CHAPTER – I

INTRODUCTION AND DESIGN
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1.1. INTRODUCTION

The concept of Cooperation is not of recent origin. It began with Adam and Eve. The word Cooperation was derived from the Latin word. “Cooperare” which means “Working together For a common cause”. The cooperative movement is the movement for the people by the people and of the people. The Cooperation is the channel through which progress and prosperity of the people can be enhanced.

The birth of cooperative movement in India was in 1904. The movement is more than a century old. But the growth of cooperative movement in India remains still developed. The Cooperative movement in India is largest in the world with 4.88 lakhs Cooperative societies spread over the country. The total membership of cooperatives over 20.70 crores. Covering around 100% villages and about 67% of the total population. It has a share capital of Rs.11,655.50 crores and working capital of Rs.1,65,312.80 crores. The Cooperatives have spread to vital segments of the economy in our country.

Cooperation is a method by which individuals with limited resources are enabled to take part in an organized economic activity For mutual benefit through mutual sharing of responsibility for management on the basis of equal
partnership with the principle of “one man one vote” irrespective of share holdings. It permits every member to retain his identity and have an equal control over the business along with others, which is not the case in joint stock companies. Cooperation essentially promotes a partnership of equals for a common purpose. There are many people in India who suffer from lack of resources. It is to help them that cooperatives are being developed in the country.

Cooperation is world movement. In the rural economy in India, cooperatives are expected to promote local leadership, social values and communities consciousness with their influence extending for beyond the economic activities themselves. It is against this background that Cooperation has a place of importance in the five year plans, has been assigned a pivotal role in the programmes for raising the level of agricultural productivity. Extending improvement in technology and expanding employment so as to secure the basic resistive in member of the rural community.

Co-operation was introduced in India mainly as a defensive organisation for dealing with problems of rural indebtedness.

Co-operation means working together to be more appropriate, we may define cooperation as acting together to accomplish the common goal through cooperative principles.
Co-operatives are envied as the key to empowerment of rural poor, right from birth of a baby in a cooperative hospital, the entire socio economic fabric of society is based on philosophy of cooperation.

The father of Nation, Mahatma Gandhi was keen to inject spirit of cooperation "as a way of life" as it was the right weapon for achieving political independence, economic freedom and social justice. His contribution to present day cooperatives emanate from the base fact that he vehemently opposed arithmetically multiplication of cooperatives to strengthen them as viable enterprise.

Cooperation is certainly neither a capital way of life nor a hundred percent socialism although it nearer to socialism than capitalism. As a result, our planners have often emphasized that there is no instrument as potentially powerful and full of social purpose as the cooperative management. With the advent of reforms of era and establishment of WTO even UNO has declared first Saturday of July each year as the "International Cooperative Day" there by recognizing inevitability of cooperatives as development partners both by the Govt. and International Community.

1.2. DEFINITION

"Cooperation is a form of organization where in persons voluntarily associate together as human beings on a basis of equality for the promotion of economic interests of themselves" defined Calvert.
“Cooperation is the unique innovation of nineteenth century in purpose, form management and objectives although a cooperative organization is economic in nature, its purpose is to save its member from exploitation by properly serving their economic interests, profit, incidental to ethical conduct of business is welcome; but only second to the economic interests of its members. Thus, it may be construed that the purpose of cooperation is socio-economic in nature and its aiming to save the have-nots from the exploitation of the haves”. 2

“A mutual society formed, composed and governed by working people themselves for encouraging regular saving and granting small loans on early terms of interest and repayment”. 3

Cooperation “it means self-help, self-defense”, Mr. Hollyoke had the evils of rapidly rising capitalism in his view. He focuses attention on the men living in poverty. He thought their emancipation may be achieved by securing for them, a fair deal an opportunity to shape their own lives. 4

“Cooperate with others their cooperation in return will help you to solve your own problems”. 5

“Cooperatives combine the good points of both the public sector and the private sector. They are based on voluntary union and democratic control. At the same time, they can take full advantage of modern large-scale management.” — Indira Gandhi. 6
"The idea of cooperation is something much more than merely un
efficient and economic way of doing things. It is economic, it is fair, it equalize
and prevents disparities from growing. But it is something even deeper than
that. It is really a way of life" - Jawaharlal Nehru.\textsuperscript{7}

1.3. MULTIPURPOSE COOPERATIVE SOCIETIES IN RURAL LIFE

In the rural life of the farmers do not have one single purpose for which
the cooperative societies can be useful. There are various purposes and
directions in which the cooperative societies can be helpful.

The multipurpose cooperative societies have the following advantages
and render service to its members.

- Making arrangements for credit.
- Encouraging the improved method of agriculture.
- Marketing and business.
- Setup subsidiary cottage and small scale industry.
- Improving members standard of living.
- Encouraging members for saving.
- Purchase various things for the members at a reasonable price and
  supply them.
- Try to solve the disputes between members through arbitration and
  adjudication.
- Inculcate feeling of dutifulness and responsibility and enable all
  categories of people to participate in them.
- Creates fellow feeling among the members.
1.4. COOPERATION AND VILLAGE UPLIFTMENT

The introduction of cooperative enterprise in our rural society effectively set in motion. The socio-economic upliftment of the weaker segments particularly since independence. The development role of cooperatives in rural areas is summarized as follows.

1. Organization of weaker segments in the cooperative institutions facilitated for their collective social action and generated awareness about their deprived condition.

2. Being a democratic institution the cooperatives facilitated to set in the motion the democratic participation of members irrespective of caste, class, or deed and thereby strived to eliminate some of the major problems like castelism and untouchbility.

3. Cooperative societies facilitate for the purchase of quality seeds, fertilizers, pesticides, modern agricultural implements.

4. Prior to introduction of cooperatives the rural society was subjected to the domination of Non-institutional credit particularly the money lenders and traders.

5. By being together on account of their enrolment in cooperative society the members can develop the spirit of self service through collective action.

6. Another important development since inception of cooperative societies in rural areas in the change in the leadership pattern.

7. Through cooperative societies women's development and their emancipation can be achieved.
8. The employment generated through cooperatives not only promoted their economic status in the family but also improved the overall income of the family and their standard of living.


10. The cooperative societies are meant for the socio economic welfare of the affected segments and so the spirit of social service develops in their minds.

11. The democratic values of equality, opportunity for rule of majority are all put into practice at the micro level through cooperative organization in villages.

12. Organization of people under the fold of cooperation facilitates for the fostering of solidarity at the village level.

1.5. SWOT ANALYSIS OF INDIAN COOPERATIVE MOVEMENT

The development of the people and progress of the country are the two eyes of the cooperative movement. Cooperative movement is a voluntary association where in members join together as human beings in order to satisfy their economic, social and cultural needs. It is a moral and democratic movement and exploitation is a taboo to the movement.

The economic development of any country only will be assessed with the progress and improvement of the villages. The cooperatives have taken that challenge which is really Herculean task. It requires lot of help, support ie. Financial, Physical, trained manpower. Most of the government programmes,
schemes are being operated through cooperatives. The cooperatives are used as vehicle for rural development. Cooperatives were considered as a balancing sector between public and private sectors in our mixed economy.

Cooperative sector have contributed to the growth and progress of Indian economy in multi various dimension. Economic liberalization, privatization, globalization. New generation cooperatives are as fast emerging as a powerful and unchallengeable lifting tool for socio-economic planning and development of the rural economy in many developed and developing countries.

SWOT ANALYSIS

STRENGTHS :-

❖ Their sheer number (549119 Societies) is enough to send shivers to any competitors. The quantitative side of cooperatives with its reach and depth is its primary strength.
❖ Its philosophy is universally accepted and created a soft corner for them.
❖ The vertical and horizontal linkage of cooperatives gives them cohesiveness and are great help for the rural development.
❖ Cooperatives generate direct and indirect employment to the rural people.
❖ Cooperatives provide spirit of unity, provide an opportunity even among youth to learn how to business in cooperatives and in an economic way in the form of students cooperatives.
Cooperatives teach thrift and savings habits to the people.

Cooperatives besides economic development equally take care of social and social matters.

Cooperatives produce good leaders from the society and people learn many qualities from it.

Cooperatives educate and train people for tomorrow whereas the private organizations exploit them and use them for their own advantage.

**WEAKNESSES**

- Lack of strong capital base.
- Excessive Govt. Control due to dependency on govt contribution in the form of share capital etc.,
- Complicated legal framework.
- Lack of support from other financial institutions.
- Under utilization of technology, modern management techniques, lack of professionalism, business skills, vision etc.,
- Excessive official regimentation permissions, sanctions, & restrictions.
- Lack of dedicated leadership at all levels. Cooperatives were mis-utilised by the leaders and used their bad office and involved in politics.
- Cooperatives could not well utilize the change in the technology and strengthen to give stiff competition and maintained the pace with the private sector and accepted the rock bottom line in the manner.
Given lot of room for criticism for poor performance standards and also not able to tap the talented manpower from the market.

OPPORTUNITIES

- The wide network of cooperatives in India could be put to better use in distribution and creating new markets.
- More elbow space is provided with liberalized cooperative Acts. Free from many restrictions from the govt. An opportunity to restrictive themselves as professional bodies.
- Government patronage and many concessions are extended to the sector.
- Valve additions, aggressive processing activities, timely using market gaps by scanning the environments.
- Networking with private companies and multinational companies as the cooperatives have deep roofed chain.
- More opportunities to register new type of cooperatives like electricity user's cooperatives, life and insurance cooperatives. The existing cooperatives too have opportunities to expand their activities, with networks and by converting into multi-state cooperatives. Lateral expansion is much possible by bringing together small entrepreneurs, producers, artisans to a common platform and providing them extended market and fair returns.
- They can think of new generation cooperatives like Canada and USA. So as to inject professionalism in cooperatives with certain commercial relationships.
THREATS

- The government support that was hitherto extended may dry up.
- Governments are targeting cooperatives for closure or privatization.
- Ideological contest of whether cooperation should tilt towards profit marketing or service oriented. Because it is often said that profit are neither the objective nor the index of a cooperative performance.
- Major private and multinational companies are slowly entering into the activities of the cooperatives. For example ITC Industries Ltd.
- Entry of NGOs, SHGs, farmer clubs, Producer, Associations etc., have changed the outlook of the villages and the thinking of the people.

From the SWOT analysis It is clear that there are many weaknesses and opportunities to the cooperatives. The cooperatives have to forget the past and reengineer its approach with new vigor and strategies to survive and grow in the cutthroat competitive future environment. Even through it has rendered lot many services to the national economy, employment generation, upliftment of poor and down trodden, due to the emergence of NGOs, SHGs, farmers clubs etc., in the rural development the role of cooperatives may be marginalized.

1.6. PRIMARY COOPERATIVE STORES

Consumer cooperatives constitute major segment by non-credit cooperative societies. Such consumer cooperatives stores can function at the primary and as the central level.
Primary stores can be divided into 2 classes viz
1. Those which restrict their membership to a particular locality and,
2. Those which restrict their membership to persons engaged in a particular occupation or profession.

Primary stores are also organized in different institutions like student and staff of colleges or universities. Railways employees, industrial workers etc., The whole sale stores organized under the centrally sponsored schemes are being converted into unitary stores.

The main activity of these primary stores is relating to distribution of in consumer goods. In many cases the retailing business is limited to the sales of necessaries of daily life. In some cases subsidiary services like oil –seed crushing and paddy husking are also provided by these primaries. In the distribution of essential commodities the consumer stores are recognized as fair price shops.

1.7. SUPER BAZAARS OR DEPARTMENTAL STORES

The idea of establishing department stores, which are popularly known as super bazaars was sponsored by the Government to check the prices of consumer goods in metro polices. The first departmental store was established in Delhi in 1996.

These are basically primary consumers stores having a number of departments under one roof in a big building dealing with various kinds of
consumer goods. It is said the super market deals with all kinds of goods, starting from pins to an aero plane. Departmental stores are sponsored by Govt and managed by trained and professional staff.

1.8. WHOLESALE CONSUMER STORES

According to a scheme sponsored by the central Govt. in the year 1962, it was decided to organize consumer cooperative stores in all big and small cities and towns. Accordingly, in almost all the states a large number of independent societies were organized they are federated into wholesale societies at the level of district.

1.9. STATE CONSUMER'S COOPERATIVE FEDERATIONS

State level consumer's cooperative federations are setup in most of the states to coordinate the activities of the wholesale and primary consumer's stores. They are expected to promote and are entrusted with the responsibility to the development of consumer's cooperatives in the state.

1.10. FUNCTIONS OF FEDERATIONS

➢ To Co-ordinate and super wise the work of the affiliated wholesale stores.
➢ To make bulk purchase of consumers goods from within the state and outside the state with a view to supply them to affiliated societies.

➢ To arrange for proper storage, grading and transport of such commodities.

➢ To setup and maintain manufacturing and processing units for production of consumer goods.

➢ To advise and assist the affiliated societies with regard to stock control methods and practices.

➢ To render technical advice and assistance to affiliated societies in bulk purchase, standardization, packing, storing, displaying, pricing and other business techniques with a view to improve their operational efficiency.

➢ To arrange for training for of the employee of the affiliated societies and build and manage a common cadre of managerial personnel for the affiliated stores.

1.11. NATIONAL COOPERATIVE CONSUMER’S FEDERATION

The National Federation was registered in August 1965 and Started functioning in September 1966. Its membership consists of 14 state marketing federations, Government of India and the National Cooperative Union of India. It has also opened few regional offices and branches in different parts of country.
1.12. STATEMENT OF THE PROBLEM

The important problem of the study is cooperative super markets operate parallelly with the objective of serving the consumers with large variety of large number of goods and certain services under one roof relieving the consumer from the botheration of going from one shop to another to search of his requirements. Both are large scale organizations run in huge complexes with a number of departments or sections.

Cooperative super markets have certain special advantages such as central purchase from the district whole sale stores, lower transport and cost and government subsidy. Therefore the prices in the cooperative super market are likely to be lower than the prices in other super markets. The researcher has also observed the same phenomena in the two super markets in Salem.

The researcher is interested to investigate whether the price advantage obtained in the cooperative super market over the private super market is only sporadic or is the advantage universal ?, i.,e., it is available in every or most of the goods. The researcher has taken one cooperative super market, Ponni, and one private super market, Santham , in Salem. for the purpose of investigation.
The study aims at investigation of the price advantage in a cooperative super market over a private super market. There are a number of studies on consumer cooperatives and working of super markets.

Gopal .G. in his study titled "Socio Economic benefits of employees". Cooperative stores in Coimbatore district found the price advantage to be one of the various benefits derived by the members from their employees cooperative stores. He did not make any comparison of the prices and the conclusion was arrived at through the opinion survey conducted among the sample members of the employees cooperative stores in the study area.8

Ramasamy .K. in his study on "Economies of Ponni Cooperative Super Market, Salem", analyzed the economies in purchase, Sales and administration. He found that the unit did not ensure economies in sales and administration, though it ensured economy in purchasing.9

Kunju Mohammed.R.M. in his study titled "A study on sales management in cooperative mini super market in Coimbatore District" has examined the theoretical perspective in Sales Management and their applicability to cooperative mini super markets. He has also analyzed the working profiles of selected units. While his study explained orientation in Sales Management and working profiles of mini cooperative super markets. No attempt was made to compare the prices in various mini super markets.10
A study on the factors responsible for the success or otherwise of Pandian Cooperative Super Markets, Madurai a research conducted by Senthamaraikannan aimed at studying purchase efficiency, Sales, administration ; inventory management and financial aspect of the super market.¹¹

"Financial performance of super bazaar", Warangal a paper submitted by Gangadhar.B. and Raji Reddy.K analysed the composition of ownership, working capital position and profitability with the data given in the Annual report. Reasons for unsatisfactory performance of the super bazaar were given in the paper.¹²

Shanmuga Sundram .S. and Benjamin Christopher.S. made a survey on "Utilization of the Chinthamani Cooperative Super market by the members in their paper” the Chinthamani cooperative supermarket, Coimbatore – A study on utilization by members”. They also identified certain factors influencing utilization.¹³

Chellian B. analysed the efficiency of super markets in Tamilnadu in his study titled as "Operational efficiency of super markets in Tamilnadu” using mainly secondary data.¹⁴

“Economics of sowdeswari mini super market, Coimbatore” a study undertaken by Ramakrishnan Reddy.R. with the objective of analyzing the
economies of purchase, Sales, administration and member satisfaction. He concluded that negative results were noted in all these aspects.  

Dr. Krishnaswami O.R., 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, members, users etc.  

Murthi. V. Made a study of similar nature with the title "Price advantage in a Cooperative Super Market. A Comparative study of Ponni with Chamundi" in the year 1987. He took 111 items out of which the prices was lower in 93 items in Ponni than in Chamundi Super Market. Nearly 20 years passed since the study. Therefore this study has been undertaken to researcher whether his findings hold good even today comparison with another private super market.  

1.14. SCOPE OF THE STUDY  

The scope of the study is  

➢ The study has been made to evaluate the present scenario of the co-operative super markets.  

➢ This study would be helpful to know the quality, quantity prices of the products in the both the super markets. i.e. Ponni Supermarket and Santham Super market.
This study provides details about price advantage the customers derive from co-operative super markets.

1.15.OBJECTIVES OF THE STUDY

The study has been carried out with the following objectives.

➢ To study the working of Co-operative super markets.
➢ To study the working and progress of Ponni super market.
➢ To study the working of Santham Super Market, Salem.
➢ To study the price advantage of Ponni Super market over Santham Super Market.
➢ To make suggestions for better performance of super markets.

1.16.HYPOTHESES

Goods are cheaper in Ponni cooperative super market than in Santham Super Market.

1.17.METHODS OF STUDY

The study is based on Survey. Primary data and Secondary data were collected from the Ponni super market and Santham super market by the researcher herself. These primary data are related to the performance of both Ponni and Santham super markets, as well as regarding the prices of goods in them. As the main theme of the study is price advantage of Ponni over Santham,
collection of the prices of goods in both the super markets constituted the important process in the data collection.

Secondary data were collected from balance sheets, Reports, Journals, Magazines and related literature.

1.18. LIMITATIONS OF THE STUDY

➢ The main limitation of the study is regarding collection of data.
➢ The area of study is limited to Ponni & Santham Super markets only.

1.19. CHAPTER SCHEME

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