4. The Wholesalers

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also be looked at from the viewpoint of the subsequent channels—the semi-wholesalers, the retail outlets and the other buying units, who consider them as principal sources of supplies. It is true that for one reason or the other, the traders in the street or in a market centre do not want—nor can afford—to go round different mills to see the range of variety fabrics forming the product assortments they intend to buy in relatively small quantities. For them, the wholesaler's shop is the shopkeeper's shop which generally maintains inventories, provides wider choice even of a particular variety/sort of fabrics and delivers them to the customers.

Even the, various trade personalities and political leaders have been forecasting a decline in their status and their gradual disappearance.

In this Chapter, therefore, we shall try to study their relative importance as mills' channel components and to examine their geographical distribution, structure by type and operation, organisation, trade practices and the customs prevailing in the wholesale fabrics markets, the major problems they encounter and the role of their associations in overcoming the intra- and inter-trade levels issues and problems. Each one of the important types will be treated separately.
The wholesalers are the intermediaries who are engaged in wholesaling activities, which implies marketing in bulk or in relatively large quantities. Now, while the size of the transaction is an important characteristic, one cannot ignore the 'character of sale' while attempting to define the term. The International Cooperation Administration (Washington) presents three basic criteria in defining a wholesale transaction: (i) the status or motive of the purchaser, (ii) the quantity of goods involved, and (iii) the method of operation of the concern.

Thus, a textiles wholesaler is an intermediary who procures fabrics in mill-packed bales and resales them to

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The wholesale transaction is one in which the purchaser does not buy for his own private/personal use, but in which he is actuated by a profit or business motive.

The very term wholesale suggests a definition which is based on quantity of goods. A wholesaler is thought as one who buys and sells in large quantities.

A wholesale establishment is not open to the consuming public, does not make sales over a counter, usually employs outside salesmen, and quotes prices which are subject to discounts. (Ref.: Wholesale Merchandising, Training Manual No.105, (pp.32-33).)

The Cotton Textiles (Control) Order, 1948 (Sec.21) prescribed the size of the bale as follows:— (i) full bales containing not less than 1400 metres or not more than 1600 metres of cloth; or (ii) three quarter bales containing not less than 1050 metres or not more than 1200 metres of cloth; or (iii) half bales containing not less than 700 metres or not more than 800 metres of cloth or (iv) quarter bales containing more than 400 metres of cloth.
the customers such as other wholesalers (horizontal flow); the semi-wholesalers, retailers and institutional buyers (vertical flow).

(II): The structure of wholesale trade level

The term 'structure' when applied to trade connotes composition, size, organisation and spatial pattern. In conformance of this notion, the wholesale trade is treated here in terms of types of establishments, their organisational characteristics and the kinds of markets in which they operate.

In the fabrics distribution, different types of wholesalers are found to be functioning at the wholesale trade level. Their activities are closely linked with various features of mill units such as the manufacturing capacity and the volume of output, the physical characteristics of fabrics, the financial strength and the managerial approach towards the distribution strategy. The organisations through which they conduct their business represent variety of sizes, affiliations, legal forms and sorts specialisation.

Chart 4.1 presents different segments (wholesale

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* Horizontal flow means the movement of goods between intermediaries operating at the same trade level. Vertical flow means the movement of goods between intermediaries functioning at different trade levels.

Chart 4.1

Textiles Wholesalers at wholesale trade level

- Merchant Middlemen
  1. Non-integrated, Wholesalers (Independent)
  2. Integrated, mills' own depots/offices

- Agent Middlemen
  3. Non-integrated, Selling Agents
  4. Non-integrated, Dalals (Brokers)
  5. Non-integrated, Commission Agents

- Combination
  6. Integrated, Cooperatives-sponsored organisation
     --The Gujarat State Cooperative Consumers' Federation Ltd.
establishments) that make up the wholesale trade level of the distribution of cotton textiles.

Three categories of wholesalers are found operating at this stage: (i) Merchant Middlemen (both integrated and non-integrated) : independent wholesalers and mills' own depots/sales offices. (ii) Agent Middlemen : (non-integrated —Selling Agents, Brokers, Commission Agents) and (iii) Combination of merchant and agent middlemen : (integrated, cooperatives' federation—C.S.G.C.F.). The first two categories are the major segments where numerous intermediaries operate, and the third one consists of establishments functioning in both agent and merchant middlemen capacities.

Both vertical and horizontal integration are found at the wholesale level of fabrics trade. Vertical integration is present when two or more business functions, usually performed by separate establishments, are combined under one ownership and operation. When a number of wholesale units, all performing strictly wholesale functions, are operated under a single management, they present the example of horizontal integration.

(i): Merchant middlemen. Non-integrated types

(i) Introduction

In the process of distribution of fabrics, at the wholesale trade level, there are certain marketing functions that must be performed. The numerous and independent (non-integrated) merchant middlemen perform widest range of wholesaling functions. They specialise in buying and selling fabrics in mill-packed bales in relatively large quantities and are distinguished by the fact that they take title to the bales, maintain inventories till their resale to their local and/or 'deshaver' customers and assume all risks arising out of the ownership of goods. Thus, in the field of the wholesaling of fabrics, they are regarded as the most vital link in the distribution channels not only for markets of Gujarat, but also for most of the parts of the country. Their economic justification rests on the fact that quite a great number of small mill units cannot maintain their own sales force. In Gujarat, even giant mill units/groups have traditionally been depending upon them. The lack of adequate finance and the risks involved in the fabrics distribution are two of the chief factors accounting for the rise and the growth of these wholesalers.

The wholesalers have a long history. Earlier, in the absence of the Indian mill industry, they had undertaken the
distribution of the imported cotton fabrics known as 'daktari kapad' or 'vilayati kapad' and had furnished the foreign manufacturers the information regarding the fabrics requirements of the consumers of the country. After the advent of the domestic mill industry, they had, without any facilities, started dealing in 'deshi kapad' (indigenous cloth). The competition between the dealers of 'vilayati kapad' and 'deshi kapad' was rigorous. It were they who had helped the Indian cotton textile mill industry in its infancy and contributed to the shaping of its growth. The Indian piece-goods have now taken the place of imported (British and Japanese) fabrics, the rest of the pattern remaining basically unaltered.

According to my estimates, based on field-work, the number of such dealers could be placed between 1600 and 1700. Most of them were the 'matadars'.

Though this category of the wholesalers constituted but only one segment of the wholesale trade level, their lead-preponderance set the pattern of the wholesale trade and made them the 'eyes and ears' not only of the markets of

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+ Ibid, (p.7).
+ A matadar is one who possesses a 'matu', i.e., a full-fledged voter-membership.
Gujarat, but also of the entire national textiles market.

(ii) Regional distribution of wholesalers

(a) By geographic region

Favourable locational determinants are a prerequisite for all commercial units to attain high levels of turnovers and profits. In Gujarat, these wholesalers were found localized in big cities and towns. And, Ahmedabad City, which accounted for over 95% of all such establishments operating in the entire state, was the hub of the concentration.

This indicated that it was largely a city business and that, unlike the retail outlets which follow the population, the location of this category of wholesalers was determined not by the shifts in the consumer populations but chiefly by the density of the mill-chimneys and the availability of dependable transportation and communication facilities, of low freight rate structures, of warehousing and banking facilities, etc.

(b) By premier wholesale cloth markets

These wholesalers were mainly found located in the wholesale cloth markets of Ahmedabad, viz., Maskati, New Cloth, Dhanlaxmi, Balabhai Girdharlal, Panchkuva, Guru Nanak,

* Source: Office of Panchkuva Kapad Mahajan, Ahmedabad.
H.H. Trust building and Vakil markets, that acted as the main distributing centres for the fabrics produced by the mills located (i) at Ahmedabad, (ii) at other places in Gujarat, and (iii) at centres outside the State. A few of them certainly operated in other markets like, for instance, Surat Textiles Market, and Vadodra Kapad Bazar. But their share was meagre.

In addition, some of them in Ahmedabad were situated in Hirabhai Market, 'juni market' (old market), kalupur-station area and the predominantly semi-wholesale markets.

Some wholesalers, who were located outside the wholesale markets, maintained sales offices like the mill's sales office through the 'gadi system', where usually more than 5 wholesalers transacted their business in one shop. They paid rent to the shop-owner on the basis of a 'gadi' (a 4'x6' size mattress with telephone facility) occupied by them at prevailing rates which were found to vary between Rs.1,000 and 1,500 per month in 1975-76.

The facts lead us to the conclusion that the distribution of these wholesalers is less sensitive to direct measures of economic development than that of the retailers. This supports the conclusion arrived at by L.P. Busklin in his research, that wholesaling has more regard to measures

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* In the Surat Textiles Market, the vast majority of the wholesalers are dealing in silk fabrics.
of centrality and market density.

(iii) Nature of ownership

This class of wholesalers manifested the absence of managerial or ownership integration. My field-work showed that over 95% of the establishments were operating as partnership concerns. The company form of organisation was not at all popular at this trade level. So also the individually owned establishments like Shah Kumarpal Nihalsand, Chhotalal Ajitkumar Shah and Shah Haranendrakumar Chimanlal were an exception rather than a rule. Yes, many of the firms that were contacted had commenced their business as sole proprietorships, but had, later, converted them into partnership firms mainly with a view to securing the benefits of the latter form like, for example, the creation of larger capital bases, the availing of tax concessions and relief, getting additional expertise and organisational abilities of partners, and securing business expansion and risk division. At times, internal conflicts or other factors resulted in the dissolution of the firms.

Generally, in partnership firms, the number of partners varied from 2 to 4, from amongst the members of either the same family or close friend circles. The field-work showed

that the partnership between persons, not related to each other, were not very common at this level, though Pari Arvind Kumar Champaklal, Jayantilal Arvind Kumar Sheth, Ashok Kumar Hatverlal & Co., R. Ashok Kumar & Co., Bhikhabhai & Co., V. C. Shah & Co., Arun Trading Co., etc. did belong to this group and had been reportedly functioning quite competently and harmoniously for years. The blood relations had their advantages; and, the Indian joint or extended family contains many more members than the nuclear family common in the West. Mostly the patriarch businessmen with better financial standing introduce their unmarried descendants, married male descendants and/or the wives of the latter as partners, instead of inviting the outsiders to join their firms, with a view to reduce tax liability, give the younger generations a running start, and establish them on a firm footing in the family businesses and traditions. Also, the method helps them preserve their business secrets—may be, in certain cases, against the ethics of business.

(iv) Capital requirements and sources

Like other commercial establishments, these wholesalers also need funds to operate business. Their financial requirements originate from three chief directions: (1) They have to
finance the mills' inventories as there is always a time-gap between the acquisition of cloth bales and their sale.

(ii) They have to incur operating expenses. (iii) They have to meet the frequent obligation to extend credit to their customers—this is technically known as financing inventories of customers. The size of the financial needs vary from firm to firm, as it is more closely related to the size of the business, to the availability of credit facilities from the mills and to the reputation of the mills, in terms of fabrics image for which they function.

Over a dozen of the interviewees wholesalers in Maskati and New Cloth Markets, who were in this business for long, had reported that they had been operating on their hereditary financial strength, with minimum extra-firm finance. Over 30 other respondents had stated that, in addition to their own funds (including the partners' contributions, in the case of partnership firms), their major sources of finance were (a) for the short-term and long-term normal needs, the indigenous financiers, relatives and deposits from known persons, and (b) supportive accommodation from the other wholesalers (Jharafi Vyavhar) during strait crises. Normally, they paid interest on such borrowed funds at the prevailing rates varying between 13% and 15% per annum. In 17% of the cases, the rates were found to be as high as over 20% per annum.
The firms also borrowed from commercial banks on hypothecation of their inventories. For some, the cooperative sector bank/s constituted a major source of finance. In fact, a major development—mainly during the last decade—has been that of the promotion of urban cooperative banks by the trading communities themselves. For instance, some of the wholesalers in Ahmedabad had been, in recent years, primarily depending upon the borrowings from the cooperative banks promoted by them; e.g., Textiles Traders Cooperative Bank Ltd. (T.T.C.) and The Sabarmati Cooperative Bank Ltd. located near the central markets. The usual rates of interest on the borrowings from these Banks were 16% on pledge, shares and shops, 17% on hypothecation and vehicle, and 18% on clean overdraft, hundi, usance bills, etc.

Eleven of them had stated that they used to borrow from the Chit-fund savings institutions like Jigal Benefits Private Ltd. and Kavita Benefits, located in their areas.

As a class, their dependence on the cooperative sector banks seems to have, of late, been on the increase, probably in main because of the tight money market conditions. The figures obtained from one of the recently established and rapidly growing Bank (T.T.C.) and presented in Table 4.1 are sufficiently indicative of the trend.

The Board which managed the affairs of the Bank
### Table 4.1

<table>
<thead>
<tr>
<th>Year ending 30th June</th>
<th>Lending at the end of the year (Rs. '000)</th>
<th>Maximum lending during the year (Rs. '000)</th>
<th>Cheques cleared No.</th>
<th>Amount (Rs. '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>2914</td>
<td>3541</td>
<td>114000</td>
<td>360000</td>
</tr>
<tr>
<td>1972</td>
<td>6361</td>
<td>7471</td>
<td>182000</td>
<td>640000</td>
</tr>
<tr>
<td>1973</td>
<td>6238</td>
<td>8636</td>
<td>199978</td>
<td>719700</td>
</tr>
<tr>
<td>1974</td>
<td>15765</td>
<td>15765</td>
<td>204176</td>
<td>1065300</td>
</tr>
<tr>
<td>1975</td>
<td>15012</td>
<td>23700</td>
<td>237288</td>
<td>1305200</td>
</tr>
</tbody>
</table>

(established on 6-2-1970) consisted of 15 members of which 12 were elected from among the textiles distributors and 3 from among the distributors of other commodities. It was stated by the bank executive that advances to the textiles traders—mainly, wholesalers—constituted nearly 80% of the total in 1975.

(v) Size characteristics

The wholesalers were hesitant in furnishing the information relating to their annual sales turnovers. My estimates showed that 60% of the total sales effected through all the constituents of the wholesale trade were

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0 Based on a depth-interview of one of the office bearers of Mankati Kapad Markit Majan, Ahmedabad.
handled by this class of traders, taking all the non-integrated merchants as one institution.

The ownership pattern of these wholesale establishments may create a misleading impression that the concerns operating as sole proprietors or partnership firms are small scale trading concerns. Not always so. Actually, average wholesale dealers doing business even on 'gadi system' had reported annual sales turnovers of over Rs.50 lakh, with an investment of Rs.4 to 5 lakhs. (This meant a 10 to 12 times fund-utilisation.) The field-work showed that in over 30% of the firms studied, the annual sales turnover had crossed the figure of Rs.1 crore in one year or the other.

(a) Branch (Horizontal and vertical expansion)

There were a few firms like Natvarlal Chunilal Patel* and Navnitbhai Gordhandas (New cloth market)* that favoured the expansion of their businesses horizontally by creating another firm/branch at the same trade level. Vertical integration was noticed in the case of some firms like Ratanchand Shantilal & Co., R. Ramnalal & Co., A. Kirithkumar & Co., Mahendra Vadilal and Arvindkumar Marshallkumar & Co., which were found operating in the capacities of both whole-

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* They had their firms in New Cloth Market as also in H.H. Trust Building (market).
* They had three branches at Bombay, Delhi and Madras.
salers and semi-wholesalers.

My field-work showed that, in the central markets, between 20% and 25% of the wholesalers had been simultaneously operating as commission agents. (This seemed to be a common practice in the present-day textiles markets.) Table 4.2 presents an illustrative list of such traders.

(b) Employees:

The number of employees—part time or full time—depended upon the size of the business unit and varied from firm to firm.

Some trading communities including Sindhis, Panjabis and Marwadis were reported to have amassed capital from small beginnings and had later on, entered this field. Such merchants were found performing most of the functions themselves, and even in those cases where assistants were employed, they were usually 2 or 3.

The family-owned firms having two or three active partners, too, less number of paid employees as the former performed most of the operational work themselves. But, a large majority of the bigger firms did have 2 to 7 employees (in certain large concerns their number exceeded even 10) employed mainly for the purpose of maintaining the books of accounts, for the collection of outstandings, for the godown work and for the general routine clerical work.
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>M/s Ashokkumar Natverlal &amp; Co.</td>
<td>Balabhai Girdharlal Market</td>
</tr>
<tr>
<td>2</td>
<td>M/s Jitendra &amp; Co.</td>
<td>Kalupur</td>
</tr>
<tr>
<td>3</td>
<td>M/s Amir Textiles</td>
<td>H.H. Trust Building</td>
</tr>
<tr>
<td>4</td>
<td>M/s V. Davendra Textiles</td>
<td>New Cloth Market</td>
</tr>
<tr>
<td>5</td>
<td>M/s S. Ramanlal</td>
<td>New Cloth Market</td>
</tr>
<tr>
<td>6</td>
<td>M/s S. Mohanlal</td>
<td>New Cloth Market</td>
</tr>
<tr>
<td>7</td>
<td>M/s Arun Trading Co.</td>
<td>H.H. Trust Building</td>
</tr>
<tr>
<td>8</td>
<td>M/s Mahalaxmi Trading Co.</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>9</td>
<td>M/s Sanjay Traders</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>10</td>
<td>M/s Sagarmal Prabhakar</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>11</td>
<td>M/s Sagarmal Sudhakar</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>12</td>
<td>M/s Hirachand Rajmal &amp; Co.</td>
<td>H.H. Trust Building</td>
</tr>
<tr>
<td>13</td>
<td>M/s Shah Tekchand Kishorkumar</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>14</td>
<td>M/s Dhanvantrai Vasantrai</td>
<td>Astodia Bazar</td>
</tr>
<tr>
<td>15</td>
<td>M/s Shah Manishakumar Mahendrakumar</td>
<td>Dhanlaxmi Market</td>
</tr>
<tr>
<td>16</td>
<td>M/s Shah Arvindkumar Harshad-kumar Mohanlal &amp; Sons</td>
<td>Dhanlaxmi Market</td>
</tr>
<tr>
<td>17</td>
<td>M/s Shah Mahendrakumar Vadilal</td>
<td>Dhanlaxmi Market</td>
</tr>
<tr>
<td>18</td>
<td>M/s Shah Chhotalal Maganlal</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>19</td>
<td>M/s Arbuda Textiles</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>20</td>
<td>M/s Hasmukhlal Kantilal</td>
<td>Kalupur, Kot-ni-rang</td>
</tr>
</tbody>
</table>
(vi) Organisation structure

The size of the business unit, again, was a primary determinant of both the complexity of structure and the choice of a basis for the grouping of activities.

The bigger firms enjoying an extended area of operation—dealing mainly in standard fabrics of reputed mills—were found to have grouped their activities on the basis of functions. But their number was small. The smaller units were traditionally organised and managed.

The personal relationships were typically informal and every employee—'munimji', 'gumasta', godown-keeper, etc.—used to perform a variety of tasks.

(vii) Classes of wholesalers by product assortments:

While the fundamentals of product strategy were the same for both the mill management and the intermediaries, variations in their application ensued from the position of each in the distribution channels. In wholesaling, the equivalent of the manufacturer's product development was product assortments. And, selecting the type and the assortment of products to be carried was a basic marketing decision.*

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Generally, the depth and the breadth of the product assortments carried by the intermediaries created three classes of wholesale intermediaries: General merchandise dealers, General line dealers, and Speciality dealers.

(a) General merchandise wholesalers

During my frequent visits to the central/organised textiles markets of Gujarat, it was found that the wholesalers dealing in cloth as well as unrelated products were almost non-existent in the State.

Over 2/3rds of the textiles merchants interviewed had stated that the textiles market was of a peculiar nature. It was volatile and any mistake in a transaction could reduce the margin. This precluded them from dealing in other products, simultaneously. A few expressed with a sense of pride: "we are 'kapadia's'. "Business of cloth is hereditary, we can deal only in cloth." "Ours is a specialised business, man!"

* A 'general merchandise' intermediary is one who carries a general assortment of products in two or more distinct and unrelated merchandise lines.

¢ A 'general line' intermediary is one who carries a broad assortment of goods within a single merchandise line.

+ A 'speciality middleman' is one who carried only part of merchandise line, but within his restricted range of offerings, he has a very complete assortment.

(Ref.: Still, R.B. & Cundiff, E.W., Essentials of Marketing, 1972, (pp.98-99).)
(b) General line wholesalers

The wholesalers handling diversified lines (i.e., different varieties of cloth) obtained them from one or more sources and ranked first among all the wholesalers in the class. An illustrative list of those functioning in the central markets is presented in Table 4.3.

The number and the kinds of varieties dealt in were found to be varying from firm to firm. Some of them concentrated on limited varieties, say, up to 7, whereas others were reported to be having extended lines of varieties consisting of dhoties, sarees, poplin, chintz, coating, printed, sago, cambric, shirtings and suiting, pattas, checks and lawns, etc.—all being non-controlled varieties. Yes, many of them did report that, in the past, controlled cloth—of all the 5 types—had also formed their product assortments. The study made by the Cotton Textiles Fund Committee in 1962 in three cities had showed that long-cloth and poplin were the bread-and-butter varieties found to be common with almost all wholesalers. The statement was applicable to the wholesalers in Gujarat even in 1974.

(Vide: Table 4.4 giving data for the cotton cloth packings (wearable) for 1974.)

* Cotton Textiles Fund Committee, Study of Distribution Pattern of Cotton Textiles in India (Bombay, Mussoorie, Sibrugarh), 1962, (p.36).
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>M/s Suhas &amp; Brothers</td>
<td>Rangwala Market</td>
</tr>
<tr>
<td>2</td>
<td>M/s Ambalal Ranchhoddas</td>
<td>New Cloth Market</td>
</tr>
<tr>
<td>3</td>
<td>M/s Shah Tekchand Chamanlal</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>4</td>
<td>M/s Shah Chhotalal Mukeshkumar</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>5</td>
<td>M/s Shah Kanchanlal Chhotalal</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>6</td>
<td>M/s Shah Champaklal Bhikhabhai &amp; Co.</td>
<td>Vakil Market</td>
</tr>
<tr>
<td>7</td>
<td>M/s Shah Dharendra Kumar Chimanlal</td>
<td>Vakil Market</td>
</tr>
<tr>
<td>8</td>
<td>M/s Jayantilal Arvindkumar Sheth</td>
<td>Vakil Market</td>
</tr>
<tr>
<td>9</td>
<td>M/s Shantilal Rasiklal &amp; Co.</td>
<td>New Cloth Market</td>
</tr>
<tr>
<td>10</td>
<td>M/s P. Navinchandra &amp; Co.</td>
<td>Panchkuva Market</td>
</tr>
<tr>
<td>11</td>
<td>M/s Pari Arvindkumar Champaklal</td>
<td>Dhanlaxmi Market</td>
</tr>
<tr>
<td>12</td>
<td>M/s Kamal Traders</td>
<td>New Cloth Market</td>
</tr>
<tr>
<td>13</td>
<td>M/s Rajesh &amp; Co.</td>
<td>Sakar Bazar</td>
</tr>
<tr>
<td>14</td>
<td>M/s Manubhai Bhogilal</td>
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<td>15</td>
<td>M/s Bipinkumar Chimanlal</td>
<td>Maskati Market</td>
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<tr>
<td>16</td>
<td>M/s Roopchand Mukeshkumar</td>
<td>Revdi Bazar</td>
</tr>
<tr>
<td>17</td>
<td>M/s Chandrakant Saileshkumar</td>
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<td>18</td>
<td>M/s Kishorkumar Mukeshkumar</td>
<td>Maskati Market</td>
</tr>
<tr>
<td>19</td>
<td>M/s Shah &amp; Company</td>
<td>Rangwala Market</td>
</tr>
<tr>
<td>20</td>
<td>M/s A. Kiritkumar &amp; Co.</td>
<td>Kalupur, Kot-ni-rang</td>
</tr>
</tbody>
</table>
Table 4.4

<table>
<thead>
<tr>
<th></th>
<th>Total wearable</th>
<th>Poplin including long cloth varieties</th>
<th>Long</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(‘000 metres)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ahmedabad</td>
<td>1031106</td>
<td>584050</td>
<td>51284</td>
</tr>
<tr>
<td>Rest of Gujarat</td>
<td>273633</td>
<td>146213</td>
<td>39345</td>
</tr>
<tr>
<td>Total</td>
<td>1304739</td>
<td>730263</td>
<td>89629</td>
</tr>
</tbody>
</table>

The Table reveals that long cloth and poplin represented nearly 62% of the total wearable production of which a major portion had got outleted through this trade level.

It is appropriate to mention here that a vast majority of these wholesalers dealt exclusively in mill-made fabrics. However, it was observed during the field-work that some of them had, of late, begun concentrating on the powerloom fabrics designed mostly on the terricotton and other fancy varieties patterns. For example, Shri Ram & Co. (station area), R. Ashokkumar & Co. (Balabhai Girdharilal market), Jainita Textiles (Navnit market), and Suryakant Rasiklal Parikh (Maskati market), all located at Ahmedabad, had reported that they preferred to deal in powerloom fabrics.

because these fabrics were relatively cheaper and because they yielded greater margin.

Keeping synthetics and woolen fabrics in the form of packed bales is usually more costly. But, quite a few of them, in order to prevent their established customers to migrate to the nearby competing firm/s, added these fabrics to their product line. Of course, the share of cotton fabrics was still predominant in their business.

The wide variety of fabrics usually makes possible intensive coverage of their field. This, in turn, makes for prompt delivery of the bales and for the extension of credit to their customers. But, dealing in different varieties means keeping of relatively larger inventories, which presupposes the availability of large finance. In addition, wide varieties means maintaining more customer accounts that need a larger and more efficient organisation. On the other side, they have a fairly low average expense ratio as the expenses of operation are spread over extended lines of fabrics and large sales volumes.

(c) Speciality Wholesaler

Dealing exclusively in cotton textiles itself was a specialised business. But here also a further specialisation was found attained. My case-study of the speciality wholesalers enlisted in Table 4.5 showed that about 28% of them
Table 4.5

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Wholesaler</th>
<th>Market</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>M/s Bhikhabhai &amp; Co.</td>
<td>Vakil Markit</td>
<td>Poplin-white only</td>
</tr>
<tr>
<td>2</td>
<td>M/a Natveral Chunilal Patel</td>
<td>New Cloth</td>
<td>do</td>
</tr>
<tr>
<td>3</td>
<td>M/s Bujarshana Chm-prakash</td>
<td>Crossline</td>
<td>Poplin</td>
</tr>
<tr>
<td>4</td>
<td>M/s Thakkar Traders</td>
<td>Maskati</td>
<td>Printed poplin</td>
</tr>
<tr>
<td>5</td>
<td>Shah Mahendramkumar</td>
<td>Sakar Basar</td>
<td>do</td>
</tr>
<tr>
<td>6</td>
<td>M/s Patel Girishkumar</td>
<td>Saraspur</td>
<td>Fancy kapad</td>
</tr>
<tr>
<td>7</td>
<td>M/s V.C. Shah &amp; Co.</td>
<td>New Cloth</td>
<td>do</td>
</tr>
<tr>
<td>8</td>
<td>Shah Ratanchand</td>
<td>Dhanlaxmi</td>
<td>Dhoties</td>
</tr>
<tr>
<td></td>
<td>Shantilal &amp; Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Dhotiwala)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>M/s Babulal Chimanlal</td>
<td>Maskati</td>
<td>Suiting- shirting</td>
</tr>
</tbody>
</table>

confined their operations to particular sorts of fabrics.

Usually, these firms carried wide assortments within a special line of fabrics—for instance, poplin, saroes, chints, patto, shirtings, coatings, or drills and jeans. Sometimes they dealt in only non-wearable fabrics like bed-sheets, mosquito nettings, furnishing fabrics and gadlapat.

Though the trend towards this specialisation cannot be said to be a recent development, there were major shifts in the case of some firms. Thus, 17 of them had reported that they were, in the beginning, in the general line business
but, later, concentrated on specific sorts. Similarly, a few others had started dealing in particular sort since after obtaining a sortwise monopoly from some of the A and B grade mills. The number of wholesalers who had narrowed their product line to speciality in consequence of their failure as general line dealers was reportedly extremely small.

These wholesalers, as they kept complete assortments in a given line of fabrics, were capable of attracting the customers and were found to generate large sales turnover. In 13% of the cases their sales were larger than those of the general line wholesalers; e.g., some of the exclusive or selected dealers, who enjoyed sortwise and/or territorial monopoly, particularly of mills of reputed groups like Mafatlals, The Ambica, Tatas, Lalbhais and Sarabhais.

Again, they were well-versed in specific sorts and could offer their customers the benefits of specialisation. In some cases their business was restricted to a particular region and particular types of customers which helped them simplify their operations because of the limited lines of products and accounts carried. Again, the limited sorts of

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A & B grade mills, as per their opinion, were those which enjoyed relatively greater reputation in the eyes of the consumers, and C & D grade mills were those which produced relatively inferior quality and low-priced goods.
a single line reduce the capital needs, comparatively, and the rapid rates of stock turnover further squeeze inventory financing and lessen managerial problems.

It was ascertained that, as compared to the general line wholesalers, the business of these middlemen was pegged to larger firms, as an average customer keeping wide ranges of varieties found it difficult to make bulk purchases from them.

It should, however, be noted here that, barring those who enjoyed a sorts monopoly, many of them (my estimates—over 80%) had to make intensive selling efforts. They also suffered from higher operating expense ratios to sales.

Finally, the product assortments influence the distribution channels. The information made available by a few wholesalers representing both the categories showed that sales to retail outlets were relatively greater in the case of general line wholesalers than in the case of the special line wholesalers as more of the packed bales were delivered by the latter either to the same level intermediaries or to the semi-wholesalers.

(ii) Operational Analysis:

(a) Purchasing policies and practices

The efficiency of the operations of the wholesale establishments depends in no small degree upon the skill and
efficiency with which they perform the buying function. In the sphere of textiles, they can be regarded as purchasing agents for their customers—upcountry as well as local. Therefore, the buying of fabrics as per their requirements and at costs which will permit their resale at reasonable prices will obviously contribute to the lowering of the selling costs. This requires a constant watch over the demand structure and the sources of supplies. Yes, in the case of nationally advertised fabrics and the 'numbari mal' *(Vide: Table 4.6 giving an illustrative list of numberi items/varieties) which enjoy high consumer acceptance, they can exercise less care as have not to choose between quality and price.

**Sources of supplies**

Except the exclusive/approved and selected dealers who had contractual and/or moral commitment to deal in fabrics of a particular mill or a group of mills and some controlled cloth distributors (licence-holders), all the wholesalers were free to buy from any source they liked.

As the mills in Gujarat manufactured all varieties—coarse to superfine—that could meet the tastes of both local and upcountry consumers, the wholesalers depended primarily

* Consumer-accepted as standard quality varieties.
Table 4.6

<table>
<thead>
<tr>
<th>Name of Mill and its respective number</th>
<th>material</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ambica and Arbuda Mills'</td>
<td>White poplin: Mausami, Siqueen, Meghdoot, Paradise, 91847, B-speaker, Saionara, Quick march; Light colour poplin; and Snow white Coating, Arbuda dhoti jota (pair) No.47601 Macropolo 'Sano' (long cloth)</td>
</tr>
<tr>
<td>2. Raipur Mills' Murphi Patto</td>
<td>Platinumtouch Poplin, Luxury Poplin</td>
</tr>
<tr>
<td>3. Rohit Mills' Meghdoot Patto, Rajdoot Patto,</td>
<td>Platinumtouch Poplin, Luxury Poplin</td>
</tr>
<tr>
<td>4. Calico's Devdasi Sano (now Devdoot Sano)</td>
<td></td>
</tr>
<tr>
<td>5. Mahendra Mills' Hoopmati blouse pieces.</td>
<td></td>
</tr>
</tbody>
</table>
on them for all their requirements. My field work also showed that, among the wholesalers operating at Ahmedabad, 'buy-at-home' was the generally employed practice. Certainly, some of them did also obtain fabrics, chiefly from the mills belonging to the Khatau, Binni, Tata, Shri Ram and other groups located in the other states.

The flow chart No. 3 in the previous Chapter shows that these wholesalers made purchases from the mills, either directly or through the Selling Agents and/or 'dalal'.

My field work brought out various facts. Mostly they bought in anticipation of demand. While doing so they took into account considerations like the extra-firm environment—the textiles market trend, the festivals (regional and national), the marriage and harvesting periods, etc., in addition to the intra-firm features, which obviously had a vital influence on the cloth bales purchased. They usually stipulated forward contracts with the mills irrespective of the intermediaries—Selling Agent and/or Dalal—through whom they bought, normally with a lead time of 40 to 60 days or in a manner that facilitated their meeting the forthcoming demand of their actual and potential customers. They made use of the standard contract form—the 'kabala form'—detailing out

* The 'kabala form' was also used by the wholesalers even for the purchases made by them from the mills run by N.T.C.
the sort and varieties of cloth, length (palm, yard and metre), quantity, quality, period of delivery, print number, and delivery conditions.

**Order quantity:**

The quantity involved in a single transaction, as reported, used to fall between 10 and as high as 100 bales. This depended upon the position (including the financial one) of the wholesaler in the fabrics trade. Transactions under 10 bales were unusual and those between 40 and 50 were common.

**Purchase price:**

The prices they paid depended upon the contents of the purchase order—the transportation charges, insurance costs, discounts, credit element and such other constituents. The payment was mostly based on ex-mill price plus excise duty on the purchases obtained either directly or through mills' appointed selling agents or dailas. However, my field-work made it evident that they bought fabrics even above or below the (ex-mill + excise duty) price under certain circumstances. Generally, this happened in the case of fancy and quality fabrics in short supply or when the season was slack.

This practice prevails even in normal market situations. Charging below the ex-mill price sometimes constitutes a small mill's marketing strategy as it helps it in generating
a psychological impact on the buyers; for, then the stamped prices are a little higher than the prices at which they are sold retail.

Generally, on their purchases from the local mills, they did not pay commission/dalali to any agent middlemen, though they bought through them for obtaining fabrics from the outside sources, most of them employed the services of dalals to whom they paid dalali at the usual rates varying between 1/4 % and 1/2 % on ex-mill prices irrespective of the varieties.

Discount:

Normally, discount did not form an important item in the purchase agreements. Over 40 % of the interviewees had flatly refused to have enjoyed this benefit, whereas about 65 % had reported that they got 1/2 % discount on their purchases even if the bills were cleared after 12 to 20 days. The rest were silent in this regard.

Transport arrangements:

The delivery arrangements and the charges for them usually depended upon the distances involved and the respective mill's policy. 9 of the wholesalers interviewed had stated that they made their own arrangements for lifting the bales. In Ahmedabad, the mills delivered the goods either through trucks or hand-carts and added the carriage
charges varying between Rs.1.50 and 2.00 per bale in the invoices.

Terms of payment:

The field-work brought out wide variations in regard to the terms of payments to be made by the wholesalers. They depended, to a large measure, on the concerned mill’s position in the textile industry and the market conditions. When the purchases were from reputed mills, the buyers had to make immediate payment or, in some cases, even payment in advance. However, 33 of the wholesalers approached for this study had stated that they enjoyed interest-free credit periods ranging from 13 to 20 days and, in some cases, even beyond.

(b) Selling policies and practices

Just as the wholesaler is of inestimable value in the buying services he provides for his customers, so too is he of importance in the selling function he performs for manufacturers. This is particularly true in the field of textiles distribution in Gujarat where quite a good number of mill managements seemed to be production-oriented rather than marketing-oriented. They manufactured quality products but banked upon the services of other agencies for their distribution.

Customers:

The discussions with the leading textiles merchants in the New Cloth Market and the Maskati Market have led me to estimate that 60 to 65% of the total sales effected by these intermediaries were made to 'deshaver' markets. Whatever were the locations of buyers, the goods generally moved to subsequent channel components—semi-wholesalers, retailers and some institutional buyers—through the wholesalers. Horizontal flows among the wholesalers were also noticed during my visits to the central textiles markets.

In the markets of Gujarat, selling goods through dalals and/or commission agents was a customary practice. Major portions of the goods were sold through the commission agents, particularly, in the cases of buyers of deshaver markets. Direct sales to known customers with better financial standing were also made.

Selling price

Except the few exclusive and/or selected wholesalers who had to resale the fabrics varieties at agreed prices as predetermined by the mills and shown in the franchise agreements (subject to the M&RP regulations), the bulk of the intermediaries were free to devise their own pricing policies, usually bases on the interaction of the forces of demand and supply. The exclusive dealers sold at pre-fixed
prices that varied from 6 to 8% over the ex-mill prices. For instance, M/s Harivadan Vadilal & Co., an authorised wholesaler (dealing in seconds-fabrics) of New Shorrock Mills, Mihar Textiles and Mafatlal industries were selling at 6 to 6 1/2% over ex-mill prices. The 'non-tied' intermediaries were found charging a normal margin varying between 7% and 9% depending upon the trade relations, the period of credit allowable, the varieties of fabrics, the order size, etc.

All the merchants interviewed had stated that the different varieties did not yield equal margins mainly because of the changing structure of the demand for goods. For instance, compared to plane fabrics, greater risks were involved in the fancy varieties which quickly became out-dated. The latter were, sometimes, sold even below the purchase price; and, in order to make good the deficiency, they charged more on some new or 'chalu' (current) varieties. This indicated that there was no uniform practice regarding the pricing of the products among the different wholesalers. Even in the case of a single firm, the actual pricing was the result of multiple factors like market situations, trade relationship and credit-worthiness of the buyer. For example, until August, 1976, owing to heavy accumulation of stocks and slackness in demand, considerable number of wholesalers had sold the goods even below their cost prices.
to overcome the financial stringency.

**Discount**

Over 70% of the wholesalers contacted had stated that they gave discount to their customers at the rate varying between 1 and 1½% on the value of the goods sold depending upon the varieties of fabrics. The rest of them gave below 1%.

**Transport arrangements**

Over 90% of the respondents contacted had replied that they sold at ex-seller’s godown prices. In the central markets, the services of the persons with hand-carts were employed for local deliveries. The charges were generally paid by the customers. However, there were a few wholesalers—about 5%—who provided this facility free of cost to their local buyers. In case of the sales to customers in ‘deshaver’ markets, it were mostly the commission agents (arhatias) or ‘dalals’ who made necessary delivery arrangements, the cost being recovered from the buyers.

**Terms of payment**

'Selling on credit', popularly known as 'udhari', is one of the noticeable operational characteristics of these intermediaries. They sell bulk of their product assortments on credit irrespective of the order-size, location or categories of buyers. However, where particular wholesalers
were dealing in quality fabrics in short supply they insisted on cash payment on delivery. Similarly, in times of scarcity of supplies of all or specific varieties, transactions were made on 'terms cash' basis.

The market custom should usually set the pattern of credit extension. But no uniform practice was observed. Even the same firm was found employing different standards for different buyers. In general, however, it can be said that the wholesalers who dealt in fabrics of 'bolti' mills extended credit for a period of 12 to 30 days, whereas the others allowed an extended period, say, of 45 days. In exceptional cases, credit of 60 to 70 days was also recorded to have been granted.

**Earnings:**

They looked forward for their incomes to the profits they earned by selling the packed bales of cloth at prices high enough to cover (a) the purchase prices, (b) the operating expenses including rent, godown charges, insurance, wages and salaries of workers and office staff, entertainment expenses, office expenses and sundries, and (c) reasonable margins. The net profits reaped by the trade were around 3% on the sales, as per the statement of the vast majority of the interviewees.
(ix) Auxiliary Functions

(a) Storage and warehousing

In Gujarat, many of the large wholesale establishments had their own warehouses. Some of them kept their cloth bales in the godowns owned by others and paid rentals at the prevailing rates of 40 to 50 paisa per bale for a period of seven days or part thereof. It is the development of regulated and well-equipped cloth markets that largely help them in acquiring this facility. For example, the New Cloth market in Ahmedabad was one of the few largest ones ever established cooperatively by the private sector in India.

The accredited godowns facilitated borrowing from the financing institutions, usually, to the extent of 70% of the value of the inventories. All wholesalers, irrespective of their sizes took advantage of this, permanently in the main.

The storage function was performed at all stages, all along the pipeline; but it was of immense value, in particular, at the wholesale level. In the area of marketing, it helped level the frequent jerks of price variations and ensured stability in the textiles markets. It also enabled them to render essential services to the mill managements, on

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*Amdavad Maskati Kapad Markit Mahajan, op.cit., (pp. 31, 33).
one hand, and their customers, on the other. It relieved the mills of the botheration of holding the unsold stocks and ensured their liquidity. It also made possible the supply of cloth to the subsequent trade channels even in the odd market situations.

(b) Financing

The forward contract made possible the early encashment of a mill's output. The system also assisted the mill management (i) in visualising the trends of the markets, in advance, and (ii) in anticipating the requirements of cotton (raw material) and other materials to be procured for the manufacturing programmes.

Buying mostly on cash or on short-term credit basis (4 to 30 days) and selling on an extended credit period (45 to 70 days, in certain cases) was one of the important functions of wholesaling that financed the distribution of fabrics. But the onslaught of an unreasonable or unhealthy credit policy would be serious. My field-work in the central markets brought to the fore the fact that, of late, elongated credit extension had become a vital weapon in the hands of the wholesalers to outcompete one another.

(c) Product development information gathering

In Gujarat, a large number of wholesalers, both selected and general, not only distributed the fabrics but also
assumed the role of mills' products innovators. They prescribed the pattern, design, colour scheme, finish, etc. for the fabrics to be distributed by them. They frequently visited the mills and, at times, finalised the design, etc. with the respective Printing Masters. This was primarily because there existed regional variations in demand (as examined in Chapter 2) and the wholesalers dealing in specific varieties in particular regions were the best judges to interpret and forecast the demand in terms of the fabrics preference, pattern of consumption, etc., much more accurately. This (a) reduced the burden of the mills' R & D departments in developing fabrics in accordance with the changing patterns of demand, and (b) diminished the risks of wrong products manufacture and idle inventories.

(x) Major problems:

(a) Financial

Over 90% of the wholesalers contacted for this study had complained that the 'slackness in demand' and 'udhari' were their grave current problems as their own resources were inadequate for financing their own inventories, on one hand, and for extending credit to their customers, on the other. Consequently, their dependence on external sources was on the increase during the quinquennium 1970-74. But, while there had been a continuous upswing in the bank credit during
the period, in July 1974, strict measures to restrain monetary and credit expansion were taken by the Reserve Bank in the context of the overriding need to check inflationary pressures on the economy. The all-pervasive measures upset the financial structure of the wholesalers, too, and compelled them to borrow from other sources at exorbitant rates of interest which, in not a few cases, had crossed the figure of 30% p.a.. And, not the whole additional burden could always be transferred to the customers through the raising of the selling prices!

(b) Udhari

The association of the wholesalers as well as some business leaders were always, in their discussions with me, critical of the system of 'udhari' that prevailed at all trade levels. The financial crisis was one of the reasons; but, these wholesalers themselves were not less responsible for its progressively strengthened perpetration.

There were too many traders engaged in the cotton fabrics distribution process. This resulted in weak trading practices. In their eagerness to score better than their competitors, they resorted to recklessness, so to speak, in granting credit. Credit is no doubt an important tool of

wholesale trade but when granted recklessly, it may bring about bankruptcies.

As a way out, the interest-free credit periods granted by this class of the wholesalers must be shortened. The Maskati Mahajan, in order to regulate this, had announced a payment regulation of 45 days, but how far would it be faithfully implemented is yet to be seen.

(g) Mills' practices to sell (directly) in 'deshaver' markets

The monopoly wholesalers were generally in a commanding position. But from among the rest of the wholesalers interviewed, over a dozen had complained that their status and interests had been severely affected by the mills' practices to cater directly to the demands of the channel components operating in 'deshaver' markets—even in lots of quarter bales. They had further added that the mills allowed considerable grace periods ranging between 30 and 40 days even to those merchants whose creditworthiness was questionable. Consequently, they had lost some of their clientele which was established at great promotional effort, risk and sacrifice. Again, the mills' competition compelled them to allow more liberal terms to their customers which further stimulated 'udnari'. Their position had, thus, been

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* Cf.: Kaacker, H.P., op.cit., p.96.

Gujarat Samachar, 22-11-1976.
A large majority of them had expressed that the controlled cloth policy and the subsequent control on distribution promulgated by the Government had adversely affected their business. They estimated a loss of 20% to 25% of their original business on this count. It is true that to the extent the private trade was replaced by the cooperative sector intermediaries, the controls did curtail the former's turnover; but, the goal of the Government action was precisely that. And, a licence-holder could certainly deal in controlled cloth. If the class of wholesalers did not want to hold licences to handle the varieties, it was their decision to let go that much business.

(xi) Some unfair practices

My field-work showed that some problems emanated from their own misbehaviour. A section of such intermediaries, in order to earn greater margins, followed certain underhand practices that were either illegal or against the ethics of business. The unscrupulous behaviour did give them an edge over their competitors in the short run; but, in the long run, it adversely affected the entire wholesale trade and jeopardised the interests of the public at large. The chief among them are pointed out here.
Some of them started undercutting operations. To the extent they functioned as pace-setters in relation to the seasonality of the demand for fabrics, their contribution was positive. But, when they resorted to the method of cornering, they rendered a great disservice to the society, and to the economy at large.

Some of the wholesalers attempted to deceive the subsequent channels and the ultimate consumers by asking the suppliers to print misleading contents of the composition of the fabrics and/or spurious slogans like 'china print', 'asal pakke rangka mal', 'fast colour', 'mercurise', 'wash and wear', 'superfine', 'best quality', 'made as U.S.A.', 'made in Japan', 'money back guarantee'. (This practice is widely employed by the wholesalers dealing, particularly, in powerloom fabrics.)

Many a time, they colluded with the mills stamping certain trade marks which were the legal property of others. Getting fabrics printed as per the designs of others was a more common practice prevailing in the State.

Their 'Mahajan's should keep a vigilant eye on such malpractices and curb them in the interest of both the textile traders and their honest members.

(xii) Observations

In the central markets of Gujarat, a considerable
number of wholesalers was found dealing in particular varieties specially manufactured for them. In addition to this sortwise monopoly, a few also enjoyed sizewise monopoly. This helped mill managements in maintaining the price levels of the particular varieties, but these were restrictive practices that hit the consumers. Again, while they helped the mills (a) in introducing fabrics in the regions unknown to them and (b) in finding out the paying sorts by originating new designs and fabrics, the practice led to unlimited multiplication of the varieties, increases in manufacturing and distribution costs, debasement of quality and introduction of spurious goods.

This also inflicted losses upon them when sudden changes in demand for particular varieties converted them into slow moving items. The shifts impelled them to raise the prices of the 'chalu' varieties and, occasionally or frequently, served to generate unhealthy practices like 'mana sathe bhaniyo!* It means the buyers had compulsorily to accept some unwanted varieties (mostly outdated) at the time of purchasing some 'numberi sal' (standard items).

In Gujarat, a distinct new trend was observable in the case of some mill managements like Calico and JTC Group selling fabrics directly to semi-wholesalers and retailers

* The nephew accompanies the maternal uncle!
whereby the former were able to secure better sale prices and the latter were able to secure fabrics more cheaply. The trend got augmented also because of the Government measures compelling the mills to provide controlled and non-controlled varieties of cloth at stamped and reasonable prices respectively. To the extent the wholesalers were eliminated—or, withdrew—from the distributive process, their business suffered. This posed a serious problem for them.

25 of the wholesalers interviewed had expressed that they had started feeling the impact of the working of the cooperative sector establishments and that the competitive danger of their entry and growth in the field of distribution of cotton textiles was more real and serious than was imagined. Contrariwise, 9 of them had maintained, with great confidence, that the cooperatives were badly managed institutions, that cloth was a business that needed a personal element those establishments lacked, and that they would disappear from the textiles trade as soon as the controls on distribution of certain varieties were lifted.

Their Associations

Most of these wholesalers were of their associations founded and run mainly to serve their common interests and to establish healthy business traditions. From among the
existing wholesale associations in Gujarat, the Maskati Kapad Markit Mahajan is, in many respects, one of the front-ranking associations in the country. It was established seven decades back, in 1906, initially to subserve the interests of the wholesalers. It had on its roll, in 1975-76, over 2,000 matadar members* including some 'dalals' as compared to the paltry figure of 20* at the time of inception.

The Maskati Mahajan engages itself chiefly in regulatory and promotive activities, and thereby facilitates and develops the trading in cloth. Since its inception, it has tried to establish uniform business practices. The method it has evolved for settling the trade disputes in regard to the quality of the goods, packings, payment, delivery, etc. (i) between the mills and the wholesalers, and (ii) between the wholesalers inter se is considered a unique system that prevents the disputants from going to the courts of law and ensures an amicable solution of the intra- and inter-trade levels problems.

The 'kabala form' (standard contract) was another original gift of the Mahajan to the trade. The instrument was developed through long experience and was made effective

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* Source: Office of the Maskati Kapad Markit Mahajan, Ahmedabad.
The Association makes, from time to time, numerous constructive suggestions to the millowners' associations, the Governments and the local authorities for the purpose of improving the conditions of the textiles industry in general and of the trade, in particular.

The Association reportedly tried to see that their members followed the customs and conventions developed by them. However, my field-work showed that vested interests and election politics had, unfortunately, been polluting the atmosphere on an increasing scale so that some of the members could function in violation or circumvention of the 'dharm's (regulations) and conventions, still going scot-free. Despite the lapses, I would pay my tribute to the efficient and honest management of the Association affairs by its top-notches.

(II): Integrated—mill management controlled

(i) Introduction

In the field of fabrics distribution, the vertical integration noticeable at the wholesale trade level had evolved two sets of arrangements, viz., (i) of wholesaling

manufacturing, and (ii) of manufacturing wholesalers.9

The mills which reached the wholesale trade level by establishing their own depot/sales offices could be considered as wholesaling manufacturers.

The manufacturing wholesalers were those establishments which were engaged in wholesaling fabrics and/or which acted as converters/processors. Principally they were independent wholesalers, whose role we have already examined. But, in addition, this integrated type reflected the historical structure of the industry. Some mill units, owing to inadequate or no processing facilities, delivered the grey cloth to extra-company organisations to process and convert it into patterns and colours needed for end uses. These manufacturing wholesalers either did the dyeing, cutting, etc. of the cloth in their own shops or got them done through sub-contracts with other independent auxiliary units. These wholesalers-own-converters bought grey cloth. They kept

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9 Wholesaling manufacturers are those manufacturers who wholesale their own products as also those who purchase goods from other manufacturers for wholesaling, without affecting any change in the latter.

10 Manufacturing wholesalers are those who do certain amount of manufacturing in their own establishments, or in separate plants, or get it done through other producers for their (wholesalers') own label.

(Ref.: International Cooperation Administration, Wholesale Merchandising, Training Manual, Nov 105, (pp. 74-78).)
themselves in touch with the trends in pattern, designs, colours, finish, etc. and marketed those fabrics duly finished to other wholesalers, semi-wholesalers, garment makers, institutional buyers and the retailers.

**Mills' depots/sales offices:**

The mills' entry at the wholesale trade level, making them wholesaling manufacturers, through owning and operating their own depot/sales offices presented a form of vertical integration. It was to bypass the traditional merchant middlemen for exercising control at the wholesale stage. In Gujarat, the number of depots or sales offices were limited to reputed groups like Sarabhaiaas and Mafatlals, in particular, and were located at Ahmedabad in the midst of the wholesalers and the semi-wholesalers.

 Mostly they were found dealing in all the varieties manufactured by their own mill units and were comparable to the general line wholesale establishments.

These depots were generally managed by paid executives. For example, the organisation of the Sarabhai Group—Ilac Limited—located at Ahmedabad (New Cloth Market) had its sales offices located at Ahmedabad and some regional offices at various places like Amritsar, Bombay, Calcutta, Cuttack, Delhi, Kanpur, Madras, Musaffarpur, Nagpur, Patna, Pune, Secunderabad and Vijaywada were headed by Sales Executives/
Assistant Sales Executives. They, with the help of their staff, collected orders directly from different parties and made necessary arrangements for their prompt execution.

Here, one aspect was important. As they negotiated sales exclusively for their parent mills' fabrics, their success rested chiefly on the quality fabrics of reasonably long-range varieties produced in accordance with the regional demands.

(ii) Operational analysis

(a) Buying functions eliminated

Unlike the independent merchant middlemen, the executive heading this organisation neither negotiated the terms and conditions with the home office nor spent time in interviewing the salesmen or in finding out the right sources for procuring the cloth bales.

The home office (a) set quotas for its regional offices or (b) the goods were obtained as and when required by the latter, or (c) goods as per the latter's requisitioning were directly delivered to the customers. The system considerably reduced the overheads and also saved precious executive time everywhere.

Generally these offices possessed sizeable procurement power; and, when it was accompanied by the absence of purchase negotiations, the mill managements were definitely
put in an advantageous position vis-a-vis the wholesalers.

(b) Selling

Here the distribution was accomplished through the concerned depot/sales office—by the managers/regional sales executives and their teams consisting of salesmen and a few office employees. They delivered the goods to their customers—wholesalers, semi-wholesalers, retailers and some institutional buyers—as per the standard terms and conditions as pre-determined by their home office or as fixed by the regional office/depot chief, from time to time. Usually, in the local markets, such depots sold the goods at ex-mill price plus excise duty irrespective of the class of buyers.

(iii) Extension of marketing research division

Though the regional sales executives did not, except on rare occasions, directly participate in the top management policy decision making processes at the home office level, their contribution in devising the distribution strategy should not be underestimated. In actuality, these sales offices performed the functions of the HQ marketing research division and, periodically, communicated to the home office the details of the current demand structures and the likely future trends regarding the existing varieties in their respective areas of operation. This in itself was of immense value in the fashion-oriented textiles trade.
Moreover, recommendations were forwarded for the manufacturer of newer designs, textures, finishes, colour combinations and varieties. Again, where the regional offices operated

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Not always, however, were their suggestions carried out as is seen from one of the Circular communications issued by Ilae Limited (Textiles), New Cloth Market, Ahmedabad, quoted below, by way of an illustration:

**Our ref. No.: MKT/611**

**November 7, 1975**

**All Regional Offices**

**All Indenting Agents**

In our overdyed sorts especially which due in deep colours, we are receiving suggestions for adding new colours from different offices. You will please appreciate that it is not possible to go on adding more and more colours without any limit. It is also likely that some of the existing colours may have gone out of vogue and you would like to discontinue the same. With a view to standardise the range of colours in different sorts, we are giving below the colours which we are accepting at present. Please let us know in each sort the colours approved by your market keeping in view the requirements of different sorts. If you want to add any new colour, please mention them separately. We will understand that the colours not mentioned by you may be safely deleted. On receiving the information from all the offices, we shall fix our range and give you our final advice.

<table>
<thead>
<tr>
<th>Sort No.</th>
<th>Colours</th>
</tr>
</thead>
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<tr>
<td>Cali-belle</td>
<td>P6, 7, 13, 17, 47, 69, 102, 111, 115, 155, 197, 134.</td>
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<tr>
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<td>11, 49, 145, 193, 196, 242, 243, 245.</td>
</tr>
<tr>
<td>351710</td>
<td>11, 49, 119, 138, 142, 145, 193, 196, 223, 242, 244, 245, 255.</td>
</tr>
<tr>
<td>Kalyani</td>
<td>P7, 32, 69, 197.</td>
</tr>
<tr>
<td></td>
<td>150, 104, 106, 160, 170, 206, 222, 229, 149 and two new shades Rani and Medium Violet which are still to be dyed.</td>
</tr>
</tbody>
</table>

(Contd.)
with ready stocks, the requisitions from the regional executives for building up inventories served as the basis for determining the quantitative and qualitative aspects of the fabrics to be turned out.

(iv) Problems

While these depots/sales offices freed the mill management from the anxieties of certain problems, they gave rise to a few others. As they operated essentially in substitution of extra-company wholesale organisations, they had to assume most of the functions previously performed by the latter.

The major problem here was of providing finance for this new direction. Generally, these depots/sales offices were located in big cities or in areas where the density of textiles traders was high. Second, they had to carry the image of the mills and were, therefore, required to be well furnished, impressively decorated and sophisticatedly run.

These resulted in relatively higher initial capital investment and higher rents, operational and other recurring expenses. This was probably one chief reason as to why this

(Foot-note continued from the previous page...)

| Talk of the Town | 196, 200, 201. |
type of distribution arrangements could be undertaken only by a few top ranking mills in Gujarat.

Another chronic riddle was that of the supply of competent, honest and sincere staff both at the mill level and at the regional depots/offices. Scientific recruitment and training of personnel knowing different regional languages had to be organised and replenishments, and transfers at a short notice had to be provided for. The function of the control of the field staff in different areas was also a headache, at times. And, on top of all this, the human relations approach had to be the cornerstone of the employer-employee relationships to outbid the competitors. For example, the Sarabhai Group had its own complex organisation structure that coordinated and controlled the operations of all these depots situated in different states. For periodic audit on a regular/continuing basis, it had created a Central Audit Section consisting of a Sectional Head, 3 Audit Assistants, 5 Audit Supervisors and 7 Audit Clerks.

SECTION II

(2) Non-integrated. Agent middlemen

The wholesalers studied so far had one thing in common in that they took title to the bales of cotton textiles in which they dealt and thereby assumed all risks incidental to
ownership. But this segment of the wholesale trade level consisting of 'functional middlemen'—Selling Agents, Dalals (Brokers) and Commission Agents—only participated in negotiating the terms of trade on behalf of their principals—whether mill managements or other intermediaries. In the field of fabrics distribution, they were found functioning mainly at the wholesale trade level.

In the actual wholesale markets, one would often come across an overlap of functions and a baffling confusion of the nomenclature. During my field-work, I frequently found one type of agent acting in the capacity of another type as also performing a greater amount of the latter function. Despite this limitation, an attempt would be made here to examine and evaluate the role of these intermediaries operating as 'catalysts' in the distribution process of fabrics in Gujarat.

(A): The Selling Agents

The selling agents, by promoting and executing orders for the mills, relieved the mill managements of the necessity of carrying out most of the marketing functions. In fact, as functional middlemen, they replaced the mills' sales forces and, therefore, their role has been examined at the mill level. They were legally appointed by the mill management. The major terms of their appointments—period,
territory, amount of deposits, rates of commission, etc. — have been analysed in the previous Chapter.

Compared to other wholesalers, the number of selling agents in Gujarat was very small—according to my field-work estimates, 80 to 90—as some of them operated as sole selling agents and managed the distribution of the entire output or a particular line of fabrics of the concerned mills. Moreover, about 35 of them were enjoying principal-agent relationship since the establishment of their firms.

My field-work showed that about 45% of the mills in Gujarat were found expecting the selling agents to represent their own mill unit. Unlike in other countries, the number of principal/s per agency was limited. For example, in the United States of America, an agent did not necessarily concentrate on handling the goods of one producer; he might represent competing firms. In the cotton textiles business there, a single firm sometimes acted for as many as 30 mills. In Gujarat, there were about 30% of the firms that represented more than one mills that invariably belonged to the same group. The rest represented units owned by independent industrialists chiefly out of Gujarat. (Theoretically, however, if a franchise agreement so permitted, an agent could act for more than one non-aligned mills.)

The firm's own characteristics such as financial soundness, managerial capabilities and experience, and the extra-firm factors like availability of stable customers, the area of operation and the reputation of the mills they represented were some of the significant determinants of the rise of their establishment.

About 10% of the firms maintained their offices in other regions and over 80% employed the services of 'dalals' chiefly for (a) locating potential customers, and (b) for establishing and maintaining contacts.

(i) Working

Their methods of doing business were governed by the provisions of the respective franchise agreements. They usually operated on an indent system. They booked orders from the merchants on indent forms approved by their principals, to whom they were later submitted, duly countersigned, together with the cloth licence number, the addresses of the buyers and the destinations to which the cloth bales were to be delivered.

They agreed to carry out all the obligations of the parties/indentors relating to all the indents submitted through them and confirmed in writing by the mill managements.

They enjoyed greater authority than that enjoyed by the other functional middlemen in textiles distribution. Not only
did they negotiate the sales but also guided the mills' manufacturing operations from the viewpoints of the varieties to be produced, the styling of merchandise, the colour combination, the designs, the appearance, the textures, fibre-proportions, etc.

They rendered an extensive range of manufacturing, financial and marketing services—so much so that, on occasions, they exerted far more than acceptable influence on the mills' production schedules and inventory levels, much to the latter's chagrin.

They were also criticised on the ground that their interest lay too exclusively in volume sales and not enough in maintaining remunerative prices.

(ii) Observation

In the case of the less viable mill units represented by them, they virtually ran their client's mills!

On the one hand, like the other intermediaries, all of the selling agents, without an exception, had expressed that the numerous Government controls, the operation of the controlled cloth scheme and the tight money market conditions had adversely affected their businesses. On the other hand, they were criticised by others on the grounds that they were a superfluous intermediary which hardly rendered any useful service but which loaded the prices with their commission.
charges at the cost of the ultimate consumers.

One of the series of measures the Government has initiated in the industrial field is that of striking at the sole selling agency system. A ban, for five years, on the fresh appointment of sole selling agents in the sugar and vanaspati industries, was announced in September 1975. Later the ban was extended to two more industries—Paper and Cement. The question of its extension to other industries including textiles was on the anvil. If and when it came, their very existence will be at stake.

(8): The Dalals

These were the functional middlemen who, in effect, sold information. Their main stock-in-trade was information about the fabrics, their prices and the trends, the knowledge of the locations of customers and their fabrics preferences. In the distribution process of textiles, the 'dalals' mediated (i) between mills and wholesale intermediaries, (ii) between two wholesalers, and/or (iii) between a wholesaler and the subsequent channel components. When they acted as an immediate link between the mills and the intermediaries, they were known as mills' dalals, whereas in other cases they were popularly known as market dalals.

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Whatever was their place in the distribution structure, they were independent agents who did not have a direct physical control over the goods in which they dealt but represented in each case either a buyer or a seller in negotiating purchases or sales for their principals. Compared to the selling agents they had limited powers as to the prices and the other terms of trade, and possessed little or no authority to bargain on behalf of their principals.

The mills' dalals operated as the formers' field salesmen. They were required to get themselves registered with the mills, when they helped in gaining access to intermediaries who were not previously dealing in their fabrics. They usually operated for a particular mill unit or a mill management controlling a group of mills. However, 20 to 25% of the class were estimated to be working for more than one different mills. For instance, M/s Bhagvatprasad Ranchhodlal, M/s Lalbhai Motilal and M/s Bipinchandra Shantilal, all at Ahmedabad, functioned as brokers for 2 to 7 mills each. Here, the mutual relationship and the quality of the services they rendered were the major considerations which resulted in a continuity of their brokeship. Their methods of conducting business, the services they rendered to the mills and their earnings have already been examined in the previous Chapter.
(i) The market Dalals

There were scores of market dalals operating mostly at this trade level. They were the middlemen's middlemen, so to speak. The recognised dalals (registered at the Mahajan) were given a 'dalali card' each by the Maskati Mahajan. Their strength in Gujarat could be placed anywhere between 1000 and 2000, including the unrecognised ones working on their own.

Since they secured neither the ownership nor the possession of fabrics, they maintained small offices with a group of salesmen who contacted potential buyers. The typical small firm was found equipped with a telephone, a few 'gadi-takin's and some samples of fabrics. In fact, about a dozen of the dalals from amongst those interviewed did not consider an office a necessity and had stated that the whole market served them as a big office. Of course, this was an oversimplification as a location as a contact-point—if not for record-keeping—was a must for all.

Over 70% of them functioned as sole proprietors and the rest were chiefly H.U.F. and partnership firms.

These dalals, who forged a link between two merchants performed fewer functions than the mills dalals. They,

* Ahmedabad Kapad Market Mahajan, op.cit., p.5.
without in any way influencing the terms of trade, earned a commission at the rate of Rs.10 per bale from the sellers.

(ii) Observations

Although the dalals represented the sellers as a general rule, sometimes their role was seen reversed to represent the buyers, especially, for example, when the goods in question were in short supply.

My field-work showed that more and more customers were striking direct deals with the sellers to get the advantage of Rs.10 per bale shown by way of dalali in the invoice, which otherwise were pocketed by the dalals. Indicators were that, in course of time, they would cease to play any significant role in the fabrics markets of Gujarat.

(10): The Commission Agents

The distantly located traders, in order to effect economies in buying, preferred to procure fabrics from the central markets. The mills and/or their stockists, too, wanted their products/product assortments to travel long distances to generate greater sales volumes by widening the horizons of their marketing operations.

But the distance was always a limiting factor as

* Bombay, Ahmadabad, Delhi, Kanpur, Calcutta, Nagpur, Madras, Bangalore were some of the centres of premier cloth markets in India.
frequent visits by either of the parties to the other were neither convenient nor feasible. Moreover, most of them were strangers to each other with no knowledge of their creditworthiness. This category of specialised agents sprang up to bridge these gaps.

They were independent agent middlemen who performed, for either buyers or sellers, services that facilitated the transfer of the title in goods.

At the wholesale trade level, they acted virtually in the capacity of purchase agents mainly for the deshaver customers, and were popularly known as 'arhatias'. On the basis of my discussions with a few leading cloth merchants, I would put their number in Ahmedabad alone in the neighbourhood of 800 (1). They operated mainly in the midst of suppliers—principally, in Maskati, Panchkula, New Cloth, Balabhai Girdharlal, M.M. Trust Building and Vakil markets. They had their own organisation. Some of them were associated with the Maskati Mahajan.

As they negotiated the sales and, at times, bought as per the requirements of their customers, which varied from region to region, they dealt in extended lines of fabrics—mill made fabrics represented nearly 30% of the total transaction volume—in the capacity of general line agent middlemen. In Gujarat, more than 60% of the agents were
reportedly acting simultaneously as wholesalers. Here, the partnership form of organising business was common. Besides their own funds, their sources of finance included borrowings from friends and relatives and from commercial and cooperative banks.

The smaller and medium size firms had 2 to 7 persons, including paid employees, working in each, though the firms operating on a large scale in both the capacities of wholesaler and agent were found employing 3 or more persons.

(i) Operational Analysis

Though they made purchases on behalf of the respective customers, they conformed closely to the non-integrated merchants in their functions; for, they usually exercised physical control over the goods, negotiated the sales and enjoyed a degree of autonomy in arranging the contents of the contract between the parties.

From among the customers they served, the semi-wholesalers formed the most important link through which they effected over 70% of their business.

Estimate based on interviews with prominent commission agents.

* The 'deshaver' customers contacted these agents when
they paid personal visits to the central markets. The agents, in turn, introduced them to various sellers. At first they inspected the samples and placed tentative orders popularly known as 'kachha ankda' with a number of sellers so contacted. The conditions of trade—price, quality, discount, terms of payment, etc.—shown in 'kachha ankda's were then compared with the help of the agents. Finally, they confirmed some of the 'kachha ankda's which became the 'pakka ankda's—contracts that bound both the parties.

Major terms of 'pakka ankda'

The contractual relationships were usually established directly between the concerned sellers and the customers and/or between the sellers and the agents. The agents simply acted as the 'care-takers'. Of course, they were supposed to see that the terms and conditions of the agreement were fulfilled by the buyers.

Price:

The price to be paid normally varied between 6% and 8% over the ex-mill price depending upon the other terms of contract of purchase.

Payment:

The wholesalers normally granted 50 to 70 days' interest-free credit periods. However, it all depended upon
the market conditions for each particular variety/sort. In the case of 'lagdi mal' (quality fabrics), they had either to make immediate payment or enjoyed relatively short credit periods.

**Selling Function:**

The operations of these agents revealed that they did not perform selling functions but, occasionally, (i) provided space for storage, and (ii) delivered the goods to their customers at extended credit periods. However, my field-work showed that quite a few of them did business in the names of 'ghost' buyers purely for speculation, in which case the hunting out of the real buyers and the actual selling function was indeed difficult, nay, impossible.

**Earnings:**

The transactions negotiated by the particular firms determined their incomes. Generally, discounts from the sources of supplies, commissions from the customers and margins from the transactions in the names of the 'ghost buyers' were the major sources of their earnings. They got 'adat' (commission) of Rs.10 per bale and a discount of the rate of $1\frac{1}{2}$% (i.e., nearly $1\frac{1}{2}$ to 2% on the invoice price) from the wholesalers and also earned a commission of $1\frac{1}{2}$ % or so from their customers, depending upon the market environ and the trade relations.
In addition to this, as observed during my field-work, some merchants paid them extra amounts to serve as incentives to generate more sales. This practice generated unaccounted money and needs to be curbed in all manner.

In case of the transactions with the wholesalers, the terms of payment of the sales they negotiated helped them in weaving the long-term income networks. These agents gave a guarantee to make payment on behalf of their customers. While they usually enjoyed an interest-free credit period of up to 70 days from the suppliers, they charged their customers at the rate of 12 to 15% p.a. interest on the invoice prices from the date of the preparation thereof or from the date of the delivery of the goods. In other words, they earned interest amounts at 12 to 15% p.a. for long periods extending up to 70 days on the invoiced amounts without investing any funds!

Chief Functions:

Sometimes they provided short-term loans to their customers at the prevailing rates of interest so as to facilitate their making certain types of purchases. It was chiefly due to them that payments to the sellers (on behalf of their customers) were effected within the stipulated periods. In their absence, the problems of collection of the outstandings and the risks involved in extending credit
would probably have been far greater.

They constantly kept themselves in touch with the market trends. It was, therefore, very rightly said by one veteran fabrics merchant who was interviewed by me: "Boy, if you wish to know the fabrics market and the likely trends in it, do not go to the offices of the associations—whether of the mill owners' or of the particular intermediaries—but go to a firm of commission agent." (But, alas! you will have to bump your head repeatedly against the dead wall before it opens out to let you in to discover its secrets.)

About 30% of them had stated that they rendered extensive services and assumed great risks, and that the customary rates of commission receivable by them (as decided by the Maskati Mahajan) were not at all remunerative. They had added that this snag was primarily responsible for diverting. Some of them to simultaneous functioning as wholesalers/dalals/semi-wholesalers.

They also performed some physical services like handling, packing and dispatch of the goods to deshaver customers.

They acted as friend-philosophers to their visiting customers and provided boarding & lodging facilities. Of course the tax law allowed these expenses as business operation expenditure.
Observations:

The field-work showed that, many a times, they dictated the terms of trade. Most of the small wholesalers usually banked upon their support. They took undue advantage of their enviable position for compelling the wholesalers to allow lengthy credit periods which resulted in raising the per metre selling prices of the final products.

They were, in fact, financing firms; but, as they performed some facilitating functions in the vertical chain, they got the designation of a channel component. Apart from the others, even some big wholesale establishments, too, did not consider them as a necessary link.

SECTION III

(3) Integrated Combination—Consumers

Cooperative Wholesale Establishment (CGCE)

(i) Introduction

In the field of textiles distribution in our country, the cooperatives have, of late, been granted a key role to play. They were, during the period of this study, found functioning at all trade levels and coexisted with the other types of cloth dealers. In fact, with the introduction of the controlled cloth scheme, this sector became a significant—and, debatable—channel component in the distribution
network of cotton fabrics. Owing to different legislative and executive measures, sizable portions of the cloth—both controlled and non-controlled varieties—got channeled through the coops.

Besides the NFCF at the national level, in Gujarat, the consumers' cooperative system had a 3-tier structure consisting of a Federation at the state level, some central wholesale societies at the intermediate/below-state level and the primary consumers cooperatives. The last ones would be studied in Chapter 6 as they operated at the retail trade level. In this chapter an attempt would be made to examine the working of the Federation, which operated in the capacity of agent middleman for controlled cloth and merchant middleman for non-controlled varieties. The intermediate level organisations (Central Cooperative Consumers' Societies) (CCCS), though they were known as Central wholesale Societies, operated mostly in the capacity of semi-wholesalers in the textile trade (as per our definition). Hence, we would study them in the next chapter.

The CCCS was a type of wholesale establishment that was distinguished from the other wholesale intermediaries involved in the distribution of fabrics in terms of the kind of ownership and the philosophy of business practices. It was owned and controlled very largely by its affiliates which provided capital and which could receive dividend not exceeding
6 % as might be decided by the Government from time to time, till the latter's share capital contribution was retired.

(ii) Historical development:

The consumer movement in the country is not of recent origin. The consumer cooperatives had come to be organized as early as in 1920's. During the Second World War, with wide-spread scarcity of essential consumer goods and the Government controls over their distribution and prices, the need for an institutional channel for distribution of essential consumer commodities was keenly felt. Since then, with the active Government support, the number of cooperative stores—retail outlets—increased rapidly in Gujrat.

One of the significant developments in the field of cooperation was that of the extension of the principle of integration by the retail outlets (primary cooperatives). The driving force behind the integration movement was the desire to develop collective competitive strength against the traditional private sector establishments. The need to have wholesale establishments in the cooperative sector was recognized from the fact that isolated stores were weak.

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* Source: Office of GSCOF, Ahmedabad.

© NCUI, New Delhi, Background Papers (submitted to 5th Indian Cooperative Congress, 1967, (p.122).
ineffective and incapable of forging a movement till they got united into wholesaling federations through which they could assert their identity and make their presence felt in the economy of the country.

This was inevitable particularly in a country like ours where the retail margins in almost all rationed/controlled articles, which formed the major portion of their product assortments, were small.

A programme for the development of (50) wholesale stores was included by the Government in the Third Five Year Plan on the basis of the recommendations of the working group set by NCCF Board, under the leadership of Dr. P. Natesan.

The Centrally Sponsored Scheme also envisaged the setting up of wholesale stores as also of organising their State Federations.

By the end of the Third Plan, State Federations of Wholesale Stores were formed in 12 states which, in turn, federated into the NCCF in accordance with the recommendations.

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* National Cooperative Development and Warehousing Board.
* NCWI, New Delhi, op.cit., p.123.
* It was a scheme introduced by the Govt. with the objective of building up a network of consumer cooperatives with a view to ensuring equitable distribution of consumer goods at fair prices in towns and cities with population of 60,000 and above. (Ref.: Ibid)
of the 4th Cooperative Congress, thus completing to infra-
structure of the consumers movement.

In Gujarat, we had such a federal body which acted at
the state level for better coordination. The Federation
(GSCCF)—originally established as The Gujarat Federation
of Consumers' Cooperative Wholesale Stores Ltd.—was created
on 27-8-1964. It was born 54 days before the introduction
of the Controlled Cloth Scheme (on 20-10-64) because of
which it attained key position at a later stage.

The GSCCF had commenced work on 12-9-1964 with only one
employee and a total share capital of Rs.65,000. It had
made a modest beginning with a net profit of Rs.319 earned
from gross sales of Rs.79,339 in the first year.

With its affiliation to the GCCF, the apex body, the
place of the Federation in the existing institutional frame­
work of the cooperative channel components for the distri­
bution of cotton textiles appeared as in Chart 4.2.

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* Ibid., p.124.
+ It was promoted with the pioneering efforts of 5 whole­
sale societies, its affiliates, viz., The Ahmedabad
Central Consumers Cooperative Societies Ltd., The
Ahmedabad City-Centre Wholesale Consumers Stores Ltd.,
The Baroda Centre Consumers' Cooperative Societies
Ltd., The Surat Central Cooperative Societies Ltd., and
The Bhavnagar Central Consumers Cooperative Societies
Ltd. (Source: Office of the GSCCF, Ahmedabad).
+ Source: Office of the GSCCF, Ahmedabad.
Chart 4.2

Place of GSCCF in the distribution of Cotton Textiles as agent and merchant intermediary

NCCF (Bom.) B = National Cooperative Consumers' Federation, Bombay Branch.
NCCF (Ahm.) B = National Cooperative Consumers' Federation, Ahmedabad Branch.
GSCCF = Gujarat State Cooperative Consumers' Federation.
Generally, the Federations were formed for two main purposes: (i) commercial, and (ii) educational, including the safeguarding of the interests of the members, viz., affiliated units. Likewise the GSGCF was founded primarily to coordinate and facilitate the working of the affiliated cooperative institutions and to assist in the promotion, organisation and development of cooperative wholesale stores; and, with that end in view,

(a) to make bulk procurement of consumers goods from within the State and other state for supply to affiliated societies;

(b) to undertake import of consumer goods and function as agent of Government for the distribution of controlled commodities;

(c) to establish and run manufacturing and processing units for the production of Consumer goods in collaboration with other cooperatives or directly by it self;

(d) to build cadres of employees of affiliated cooperative wholesale stores;

(e) to render technical guidance and assistance to affiliated wholesale stores in grading, packaging, standardisation, bulk buying, storing, display, pricing and other business techniques and also management methods to improve and
increase their operational managerial efficiency;

(f) to advise and assist affiliated wholesale stores in standardizing the accounting and stock control methods and practices;

(g) to supervise the working of affiliated wholesale stores;

(h) to hold seminars, conferences, meeting and undertake publicity, propaganda and education campaigns and similar other functions as may help the development of consumer's cooperative movement within its area of operation;

(i) to collect and disseminate market intelligence and other information relating to the business of consumers' cooperatives;

(j) to arrange for the training of the employees of consumers' cooperatives in coordination with and with the assistance of other concerned agencies;

(k) to assist the affiliated wholesale stores in securing financial accommodation from Government, State Bank of India, State and Central Cooperative Banks and from other commercial banks or financing agencies and for that purpose offer sureties or guarantees on behalf of affiliated wholesale stores.

*GSCGF, Bye Laws, 1972, (p.2).*
(iv) Location:

The GSCGF, having the whole of Gujarat State as its area of operation, had its Head Quarters at Ahmedabad. So far as the cotton textiles procurement was concerned, the federation was ideally situated in the heart of the tens of mill enterprises of Gujarat. The favourable location could assist it (a) in establishing business relations with the mill managements and (b) in solving the disputes which otherwise would have involved tremendous amount of clerical work for correspondence, etc.

(v) Capital and sources of funds:

All economic activity in a monetary society—in any sector— involves finance. Its quantum, types and periodicity of demand would depend upon the nature and the size of the activities projected and undertaken and on a series of incidental factors. As the GSCGF was a federal body and it assumed both commercial and educational functions, it required considerable funds for meeting certain long term investment needs and for maintaining inventories. For the purpose, it chiefly depended upon the subscriptions from the affiliated member-societies and individuals as also on the Government's contribution to its share capital. (Vide: Table 4.7.)

Thus, the Federation, even after a decade of existence,
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<th>Government Contribution</th>
<th>Total</th>
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<td>1966-67</td>
<td>1,05,000</td>
<td>93,933</td>
<td>1,98,333</td>
</tr>
<tr>
<td>1967-68</td>
<td>1,10,000</td>
<td>93,933</td>
<td>2,03,333</td>
</tr>
<tr>
<td>1968-69</td>
<td>1,30,000</td>
<td>1,86,666</td>
<td>3,16,666</td>
</tr>
<tr>
<td>1969-70</td>
<td>1,41,500</td>
<td>1,66,666</td>
<td>3,08,166</td>
</tr>
<tr>
<td>1970-71</td>
<td>1,55,000</td>
<td>1,53,333</td>
<td>3,09,333</td>
</tr>
<tr>
<td>1971-72</td>
<td>2,26,000</td>
<td>1,40,000</td>
<td>3,66,000</td>
</tr>
<tr>
<td>1972-73</td>
<td>2,12,000</td>
<td>4,26,666</td>
<td>6,39,666</td>
</tr>
<tr>
<td>1973-74</td>
<td>2,06,000</td>
<td>4,13,300</td>
<td>6,19,300</td>
</tr>
<tr>
<td>1974-75</td>
<td>4,08,000</td>
<td>4,00,000</td>
<td>8,08,000</td>
</tr>
</tbody>
</table>

had been relying upon the Government-provided funds constituting almost half of its total share capital.

(vi) Product assortment:

**General Merchandising W.S. Establishment:**

The GSCEF, which undertook the business of different types of unrelated articles, was neither a general line wholesale establishment nor a speciality wholesale organisation. It might, however, be designated as a general merchandise wholesale establishment. The most common

* GSCEF, Annual Reports, 1964-65 to 1974-75.*
articles that formed its product assortments were: Cloth—millmade (both controlled and decontrolled), Handloom, Powerloom, woolen, Condiments, Groceries, Dry fruits, Tyres and Tubes, Provisions, Photo Films, confiscated custom goods, water colours, Battery cells, Soda Ash, Wheat (food-grains), Paper, ground-nut oil, etc.

The Federation had added cotton textiles to its product assortments in 1966. Though the cotton fabrics were procured in large quantities in mill packed bales, in the initial stages, it had employed the practice of breaking the bales with a view to providing wider assortments in required quantities to the buying units at the intermediate and the primary levels. Thus, looking to the method of selling the cloth, the Federation, in its infancy, functioned as a Semi-Wholesale establishment. It handled both controlled and non-controlled cloth. The usual varieties of cloth handled were dhoties—grey and bleached, sarees, coating, shirting, long cloth, poplin, voils, drills, ghaghrapat, etc.

(vi) Size Characteristics

Sales turnover

The sales turnover of the Federation had increased considerably in the eleven years of its operation. Table 4.8 presents the figures of the total sales and the contribution

* Source: Office of GSSCF, Ahmedabad.
The Table indicates a rapid progressive rise in the sales from a mere Rs. 79 thousand in 1964-65 to Rs. 2.53 crores in 1974-75. The contribution of the confiscated goods made available to it had gone up from a mere Rs. 64 thousand in 1967-68 to Rs. 1.33 crores in 1974-75. Until 1971-72, they were preponderant, with the other items outcompeting them by Rs. 1.22 lakhs only during that one year.

* Calculations based on data collected from the available U.S.C.C.F. Annual Reports for the years 1967-68 to 1974-75.
year. After a gap of two years, again, they reached the top constituting, 53 % of the total sales in 1973-74. The cloth sales had followed the former's heels closely to overtake them in 1972-73. Their expansion was comet-like in the two years, from a little over Rs.10 lakhs in 1971-72 to Rs.83.53 lakhs in 1973-74, a gain of 735 %. However, there was a downswing in 1974-75, when the cloth sales formed only 24 % of the sales of all merchandise and, in absolute quantity also, the year witnessed a decline of 28 % in the cloth sales.

Membership

The Federation's membership was open to the following organisations in its area of operation:

(i) Cooperative Wholesale Stores and Cooperative Societies recognised as wholesale stores by the Government.

(ii) The State Government.

(iii) Cooperative Consumers' Societies and other societies carrying on consumer activities, situated outside the area of operation of the societies in (i) above, which are affiliated to the Federation. (Such member-societies were classified as B class members and had to hold at least one share. They ceased to be the members of the Federation automatically as soon as the member referred to in (i) above was enrolled from that area.)
(iv) Cooperative Societies other than those mentioned in (i) and (ii) above, individuals, firms or companies who could become only nominal members.

In 1964-65, there were only 9 pioneer members. The number had gone up to 14 by 1968-69.

Table 4.9 presents the size of the organisation from the viewpoint of annual membership development/growth during the six years ending 1974-75.

**Table 4.9**

<table>
<thead>
<tr>
<th>Year</th>
<th>OW</th>
<th>'IV'</th>
<th>Govt. Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(A class) Category</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1969-70</td>
<td>20</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>1970-71</td>
<td>21</td>
<td>20</td>
<td>1</td>
</tr>
<tr>
<td>1971-72</td>
<td>22</td>
<td>43</td>
<td>1</td>
</tr>
<tr>
<td>1972-73</td>
<td>22</td>
<td>33</td>
<td>1</td>
</tr>
<tr>
<td>1973-74</td>
<td>22</td>
<td>43</td>
<td>1</td>
</tr>
<tr>
<td>1974-75</td>
<td>23</td>
<td>43</td>
<td>1</td>
</tr>
</tbody>
</table>

The single year which had witnessed a steep rise was 1971-72. That was chiefly attributed to the fact that, in 1972, the Government entrusted the distribution of the controlled varieties of cloth to the cooperative sector.

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* GSOCF, Bye-laws, 1972 (p.4).

As regards the paid staff, their number had gone up from 1 in 1964-65 to 9 by 1969-70 and to 15 including the Administrative Officer by 1975-76. The Federation had not opened any branch office until then.

(viii) Internal management

The ultimate authority of the Federation was vested in the General Meeting of the representatives of the affiliated societies who were the members of their respective Managing Committees or Boards. It was convened at least once a year.

As in the case of all cooperative organisations, the Federation was managed by the Board of Directors consisting of (i) the persons elected by the representatives of the affiliated societies, (ii) the Government nominees, and (iii) the nominee of the State Cooperative Bank. Accordingly, in 1974-75, the size and the composition of the Board were as sketched in Chart 4.3.

During the year 1974-75 the Board had met 8 times and its Administrative Committee had met 4 times to take policy decisions relating to business including that of cloth.

(ix) Operational Analysis

As stated earlier, this organisation operated as general
merchandise wholesale establishment for non-controlled cloth and as agent for the distribution of controlled cloth in the state. Basically, the methods of doing business of these two categories of cloth were different as the distribution of the controlled cloth was done as per the statutory control.

(A): GSCCF — as channel component for distribution of Controlled Cloth

In the distribution of controlled cloth, the all-India apex institution—GSCCF—operated as the immediate link between the mills in the country and the 14 State Federations. Therefore, GSCCF functioned as a coordinating agency in Gujarat, in accordance with the policy of the Government from time to time.

It served as a link between the GSCCF and the authorised
wholesale distributors. In so far as the controlled fabrics were concerned, the question of negotiating the terms of transactions, either with the mills or with these approved wholesalers never arose as a quota was allotted to each State and the goods were moved towards the consumption points as per the formula prescribed by the Government from time to time.

Thus, the only administrative work to be performed at the Federation level was that of communicating the availability of cloth to and of receiving the indents from the approved dealers—mostly every month, and transmitting them regularly to the NCCC (Bombay branch) for further action. On the basis of this, the Textile Commissioner granted release orders. Finally, upon hearing from the NCCC, the dispatch instructions were submitted by the Federation and the goods were delivered directly to the indentors, by the mills as per the instructions from the NCCC.

The sales of controlled cloth through this monopoly

* The licences were issued by the Civil Supply Department of the State Government.

* The allotment was made on the basis of the population and the availability of controlled cloth. The quota for Gujarat State, for example, before 1-6-1974 was of 1082 bales of 1500 metres each (16.23 lakh metres). But with the increase in controlled cloth production, after 1-5-1974, 2164 bales of 1500 metres each (32.64 lakh metres) were allotted to Gujarat. (Vide: Note prepared by GJCCC, 6-5-1974, (p.2).)
agent-intermediary had gone on rising aiseably every year, since November 1972. Table 4.10 exhibits the annual performance of the Federation in the field of distribution of controlled cloth during the three years beginning 1972-73.

Table 4.10

<table>
<thead>
<tr>
<th>Year</th>
<th>Cloth (No. of bales)</th>
<th>Value (Rs.)</th>
<th>Rate of commission (percentage)</th>
<th>Commission earned (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-73</td>
<td>8,176</td>
<td>10,816</td>
<td>1/4</td>
<td>42,187</td>
</tr>
<tr>
<td>1973-74</td>
<td>25,968</td>
<td>18,211</td>
<td>1/4 (upto 30-4-74)</td>
<td>31,905</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(since 1-5-74)</td>
</tr>
<tr>
<td>1974-75</td>
<td>25,968</td>
<td>25,533</td>
<td>1</td>
<td>4,51,362</td>
</tr>
</tbody>
</table>

The Federation, in 1974-75, had distributed over 28.5 thousand packed bales among the 164 cooperative establishments on a wholesale basis in Gujarat and had earned over Rs.4.51 lakhs by way of commission. In a single year, the sales of controlled cloth had increased by about 88 % reflecting the onslaught of the control on the private trade.

+ Estimated.
£ GSCCF, Annual Report, 1974-75.
The rate of commission to the Federation was increased from 1/4 to 1% with effect from 1-5-1974 with a view to enable it to meet the overhead charges. This was paid by approved cooperative dealers on the ex-mill prices of the cloth they received. The commission earned by the Federation in 1974-75 had constituted about one-fourth of its Gross Profits for the year.

(B): GSCOF – as channel component for non-controlled cloth distribution

In contrast to the private sector independent whole-salers, the cloth business in GSCOF was done by paid employees as per the broad policies determined by the plural executive. The Federation had appointed an officer for cloth business in 1968-69. He was in charge of managing the cloth business for both the controlled and the non-controlled varieties. But, with the tremendous increase in the work pertaining to the distribution of controlled cloth alone, another person was, later, employed for the separate handling of the non-controlled varieties.

(a) Buying

Buying cloth in accordance with the requirements of the affiliated district and taluka levels cooperative

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* Letter No.Kapad/19013 dated 28-5-1975 addressed to the Managers of all District & Taluka Unions, by the GSCOF.
establishments and the primary consumers cooperatives was a major function. The efficiency with which it was done became the barometer of the cloth division's achievements.

The Federation enjoyed the privilege of procuring goods at ex-mill prices directly from the mills from the reserved quota of 10%. But a specific discussion with the sales officer on this issue created an impression that the organisation was not happy with the implementation of the Scheme.

Sources of supplies

The Federation, as it dealt in numerous varieties of cloth, bought fabrics from various sources—both local and outstation—varying degrees either directly or through Selling Agents, Dalals and/or its apex organisation. The information collected during the field-work revealed that it distributed a wide range of fabrics obtained from over 20 mills (directly and/or via other sources) and some powerloom factories.

The Federation did not follow the policy of forward buying and made the required purchases relatively in small lots. This conservative buying policy did offer it a cover against the market vagaries.

Purchase prices

...the market vagaries.
through their appointed selling agents/dalals, the prices paid were only ex-mill plus excise duty in each case. But, when the purchases were effected through the NCCP, they had to at ex-mill price plus excise duty plus 1% services charges (of NCCP). Again, on the purchases from the inventories maintained by the NCCP, an additional $\frac{1}{2}$% had to be borne by the GJCCP, probably to indemnify the former for their blocked resources. How this rate was fixed is anybody's guess.

**Discounts**

Discounts depended upon the supply position of the goods and a few other factors. The Federation had no right to claim it, but usually the mills offered it $1\%$ on the value of the goods bought by it.

**Transport arrangements**

In the case of supplies from the outstation mills and sources, the Federation had to bear the burden of the handling and transport charges as also the insurance charges $\in 20$ paisa per Rs.100 worth of goods. As for the purchases from local mills, generally it received same treatment from the mills as was meted out to the other merchants; the invoices they received from the mills included the customary delivery charges.
Terms of payment

Mostly, its purchases were on cash basis, particularly when they were made from some reputed mills. At times they had to make payments in advance; on other occasions, they enjoyed interest-free credit periods of 7 to 9 days. It was reported that the mills, which normally granted 12 to 20 days' credit to the independent wholesalers, extended credit to the Federation only for 7 days. The latter had taken up the matter with some of the former to end the discriminatory treatment.

(b) Selling policies and practices

Customers

The Federation supplied the fabrics to affiliated and non-affiliated cooperative establishments such as Madhyasth Grahak Bhandars (Central Consumers' Cooperative Stores), Departmental Stores and other Cooperative Societies. In an effort to solicit business, it used to communicate to them, at frequent intervals, the details of the fabrics—varietywise names of the mills, sorts and sorts numbers, widths, quality, per metre packed bale prices and retail prices—it had to offer and executed their orders on a 'first-come-first-served' basis.

Major terms of selling

They delivered the goods at a margin varying between 5%
and 6% over their purchase prices, mostly for cash.

The goods were dispatched to the buyers by road or rail and the transport, etc. charges were borne by the latter.

The incidence of the disputes (a) between the suppliers and the Federation, and (b) between the Federation and its customers was found to be low. When they did occur, their causes related to delay in delivery, design, quality, colour, shortage of measurement, sub-standard packing, etc.

(c) Some major problems

Non-cooperative attitude of the mills

My discussions with the executives of the CoOIF revealed that the mills meted out a step-motherly treatment to it. Quite often it experienced a discrimination which was not limited only to the quantities of the cloth supplied. At times they charged higher prices and enforced more stringent terms of payment than in the case of the independent wholesalers. An instance had come to my notice, during the field-work when the Bagicha Mills had charged Rs.70 per kg. from the Federation for blouse pieces when the same item was supplied at Rs.69.50 per kg. to the private wholesalers, simultaneously. To the extent such rate differentials were not the result of the inefficiency of the buyer, it meant a surreptitious sabotage of cooperative distribution; for,
cheaper availability of the same products in the private sector open market, supported by the manufacturing mills, cut across the roots of cooperative wholesaling.

Similarly, when the market was slack, the mills dumped unsold stocks upon the Federation; but, during the 'teji' periods, they created all types of hurdles in its equitable procurement of fabrics.

Earlier, the mills were not prepared to deliver even controlled cloth to this organisation. For example, prior to the enforcement of statutory control on distribution, in 1971-72, they could get a bare 175 bales of controlled cloth after repeat requests.

The mills, too, had their own dissatisfaction of the GSCGF operations as a pure consumer-oriented cooperative organisation. But they must not forget that cooperativism has come to stay and that their pin-pricks would only drive the Government to take more harsh and stiff steps for the implementation of the New Economic Programme. It would be in their interests to accept the discipline. As for the GSCGF, it should also make efforts to win the confidence of the mills to maintain a constant and consistent flow of fabrics in accordance with the requirements of the affiliated and other societies. After all, satisfying co-existence in a

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* GSCGF, Annual Report, 1971-72, (p.6).
mixed economic order needs a two-way traffic and a mutual understanding, rapport and trust of a high order in business deals.

Maintaining inventories:

The Federation accumulated cloth for resale to the below-state level cooperatives located in different districts. Hence, it had to take into account the regional variations in demand and had to buy cloth in different varieties that would satisfy the needs of the people of varied castes, tastes, habits, etc.

This necessitated the maintenance of large inventories of multiple fabrics products and gave rise to these problems: (i) Working capital had to be arranged for. (ii) Continuous marketing research had to be undertaken to take advantage of current fashion goods, to maximise turnovers, and to reduce the risks of overstocking and faulty stocking of varieties as also of obsolescence.

My study showed that the GSSCF had yet 'miles to go' in this regard.

(xi) Observations

The success of this type of cooperative organisation depended to a large extent on the loyalty of its members. But, my field-work provided ample evidence to show that many of the members of the GSSCF were attached to private sector
intermediaries for large segments of their supplies. The federation had reported that, though it had been dealing in textiles at nominal margins of profit, the response from the affiliates was not satisfactory. Its chief complaint was that the members came to it only for the 'lagdi mal' or 'numberi mal' whereas they bought the 'chalu mal' from other sources for the sake of availing of the facility of deferred payment. On the other hand, the affiliate member units had been critical of the approach of GSCOF, which decided to buy fabrics without surveying the former's specific requirements. They had suggested that the indents should be called for regularly from them for supplies they needed instead of asking them to accept what the GSCOF purchased or stocked.

Now, lack of loyalty is a bane of the cooperative movement at large in our country, barring a few notable examples. For, loyalty cannot be bought or forced upon the members; it would then cease to be cooperation in spirit. I think, however, that organisations like GSCOF should prepare an integrated plan of positive motivational incentives as well as negative sanctions to enforce cooperative discipline on its members and to serve their needs as per the latter's requirements. And, to attract the non-members to transact business with it and to establish permanent relationship with it, it must function as a pure
business unit.

Again, the product lines handled by such a distinguished organisation must be based on the socio-economic conditions and the composition and character of the buying public so that they corresponded to their requirements. The sales of confiscated goods which ranked first in terms of the turnover for so many years—and, which still ranked high in 1974-75—might have satisfied a few cooperators and their relatives, but the approach defeated the very purpose of the creation of such an organisation.

The GSOCP should orient itself to the rural buyers' requirements and educate itself as well as the affiliated units to perform the business operations in accordance with the needs of the masses rather than the classes. The textile fabrics, if handled and distributed carefully, should help the federation in building up its own corporate image and strength while, at the same time, fulfilling at reasonable prices one of the basic requirements of the consumers including those living in the rural areas.