CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

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1. INTRODUCTION

Cooperation in its comprehensive sense meaning the joint work of two or more persons is nothing new to the human society. "The idea of cooperation is older than man himself".¹ Group activity for common cause which yields a better return per head of the group does find its way into the productive process, many a time without the knowledge of those who are jointly engaged in it. The agents of production, viz., land, labour, capital and organisation combine together to contribute to the national wealth of goods and services. But when the question of distribution of national wealth arises, we witness maldistribution of national wealth among the people. What is more, the worst hit are the poor. The poor can get justice at the hands of cooperation, for "cooperation stands for distributive justice".²

A cooperative society is an invention of economic necessity on the part of economically weaker sections to avoid exploitation by the economically stronger sections. A Cooperative Society may be defined as a voluntary association of economically weaker sections of the society to
further their economic interest with democratic management and honorary service. Dr. Leo Berube of the Canadian Council of Cooperation has beautifully summed up the principles of cooperation as "Freedom of association and of enterprise; Fruitfulness of self-help and joint action in the economic field; Priority of man over money in the management; Service instead of profits as economic motive; Importance of putting back authority over economic activities in the hands of those who have the economic needs; Necessity of continuous effort in improving man's knowledge and behaviour as a condition of bettering institutions".3

India is a country with a number of socio-economic problems. Poverty and inequality are the net result of such problems. Distributive justice is one of the major means to solve the problem of poverty and inequality. Consumer cooperative is identified as a suitable organisation for effecting such distributive justice and for economic upliftment of the have-nots of India.

In India, a major proportion of consumers are not aware of their rights. Those who know the rights are reluctant to exercise their rights in isolation. The trader has an upper hand in bargaining since India has long been existing as a 'sellers' market' due to its constantly
increasing population, inflation-oriented developing economy and slower rate of increase in national income.

The consumer lacks buymanship. "There are institutions to teach salesmanship; but no institution to teach buymanship". Consequently, the consumers have to form into a voluntary organisation such as a consumer cooperative store for collective bargaining. A consumer cooperative store aims 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.

The structure of consumer cooperatives in India is a four-tier structure consisting of National Consumer Cooperative Federation at the national level, State Consumer Cooperative Federations at the State-level, District Consumer Cooperative Wholesale Stores at the District-level and the Primary Consumer Cooperative Stores at the base.

The Primary Consumer Cooperative Stores are classified by Tamil Nadu Government Cooperative Department into Urban Cooperative Stores, Semi-Urban Cooperative Stores, Rural Stores, Employees' Stores and Students' Stores. The Students' Stores are in turn classified into University Stores, College Stores and School Stores. The Employees' Stores are catering to the needs of employee-consumers of industrial establishments while the Students' Stores are primarily concerned with
the supply of books and stationery required by the students at reasonable prices.

In these days of general scarcity of both domestic provisions and stationery, the problem of ever-increasing prices of these consumer goods is definitely acute. Unless the consumer co-operative stores rise to the occasion, the problem will become more acute. But the consumer cooperatives including students' stores are functioning at loss or at 'no loss - no profit'. As per Basic Data on Cooperatives in Tamil Nadu published by the Tamil Nadu Cooperative Union, Madras - 600 009 for the quarter ended 30.9.1986, out of 3,802 consumer co-operative stores, 1,166 (31%) were working at loss and 149 (4%) working at 'no loss - no profit'. Approximately, one-third of the stores are in the red. This prompted the researcher to choose the area of consumer cooperatives for his study.

2. STATEMENT OF PROBLEM

The adverse effect of rising prices on employees who earn fixed income cannot be exaggerated. The employees are subject to unfair deal by the private traders in the form of high price, underweighment and adulteration. The American College employees are not an exception to this fact. In order to free themselves from such exploitation, they organised for themselves a consumer cooperative store.
In the case of American College students, they are put to hardship, such as high price and low quality books and stationery, at the hands of private traders. So they organised their own consumer cooperative store to avail of efficient and economical services in the form of quality books and stationery at reasonable price.

The employees' consumer stores purchase their requirements from their apex institutions, viz., District Wholesale Stores or State Consumer Cooperative Federation, thereby deriving the benefits of economies of large scale buying and driving the middlemen and unscrupulous private traders out of the arena. Thus, the employees' consumer stores will procure consumer goods on favourable terms and make the benefits of large scale purchase available to the employees. During the periods of scarcity, they also ensure proper supply of controlled commodities. They also extend credit facility to the employee-members to stop them from going to private traders.

In the case of students' stores, they buy stationery from wholesale stores and books from publishers and sell them at fair prices.
In spite of the above merits, one disheartening fact about consumer cooperative stores in Tamil Nadu is that about 40 per cent of the stores are functioning at loss or at 'no-loss - no-profit'. It is evident from the fact that 1,498 out of 3,802 consumer cooperative stores in Tamil Nadu (i.e., 39.4%) were working on loss, or on 'no-loss - no-profit' by the end of December, 1985. The same is the case with college stores in the city of Madurai as revealed by Table 1.1.

**TABLE 1.1**

**Working Results of Students' Stores in 11 City Colleges**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>(3+4/5)x100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982-83</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>11</td>
<td>36%</td>
</tr>
<tr>
<td>1983-84</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>11</td>
<td>45%</td>
</tr>
<tr>
<td>1984-85</td>
<td>6</td>
<td>5</td>
<td>-</td>
<td>11</td>
<td>45%</td>
</tr>
<tr>
<td>1985-86</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td>11</td>
<td>45%</td>
</tr>
<tr>
<td>1986-87</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td>11</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: Extracts from the records of the Office of the Deputy Registrar of Cooperatives (Stores), Madurai Circle, Madurai-10.
Table 1.1 clearly shows the position of students' stores of Madurai City Colleges. The number of stores running at loss is increasing from two in 1982-83 to three in 1983-84 and to five in 1984-85, though the number has decreased to four thereafter. The percentage of stores running at loss and at 'no-loss- no-profit' was only 36% in 1982-83 but had shot up to 45% from 1983-84 onwards.

One reason that can presumably be ascribed to this sorry state of affairs may be that the stores are not rendering services as efficiently as to satisfy the tastes and preferences of member-users of the stores. This motivated the researcher to analyse the utilisation of a college cooperative store by its members. After careful consideration, the researcher has chosen the American College Cooperative Stores Limited for his study, the reasons prompting the study being:

(i) The American College Cooperative Stores Limited which was started in the year 1940 is the oldest college consumer cooperative store in the City of Madurai.

(ii) The store is a composite store combining the elements of both employees' store (including groceries and ration articles) and students' store. According to information
gathered from the Office of the Deputy Registrar of Cooperatives (stores), Madurai - 10, the American College Cooperative Store is the only college store dealing in groceries, ration articles and cloth along with books and stationery.

(iii) The store which had been making profits since 1953 started incurring loss in 1980. Again, it had been suffering loss consecutively through 1984, 1985 and 1986. The losses for four years intercepted by three years of erratic profit margins as shown in Table 1.2 also induced the researcher to study the store.

TABLE 1.2

Net Profit earned by the American College Cooperative Stores (1980-1986)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit</th>
<th>Net Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs. Ps.</td>
<td>Rs. Ps.</td>
</tr>
<tr>
<td>1980</td>
<td>---</td>
<td>1,049.12</td>
</tr>
<tr>
<td>1981</td>
<td>725.90</td>
<td>---</td>
</tr>
<tr>
<td>1982</td>
<td>3,027.86</td>
<td>---</td>
</tr>
<tr>
<td>1983</td>
<td>11,618.21</td>
<td>---</td>
</tr>
<tr>
<td>1984</td>
<td>---</td>
<td>552.21</td>
</tr>
<tr>
<td>1985</td>
<td>---</td>
<td>2,049.34</td>
</tr>
<tr>
<td>1986</td>
<td>---</td>
<td>679.97</td>
</tr>
</tbody>
</table>

Source: Extract from the Income Statement of The American College Cooperative Stores.
3. REVIEW OF PREVIOUS STUDIES

The study aims at investigation of utilisation of the American College Cooperative Stores Limited by its members. The researcher has reviewed previous studies relating to the area of consumer cooperatives to which his study is related. The review of such studies is given in the following paragraphs:

(i) Prof. G. Gopal in his study titled "Employees' Cooperative Stores in Coimbatore District: A Study of Socio-economic benefits derived by members" has made an empirical fact finding exercise to know the extent of socio-economic benefits derived by the members of the employees' cooperative stores in Coimbatore District and has analysed the factors influencing such benefits. 6

(ii) Prof. N. Sudalayandi Pillai in his study titled "Bhagawathi Super Market, Nagercoil - A Study of Operational efficiency" has analysed the causes for poor operational efficiency of Bhagawathi Super Market, Nagercoil, and has identified the attitude of members, employees and non-member consumers towards the supermarket. 7
(iii) Dr. A. John Winfred, in his study titled "Operational efficiency of consumer stores in India", has applied variables such as purchases, sales, membership, share-capital, reserves etc., and ratio analysis for measuring the operational efficiency of consumer stores in India. 8

(iv) In April 1986, Dr. S. Shanmugasundaram and Thiru S. Benjamin Christopher in their study titled "The Chintamani Cooperative Supermarket, Coimbatore - A Case Study on utilisation by members", have made out a case on how best the members utilised the supermarket. 9

(v) In his study on "Factors influencing sales in the consumer cooperative stores", Thiru D. Himachalam has made a study of factors responsible for regularity of buying with reference to two big consumer cooperative stores in Tirupathi. He has discovered credit facility, proximity and wide range of choice as factors causing regularity of buying. 10

(vi) Dr. M. Hampanna, in his study titled "Working of State Consumers' Cooperative Federation - A Case Study of the Tamil Nadu Consumers' Cooperative Federation Ltd.", has dealt with purchases, stores and sales practices of the Tamil Nadu Consumers' Cooperative Federation Ltd. 11
(vii) Thiru N. Doraiswamy and Thiru M. Srinivasan have, in their case study on "Extent and Applicability of financial ratios to consumer cooperatives", demonstrated the application of financial ratios to consumer cooperative store by choosing Dindigul Cooperative Wholesale Store as sample. 12

(viii) Dr. N. Thanulingom, in his article on "consumerism and Cooperation", has shown how consumerism is nurtured in India by Cooperative movement. 13

(ix) Dr. O. R. Krishnaswami, in his article on "Evaluation of Cooperatives - Scientific Approach", has illustrated measurement of performance of cooperatives on the basis of qualitative key areas such as membership, timeliness and adequacy of service, volume of business, member-users etc. 14

(x) In his book on "Glimpses of Cooperatives through Press", Dr. R.C. Dwivedi has given a compendium of 25 years' press clippings and fifty "rich-in-thoughts" articles of experts on consumer cooperatives. 15

(xi) Thiru T. Paranjothi has given a brief account of the report of the committee on consumers' cooperatives (1961) in his book on "Committees and Commissions on Cooperation". 16
4. SCOPE OF THE STUDY

The study presents a historical perspective of the American College Cooperative Stores Limited and analyses the utilisation of the store by the members.

5. OBJECTIVES OF THE STUDY

The study has the following objectives:

(i) To know the financial position of the store for seven years from 1980 to 1986.

(ii) To study the factors influencing utilisation of the store by employee-members as well as student-members.

(iii) To offer suggestions for better performance of the store.

6. HYPOTHESES OF THE STUDY

The researcher has two sets of hypotheses — one for employee-members and the other for student-members.

A. For employee-members:

(1) The economic status of members influences utilisation of the store. The lower the economic status, the higher would be the utilisation and vice versa.
(ii) Age influences utilisation of the store. The elder a member, the higher would be the utilisation and vice versa.

(iii) Period of membership influences utilisation of the store. The longer the period of membership, the higher would be the utilisation and vice versa.

(iv) Size of family has an impact on utilisation of the store. The larger the size of a member's family, the higher would be the level of utilisation and vice versa.

(v) Credit facility influences utilisation. The higher the credit availed, the higher would be the level of utilisation and vice versa.

(vi) Member's opinion on price influences utilisation. Members who feel that price is low tend to utilise the store to a greater extent.

(vii) Member's opinion on quality of goods influences utilisation. Members who feel that the quality of goods supplied is high tend to use the store more than those with adverse opinion.
(viii) Member's opinion on adulteration influences utilisation. Members who feel that the goods supplied are free from adulteration tend to utilise the store more than those who feel otherwise.

(ix) Member's opinion on correct weights and measures influences utilisation. Members who feel that correct weights and measures are used tend to have higher utilisation.

B. For student-members:

(i) Hostelers tend to utilise the book store more than day scholars.

(ii) Member's opinion on price influences utilisation of book store.

(iii) Member's opinion on discount influences utilisation.

(iv) Member's opinion on timely supply of books and stationery influences the level of utilisation.

7. OPERATIONAL DEFINITIONS

(i) 'Book Store' refers to a wing of the American College Cooperative Stores Limited dealing in books and stationery.
(ii) 'Employee-member' means an employee of the American College who is a member of the store.

(iii) 'Student-member' refers to a student of the American College who is a member of the store.

(iv) 'Junior student-member' means first year undergraduate student-member as well as first year post-graduate student-member.

(v) 'Senior student-member' refers to a student-member who is not a junior student-member.

(vi) 'Faculty member' means an employee-member who is a teacher of the college.

(vii) 'Non-faculty member' refers to an employee-member who is not a teacher of the college.

(viii) 'Dormant member' is a member who is not buying from the store.

(ix) 'Active Member' is a member who is buying from the store.

(x) The term, 'utilisation' refers to the use of the store by the members, thereby deriving economic benefits.

(xi) 'Economic Status' means the designation of employee-members.

(xii) 'Discipline' refers to the major subject of a student-member such as 'Commerce', 'Chemistry' etc.
8. METHODOLOGY

This study is based on secondary data collected from the records of the American College Cooperative Stores and on primary data collected from members through questionnaires.

9. CONSTRUCTION OF TOOLS

The researcher has framed two questionnaires—one for employee-members and the other for student-members—for the purpose of study. The questionnaires were prepared in consultation with the office-bearers and the senior assistant of the store.

10. SAMPLING DESIGN

In collecting primary data, one-third sample of employee-members has been adopted under proportionate stratified sampling method while 10 per cent sample of senior student-members of all disciplines has been adopted under random sampling method.

11. PERIOD OF STUDY

For the purpose of analysing the financial position of the store in the second chapter, the study covers a period of seven years from 1980 to 1986.
12. FIELD WORK AND DATA COLLECTION

The field work for the study was carried on by the researcher himself during January and February, 1989.

13. DATA PROCESSING

The primary data collected through questionnaires and the secondary data collected from the records of the store 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 calculator. However, the statistical analysis of variance was done with the help of a statistician.

14. FRAMEWORK OF ANALYSIS

The researcher has analysed the data by using ratio technique, simple regression and 't' test, 'F' test and chi-square test.

15. CHAPTER SCHEME

The dissertation consists of five chapters as under:

(i) The first chapter deals with 'Introduction and design of the study'.

(ii) The second one deals with 'Historical Perspective of the American College Cooperative Stores Limited'.

(iii) The third one deals with 'Analysis of utilisation of the store by employee-members'.

(iv) The fourth one deals with 'Analysis of Utilisation of the book store by student-members'.

(v) The fifth and final chapter deals with 'Summary of findings, suggestions and conclusion'.
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10. Thiru. D. Himachalam


11. Dr. M. Hampanna


13. Dr. N. Thanulingom

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