidelines for their improvement and efficient working. The Sub-Committee after making a study of the working of consumer cooperatives in five States—Maharashtra, Mysore, Tamilnadu, Kerala and Bihar—submitted reports in respect of each of these States and also a General Report in April, 1971.

1.63. Apart from sending the five reports to the five State Governments concerned copies of the General Report of the Sub-Committee were sent to all State Governments and Union Territory Administrations, as also to the Ministers in charge of Cooperation of all States, with the request that the recommendations of the Sub-Committee may be examined and implemented.

1.64. Besides, working of a large number of wholesale stores has been studied on the spot by officials of the Department of Cooperation, and comprehensive study reports, suggesting specific lines of remedial action to be taken in each case have been sent to the State Governments and the societies concerned. A watch is kept on the action taken in regard to implementation of the recommendation made.

1.65. The Sub-Committee of Central Advisory Committee on Consumer Cooperatives have summarised the causes of uneconomic working of cooperatives thus: "The causes of uneconomic working of stores vary from adverse price fluctuations to high over-head costs, injudicious purchases, non-recovery of dues from primaries, stock shortages, lack of experience, mismanagement, and in some cases, misappropriation."

1.66. The Sub-Committee suggested the following measures for improvement:

- (1) structural integration and forging an organic link within the consumers cooperative movement;
- (2) pooling and institutionalization of purchases;
- (3) enforcement of efficiency norms and sound management practices;
- (4) strict inventory control and sales management;
- (5) development of salesmanship and modern retailing techniques;

- (6) intensive training of personnel, formation of staff cadres and improvement of service and improvement of service conditions of employees;
- (7) diversification of range of business and enlargement and modernisation of retail units;
- (8) enlisting mass participation, together with adoption of member's education programmes."

1.67. The Committee pointed out that the last annual review carried out by the Ministry in September, 1970 identified, *inter alia* the following reasons for the losses :—

- (i) Adverse fluctuations in prices of agricultural commodities;
- (ii) Decline in sales turnover (due to relaxation of control and casting of food situation) without corresponding reduction in costs of establishment and other expenditure.
- (iii) Credit sale to primaries resulting in accumulation of large overdues.

1.68. The Committee enquired that measures are being taken to improve their working. The witness stated: "There are other factors also which have led to losses to wholesale stores. The credit sales made to primaries is one of the factors which has caused losses to a number of wholesale stores...In regard to regulation of credit sales and their prompt and effective recoveries, we issued a circular to all the State Governments after a detailed discussion at the Conference of Joint Registrars. Apart from other things, we said that all inspecting officers of the State Governments should make it a point to check what is the extent of credit overdues and to ensure that effective action is taken for recovery."

1.69. Pointing out that according to Audit para, the Department indicated in December 1970, that the short-comings had been brought to the notice of the State Governments during the Conference of Registrars of Cooperative Societies and State Ministers of Cooperation held in September|October 1970, the Committee enquired whether the State Governments submitted any report after the Conference regarding the steps taken by them to remove the short-comings. In a note, the Department of Cooperation intimated: "Some of the State Governments/Registrars of Cooperative Societies submitted reports about the action taken/proposed to be taken on the various recommendations. The progress was reviewed in the annual conference of the Additional/Joint Registrars of Consumer Cooperatives held in April, 1971."

1.70. The Committee drew attention to the Audit para that co-operatives have utilized interest free credits for making purchases from private traders. The witness stated: "...in a large number of them, we have found out how much of those credit sales has become overdue, how much has to be treated as bad debts. One of the largest factors causing losses to the wholesale stores is that the credit sales to the primaries are not repaid with the result that the parent body i.e., the wholesale store collapses."

1.71. Pointing out that according to Audit para as on 30th June, 1968, credits amounting to Rs. 388.97 lakhs afforded to Primary Societies and other bodies were outstanding, the Committee desired to know the year-wise break-up of the outstanding credits and whether action has been taken to recover the outstanding dues from the primary societies. In a note, the Department of Cooperation stated: "The outstandings under credit sales to primary stores and other bodies were as follows:—

As on 30-6-1968	Rs. 408.48* lakhs
As on 30-6-1969	Rs. 358.56 lakhs
As on 30-6-1970	Rs. 491.98 lakhs

The break-up of the outstandings as on 30th June, 1970 is as follows:—

	(Rs. in lakhs)
(i) Below 6 months	28.11
(ii) Between 6 months and 12 months	324.79
(iii) Over 12 months	139.08
	<u>491.98</u>

Recoveries of over due amounts are made by wholesale stores from the primaries, and, in cases of default, arbitration, references are filed with the Registrar of cooperative societies."

1.72. To a question whether it is a fact that due to lack of proper verification of stock there have been pilferages and faulty transactions etc., the witness stated: "We are aware of the problem. Some of the suggestions made were these. There must be regular stock verification quarterly if not monthly, and responsibility should be fixed on those who were responsible for the shortages and pilferages. Another suggestion that has been made is that consumer cooperatives should have a concurrent audit. If there is a concurrent audit,

*As per para 71 of report of C. & A.G. for 1969-70, the amount is Rs. 388.97 lakhs.

these lapses can be detected more easily than would be the case otherwise. Another recommendation is that the consumer cooperatives should have a regular system of management reporting every month. The working results of the institution as a whole should be worked out every month or quarterly and placed before the managing committees. These institutions which are not doing those things suffer from all sorts of malpractices and irregularities."

1.73. The Committee pointed out that one of the reasons for the losses identified as a result of the last annual review carried out by the Ministry in September, 1970 was 'malpractices'. The representative of the Department stated that there were in all 35 cases of embezzlements that came to light. At the instance of the Committee, the Department of Cooperation furnished a statement showing brief details of these cases and the action taken thereon. The Ministry have stated, "This list is only illustrative and includes those cases which were noticed during the spot studies conducted by officials of this Department. All these cases have been brought to the notice of the State Government concerned for taking necessary action." The Committee find from the list that the cases mostly relate to embezzlements and deficiencies in storage.

1.74. The Committee enquired which are the States which have not been able to organise the wholesale stores on efficient lines. In a note, the Department of Cooperation stated: "The States where the wholesale/central stores have mostly not been functioning efficiently are Assam, Rajasthan, Uttar Pradesh, Bihar, Haryana Punjab, Himachal Pradesh, Jammu & Kashmir and Madhya Pradesh." Explaining the reasons for fall of membership of wholesale stores, the witness stated: "At one time the wholesale stores started enrolling all sorts of societies as their members. It was later considered that this was not a healthy practice and that wholesale stores should normally have membership of only consumer cooperative societies and may be a few others who are directly concerned with them, but that the societies which are not directly concerned with the consumer business should not be enrolled as members. It may be as a result of that, that some societies ceased to be members of the wholesale stores.

1.75. Secondly, during the last two or three years, there has been a continuous fall in the number of primary consumer cooperative societies, and with the fall in the primary consumer cooperative societies, the membership of wholesale stores in respect of societies will also go down."

1.76. The Committee are dissatisfied with the working of the Central/Wholesale stores. The number of stores making profit has decreased from 246 in 1966-67 to 153 in 1970-71 while those incurring losses has increased from 98 in 1966-67 to 199 in 1970-71. During the year 1970-71 out of 365 stores 153 made a profit of Rs. 100.53 lakhs, 199 stores incurred loss of Rs. 314.75 lakhs and 13 stores made no profit or loss. The Committee note that the Sub-Committee of the Central Advisory Committee on Consumer Cooperatives which has gone into the working of cooperatives in five states have identified the causes of uneconomic working of stores as adverse price fluctuations, high over-head costs, injudicious purchases, non-recovery of dues from primaries, stock shortages, lack of experience, mis-management, and in some cases, mis-appropriations. During evidence the Committee were informed that "one of the largest factors causing losses to the wholesale stores is that the credit sales to the primaries are not repaid with the result that the parent body i.e. the wholesale store collapses." The Committee find that as on 30th June, 1970 the outstanding amount under credit sales to primary stores and other bodies amounted to Rs. 491.98 lakhs out of which an amount of Rs. 139.08 lakhs was over 12 months old. The Committee take a serious notice of the fact that a large number of primaries defaulted in repayment of their credits thereby jeopardising the viability of the wholesale stores on the one hand and utilising these interest free credits for making purchases from private traders on the other. These credits have thus, according to the Ministry, turned out to be a double-edged weapon against the wholesale stores. The Committee desire that effective measures should be taken in consultation with the State Governments to avoid delay in repayment of credits by the primary societies.

1.77. The Committee desire that a continuous review may be made of the implementation of the recommendations of the Sub-Committee of the Central Advisory Committee on consumer cooperatives for effecting improvement in the working of the stores and avoiding mal-practices etc. relating to injudicious purchases, mismanagement and misappropriation.

1.78. While the Members' share of the paid up capital of the Central Wholesale stores remained almost stagnant over the years 1966-67 to 1970-71, the Government's share has risen from Rs. 4.66 crores to Rs. 7.44 crores. This goes against the very spirit of cooperative movement. The Committee desire that conditions should be created wherein the stores would attract more members.

1.79. Department Stores

Audit Paragraph

These stores were mostly run by wholesale stores in whose accounts their transactions were merged. Upto March 1969 financial assistance to the extent of Rs. 656.38 lakhs was paid by Government of India to State Governments as loan (Rs. 589.82 lakhs) and subsidy (Rs. 66.56 lakhs) for establishing 122 department stores. The working results of these stores are indicated below:—

Year (Co-operative year)	No. of stores	Total sales	In crores of Rupees	
			No. of stores which made profit*	No. of stores which incurred loss*
1966—67	38	11.72	21	17
1967—68	61	22.35	27	34
1968—69	80	26.00	48	32
1969—70	101	30.00 (estimated)	(Not available)	

1.80. The amounts of profit/loss of these stores were not available with the Ministry. However, losses have been mainly attributed by the Ministry to the following factors:—

- (a) "heavy initial expenditure,
- (b) high rents of buildings in some cases,
- (c) heavy expenditure on establishment and other overheads,
- (d) comparative inexperience on the part of management in running such large establishments, injudicious purchases, lack of proper inventory control, fixation of selling prices, etc., and
- (e) lower sales than expected, lack of proper system of regular and thorough stock verification, shortages in stock, pilferage by customers and employees, and faulty transactions in some cases."

1.81. The Ministry stated (December, 1970) that the State Governments had been apprised of the above factors and that remedial measures had also been suggested to them.

*The Ministry stated (December, 1970) that "the figures of department stores in profit or loss are approximate, as, in many cases, separate accounts for department stores are not maintained, and only consolidated accounts are prepared for the wholesale stores which run the department stores. Moreover, the figures are tentative and subject to audit."

1.82. Two department stores were closed down (one in 1967-68 and the other in June 1969) on account of heavy losses and poor management.

1.83. Rs. 62.77 lakhs paid to seven States during 1966-67 to 1968-69 for setting up 16 department stores have not been utilised so far (November 1970). The State Governments were asked in April 1970 to refund the amount.

[Paragraph 71 (iii) of the Report of the Comptroller and Auditor General of India for the year 1969-70 (Civil), Central Government.]

1.84. The working results of the Department Stores as furnished by the Ministry for the years 1969-70 and 1970-71 are given below:—

Year (Coop. year)	No. of stores	Total sales (Rs. in crores)	No. of Deptt. Stores in profit	No. of Deptt. Stores in loss	No. of Deptt. stores in no profit/no loss	No. of deptt. stores for which information is not available
1969-70	101	31.00 (Approximate)	42	59	—	—
1970-71	107	33.00 (estimated)	46	55	—	6

(The figures are approximate as in many cases, separate accounts for the department stores are not maintained.)

1.85. The Committee desired to know the cumulative loss suffered by Department Stores upto 30th June, 1971 and whether the loss was confined to stores in States where the Cooperative Movement was not well organised. In a note, the Department of Cooperation stated:

“Many wholesale stores are not maintaining separate accounts for the department stores, (which are run by the wholesale stores as their branches). As such, the information regarding cumulative loss suffered by the Department Stores by themselves is not available. The profit earned or loss sustained by the department stores is related to the operational efficiency of the individual stores. Some of the Department Stores working in cooperatively advanced States have also sustained losses. A statement showing the number of department stores, statewise, running in profit/loss prepared on the basis of available information is given below:—

State	1966-67			1967-68			1968-69			1969-70			1970-71			
	Profit	Loss	No. Profit No. Loss	Profit	Loss	No. Profit No. Loss	Profit	Loss	No. Profit No. Loss	Profit	Loss	No. Profit No. Loss	Profit	Loss	No. Profit No. Loss	Information not available
I	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Andhra Pradesh	1	..	..	..	1	2	..	..	2	3	3	..	1	7	1	
Assam	..	..	..	..	1	..	..	..	1	..	..	2	..	1	1	
Bihar	1	1	..	..	5	..	1	4	..	1	4	4	1	4	..	
Gujarat	1	2	..	3	..	..	2	1	..	2	1	1	3	1	1	
Haryana	..	..	..	..	..	..	1	..	..	1	..	..	1	..	..
J & K	2	..	..	1	1	..	1	1	..	1	1	1	1	1	..	
Kerala	3	1	..	3	4	..	4	5	..	4	7	7	2	9	..	
Madhya Pradesh	1	3	..	2	3	..	1	4	..	2	3	..	3	2	..	
Maharashtra	2	1	..	2	..	..	3	4	..	4	3	3	5	3	..	
Mysore	2	..	..	4	2	..	8	3	..	10	7	7	12	6	..	
Orissa	..	..	..	..	..	..	..	1	..	2	..	..	2	..	..
Punjab	1	1	..	2	1	..	2	2	..	1	3	..	1	3	..	

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Rajasthan	..	2	..	..	..	3	..	..	4	..	1	4	..	2	3	..
T. Nadu	2	3	..	4	4	2	..	6	3	..	7	5	..	9	3	..
U.P.	2	1	..	..	..	4	..	1	4	..	1	4	..	1	4	..
W. Bengal	..	1	..	..	1	2	..	..	3	..	..	6	..	..	2	4
Himachal Pradesh	..	..	..	..	..	..	..	..	..	..	..	1	..	..	1	..
U. Tr.	..	1	3	..	2	3	..	..	4	..	2	5	..	2	6	..
TOTAL	..	19	19	..	24	35	2	31	46	3	42	59	..	46	55	6

A.B. The figures are approximate as in many cases separate accounts for the department stores are not maintained. Moreover, the figures in some cases are tentative and subject to audit.

1.86. The Committee pointed out that the gross margin of the Super Bazar, Delhi was increased from year to year and that it was as high as 13 per cent against the efficiency norm of 8 per cent laid down by the Department. The representative of the Department stated, "In Super Bazar, they have a fairly wide range of high-margin goods and they are selling them because the citizens of Delhi, their customers, want them. For that reason, their average gross margin is higher than that of an average department stores in the country."

1.87. The Committee desired to know the average gross margin in respect of each of the department stores in each of the years during the period 1968-69 to 1970-71. In a note, the Department stated: "Separate accounts are not maintained by many wholesale stores for the department stores run by them."

1.88. However, the Ministry furnished a statement showing the information available with them regarding the gross margins of some of the Department Stores for the years 1968-69 and 1969-70. (The information for 1970-71 is not yet available). According to the statement, the following position of the gross margin emerges:—

Year	No. of stores having gross margin of 8 or less	No. of stores having gross margin of above 8% but less than 10%	No. of items having gross margin of 10% and above.
1968-69	24	14	8
1969-70	29	13	13

1.89. In a note, the Department of Cooperation indicated the various remedial measures suggested to the State Governments in regard to the factors contributing to the loss of the department stores and the extent of implementation of these measures:—

- (i) Streamlining of purchase policies and procedures and exercise of paper control over inventory;
- (ii) adoption of a regular system of stock verification, quarterly or monthly, fixation of responsibility for shortages and prompt recovery thereof;
- (iii) following effective sales promotion measures and modern business techniques including attractive shop lay-out and display; price marking, pre-cleaning and pre-packing of goods, self-service system, special sales and bargain counters, and alert and courteous salesmanship;

- (iv) reduction in operational costs, specially on establishment, and adherence to the prescribed business efficiency norms, including ration between sales and selling area, staff strength and stock-turnover.
- (v) expansion of business and increase in sales turn-over and adoption of "active price policy."
- (vi) streamlining of accounting procedures, and adoption of concurrent audit; and
- (vii) maintenance of sound relationship between the management and the executive.

Implementation of the Remedial Measures

These measures have been accepted by the State Governments and the cooperative wholesale department stores. The extent of implementation of each of these recommendations, however, differs from one institution to another. The trend is towards increasing adoption and more effective implementation of these measures.

1.90. Pointing out that according to Audit Para, Rs. 62.77 lakhs paid to seven States during 1966-67 to 1968-69 for setting up 16 Department Stores have not been utilised and that the State Governments were asked to refund amount, the Committee enquired whether the amounts had been refunded by the State Governments. In a note, the Department of Cooperation stated: "The amount of Rs. 62.77 lakhs, shown against 16 department stores in the Audit Para, relates actually to 15 department stores and not 16 in 6 States. Out of the amount of Rs. 62.77 lakhs that had remained unutilised, a sum of Rs. 62.77 lakhs has since been utilised for opening 3 department stores. Funds amounting to Rs. 20.40 lakhs in respect of 3 department stores have been refunded. The balance still remains unutilised, as is reported by the State Governments to be in the process of utilisation. The matter has been reported to the Ministry of Finance. On their advice, the State Governments have again been addressed and requested to arrange for the refund of the amounts remaining unutilised before 30th November, 1972. In case there is still no satisfactory response further action will be taken in consultation with the Ministry of Finance, including adjustment against future loans and grants if necessary."

*According to Audit the figure is Rs. 11.10 lakhs.

1.91. The working of Department Stores presents a discouraging picture. During the year 1970-71 out of 107 stores, 46 made profit, 55 incurred loss and for the remaining 6 the information is not available. 2 Department stores were closed (one in 1967-68 and the other in 1969) on account of heavy losses and poor management. The losses in the working of the stores have been attributed to (a) heavy initial expenditure, (b) high rents of buildings in some cases, (c) heavy expenditure on establishment and other overheads (d) comparative inexperience on the part of management in running such large establishments, injudicious purchases, lack of proper inventory control, fixation of selling prices, etc. and (e) lower sales than expected, lack of proper system of regular and through stock verification, shortages in stock, pilferage by customers and employees, and faulty transactions in some cases. The Committee note that the Department of Cooperation have suggested various measures to improve the working of stores. The Committee suggest that the Department should effectively coordinate the implementation of these suggestions by the State Governments and the Wholesale/Department Stores.

1.92. The Committee hope that with the effective implementation of the various remedial measures suggested by the Department, the stores would be able to not only show profit in their working but also reduce the gross margin to a reasonable percentage. The Committee find from the figures available with the Ministry that during 1969-70 29 stores were having gross margin of 8 per cent or less, while 13 had margin above 8 per cent but less than 10 per cent and another 13 had margin of 10 per cent and above.

1.93. The Committee have been informed that an amount of Rs. 45.61 lakhs paid to the State Governments for setting up 9 stores has neither been utilised nor refunded to the Central Government. The Committee desire that the matter should be vigorously pursued with the State Governments.

1.94. The Committee had an occasion to examine the working of a department store viz. Super Bazar, New Delhi in their 10th Report (Fifth Lok Sabha). The Committee feel that the suggestions made in this Report can be useful in improving the working of other stores.

1.95. State Federations*

Audit Paragraph:

The paid up capital, sales and financial results of the working of the State Co-operative Consumer Federations are tabulated below:--

*The Ministry stated (December 1970) that the figures shown in the above table were tentative.

No. of Federation	Member Societies		Paid-up capital (In lakhs of Rupees)		Sales (In lakh of Rupees)	
	67-68	68-69 69-70	67-68 Govt. Members	68-69 Govt. Members	67-68	68-69 69-70
14	300	329 349	41.84 33.80	61.02 35.83 62.73 40.73	822.90	775.39 784.48
			Profit (+) / Loss (-)		(In lakhs of Rupees)	
			67-68		68-69	
			+3.50 (5 Federations)		+8.25 (12 Federations)	
			-15.47 (9 Federations)		-3.20 (2 Federations)	
			-11.97		+5.05	
					69-70	
					Not available	

- (a) Only two Federations incurred losses in 1968-69 as against nine in 1967-68. The losses suffered by these two Federations were about Rs. 3.20 lakhs, while the profit made by the rest was Rs. 8.25 lakhs during 1968-69.
- (b) The turnover of eight of the fourteen Federations declined during the last 3 years ending 1969-70. The decline was over 40 per cent in the Federations in Uttar Pradesh and West Bengal and over 30 per cent in Mysore.

1.96. A review of the Federations conducted by the Ministry in September, 1970 showed that "a majority of them have yet to make a significant effort in their main function of bulk procurement of agricultural and other commodities for the benefit of these constituent wholesale stores."

1.97. The Ministry stated (December, 1970) that remedial measures had been suggested to the State Governments.

[Paragraph 71 (iv) of the Report of the Comptroller and Auditor General of India for the year 1969-70 (Civil), Central Government.]

1.98. The latest available figures as furnished by the Ministry in respect of membership, paid-up share capital, sales turnover and financial results of the State Cooperative Consumers Federations for the years 1967-68, 1968-69, 1969-70 and 1970-71 are given below:

The figures for 1970-71 are tentative. For the previous years *viz.* 1967-68 to 1969-70 also the figures in the following cases are still tentative as audit of these State Federations has not been completed for these years:

Year	State Federation			
1967-68	. Orissa.			
1968-69	. Andhra Pradesh and Orissa.			
1969-70	. Andhra Pradesh, Bihar, Kerala, Punjab, Tamil Nadu and Orissa.			
<i>Membership</i>	1967-68	1968-69	1969-70	1970-71
Figures indicated in C & AG's report .	300	329	349	..
Revised figures	303	335	*333	357

*Decrease is due to disaffiliation of primary marketing cooperatives by Orissa State Consumer Federation.

Paid-up share capital (Rs. in lakhs)

(Figures provisional)

	1967-68		1968-69		1969-70		1970-71	
	Govt.	Members	Govt.	Members	Govt.	Members	Govt.	Members
Figures indicated in C&AG's Report.	41.84	33.80	61.02	35.83	62.73	40.73	..	..
Revised figures	53.68	32.01	61.21	35.81	66.45	39.94	69.27	42.47
<hr/>								
Sales (Rs. in lakhs)			1967-68	1968-69	1969-70	1970-71		
Figures indicated in C&AG's Report					822.90	775.39	784.48	..
Revised figures					880.00	906.51	778.40	1017.36
Profit and loss (Rs. in lakhs)								
Figures indicated in C&AG's Report					+3.50(5)	+8.25(12)	*not available	..
Revised figures					-15.47(9)	-3.20(2)	do.	..
<hr/>								
Revised figures					-11.97	+5.05	do.	..
					+5.06(5)	+7.79(11)	+8.14(11)	+5.085(9)
					-17.61(9)	-3.42(3)	-3.08(3)	-1.16(2)
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					-12.55	+4.37	+5.06	+3.925

*Profit/loss figures for Bihar, Mysore and Rajasthan Federations for 1970-71 are not yet available.

1.99. The Committee desired to know the progress made in the 14 State Federations under the heads—consultancy services, management cadre training, inventory loss fund or price fluctuation fund. The witness stated: "So far as consultancy services are concerned, the State Federations have not set up any. Only the National Co-operative Consumers' Federation has set up a consultancy and promotional cell under assistance from the Central Government with effect from the last year. As regards agricultural commodities price fluctuation or inventory loss fund the National Federation has set it up in the last two or three years but in some States not much progress has been made. The State Federations of Tamil Nadu, West Bengal, Orissa, M.P., Mysore have already created this fund. The federations of U.P. and Gujarat have also made a move in the matter. . . . Some States say there is no need because they are not doing much of agricultural commodities purchase. As regards the management cadres, the resolution of the Chief Ministers of 1968 is there. Cadres as such have not so far actually been formed in any of the States but some State Federations have already taken action to frame bye-laws for the purpose and in some States the Cooperative Act has been amended."

1.100. In a note the Department of Cooperation indicated the details and the progress made in this regard in the various States as shown under:

(i) *Madhya Pradesh:*

The Cooperative Societies Act and Rules have been amended and cadre rules have been finalised. The State Federation has appointed a cadre-committee. The Government have recently sanctioned a subsidy of Rs. 10,000 to the Federation for this scheme.

(ii) *Orissa:*

A scheme has been formulated for formation of a common cadre for marketing and consumer Cooperatives. A budget provision has also been made for training of cadre personnel during the current year (1972-73).

(iii) *Uttar Pradesh:*

The Government is considering a proposal for creation of a common cadre for cooperatives including consumer co-operatives.

(iv) *Punjab:*

A scheme for creation of a managerial cadre for consumer coops. is under consideration.

(v) *Gujarat:*

The proposal is not finding favour with the wholesale stores.

(vi) *West Bengal:*

The proposal is not finding favour with the wholesale stores.

(vii) *Tamilnadu:*

The State Consumer Federation has been advised to submit concrete proposals for consideration. Meanwhile, a panel of officers for deputation to consumer coops. has been approved.

(viii) *Rajasthan:*

Government is considering a proposal for creation of a common cadre of all cooperatives, on the recommendation of a Committee appointed by the State Government.

(ix) *Maharashtra:*

The Export Committee on Cooperative Development appointed by the Government of Maharashtra have made a proposal for creation of a managerial cadre by consumer cooperatives. The matter is under consideration with the State Government.

(x) *Kerala:*

The proposal is accepted in principle, but not taken up for implementation as yet.

(xi) *Haryana:*

The number of wholesale stores is small and their financial position is weak; hence it is not considered feasible to form a managerial cadre at this stage. However, Government officials are working on deputation to consumer cooperatives.

(xii) *Andhra Pradesh:*

The matter is under consideration.

(xiii) Bihar:

Information not yet available.

(xiv) Mysore:

The matter has been under consideration with the State Government; details of action taken are not yet available.

The Committee desired to know the remedial measures suggested to the State Governments to improve the working of the Federations and whether the State Governments acted on those and if so, with what results. In a note, the Department of Cooperation stated as under:

1.101. "REMEDIAL MEASURES SUGGESTED:

The suggestions, given by the Central Government to State Governments for improving and expanding the business and other activities of State Federations are summarised below:—

- (i) The State Cooperative Consumer Federations should undertake bulk procurement and stocking of agricultural commodities in order to meet the requirements of the affiliated stores. To enable the Federations to cover risks involved in such operations, due to unforeseen fluctuations of prices, financial assistance should be provided by State Governments for creating an Agricultural Commodities Inventory Losses Fund/Price Fluctuation Fund, (as recommended by the Conference of Joint Registrars of Consumers Coops. held in 1969 and reiterated by Joint Registrars Conference in 1971). The State Federations of Tamilnadu, West Bengal, Orissa, Madhya Pradesh, Mysore and U.P. have created the Fund in a small way. The State Federations of Gujarat and Rajasthan have also created the Fund, but Government contribution is yet to be received. Other Federations have not yet created the Fund. Bulk purchases of agricultural commodities are already being done on a limited scale by some of the Federations.
- (ii) The State Federations should pool the purchases of manufactured articles on behalf of wholesale central stores in cases where they are not in a position to place indents, for

the minimum quantity prescribed, directly with the manufacturers, with a view to making the benefits of bulk buying available to the stores (as recommended by the Joint Registrars Conference in 1969 and reiterated by the Joint Registrars Conference in 1971). In the case of textiles, such arrangements have been made by most of the State Consumer Federations in collaboration with the National Coop Consumers Federation and in some cases in respect of pulses and foodgrains also.

- (iii) The share capital base of the State Federations should be strengthened by additional share capital contribution by State Governments, without insisting on matching contribution (vide general guidelines indicated in the programme of development of consumer cooperatives in the Fourth Five Year Plan and reiterated in the Conference of Joint Registrars held in 1969 and 1971). The Governments of Kerala and Tamilnadu have since provided additional share capital to their respective State federations. The matter is under consideration with some other State Governments also.
- (iv) The State Federations should set up regional warehouses for storage of various commodities procured to enable speedy distribution to their affiliated stores (as recommended by the Joint Registrars Conference held in 1971). The State Governments have not been able to provide any assistance to the State Consumer Federations for this purpose so far.
- (v) A Business Coordination Committee should be set up at the State level, including Chief Executive Officers of the State Consumer Federation, representatives of wholesale stores and Joint Registrars (Consumers), in each state and at the National level by the National Coop. Consumers Federation with the Chief Executive Officers of the State Federations as members, for drawing up agreed programmes of purchases. The National Federation has already set up Business Coordination Committees for the purpose (as recommended by the Joint Registrars Conference in 1971). The State Consumer Federations of Maharashtra, Orissa and Rajasthan have also set up Business Coordination Committees. The Mysore State Consumer

Federation has set up a Business Advisory Committee with members from the Board of Directors. The matter is being pursued with other State Governments/Federations."

1.102. The Committee note that during the year 1970-71, nine State Federations made a profit of Rs. 5.08 lakhs, two federations incurred a loss of Rs. 1.16 lakhs, while profit and loss figures for three Federations are not available. The review of the federations conducted by the Ministry in September, 1970 showed that majority of them have yet to make a significant effort in their main function of bulk procurement of agriculture and other commodities for the benefit of the constituent wholesale stores. The Ministry of Co-operation have made certain important suggestions for improving and expanding the business and other activities of the State federations. But some of the State federations have yet to implement these suggestions. The Committee desire that the implementation of these suggestions by the remaining State federations should be pursued with the Federations and State Governments.

1.103. Much depends on the management of the stores. When management subsidies are given by Government the Committee see no reason why the management cannot be improved. The Committee note that some State Federations have taken action for setting up management cadre. The Committee desire that the matter should be pursued with the other federations.

1.104. The success of the cooperative movement in the States depends largely on the leadership provided by the State Cooperative Consumer Federations. In this context, the Committee wish to emphasise that the federations should set up consultancy services soon. The matter requires to be actively pursued with the State Governments.

National Co-operative Consumer Federation

Audit Paragraph

1.105. The National Co-operative Consumer Federation which was set in October 1965 and has 14 State Federations as its members started functioning in 1966-67. Government's contribution towards its share capital as on 30th June, 1970 was Rs. 15 lakhs as against total share capital of Rs. 20.20 lakhs. Besides, a subsidy of Rs. 3.55

lakhs was also paid by Government. The working results of the Federation are tabulated below:—

Year	Sales turnover	Profit (In lakhs of rupees)	Loss
1965-66	Not commenced		0.33
1966-67	107.17	1.66	
1967-68	252.10	4.82	
1968-69	287.10	7.10	
1969-70	427.08	10.49*	

1.106. On receipt of certain complaints Government ordered (December 1968) an enquiry by the Joint Registrar whose findings (January 1969) were *inter alia* as follows:—

- (a) Twenty-one tonnes out of 127 tonnes cloves purchased by the Federation from State Trading Corporation had been disposed of during December 1967 to March 1968 to private traders at rates (Rs. 33 per kilogram to Rs. 39 per kilogram) which were below the then prevailing wholesale rates (Rs. 40 per kilogram to Rs. 42 per kilogram), though at that time supply by the Federation to Wholesale Co-operative Societies was restricted.
- (b) Certain transactions, such as hiring of a godown in Delhi, printing and supply of stationery and purchases of gram and barley in 1967-68 had been conducted through parties related to a member of the management.
- (c) Bad quality walnuts (250 bags and 20 cases) were supplied by the Federation to certain consumer co-operatives and the Super Bazar in 1967-68.

1.107. A detailed study of the working of the Federation which has been undertaken by the Department of Co-operation (September 1970) is in progress (November 1970).

[Paragraph 71(v) of the Report of Comptroller and Auditor General of India for the year 1969-70 (Civil) Central Government.]

*Figures are tentative.

1.108. The working results of the Federation for the years 1968-69, 1969-70 and 1970-71 as subsequently furnished by the Ministry are given below:—

Year	Sales turnover	Profit & Loss position (Rs. in lakhs)
@1968-69	287.92	(+) 6.36
@1969-70	385.49	(+) 2.57
*1970-71	466.64	(+) 2.43

1.109. As regards the detailed study of the working of the Federation by the Department of Co-operation, the representative of the Department stated that the study has been completed. The Committee desired to be furnished with a copy of the Study Report and the action taken thereon. The Department of Co-operation, while furnishing a copy of the Study Report have stated: "It has been intimated by National Cooperative Consumer Federation that the Report was placed before the Executive Committee of the Federation who referred it to its Accounts Sub-Committee for detailed examination and further necessary action."

1.110. Some of the recommendations made in the Study Note on National Cooperative Consumers Federation are given below:

- (i) The purchase policy requires to be revamped. There should be greater control and supervision of purchases by the senior managerial personnel. The Field Officers should keep a clear record of the rates tendered by the commission agents, so that it could be readily ascertained that most advantageous rates have been accepted.
- (ii) The N.C.C.F. should evolve a procedure for obtaining regular indents from its constituent units at the appropriate time so as to facilitate reasonable assessment of the requirements on the basis of which purchases should be made. It will have to maintain effective liaison with State Federations and determine the areas where the bulk purchases could confer a definite price advantage.
- (iii) There is need to have a systematic pricing policy. The selling price has to be fixed after taking into account all

@ Audited.

*Provisional.

the over-head expenses including the common over-heads. If the market conditions are such that all the overheads cannot be recovered from the price of a product, it will have to be recovered from the product of those commodities which have a better market.

- (iv) It is necessary to fix the permissible level of shortages in each category of items taking all the factors into account. Action should be taken to investigate and recover the value of shortages amounting to Rs. 5,000 in the confiscated goods section of the Bombay branch.
- (v) The maintenance of accounts has not been satisfactory, especially in the Bombay branch. The bank reconciliation will have to be brought up to date and all the items causing the difference between the balance as per Cash Book and the bank balance should be investigated in detail.
- (vi) It is necessary to have a system of inventory management which involves prescribing minimum level, reorder level and maximum level for holding of stocks after taking into account the existing turnover, future anticipated sales, the nature of the goods and the time taken for their procurement.
- (vii) There is need to introduce a system of management accounting. The operational results of the Federation should be worked out every month by compilation of the trading account and profit and loss account for the Federation as a whole and for its branches separately. While compiling these accounts, care has to be taken to see that common overheads are proportionately allocated. The gross profit ratio to sales and also the different cost ratios, like pay-roll expenses to sales, interest to sales, rent to sales etc. should be calculated to judge the operational efficiency. An integral part of management accounting is the preparation of the sales and the purchase budgets. These may be drawn up for each year against which performance should be watched every month with a view to taking corrective measures.

1.111. Regarding the sale of 21 tons of cloves at a price less than the market price, the witness stated: "According to the Joint Registrars Report, the transactions relate the period December 1967—March 1968, i.e. a period of about four months. The NCCF sold cloves in the market at less than Rs. 5 per kilo than the prevailing

rate. He says that NCCF sold at rates ranging from Rs. 33 to 39 per kilo whereas the prevailing market rate was Rs. 40 to 42 per kilo. The Board of Directors have contested the correctness of the rate of Rs. 40." The witness added: "The stocks received by NCCF were partly confiscated stocks and partly directly imported by STC from abroad and given to NCCF. The confiscated stocks were two or three years old. Then there is a difference between the Zanzibar quality and the Ceylon quality. The Ceylon quality is generally inferior to the Zanzibar quality. Now a good deal of stocks sold by the NCCF in the market was (a) from confiscated stocks and (b) mostly the Ceylon variety."

1.112. The Department of Cooperation subsequently informed the Committee that "the quantity of confiscated stock of cloves was 25,563 kgs. (25.5 tonnes approximately) out of the total quantity of 127 tonnes lifted by NCCF from STC."

1.113. The Committee enquired the rate at which 127 tonnes of cloves were purchased by the Federation from STC. In a note, the Department of Cooperation stated:

"The rate at which cloves were purchased by NCCF from STC (through their agents) during 1967-68 was Rs. 216 per 10 kg. (or Rs. 21.60 per kg.)."

1.114. From the statement furnished by the Department of Cooperation, the Committee find that sale prices and the market prices of cloves were as follows:—

Month	Rate at which sold by NCCF (Rs. per kg.)	Market price as quoted in 'Economics Times' for Delhi (Rs. in kg.)	Wholesale price (Rs. per kg.)*	Retail price (Rs. per kg.)*
September '67	30.50 30.00/31.00	35/36/37/43/ 44	34/36/ 39/43	40/42/ 43/45/ 50
December '67	33/39	40/41, 39	40/42/ 39/41	44/46 4/45
January '68	38.00/38.12 38.25	39/40	40/41	43/45
February '68	38.12	38/39/40/51/ 52	38/40	42/44
March '68	37.25	40/42	40/42	44/47
April '68	118.40/for 30 kg. 121.30/for 30kg. 43.75/44.00 45.00	43.50/43.75	46/48/	49/50/52

*Prices of cloves as obtained from the unpublished records of Bureau of Economics & Statistics, Delhi Administration.

1.115. The Committee enquired why after the Inquiry Report was submitted by the Joint Registrar, the NCCF appointed a sub-Committee to go into the matter. The witness stated: "Under the cooperative law and practice, if any irregularity is found in the working of a co-operative, the first step to be taken is to bring it to the notice of the management of the cooperative society and the management has to take remedial steps. If they fail to take the remedial steps, then other measures have to be taken by the Registrar of Co-operative Societies. The Ministry took the initiative of asking the Joint Registrar of the Cooperative Societies to make an investigation, which was undertaken by the Joint Registrar of Cooperative Societies. Then his report came. The next step was to refer it to the Board of Directors of NCCF and ask them to explain and to take remedial measures. It was the decision of the Board of Directors to appoint a sub-Committee of their own to go into the details. In fact, it may though to be good on their part to have made a detailed study like this. That Sub-Committee gave its report to the Board of Directors and then they sent it to the Ministry."

1.116. The witness added: "The Board itself has taken some action or given some directions. The Ministry came to the conclusion that the findings of the Board of Directors were, on the whole, sound and they were acceptable. We thought that they had done what was required."

1.117. The Committee were informed that after the Board of Management of the NCCF had reported in August, 1969 on the Joint Registrar's findings, the matter was stated to have been again referred to the Registrar of Cooperative Societies and he sent his comments on the report after sixteen months in April, 1971. The Committee desired to be furnished with a copy of the letter received from the Registrar. The Ministry have furnished a copy of Registrar of Cooperative Societies, Delhi letter No. F259 (Bhandar) 6605 dated 17-4-71 containing his comments on the report of National Co-operative Consumer Federation.

1.118. The Registrar made the following observations on the clove transaction:

"The Society has accepted this fact that 14 per cent of the total cloves purchased has been sold in the open market, whereas these should have been sold to the cooperative societies. Moreover, the society did not apprise the Registrar. Cooperative Societies, Delhi of the position. At the time of enquiry the Society could not produce any details regarding the marketing and stock of cloves, but now it has stated that from the beginning it procured 1,49,588 kg. of cloves from STC and also accepted that 21,088 kg. were sold

in the open market. Thus, the society has not been able to furnish any clarification so far for these illegal transactions. The list of wholesale rates and retail rates submitted by the Enquiry Officer has been obtained from the Marketing Section of Delhi Administration and it is completely authentic. The society has not been able to give a clear and satisfactory reply for selling cloves at an average margin of Rs. 5/- per kilogram. Their statement that the cloves were of inferior quality and that Lucknow Store returned them because of their inferior quality is baseless and unbelievable. In this connection the society has neither fixed any norms nor has obtained the approval of the Board of Directors to the effect that the goods were of inferior quality as per the norms. The society's contention that only in two cases—1146 kg. dated 11-12-67 and 1587 kg. dated 7-3-68—there is a substantial difference in the rates is not true. The fact is that the average difference in the rates is Rs. 5/- per kg. but sufficient difference in all the rates exists. There is not even a single instance where the cloves have been sold at the rate higher than the market rate.

1.119. The statement of the society that the stores may not be given more than two bags of cloves per month as has been laid down in the circular, was only for information and it was not carried out in practice. If the circular was not to be followed there was no justification for its issue. The circular which was issued was not circulated to all the Cooperative Stores to enable them to get the supply of scarce goods. It seems that all this was done intentionally to serve self interest."

1.120. As regards others transactions, the comments of the Registrar made in his letter dated 17th April, 1971 are as follows:

"The Federation has admitted this fact that the contract for stationery and printing of forms was given to a firm M[s] . . . (printers) which belongs to a close relative of Shri . . . , the General Manager. To say that the Chairman of the Federation was taken into confidence regarding the contract and the transaction was not illegal, is baseless, as it was against Rule 7, Chapter II of Service Rules. It is an after-thought. Moreover, out of the total value of the work amounting to Rs. 14,056.67 work of the value of Rs. 10,414.16 was entrusted to the above mentioned firm M[s] . . . (printers) which clearly proves that in order to serve selfish motives an attempt has been made to benefit him against the rules.

1.121. The clarification furnished by the society in respect of the shop taken on rent at Azad Market @ Rs. 150/- per month is not satisfactory. They should have obtained the prior approval of the Board of Directors to take the shop on rent. The General Manager got this shop from the firm M/s. . . . , who was his relative. As per the rules the Chairman has no power to give permission in such important matter.

1.122. In its reply, the society has accepted the fact that the 300 bags of Akhrot which were purchased and then sold to the stores like Super Bazar etc. were of small size and were also not of 'A' grade. But their statement that the complaint from the Super Bazar was received after two months is not satisfactory. Being a national level institution, the society is expected to supply good quality of goods at reasonable rates to its customers and members. They should not have given an occasion for complaint about the quality of goods. The society has not mentioned anything about the action taken against those employees who were responsible for purchasing and distributing the sub-standard goods.

1.123. The Committee note that as a result of a detailed study of the working of the National Co-operative Consumer Federation undertaken by the Department of Cooperation, some far-reaching recommendations have been made for improving its working. The Committee desire that early action should be taken to implement these recommendations and the Committee informed about the progress made in this regard.

1.124. The Committee find that the findings of the inquiry held by the Joint Registrar in connection with certain complaints which were not accepted by the Sub-Committee of Board of Directors have been upheld by the Registrar of Cooperative Societies. The Committee desire that necessary action should be taken in the matter. The Committee, however, regret to observe that the Registrar took a long time of 16 months to give his comments on the findings of the enquiry. The Committee would like to be informed about the further action taken in the matter.

Guarantee for working capital loans/advances

Audit Paragraph

1.125. In order to facilitate provision of adequate working capital to the Wholesale stores and Federations, Government of India in May 1966 started providing guarantees (limited to 25 per cent of the amount of loans and advances) to financing banks for loans and

advances made to consumer co-operatives against pledge or hypothecation of goods. Rs. 1,513.28 lakhs paid as loans by banks to 142 societies were so guaranteed on 4th August, 1970. Twenty-one societies for which guarantees (amounting to Rs. 274.22 lakhs had been given had incurred losses —aggregate loss Rs. 114.47 lakhs) during the three years ending 1968-69. The Ministry stated in December, 1970 that Government had not renewed the guarantees in favour of 16 societies.

[Paragraph 71 (vi) of the Report of the Comptroller and Auditor General of India for the year 1969-70 (Civil), Central Government.]

1.126. The Committee enquired whether Government incurred any loss on account of guarantees provided to financing banks for loans and advances made to Consumer Cooperatives and if so, what was the total amount of losses so far. In a note furnished to the Committee, it has been stated that "no loss has been incurred so far by the Central Government on account of guarantees provided to financing banks for loans and advances made to Consumer Cooperatives."

1.127. The Government guaranteed loans amounting to Rs. 1,513.28 lakhs given by Banks to 142 societies upto 4th August, 1970. Twenty one societies out of these had incurred losses aggregating Rs. 114.47 lakhs during the three years ending 1968-69. While the Committee note that the Government have not incurred any loss so far on account of guarantees provided for loans and advances made to Consumer Cooperative Societies, the Committee hope that necessary caution is exercised at the time of providing guarantees for loans obtained by losing societies.

1.128. As the scheme has been transferred to the State Sector five years ago, the Committee would suggest that the desirability of discontinuing the guarantees given by the Central Government for the loans advanced to the wholesale stores and State Federations and encouraging the State Governments to do so should be considered.

Conclusion

1.129. Consumer cooperatives have a vital role to play in ensuring equitable distribution of consumer goods at fair prices. However, the working of these cooperatives leaves much to be desired.

1.130. In view of the various inadequacies dealt with in this Report, the Committee feel that the Central Government with a full-fledged department of Cooperation under them have not contributed effectively towards the stabilisation of the consumer cooperative move-

ment in the country. There has not been a meaningful review of the position from time to time. Admittedly the system of collecting necessary data from the States and their analysis calls for improvement. The Committee trust that the Ministry will assume a better role of coordinator and guide and bring about noticeable improvement in the coming years.

NEW DELHI;
April 17, 1973.

Chaitra 27, 1895 (S)

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX

Summary of main conclusions/recommendations

S. No.	Para No. of Report	Ministry/Department Concerned	Conclusions/Recommendations
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1	2	3	4
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1	1.36	Cooperation	
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The Committee appreciate that in the wake of the national emergency in 1962, a centrally sponsored scheme for the establishment of consumer Cooperatives in urban areas was introduced for laudable purpose of ensuring equitable distribution of consumer goods at fair prices. The scheme was enlarged following devaluation. It was transferred to the State Sector in 1968-69 upto which year the entire outlay of Rs. 22.73 crores was borne by the Government of India. From 1969-70 central assistance to consumer cooperatives forms part of the block loans and grants to State Governments. The Committee find from the review of the working of the consumer cooperatives given in the Audit Report that some of the stores have not been functioning satisfactorily.

Cooperation

1.37 The Committee would like the Ministry itself to make a scientific appraisal of the working of the consumer cooperatives in the country with a view to identify the drawbacks and to suggest remedial measures.

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1.38

According to the figures furnished by the Ministry the total retail sales of consumer cooperatives during the year 1969-70 is estimated to be Rs. 250 crores. The Committee feel that this amount of sales turnover for the whole country is too meagre as compared with the total retail sales by the private traders, to have the desired impact on the retail prices.

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1.39

The consumer cooperative societies have made arrangements to get certain goods at the first point of distribution with some manufacturers. In case of some other commodities the manufacturers have agreed to make supplies on terms applicable to their wholesalers/authorised dealers. The Committee feel that there is need to obtain more products at the first point of distribution in order to reduce the cost prices.

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1.40

The Centrally Sponsored Scheme was aimed at a pattern of assistance in respect of matching share capital, contribution, minimum membership to be eventually attained. The Committee have been informed that State Governments were responsible to ensure that the institutions assisted fulfilled the conditions laid down under the

8 I 53 Co-operation

The Committee feel concerned to note that out of a total number of 13,134 primary societies, 4375 societies incurred losses to the extent of Rs. 150 lakhs during the year 1970-71 and 4121 societies made no profit/loss. It is discouraging that the number of primary societies making profits have decreased from 6709 in 1965-66 to 4638 in 1970-71, while the number of those incurring losses have increased from 2763 to 4375. The Committee were informed that according to the statistical statements prepared by the Reserve Bank of India over 4000 societies were dormant during the year 1969-70. In August, 1969, the Central Government recommended to the State Governments that a quick survey should be undertaken by the States to identify the viable or potentially viable units, so that they could be amalgamated with wholesale stores, if necessary, compulsorily, and the remaining stores liquidated. The Committee have been informed that the surveys are still in progress in 10 States and yet to be undertaken in 4 States viz. Himachal Pradesh, Jammu & Kashmir, Nagaland, and Meghalaya. As a result of the surveys in 6 States and 1 Union Territory, 181 primary stores and 2 wholesale stores have been placed under liquidation, 16 primaries reorganised, and 15 uneconomic branches of wholesale stores closed. The number of primary stores has been reduced from 13,950 in 1967-68 to about Rs. 13,134 in 1970-71. It has been stated that the progress is slow due to the practical difficulties involved in the process of amalgamation/merger of primary stores with the central stores. Viable stores hesitate to merge with

the institutions which have sustained losses. In the event of compulsory merger, members have to be paid their share capital, if demanded, which may not always be possible. The Committee desire that the survey in the remaining States should be completed expeditiously and difficulties in amalgamation/merger of uneconomic societies should be resolved in consultation with the State Governments.

The Committee find that the sales turn-over of the primary societies has progressively come down from Rs. 195.38 crores in 1966-67 to Rs. 151.21 crores in 1970-71. The reasons for this decline require to be gone into critically and measures devised to improve sales and reduce expenditure. It is significant that the percentage of cost of management to sales turn-over has increased from 2.99 per cent in 1965-66 to 4.23 per cent in 1969-70 mainly because of increase in the cost of management. It is also desirable to fix a norm for sales turnover which would make a primary store viable so that the performance of the stores may be reviewed on that basis periodically.

In their 102nd Report (Fourth Lok Sabha), the Committee examined in some detail the working of the Central Government Employee's Consumer Cooperative Society Ltd., New Delhi, a primary society and made suggestions for improving its working. The Committee feel that working of primary societies in the country as a whole will improve if their suggestions are adopted for the working of these Societies.

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The Committee are dissatisfied with the working of the Central/Wholesale stores. The number of stores making profit has decreased from 246 in 1966-67 to 153 in 1970-71 while those incurring losses has increased from 98 in 1966-67 to 199 in 1970-71. During the year 1970-71 out of 365 stores 153 made a profit of Rs. 100.53 lakhs, 199 stores incurred loss of Rs. 314.75 lakhs and 13 stores made no profit or loss. The Committee note that the Sub-Committee of the Central Advisory Committee on Consumer Cooperatives which has gone into the working of cooperatives in five states have identified the causes of uneconomic working of stores as adverse price fluctuations, high over-head costs, injudicious purchases, non-recovery of dues from primaries, stock shortages, lack of experience, mis-management, and in some cases, mis-appropriations. During evidence the Committee were informed that "one of the largest factors causing losses to the wholesale stores is that the credit sales to the primaries are not repaid with the result that the parent body i.e. the wholesale store collapses." The Committee find that as on 30th June, 1970 the outstanding amount under credit sales to primary stores and other bodies amounted to Rs. 491.98 lakhs out of which an amount of Rs. 139.08 lakhs was over 12 months old. The Committee take a serious notice of the fact that a large number of primaries defaulted in repayment of their credits thereby jeopardising the viability of the wholesale stores on the one hand and utilising these interest free

credits for making purchases from private traders on the other. These credits have thus, according to the Ministry, turned out to be a double-edged weapon against the wholesale stores. The Committee desire that effective measures should be taken in consultation with the State Governments to avoid delay in repayment of credits by the primary societies.

The Committee desire that a continuous review may be made of the implementation of the recommendations of the Sub-Committee of the Central Advisory Committee on consumer cooperatives for effecting improvement in the working of the stores and avoiding malpractices etc. relating to injudicious purchases, mismanagement and misappropriation.

While the Members' share of the paid capital of the Central/Wholesale stores remained almost stagnant over the years 1966-67 to 1970-71, the Government's share has risen from Rs. 4.66 crores to Rs. 7.44 crores. This goes against the very spirit of cooperative movement. The Committee desire that conditions should be created wherein the stores would attract more members.

The working of Department Stores presents a discouraging picture. During the year 1970-71 out of 107 stores, 46 made profit, 55 incurred loss and for the remaining 6 the information is not available. 2 Department stores were closed (one in 1967-68 and the other in 1969) on account of heavy losses and poor management. The losses in the

12 1.77 do.

13 1.78 do.

14 1.91 do.

working of the stores have been attributed to (a) heavy initial expenditure, (b) high rents of buildings in some cases, (c) heavy expenditure on establishment and other overheads (d) comparative inexperience on the part of management in running such large establishments, injudicious purchases, lack of proper inventory control, fixation of selling prices, etc. and (e) lower sales than expected, lack of proper system of regular and through stock verification, shortages in stock, pilferage by customers and employees, and faulty transactions in some cases. The Committee note that the Department of Co-operation have suggested various measures to improve the working of stores. The Committee suggest that the Department should effectively coordinate the implementation of these suggestions by the State Governments and the Wholesale/Department Stores.

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The Committee hope that with the effective implementation of the various remedial measures suggested by the Department, the stores would be able to not only show profit in their working but also reduce the gross margin to a reasonable percentage. The Committee find from the figures available with the Ministry that during 1968-69 29 stores were having gross margin of 8 per cent or less, while 13 had margin above 8 per cent but less than 10 per cent and another 13 had margin of 10 per cent and above.

15 1.93 do. The Committee have been informed that an amount of Rs. 36.31 lakhs paid to the State Governments for setting up 9 stores has neither been utilised nor refunded to the Central Government. The Committee desire that the matter should be vigorously pursued with the State Governments.

16 1.94 do. The Committee had an occasion to examine the working of a department store *viz.* Super Bazar, New Delhi in their 10th Report (Fifth Lok Sabha). The Committee feel that the suggestions made in this Report can be useful in improving the working of other stores.

17 1.102 do. The Committee note that during the year 1970-71, nine State Federations made a profit of Rs. 5.85 lakhs, two federations incurred a loss of Rs. 1.16 lakhs, while profit and loss figures for three federations are not available. The review of the federations conducted by the Ministry in September, 1970 showed that majority of them have yet to make a significant effort in their main function of bulk procurement of agriculture and other commodities for the benefit of the constituent wholesale stores. The Ministry of Cooperation have made certain important suggestions for improving and expanding the business and other activities of the State federations. But some of the State federations have yet to implement these suggestions. The Committee desire that the implementation of these suggestions by the remaining State federations should be pursued with the Federations and State Governments.

18 I. 103 Co-operation
 Much depends on the management of the stores. When management subsidies are given by Government the Committee see no reason why the management cannot be improved. The Committee note that some State Federations have taken action for setting up management cadre. The Committee desire that the matter should be pursued with the other federations.

19 I. 104 do.
 The success of the cooperative movement in the States depends largely on the leadership provided by the State Cooperative Consumer Federations. In this context the Committee wish to emphasise that the federations should set up consultancy services soon. The matter requires to be actively pursued with the State Governments.

20 I. 123 do.
 The Committee note that as a result of a detailed study of the working of the National Cooperative Consumer Federation undertaken by the Department of Cooperation, some far-reaching recommendations have been made for improving its working. The Committee desire that early action should be taken to implement these recommendations and the Committee informed about the progress made in this regard.

21 I. 124 do.
 The Committee find that the findings of the inquiry held by the Joint Registrar in connection with certain complaints which were not accepted by the Sub-Committee of Board of Directors have been

upheld by the Registrar of Cooperative Societies. The Committee desire that necessary action should be taken in the matter. The Committee, however, regret to observe that the Registrar took a long time of 16 months to give his comments on the findings of the enquiry. The Committee would like to be informed about the further action taken in the matter.

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Co-operation

I. 130

In view of the various inadequacies dealt with in this Report, the Committee feel that the Central Government with a full-fledged Department of Cooperation under them have not contributed effectively towards the stabilisation of the consumer cooperative movement in the country. There has not been a meaningful review of the position from time to time. Admittedly the system of collecting necessary data from the States and their analysis calls for improvement. The Committee trust that the Ministry will assume a better role of coordination and guide and bring about noticeable improvement in the coming years.