# CHAPTER I

INTRODUCTION AND DESIGN OF STUDY

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CHAPTER I

INTRODUCTION AND DESIGN OF STUDY

1. INTRODUCTION

In a developing country like India where, the majority of the population is still below the poverty line. The low income group is exploited by unscrupulous middlemen and merchants. Indian consumers are the victims of scarcity, both artificial and natural. The non-availability of essential goods at reasonable prices coupled with inferior quality adds to this problem. Hence there is an urgent need for effective retail distribution of consumer goods, both in the urban and rural areas. Exploitation and co-operation are incompatibles.

The co-operative movement was started chiefly to mitigate the evils of capitalism and exploitation of the weak was one of them. Thus co-operation is very negative of exploitation. Co-operation is joint work of two or more persons nothing new to the human society. The poor can get justice at the hands of co-operation, for “Co-operation stands for distributive justice”. Co-operation teaches mankind to improve their standard of living by means of self-help through mutual help. It makes an economically weak man into a strongman by helping him to secure the gains as a powerful man gets. It eradicates the evils of capitalism, socialism and communism. Capitalism always aims at maximisation of private gain and enlargement of the private
properties of the owner or owners of such business in utter disregard of social well-being. The capitalistic entrepreneurs exploit the workers by over-working them and under-paying their wages. Similarly, they fleece the consumers by overcharging for their goods and under-weighting the articles sold and also supplying inferior goods. Where social welfare is affected, if the affected sections cannot protect themselves, it is the duty of the state to come to their rescue. But till very recently, governments in various countries were following the policy of laissez faire. i.e. non-intervention or at least interference in economic affairs of individuals. One answer to end the evils of capitalism is “Socialism”. But it is also not an unmixed blessing. It envisages state ownership and control over all resources and elimination of private property. This curbs individual freedom and initiative. In communism, the state is everything and the individual exists only for state. The principle is “Each for All and All for each”. For eradicating the above evils, a distinctive form of organisation comes into existence which is known as co-operation.

Co-operation is the golden mean between capitalism and communism. By self-help and mutual help, they try to solve their common economic problems. The word ‘co-operation’ is derived from the Latin word ‘co-operari’ meaning “to work with”. So, co-operation means working together with others for a common purpose.
V. Sarada, a well-known author of co-operatives, says "co-operation is a desirable synthesis between the capitalism and socialism for under if we can have only the advantages of both and eliminate the defects of both".

India, being a land of villages proper distribution of essential and scarce commodities to the rural areas is imperative. The non-availability of essential goods at reasonable prices coupled with inferior quality adds to this problem. Consumers are cheated, looted and exploited in many ways. This exploitation may be accidental or deliberate. A major portion of consumers are not aware of their rights. Those who know the rights are reluctant to exercise their rights in isolation. The seller is in the upper hand in bargaining since India has long been existing as a 'sellers' market, not a 'buyers' market. So, distributive justice is one of the major means to solve these problems. Consumers' co-operative store is identified as a suitable organisation for effecting such distributive justice. Though consumers co-operatives had been functioning in the country for a long time, it was the Chinese Aggression in 1962, which created an added awareness for developing and revitalising the consumer movement. Thus, the consumers have to form into a voluntary organisation such as a consumers. "Co-operative stores, which aim at furthering the interests of its members by providing price advantage, quality goods, correct weighment and measures, credit facility and proper distribution of scarce
goods. In the beginning they were urban based. Later on, great emphasis was put to start these consumers’ co-operatives in villages.

In India the consumers’ co-operatives are formed in a four-tier structure. At the national level, National consumers’ co-operative federation is set up. The State consumers’ co-operative federations have been formed in each and every state. The District consumers’ co-operative stores are existing in the district level to cater to the needs of consumers’ co-operative stores formed in urban and rural areas. The Primary consumers’ co-operatives are formed at the base. They may be urban stores or rural stores or employees’ stores or semi-urban stores and students’ stores. The primaries are mainly retail stores. They get their supplies from the District consumers’ co-operative wholesale stores, on which the success of the consumer movement would largely depend.

The Employees’ stores are catering to the needs of employee-consumers of industrial establishments, educational institutions, common public inclusive of both government and non-government employees. The employees’ stores are mainly concerned with the satisfaction of consumers’ needs, by distributing the consumer goods of good quality at correct weighment and reasonable prices. Even though most of the consumers’ co-operatives are running at a loss or no profit, no gain, they are running for benefiting the consumers. Are the consumers’ relieved from the clutches of greedy traders with the help of these
stores? Are they playing the role to benefit the consumers? These questions instigated the researcher to choose the area as the role of consumers' co-operative stores in benefiting consumers for his study.

2. STATEMENT OF PROBLEM

People are subject to unfair deal by private traders in the form of high price, under-weighment, adulteration. Rising prices of consumable goods has its adverse effects on consumers, who are devastatingly exploited by the private merchants. In order to free themselves from such exploitation they organised for themselves a consumer co-operative store. They purchase their requirements from their apex institutions, viz., District wholesale stores or state consumer co-operative federation, thereby deriving the benefits of economies of large scale buying and driving the middlemen and unscrupulous private traders out of the arena. Therefore, the employees' consumer stores will procure consumer goods on favourable terms and make the benefits of large scale purchase available to the employees and public. During the period of scarcity, they also ensure proper supply of controlled commodities. They also extend credit facility to the members to stop them from going to private traders. Even though, they are having these benefits, an important fact on consumers' co-operative is that most of them are running at a loss or ‘no-loss-no-profit’.
The problem to be stated is the role of consumers’ co-operative stores in benefiting consumers. In some ways, they are benefiting the consumers, but in some other ways, they are not giving the expected fruits.

3. OBJECTIVES OF STUDY

The objectives of the present study are

1. To study the performance of consumer co-operative stores in Salem city.
2. To know the benefits of co-operative stores in eliminating the exploitation of consumers from private traders.
3. To study the various ways in which these stores benefiting consumers and safeguard them from the deceptive trade practices of private traders.
4. To know the financial position of the three sample consumers’ stores for ten years from 1989-90 to 1998-99.
5. To offer suggestions for better performance of these stores in helping poor consumers.

4. SCOPE OF STUDY

The study presents a historical perspective of the three sample consumers’ co-operative stores and analyses the benefits of these stores enjoyed by the members.
5 OPERATIONAL DEFINITIONS

1. ‘Stores or Consumers’ Co-operative Stores or Employees’ Co-operative Stores’ mean the stores formed by the employees of the respective organisations with their own contribution towards capital for bringing fortunes to the members by supplying quality goods at normal prices.

2. ‘Employee Member’ means an employee of the respective enterprises.

3. ‘Purchases’ means the consumption of goods both in cash and on credit.

4. ‘Sales’ means the turn-over made by the store both in cash and credit.

5. ‘Cash in hand’ refers to the balance of cash with the society. It is ‘Till Cash’.

6. ‘Cash at Bank’ is the bank balance kept by the stores with any other Nationalised, Scheduled or Co-operative bank.

7. ‘Opening stock’ is the value of stock kept in hand at the beginning of the year. Usually, the previous year’s closing stock will be the current year’s opening stock.

8. ‘Closing stock’ is that value of stock valued either at cost or market price at the end of the year. This stock will become the opening stock for the next year.

9. ‘Gross profit/ Gross loss’ is the business result arrived in trading account before adjusting indirect expenses.
10. ‘Net profit/ Net loss’ is the business result arrived in profit and loss account after adjusting indirect expenses and incomes with gross profit/gross loss.

11. ‘Sundry Debtors’ means the persons who purchased goods from as on credit.

12. ‘Sundry Creditors’ are the suppliers of goods on credit to us.

13. ‘Dividend’ means the share of profit arrived and declared by the stores to be disbursed to the members.

14. ‘Reserve Fund’ is the reserve created out of the net profit by the stores in order to meet any urgency in future. It is created out of the profits not less than 20% and not more than 30% of the net profits.

15. ‘Deposits’ are the investments made by these stores in co-operative banks.

16. ‘Share capital’ is the contribution made by members at the time of joining the society. This smallest unit of share capital is known as a ‘share’.

17. ‘Investments’ means the contributions made in assets like, furniture, library etc.

18. ‘Co-operative Education Fund’ is the fund to be created by all co-operative societies at 2% of the net profits.

19. ‘Co-operative Development Fund’ is obligatory on the part of the societies to transfer not less than 3% of net profits, to this fund.
6. METHODOLOGY

This study is based on the secondary data collected from the records of those sample Employees’ Consumers’ Co-operative Stores viz., (1) SS.74 Salem Steel Plant Employees Co-operative Stores Ltd., Mohan Nagar, Salem-636 030. (2) The Swarnapuri Consumers’ Co-operative Stores Ltd. S.1172, Swarnapuri, Salem- 4. (3) SS8 Anna Transport Corporation Employees Co-operative Stores, Salem- 7 from their records.

7. PERIOD OF STUDY

For the purpose of analysing the three sample employees consumers’ stores the study covers from 1988-89 to 1997-98.

8. FIELD WORK AND DATA COLLECTION

The field work for the study was carried on by the researcher himself during November and December 2000.

9. DATA PROCESSING

The data collected from the records of the three sample employees co-operative stores were thoroughly analysed. Missing details were completed. The data were classified, tabulated and processed. Most of the data processing was done by the researcher with the help of calculation. With the help of a statistician, the statistical analysis was done.
10. FRAME WORK OF ANALYSIS

The researcher has analysed the data by using Average Mean of various data.

11. CHAPTER SCHEME

This dissertation consists of six chapters as under.

1. The first chapter of the dissertation deals with the ‘Introduction and design of study’ in a nutshell.

2. The second chapter is discussed on the role of ‘Rochdale Pioneers’ in the formulation of co-operative principles.

3. The third chapter deals with the ‘Emergence of consumer co-operative stores’ as the ever first in great Britain as well as in the world.

4. The fourth chapter is on the ‘Role of consumers’ co-operative stores in the Indian co-operative movement’.

5. The fifth one deals ‘The performance of consumers’ co-operative stores relating to the three sample employees’ stores in Salem city.

6. The last, but not the least chapter deals about ‘Summary of findings, suggestions and conclusion.'
### 12. REFERENCES

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