

## CHAPTER I

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## CHAPTER I

### INTRODUCTION

1.1. This is a study of "Management Problems of Consumers' Cooperative Societies in Pune City".

Consumers' cooperative societies have vital role to uplift and stabilize the economy of the nation by holding the price line of the essential commodities and check the malpractices of the private traders. They are regarded as a backbone of the public distribution-system. In spite of all aids and assistance received from the Government, the consumers' cooperative movement has not made any headway in attaining its objectives. A large number of stores are not functioning successfully. These societies face several management problems. It was with this view that the study of management problems of consumers' cooperative societies was undertaken.

1.2. Scope of the Research Study

It is necessary to define the different terms used in this thesis to determine the exact scope of the study.

2.1 Definitions : Different authorities have given definitions of the term "Consumers' cooperative society". They are as follows:



(a) "Consumers cooperative society in its broadest sense is understood to mean purchase of all forms of foods, foods and services by ultimate users on the basis of Rochdale Pioneers".<sup>1</sup>

(b) "A consumers cooperative store is a voluntary organization of consumers, organized to obtain their requirements of goods and services on terms of greatest advantage to them. This type of cooperative undertakes retailing, wholesaling, and sometimes the production and processing of consumer goods".<sup>2</sup>

(c) "Consumers cooperative stores are voluntary organizations of the consumers, organized for procuring goods in bulk from the production centres at favourable terms and then arranging their equitable distribution to members at fair price."<sup>3</sup>

(d) "Consumers society means a society, the object of which is the procurement, production or processing and distribution of goods to, or the performance of other services for, its members as also other customers and distribution among its members and customers, in the proportion presented by rules or bye-laws of the society of the

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1 Fundamentals of Cooperation, Report on International Cooperative Alliance, p. 7.

2 Mathur, B.S. Cooperation in India, p. 386.

3 Bedi, R.D. Theory, History and Practice of Cooperation, p. 330.

profits accruing from such procurement, production processing and distribution."<sup>4</sup>

The above quoted definitions bring out the meaning of consumers' cooperative society as a voluntary association of consumers organized, financed, owned and managed by the consumers themselves for purchasing day-to-day consumers goods at favourable terms and reselling them to the consumers at reasonable price. It is a service motive organization than profit making body.

According to the Maharashtra State Cooperative Societies Act 1960, it is compulsory for every consumers' cooperative society to register itself with the office of the Registrar of Cooperative Societies. It is with this view that all consumers' cooperative societies registered with the office of the Registrar of Cooperative Societies are studied in this thesis.

The study includes central/wholesale or federal type of consumers' cooperative societies and primary consumers' state cooperative societies. According to the Maharashtra State Cooperative Societies Rules made by the Department of Cooperation, following are the conditions laid down for registration of primary as well as federal consumers' cooperative societies.

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<sup>4</sup> The Maharashtra State Cooperative Societies Act, 1960, Section 2(a), p. 13.

1) Primary consumers' cooperative society is one which can be registered with atleast 250 members and is expected to increase its membership upto 500 members within three years. The area of working is limited to a population of 10,000 people in a locality.

2) Federal societies are also wholesale/central consumers cooperative society. They can be registered with atleast 500 members and are expected to increase its membership upto 1000 within three years. The area of working of the federal society is limited to population of 50,000.

2.2 Management Problems : The management of consumers' cooperative societies is an important factor which determines success or failures of the consumers' cooperative societies. The management problems of consumers' cooperative societies in the following important areas of management, are dealt with in this study.

1. Management Structure
2. Purchase Management
3. Sales Management
4. Financial Management
5. Personnel Management.

2.3 Pune City : Pune (18.31 N latitude and 73.51 E longitude) is situated on the Deccan plateau almost on its Western margin and lies on the leeward side of the Western



ghats. The town is located on the South-East main lines of the Central Railway. It is 192 kms. away from the city of Bombay. The city area is about 138.9 sq.km. and its altitude is 559 kms. and thickly populated about 20 lakhs.

In studying the management problems of consumers' cooperative societies the scope of the study has been extended to the consumers' cooperative societies in Pune city.

Pune city has been a nucleus of cooperative movement in the State of Maharashtra. It has been a home town of great cooperators like the late Professor D.G. Karve, Professor D.R. Gadgil and others who provided sound leadership to the Indian cooperative movement. The first consumers' cooperative society was organized by the late Shri G.K. Deodhar in 1914 in Pune city. It was the first consumer cooperative society in the State of Maharashtra. These veteran cooperators took the lead in organizing consumers' cooperative societies in the Pune city.

There are more than 2000 different types of cooperative societies including Housing cooperative societies, urban cooperative banks, credit cooperative societies and consumers' cooperative societies, etc. Thus the Pune city has made remarkable progress in the cooperative movement

in the State of Maharashtra.

The city has an eventful history of more than 80 years in the progress of cooperative movement. But unfortunately it was found that more than 50 per cent consumers' cooperative societies are declared defunct by the Cooperative Department of the State of Maharashtra. These consumers' cooperative societies have failed to fulfill their objectives. It was, therefore, thought worthwhile to analyze the causes of their failures and to understand their management problems.

### 13. Objectives of the Study

3.1 Following are the main objectives of the research study.

1) To study different aspects of the organization structure and management problems of consumers' cooperative societies in Pune city.

2) To suggest remedial measures to solve their management problems and improve the management of consumers' cooperatives and to ensure their sound development.

### 14. Hypothesis

The following is the hypothesis of this thesis.

"The consumers' cooperative societies in Pune city face several management problems. Unless these management problems are satisfactorily resolved, the consumers' cooperative movement will not be successful in the city."

## 15. Methodology

First of all, the principles of consumers' cooperative societies were studied with the help of the several standard books and reports published in India and out of India, Report of Government of India and I.C.A. reports. The information collected has been logically presented with a view to finding out the basic principles that must be followed by every consumers cooperative society. The historical review of the development of consumers' cooperative movement in India has been taken on the basis of information available from different standard works by reputed authors and committee reports published by the Government. On the background of this theoretical study the management problems of consumers cooperative societies in Pune city are studied by collecting data by means of survey and personal interviews. The data in the first part of the thesis is secondary while that in the latter part is primary one. This has been analyzed by using suitable statistical techniques and then the conclusions are drawn.

The independent research study of the consumers'

cooperative societies running loss during 1966-68 by Prof. S.B. Rao (Vaikunth Mehta National Institute of Cooperative Management - VMNICM), Pune. It reveals that defective buying and selling policy is responsible for the losses. The second research study of the financial management of best wholesale consumers' cooperatives made by him suggests that it is necessary to link the expenses not only to the gross sales but also to the gross profits of the consumers' cooperatives. It also points out that most of the societies earned profits out of the miscellaneous income received by them. Professor B.M. Patil (VMNICM) has also made research study of working of consumers' cooperative societies. It suggests that purchases should be made on the basis of storage capacity and transport and communication arrangement.

In addition to these research studies on the various aspects of management of consumers' cooperative societies, research scholars in different universities in India have also contributed to the research studies in the consumers' cooperative societies which focus on the various aspects of the management of the consumers' cooperative societies.

#### 16. Sources of Material

The data for the research study has been collected through the following sources.

(1) Primary Sources

- i) A questionnaire for the management,
- ii) Personal discussions with the secretaries of the consumers' cooperative societies.

(2) Secondary Sources

- i) Published data by different authors and various committees appointed by the Government.
  - ii) Annual Reports of the societies.
  - iii) Standard books on consumers' cooperative movement in India.
  - iv) Research studies in cooperation.

1.7. Limitations of the Study

Any research study of this nature is likely to have certain limitations and this study is not an exception.

The study is confined to Pune city only. It is based on 37 consumers' cooperatives working in the city. The study refers to the period from 1977-78 to 1982-83. Even though it was decided to collect the data from 1970-71, it was practically impossible to collect information from 1970-71 to 1982-83.

In most of the consumers' cooperative societies upto date and uniform records were not available.

#### 18. Significance of the Study

An efficient system of distribution is very essential to reach goods and services to the common man. Even in the proposed Seventh Five Year Plan which has envisaged to develop consumers' cooperative movement as an effective channel of distribution of essential commodities. The Seventh Five Year Plan interalia observes that the share of the cooperative sector in the country's total business is roughly 2 per cent and now it is expected to touch 8 per cent at the end of this Seventh Five Year Plan. The National Consumers' Cooperative Federation (NCCF) has planned to expand its tea business during this plan period and expected to increase its turnover doubled by the end of the Seventh Five Year Plan. In view of this importance attached to the development of consumers' cooperatives in our country, the present study of their management problems assumes great significance. It will highlight the important management problems of consumers' cooperative movement and suggest remedial measures to solve their management problems.

#### 19. Outline of the Study

This research study is divided into following chapters.

The first chapter gives an introduction to the nature and scope of the topic undertaken for study. It gives in

nut-shell the objectives, hypothesis and limitations of the study of the topic.

In the second chapter an attempt is made to give the principles of the consumers' cooperative movement since its inception. It also deals with the modifications of these principles from time to time.

The third chapter is about the organizational structure of the consumers' cooperative societies. It studies various functions and powers of the General Body and Board of Directors. It also examines the working of the societies which includes purchase management, sales management, financial management and personnel management of the consumers' cooperatives.

The fourth chapter gives a brief survey of the consumers' cooperative movement in India. It examines the development of consumers' cooperative movement before and after independence. It touches upon the development of the movement during the last six Five Year Plans. It also examines the nature of the various schemes executed by the Government in order to make the movement successful. It deals with the role of the consumers' cooperatives in the execution of 20-point economic programme as well as in 'Public Distribution System' (PDS).

The fifth chapter is about the survey of the consumers' cooperative movement in Maharashtra which includes the network of the movement, progress of wholesale societies and primary societies, various schemes of the Government of Maharashtra for the development of the movement.

The sixth chapter is an attempt to give a brief historical account of the consumers' cooperative movement in Pune city. It examines the rise and development of the consumers' cooperative societies in Pune city and focuses on the present condition of these societies.

The seventh chapter is about the survey undertaken of management problems of consumers cooperative societies in Pune city. It also deals with the nature of the questionnaire used for collecting the necessary information regarding the functions, management problems of the consumers' cooperative societies in the city.

The eighth chapter examines the nature of management structure of the federal and primary consumers' cooperative societies. It discusses various points such as age group, sex group, women participation, profession and tenure of the Directors, rules for Directorship.

The ninth chapter deals mainly with the procedure of purchases, mode and sources of purchases, cooperative

purchasing and preparing basic stock list before purchasing goods.

The tenth chapter is about the management problems of consumers' cooperative societies in relation with sales management. It discusses various aspects of sales management such as selling plan, mode of selling, after-sale services, response from the members, coverage of consumers goods which are sold in the consumers' cooperatives.

The eleventh chapter highlights the management problems of consumers' cooperative related to their financial management. It deals with share capital, sources of finance, working capital position etc. Ratio analysis is an important part of this chapter which analyses the financial position of consumers' cooperative societies.

The twelfth chapter is about the management problems of consumers' cooperative societies related to the personnel management. It contains the procedure of selecting employees, sources of recruitment, training facilities, service rules, salary and incentives and other benefits to the employees of consumers' cooperative societies.

The thirteenth chapter contains main findings and conclusions based on the information analyzed in the different chapters. It also contains general observations

and discussions with the office-bearers of the consumers' cooperative societies in the Pune city.