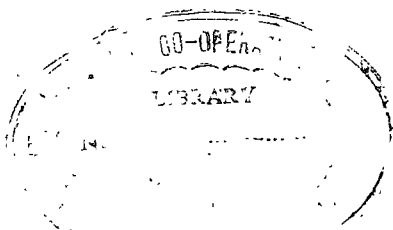


ASIAN CONFERENCE ON CONSUMER COOPERATION
Kuala Lumpur, Malaysia, 23-25 Oct. 1974.

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Gurcharan Singh
Conference Secretary

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INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for South-East Asia
43, Friends Colony, New Delhi 14. India

No. CC(KL)74.

To

All Member-Organisations in S.E.Asia
ILO, Bangkok & Geneva, Delhi
FAO, Bangkok & Italy.
UN Economic & Social Commission for
Asia & the Pacific, Bangkok.
UNESCO, Paris.
AARRO. New Delhi.
ICFTU, New Delhi.
Int'l Org. of Consumers Union, The Hague
Netherlands.
ICA Office for East & Central Africa, Moshi.
Cooperative Management Services Centre, Colombo

Campe Office,
Kuala Lumpur, Malaysia
Dated: 28 October 1974

Dear Sir,

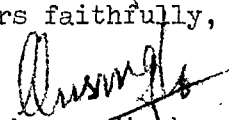
Sub, Asian Conference on Consumer Cooperation
Kuala Lumpur, Malaysia. 23-25 October 1974.

As directed by Mr. J.M. Rana, Director (Education) ~~ICA-Regional~~
Office & Education Centre for South-East Asia, I am sending herewith
documentation circulated at the Asian Conference on Consumer Cooperation
held in Kuala Lumpur, Malaysia from 23rd to 25th October 1974.

Kindly acknowledge receipt.

With Cooperative Greetings,

Yours faithfully,


Gurcharan Singh
Conference Secretary

Encl. as above

ASIAN CONFERENCE ON CONSUMER CO-OPERATION
Kuala Lumpur, Malaysia. 23-25 October 1974.

Venue: Hotel Jaya Puri
Petaling Jaya

R E S O L U T I O N S

Jointly
organised by

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia, P.O.Box 3312,
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RESOLUTIONSOF THEASIAN CONFERENCE ON CONSUMER CO-OPERATION
Kuala Lumpur, Malaysia, 23-25 October 1974

Venue: Hotel Jaya Puri
Petaling Jaya.

INTRODUCTION

The Asian Conference on Consumer Cooperation was jointly held by the ICA Regional Office & Education Centre for South-East Asia and the Cooperative Union of Malaysia in Kuala Lumpur, Malaysia, from 23rd to 25th October 1974. The Conference was inaugurated by Hon'ble Mr. Mokhtar bin Hasim, Deputy Minister for Agriculture and Rural Development, Malaysia. The inaugural session was presided over by Mr. N.A. Kularajah, President of the Cooperative Union of Malaysia and Chairman of the ICA Council for South-East Asia. After the inaugural session, the Conference elected Mr. Ahmed bin Yunus (Malaysia) as Chairman and Mr. Djoko Basoeki (Indonesia) and Mr. H. Kempegowda (India) as Vice-Chairmen of the Conference. The Conference was attended by 119 delegates and observers from Bangladesh, India, Indonesia, Japan, Malaysia, Singapore, Sri Lanka and Thailand. The observers also included representatives of the U.N. Economic and Social Commission for Asia and the Pacific, the International Labour Organisation, the Food and Agriculture Organisation, and the Cooperative Management Services Centre, Sri Lanka.

The following resolutions were adopted by the Conference :

RESOLUTIONSConsumer Cooperatives and Consumer Protection

1. The Conference notes the unprecedented price rise in South-East Asia and the ever increasing difficulties of millions of consumers because of the increasing cost of living, shortage of

essential commodities, prevalence of adulterated and sub-standard goods, and hoarding and other malpractices in the distributive trade. It therefore recommends that the consumer cooperative movement should play a more active and important role in consumer protection through adequate and efficient supply of consumer goods and services at reasonable prices, consumer education, information and mobilising public opinion and ensuring enactment of needed legislation and its enforcement. The Conference stresses that the consumer cooperative movement in various countries of South-East Asia should be strengthened and further developed in order to achieve the above objectives.

2. The Conference notes that there exists some legislation in regard to consumer protection in the countries of the Region but in view of its inadequacy, it recommends to governments in the Region to enact comprehensive consumer protection laws/regulations and ensure effective enforcement of the existing laws as well as the comprehensive law/regulations to be enacted in future. The Consumer Protection Law/Regulations should provide, among other things, for compulsory price tagging, use of standard weighing machines and weights and measures, establishment of government testing laboratories and effective inspection machinery.

3. The Conference recommends that consumer cooperatives, wherever possible, should increasingly involve women and youth in consumer work. They should develop consumer education and information programmes specially directed to women and encourage women to form women's groups for effectively carrying out these programmes and for enlisting their support for improving retailing activities of cooperative shops. The Conference further recommends that students' cooperatives should be organised in schools, universities and institutions of higher learning.

4. In view of the fact that many other organisations and agencies are interested in consumer protection, the Conference recommends that the consumer cooperative movement should work in close collaboration with all such agencies, especially consumer associations, trade unions, women's organisations, youth organisations, relevant educational and research institutions and government departments, and that the movement should take initiative for establishing Liaison Committees of the above

5. The Conference recommends that the ICA RO & EC should constitute a Working Party on Consumer Cooperation for South-East Asia with the following main aims :

- a. to develop and recommend policies and to coordinate activities in the field of consumer cooperation and consumer protection;
- b. to exchange technical information on retailing, warehousing, wholesaling etc.
- c. to make proposals in the field of training and exchange of cooperative management personnel,
- d. to undertake research activities, and
- e. to identify requirements for technical and management consultancy experts and other technical assistance.

Role and Structure of Cooperatives at the Retail Level

6. The Conference notes with satisfaction the efforts currently being made in some countries of the region to develop strong chains of consumer cooperative shops in urban areas. In this connection, the Conference recommends that the consumer cooperatives in the urban areas should mainly cater for the needs of the broad masses of urban families with fixed incomes such as industrial workers and other persons in lower and middle income groups. Keeping these objectives in view, the Conference recommends that :

- (a) the consumer cooperatives should confine themselves to a very limited assortment of commodities mainly concentrating on all sorts of food, toileteries and other few essential goods which the consumers purchase frequently,
- (b) the consumer cooperatives would be able to achieve the best economic results by developing large supermarkets of the type established in Kuala Lumpur which has more than 80% of the sales in food articles;

- (c) it would also be necessary to establish a large number of food shops smaller than the supermarkets but larger than the grocery shops of the private traders - the food shops of the cooperative having larger turnover than those of the private shops in terms of sales per shop, sales per sq.ft. of shopping area and sales per salesman;
- (d) control system in the cooperative shops should be carefully developed by having monthly stock-taking and a completely up-to-date book-keeping which would provide monthly result statements; and
- (e) there is a great need for building up competent cadres of managers and sales personnel through an effective system of recruitment, training and career development.

7. Noting that usually consumer cooperative societies in many South-East Asian countries are small societies with one shop each, the Conference recommends that these small societies should be amalgamated in order to form large viable societies which would operate several shops for achieving more efficient retailing and wholesaling, centralised administration and book-keeping, pooling of financial resources and better personnel management and member-education. In this connection the Conference recommends that amalgamation of societies should be carried out after proper planning and intensive discussions with the members and board members of the societies, and wherever needed, the amalgamation may be introduced after a period of intensive collaboration among the societies.

8. The Conference emphasises the importance of maintaining democracy in large societies by having a representative general assembly of members, to which delegates would be elected by members' meetings held shop-wise, and by having elected advisory shop committees. The Conference further stresses the great importance of shop-wise members' meetings for the purpose of developing effective consumer information programmes and for ensuring active involvement of the members in the

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management of the shops and the society as a whole through critical discussions about various practical questions such as the assortment of goods, the qualities and prices of the goods sold and the services offered.

9. Recognising that nearly 70 to 80% of people in almost all the developing countries of the Region live in rural areas, the Conference emphasises the great need to develop supplies of consumer articles for the rural population. The Conference recommends that this task should be carried out by the rural cooperative societies and/or consumer cooperative organisations established in the urban areas. The Conference is of the opinion that the cooperative shops in the rural areas should carry assortment of food, toileteries and other essential consumer articles which people in the rural areas purchase frequently. The Conference recommends that the farmers' cooperatives undertaking consumer activity should develop effective links with the urban consumer cooperative movement for the purpose of developing a strong wholesaling system.

Cooperative Production

10. The Conference notes the serious difficulties faced by consumer cooperatives in securing supplies on reasonable terms for their stores due to the very strong control of private trade and multi-national corporations on the source of these supplies. The Conference notes that cooperatives are not in a position to undertake large-scale production activity owing to the lack of adequate resources and for want of sufficient outlets to justify such production. The Conference therefore recommends that consumer cooperatives should undertake production of consumer commodities only on a selective basis. Such production should be taken up in respect of commodities for which bulk supplies cannot be secured from manufacturers and where agricultural and industrial cooperatives are not in a position to supply these commodities. The Conference recommends that consumer cooperatives should as far as possible enter into long-term contracts with large-scale manufacturers for bulk purchases of consumer commodities.

Recognising the need for a close coordination between agricultural cooperatives and consumer cooperatives in the field of consumer supplies, the Conference recommends that these cooperatives should evolve a mutually agreed procedure for supplying agricultural products to consumer cooperatives. In case the consumer cooperatives have also entered the field of production, a clear demarcation of areas to be covered by agricultural and consumer cooperatives should be worked out and wherever possible, joint production by the two sections of the cooperative movement should also be considered.

11. The Conference recognizes the need for maintaining rigorous standards of quality for cooperative products. It therefore recommends that consumer cooperative movement engaged in production of consumer commodities should pay special attention to maintain their distinct identity as producers of quality goods. The Conference also feels that efforts should be made to evolve a national price-policy for goods produced and marketed by consumer cooperatives.

The Conference notes that in countries like Sweden and Japan, cooperative branded goods have played a significant role in developing consumer consciousness for cooperative products. It therefore recommends that wherever possible cooperatives should retail quality products under their own brands. The cooperative wholesale society should assist the retail stores in developing Coop brands in the country as a whole, and assist in controlling the quality prescribed.

Cooperative Wholesaling

12. The Conference notes that most of the consumer cooperative movements in the Region have yet to organise strong wholesale cooperatives at the national level. In the absence of such central organisations, the cooperatives have generally to rely on external sources for securing their supplies. The Conference recommends that efforts should be made to establish strong and viable consumer wholesale societies in the countries of the Region. These societies supported by their affiliates at the various levels, should evolve a distribution system for the retail units

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in the most effective and economic manner possible. These wholesale societies should become the servicing organisations for all the consumer stores in the countries concerned. These societies should also be used by government and semi-government agencies for distributing essential commodities to the people.

13. The Conference recognises the need for a speedy supply system to retail stores in various parts of the country. Recognising, therefore, the need for evolving such a system for the fast growing consumer cooperative movements in the countries of the Region, the Conference recommends that consumer cooperative movements should in the near future endeavour to establish regional warehouses/distribution centres to service retail stores in different parts of the country. These warehouses should evolve a provincial and national assortment system to facilitate purchases and distribution of the consumer commodities on the national scale. The Conference is of the opinion that these warehouses/distribution centres should be operated by the national or provincial wholesale societies, and that the assortment and services should be decided by the societies serviced by the warehouses.

The Conference also recommends that the Consumer cooperative movements should endeavour to vertically integrate their activities at various levels. They should also horizontally integrate their activities with those of the other sections of the Cooperative Movements, viz. agricultural cooperatives, industrial cooperatives and other cooperative societies.

International Trade

14. The Conference welcomes the establishment of the International Cooperative Trading Organisation (ICTO) in Singapore and expresses its support to this organisation which is expected to cater to the needs of the cooperative movements in the Region in import-export, joint buying and trade information. The Conference also calls upon the cooperative movements in the Region to extend their full support to the ICTO by channelling through it their imports and exports.

The Conference notes that cooperatives in Europe have evolved a system of joint buying through regional wholesale organisations or organisations such as INTERCOOP which functions under the auspices of the ICA and also notes that through joint buying it has been possible to substantially reduce the cost of bulk supplies through purchases from different parts of the world. The Conference calls upon the consumer cooperative movements in the Region to organise, wherever possible, joint buying on a regional or sub-regional basis, and also calls upon the cooperative movements in the Region to trade with each other.

Recognising the need for international collaboration in production of consumer commodities, the Conference recommends that the International Cooperative Alliance should endeavour to bring about joint ventures between cooperative movements in different parts of the world. These joint ventures, as far as possible, should be linked with International Trade among cooperative movements. The ICA should also assist in bringing about an exchange of managerial personnel engaged in international trade.

15. Recognising the need for a closer collaboration between the cooperative movements and the various agencies of the UN, the Conference recommends that the cooperative movements in the Region either through the International Cooperative Alliance or directly, should explore every possibility of participating in the various programmes of the UN agencies in the field of consumer protection, consumer cooperative development and international trade, and where considered necessary, of making full use of the facilities offered under the technical assistance programmes of these bodies.

Government Support to Consumer Cooperatives

16. Noting that as the consumer cooperative movement caters for the lower and middle income groups, as the consumer movement is in its initial stage, and as the movement can assist the State in its policy of maintaining stable supplies of essential commodities to people, the Conference recommends that the consumer cooperative movements and

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governments in the Region should jointly formulate plans of consumer cooperative development. The governments should provide effective support to consumer cooperatives to enable the latter in finding suitable sites and accommodation for supermarkets, other retail outlets and building warehousing/distribution centres and to give financial assistance for long-term investments through cooperative banks and for developing consumer education and employee training programmes. The Conference urges the consumer cooperative movements to take government assistance in a discriminating manner so as not to compromise their independence of action, and calls upon the governments to ensure that influence of political nature and bureaucratic control of cooperatives do not accompany government support.

ASIAN CONFERENCE ON CONSUMER COOPERATION

Kuala Lumpur, Malaysia, October 23-25, 1974.

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89. Mr. Abd. Hamid bin Haji Daud,
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Ipoh.
90. Mr. Hamzah bin Mohd. Hashim,
The Government Servants' Co-operative Thrift & Loan
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Ipoh.
91. Mr. Eainuddin bin Mohd. Sham,
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95. Mr. Supah Noh,
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Petaling Jaya.
96. Miss Armi Zainuddin,
Cooperative College of Malaysia,
Jalan Templer,
Petaling Jaya.
97. Mr. A. Solomon,
Cooperative College of Malaysia,
Jalan Templer,
Petaling Jaya.
- 97a. Mr. Md. Shah bin Che Man
Cooperative College of Malaysia,
Jalan Templer,
Petaling Jaya.

SINGAPORE

98. Mr. A. Rahim bin Gimin,
PSA Coop. Thrift & Loan Society,
Port of Singapore Authority,
99. Mr. A. Kolandasamy,
PSA Coop. Thrift & Loan Society,
Port of Singapore Authority.
100. Mr. Yusoff bin Bakar,
PSA Coop. Thrift & Loan Society,
Port of Singapore Authority.
101. Mr. M. Janarthanan,
Customs & Excise Coop. Thrift & Loan Society,
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102. Mr. Thangavellu,
Customs & Excise Coop. Thrift & Loan Society,
c/o Singapore National Coop. Union,
P.O. Box 366.
103. Mr. Hamid bin Hassan,
Customs & Excise Coop. Thrift & Loan Society,
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105. Mr. Salleh bin Ahmad,
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106. Mr. Hj. Khanaffi bin Abdullah,
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114. Mr. D. M. Scott,
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116. Mr. Dennis Hollos,
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117. Mr. Rosenacker H.G.
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118. Mr. Tak Tsukuda,
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Bangkok 3.

RESOURCE PERSON

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ILO Team Leader
Consultancy and Promotional Cell
National Cooperative Consumers' Fed.

Resource
Person
cont.

120. Mr. Rolf Holmgren
Consumer Cooperative Society
Nurrahammers, Stockholm, Sweden.
121. Mr. Bengt Nerlund
Assistant Manager
Purchasing Department for Women's Wear
Swedish Coop. Union and Wholesale Soc. (KF)
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ICA REGIONAL OFFICE AND EDUCATION CENTRE
FOR SOUTH-EAST ASIA

122. Mr. J.N. Rana
Director (Education)
ICA RO & EC for South-East Asia
43, Friends' Colony
New Delhi.
123. Mr. Dharm Vir
Joint Director (Education)
ICA RO & EC for S.E.A.
New Delhi.
124. Mr. M.V. Madane
Joint Director (TAT)
ICA RO & EC for South-East Asia
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125. Mr. A. Siva Perumal
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**ASIAN
CONFERENCE ON CONSUMER
CO-OPERATION**

23rd to 25th October, 1974

at



**JAYA PURI
Jalan Barat, Petaling Jaya,
Malaysia.**

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ASIAN CONFERENCE ON CONSUMER COOPERATION

KUALA LUMPUR, MALAYSIA. OCTOBER 23 — 25, 1974

Venue: Jaya Puri, Petaling Jaya, Malaysia

PROGRAMME

- Tuesday, 22nd October Arrival of Participants
- Wednesday, 23rd October *Inaugural Session*
- Inauguration Chairman:
 Mr. N. A. Kularajah, President of the
 Cooperative Union of Malaysia and
 Chairman ICA Council for South-East
 Asia.
- 0900 — 0915 Welcome by Mr. N. A. Kularajah
- 0915 — 0930 Address by Mr. J. M. Rana,
 Director (Education) ICA RO & EC
 New Delhi
- 0930 Inaugural address by Y.B. Minister for
 Agriculture and Rural Development,
 Malaysia
- 1000 — 1030 Tea break
- Session-I. *The Role of Consumer Cooperatives in
 Consumer Protection* with special re-
 ference to the rise in the cost of living.
- 1030 — 1045 Announcement of Chairman and Vice-
 Chairman of the Conference and of the
 Drafting Committee.
- Objectives and Working Methods of the
 Conference.
- 1045 — 1130 Presentation of the Regional Paper
 "*The Role of Consumer Cooperatives in
 Consumer Protection*".
 by Dr. D. Vir, Joint Director (Educa-
 tion) ICA Regional Office, New Delhi.
- 1130 — 1150 Presentation of Supplementary Paper
 from India by Mr. Thampan Thomas,
 National Cooperative Consumers'
 Federation.

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- 1150 — 1230 Presentation of Supplementary Paper from Sweden by Mr. Rolf Holmgren, Swedish Cooperative Centre, Stockholm.
- 1230 — 1400 Lunch break
- 1400 — 1530 Discussion
- 1530 — 1700 Visit to Kuala Lumpur Cooperative Supermarket and Co-op Emporium, Petaling Jaya
- 2000 Dinner at the Chinese Garden Restaurant, Jaya Puri, on the invitation by the Cooperative Union of Malaysia

Thursday, 24th October

Session-II. *The Structure of Cooperatives at the Retail Level.*

- 0900 — 0930 Presentation of the Regional Paper by Mr. Herman Lamm, I.L.O. New Delhi.
- 0930 — 0940 Presentation of Supplementary Paper from Japan by Mr. Isao Takamura.
- 0940 — 0950 Presentation of Supplementary Paper from Malaysia by Mr. Chong Thin Huatt.
- 0950 — 1000 Presentation of Supplementary Paper from Sri Lanka by Mr. H. P. Henry.
- 1000 — 1030 Tea Break
- 1030 — 1230 Discussion
- 1230 — 1400 Lunch Break

Session-III. *Production, Importation and Wholesaling for Supporting Consumer Cooperatives and for International Cooperatives Trade.*

- 1400 — 1430 Presentation of Regional Paper by Mr. M. V. Madane, Joint Director (TAT) ICA Regional Office, New Delhi.

13 29
1430 — 1445

30
Presentation of Supplementary paper
from Sweden by Mr. Bengt Nerlund,
Swedish Cooperative Centre, Stock-
holm, Sweden.

1445 — 1545

Discussion

1545 — 1615

Tea break

1615 — 1715

Discussion

1715 — 1800

Film Show

2000

Dinner at the Invitation of International
Cooperative Alliance, Regional Office &
Education Centre for South-East Asia at
10th Floor, Jaya Puri

Friday, 25th October

0900 — 1200

Meeting of the Drafting Committee and
Study visits including sight-seeing by
other delegates

1200 — 1400

Lunch Break

Final Session

1400 — 1530

Adoption of Resolutions on all the three
subjects.

1530 — 1545

Tea Break

1545 — 1745

Adoption of Resolutions and Vote of
thanks.

Saturday, 26th October 1974 Departure of delegates.

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ASIAN CONFERENCE ON CONSUMER COOPERATION

Kuala Lumpur, Malaysia, October 22-25, 1974.

PROGRAMME

- Tuesday, 22nd October, 1974. Arrival of Participants
- Wednesday, 23rd October Inaugural Session
- Inauguration Chairman :
Mr. N.A. Kularajah,
President of the Cooperative Union of Malaysia
and Chairman ICA Council for South-East Asia.
- 0900 - 0915 Welcome by Mr. N.A. Kularajah
- 0915 - 0930 Address by Mr. J.M. Rana,
Director (Education) ICA RO & EC, New Delhi.
- 0930 Inaugural address by Y.B. Minister for Agriculture
and Rural Development.
- 1000 - 1030 Tea break
- Session-I. The Role of Consumer Cooperatives in Consumer
Protection with special reference to the rise
in the cost of living.
- 1030 - 1045 Announcement of Chairman and Vice-Chairman of
the Conference and of the Drafting Committee.
- Objectives and Working Methods of the
Conference.
- 1045 - 1130 Presentation of the Regional Paper,
The Role of Consumer Cooperatives in
Consumer Protection by Dr. D. Vir,
Joint Director (Education) ICA Regional Office
New Delhi.
- 1130 - 1150 Presentation of Supplementary Paper from
India by Mr. Thampan Thomas, National
Cooperative Consumers' Federation.
- 1150 - 1230 Presentation of Supplementary Paper from Sweden
by Mr. Rolf Holmgren, Swedish Cooperative Centre,
Stockholm.
- 1230 - 1400 Lunch break
- 1400 - 1530 Discussion
- 1530 - 1700 Visit to Kuala Lumpur Cooperative Supermarket
and Cooperative Emporium, Petaling Jaya.
- 2000 Dinner at the Chinese Garden Restaurant,
Jaya Puri, on the invitation by the Cooperative
Union of Malaysia.

Thursday, 24th October, 1974

Session-II The Structure of Cooperatives at the Retail Level.

- 0900 - 0930 Presentation of the Regional Paper by Mr. Herman Lamm, I.L.O. New Delhi.
- 0930 - 0940 Presentation of Supplementary Paper from Japan by Mr. Isao Takamura.
- 0940 - 0950 Presentation of Supplementary Paper from Malaysia by Mr. Chong Thin Huatt.
- 0950 - 1000 Presentation of Supplementary Paper from Sri Lanka by Mr. H.P. Henry.
- 1000 - 1030 Tea Break
- 1030 - 1230 Discussion
- 1230 - 1400 Lunch Break

Session-III. Production, Importation and Wholesaling for Supporting Consumer Cooperatives and for International Cooperative Trade.

- 1400 - 1430 Presentation of Regional Paper by Mr. M.V. Madane, Joint Director (TAT) ICA Regional Office, New Delhi.
- 1430 - 1445 Presentation of Supplementary paper from Sweden by Mr. Bengt Nerlund, Swedish Cooperative Centre, Stockholm, Sweden.
- 1445 - 1545 Discussion
- 1545 - 1615 Tea break
- 1615 - 1715 Discussion
- 1715 - 1800 Film Show
- 2000 Dinner at the invitation of International Cooperative Alliance, Regional Office & Education Centre for South-East Asia at 10th Floor, Jaya Puri.

Friday, 25th October, 1974

- 0900 - 1200 Meeting of the Drafting Committee and Study visits including sight-seeing by other delegates.
- 1200 - 1400 Lunch Break
- Final Session
- 1400 - 1530 Adoption of Resolutions on all the three subjects.
- 1530 - 1545 Tea Break
- 1545 - 1745 Adoption of Resolutions and Vote of thanks

Asian Conference on Consumer Cooperation
23rd to 25th October, 1974

Address of Welcome

Y.B. Timbalan Menteri Pertanian dan Pembangunan Luar Bandar, Encik Mohtar Hashim Mr. J. M. Rana, Director of ICA, Encik Yob bin Busu, Director-General of Co-operatives, distinguished guests, distinguished co-operators, ladies and gentlemen.

On behalf of the Malaysian Co-operative Movement I would like to extend a very warm and sincere welcome first to the distinguished co-operative leaders who have come from all over Asia and other parts to participate in this Asian Conference on Consumer Co-operation. We are very happy and privileged to have you here and we hope that you will find all arrangements and facilities not only convenient to make your participation and stay fruitful but also pleasant and comfortable. May I also add that Hotel Jaya Puri, a co-operative venture is at your disposal and it has been geared to serve you in every way. Next I extend the same welcome to our distinguished guests, friends and observers who are here to witness the inauguration of this conference and to Encik Yob bin Busu the Director-General of Co-operative Development, Malaysia. Last, but not the least, I wish to welcome on behalf of the organisers of this conference and the Malaysian Co-operative Movement, the Y. B. Timbalan Menteri Pertanian dan Pembangunan Luar Bandar, Encik Mokhtar Hashim and to thank him most sincerely for having kindly consented to inaugurate this important conference on Consumer Co-operation. Our thanks and gratitude are due to him for distinguishing this occasion with his presence and for the address he intends to give.

We in Malaysia are very honoured to host this Conference organised by the ICA Regional Office in New Delhi in collaboration with the CUM. This conference on Consumer Co-operation has been organised to formulate and plan a line of action which co-operatives in the Asian region should take to reduce the effects of inflation if not to neutralise it. The

idea of the Conference was mooted by the Council of the ICA for Asia and is not only an expression of the concern of the Asian Co-operative Movement over the dilemma of inflation but a real desire to effectively take measures to meet the situation. What everyone of us in the co-operative world is facing today is a challenge to serve the purpose for which a co-operative is created. There is no greater service that a co-operative can provide than a service which is worthwhile at a time of need or stress. We have the stress and strain of inflation for co-operatives to rise to the occasion to show their capacity and capability to make their usefulness really felt by their members. Inflation is a problem that is affecting everyone and is worldwide. The people who are most badly hit by inflation are the ordinary consumers with regular and limited income. Inflation today to an extent is a much abused term. It is true and it is accepted that inflation is a worldwide phenomenon that has become uncontrollable to an extent. However, it is also true and reliable to say that the term inflation is a scapegoat for many other abusive activities to exploit consumers. Inflation is like cancer. By itself it is dreadful and harmful. But it becomes more complicated and destructive through the side effects and by products it creates. Prices of everything have been increased two-fold three-fold depending on the circumstances all in the name of inflation. In some cases there is no real base to increase prices and in other cases, the increases have been astronomical. Consumers are thus made to bear the increase in prices regardless of their ability to do so. Wage earners are faced with a spectacular rise in cost of living which they are unable to adjust to. This situation exists in all parts of Asia causing much hardship to people who come from the middle and lower income groups. There has been a general lowering in the standard of living which is demoralising. It is in the context of this situation that we meet. In this situation the purpose of Consumer Co-operation becomes extremely important and becomes the focus of attention. The growing rise of cost of living cannot be stopped. It is worldwide trend but it can be regulated and its effects mitigated so that it is not felt so damagingly by consumers. The Co-operative Movement provides the

hope and also the solution to the problem. It has a very important role to its members in the area of consumerism. It is in consumer products that the price increase have been heavily felt. The opportunity is therefore offered to the consumer movement to show their mettle in dealing with the problem.

Our consumer movements in the various parts have hetherto been very restricted in their area of activities and therefore limited in their usefulness. We have not been an expanding movement nor have we been so widely organised to make our presence felt. This has been primarily due to the fact that we are not fully integrated and because we have been functioning without improving related services or without co-ordinating the various factors required for an effective and functional consumer activity. Most of the consumer movements in the region are dependant on outside organisation for the processing and supply of the various consumer goods. The importation and distribution of most consumer goods are in the hands of other organisation who monopolise the trade. Even in the case of production there are very few co-operatives who produce consumer goods. This dependancy causes the main difficulties that the consumer movement faces. It is a prerequisite that for an entirely strong and viable consumer movement there must be the equally effective and strong infrastructure of supporting services.

In the first place, co-operatives should set up their own organisations for importation and distribution of consumer products. They should also then go into production where ever it is possible and whenever it is essential. In fact, what I am saying is that for an effective consumer movement there must be a fully integrated co-operative consumer structure which is active and all embracing. Such a structure could be built as a single body with the support of all other co-operatives in the country who should be able to provide the capital and resources and other assistance to make it work. One of the weaknesses of the co-operative way is to have too many of them active in the same function, thus dissipating resources and energies. It would seem like too many cooperatives spoil the effort. In the consumer field in particular, it is very important that a central and single organisation manages

provides and develops the service rather than having hundreds of little-organisations trying and failing. The time has therefore come for co-operatives to work together and develop their consumer activity in a manner where the most effective use of resources is made. For it should always be remembered that the real strength and value of the co-operative movement lies in the success of its consumer service which affects and touches all members.

Another problem which seems perennial is the question of personnel and management. There is still a **lack** of professionalism in the way coops. are managed and we still tend to shy away from the professionals for various reasons.

It is also time for co-operatives in the region to get together particularly consumer co-operatives and identify the various ways in which they can promote trading between themselves. We should now consider working on the premise with the development of movement, particularly the consumer movement in one country cannot be very successful without the assistance and co-operation of the Movement in the other countries. We have to work along this broader basis to ensure the successful survival of our assistant in the light of current events.

I hope that this Conference which is the first to be organised will produce results in the form of definite recommendations which could be implemented. If the Conference fails to see the problems and the urgency for action then it is a reflection of the general weakness of the Asian Movements to **realise** their role and responsibility. But I am confident that this will not be so and that new hopes for consumers will spring out from this conference.

With that I would like to conclude my welcoming address and have pleasure in inviting Mr. J. M. Rana to address the gathering.

23 October 1974

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MESSAGE FROM MR. J. P. P. MARAMIS, EXECUTIVE SECRETARY OF THE UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC (ESCAP) TO THE ASIAN CONFERENCE ON CONSUMERS COOPERATIVES SPONSORED BY THE INTERNATIONAL COOPERATIVE ALLIANCE, TO BE HELD PETALING JAYA (KUALA LUMPUR) MALAYSIA, FROM 23 TO 25 OCTOBER 1974

Mr. Chairman, Excellencies, Fellow Cooperators,

I greatly appreciate the opportunity to address a few words to this Asian Conference on Consumers' Cooperatives on behalf of the Economic and Social Commission for Asia and the Pacific (ESCAP).

In a sense, ESCAP is similar in many ways to the International Cooperative Alliance, with which it has long maintained a close relationship. If there is a fundamental difference, it is that the main function of ESCAP lies in servicing and serving Governments and government departments whilst the Alliance specializes in servicing and serving the main cooperative organisations of its member countries, in serving Governments, ESCAP also serves cooperative organizations, which, in South East Asia, either work closely with or under the direct supervision of government departments.

The effectiveness of the United Nations in general, or of its constituent agencies in particular, is often questioned in world forums. The reply must be that any United Nations body or agency can only be as effective as its members make it. The same can be said of any cooperative society as its principles of "self-help" and "working together for a common purpose" imply that the members will participate fully in the work to be undertaken by the society.

At the last session of the Commission, held in March of this year, new work priorities were approved for ESCAP. Among the new priority work areas were food, raw materials and transfer of technology, and it is in these areas in particular that ESCAP can be of great use in the development and organization of consumers' cooperative societies in South-East Asia.

In the past, FAO and ILO which are both specialized agencies of the United Nations, have made substantial contributions to your cooperative movements in the field of cooperative marketing, and I hope you will find that ESCAP will also be able to assist consumers' cooperative societies in an advisory capacity.

As I am unable to attend this Conference, I have asked Mr. Dennis Hollos, the ESCAP Regional Adviser on Trade Promotion, to represent ESCAP as an observer and also to be available to inform you of the various means of obtaining technical assistance and advice from ESCAP to assist your consumers' cooperatives in developing along efficient and cooperative lines. Mr Hollos is a native of Rochdale, England, where the first cooperative society was established, and was an official of the British Cooperative Union for over 20 years. You are invited to approach him at any time during the period of the Conference for an informal chat, and I trust that full use will be made of this invitation.

Consumers' Cooperatives have come a long way during the past 130 years in the developed countries of ~~the~~ world, from the Rochdale pioneers in 1844 to the large regional consumer societies that exist in Europe today. This is a story of sustained hard work and sacrifice, many disappointments and a few triumphs, illustrating the saying that Rome was not built in a day. The early pioneers in the field, people like Charles Howarth, William Cooper and William King, as well as Robert Owen with his experimtns with self-supporting communities, eventually led cooperative societies to standards and potentials then undreamt of. Let us benefit from the experiments, the failures and the mistakes. This way, our path should be that much easier.

That is why I commend the foresight of those who recommend this Conference and I trust you will be able to make full use of the facilities which can be made available by ESCAP, provided we can ascertain your needs. By this means, the United Nations will be fully effective as far as cooperatives are concerned. I wish you well in your endeavours to find practical solutions to cooperative problems and welcome the opportunity of collaborating closely with the International Cooperative Alliance.

ASIAN CONFERENCE ON CONSUMER CO-OPERATION
KUALA LUMPUR (MALAYSIA), OCTOBER 23-25, 1974

Regional Paper on
THE ROLE OF COOPERATIVES IN CONSUMER PROTECTION

By

Dharm Vir, Ph.D.,
Joint Director (Education),
ICA Regional Office & Education Centre for S-E. Asia
New Delhi-14.

Jointly organised

By

INTERNATIONAL CO-OPERATIVE ALLIANCE
Regional Office & Education Centre
for South-East Asia, P.O. Box 3312,
43, Friends Colony, New Delhi-14.
I N D I A

COOPERATIVE UNION OF MALAYSIA LTD.,
29, Leboh Ampang, Kuala Lumpur,
M A L A Y S I A

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18 September 1974

Regional Paper
on

THE ROLE OF COOPERATIVES IN
CONSUMER PROTECTION

by

Dharm Vir, Ph.D.
Joint Director (Education)
ICA RO& EC
New Delhi

Introduction

The phenomenon of ever rising prices has been witnessed by the consumer all over the world during the current decade. Both consumers as well as producers have been adversely affected. There seems to be no way by which cost of production inputs and retail prices of consumer goods can be brought down. Several explanations have been given for price rise. Some of these are :

- i. increase in population, adversely affecting standards of living and employment situation,
- ii. increase in money in circulation,
- iii. increasing demand, and decreasing supply of goods especially fertiliser, foodgrains, feedstuff, etc.
- iv. restrictive trade practices such as monopoly, cartels, etc.
- v. the increased cost of production and distribution, especially due to the world energy crisis.

The world has seen unprecedented rise of prices because of the recent energy crisis and other factors. Developing countries of South-East Asia have been specially affected by it. Most of the countries in the Region do not have adequate access to sources of energy, so they have come under terrible pressure till they find out and develop satisfactory sources of energy which will help them in running their production and distribution system.

There are, of course some external forces working behind this phenomenon of inflation. Nevertheless, there are artificial and internal factors working in our social and economic system, which are

sometimes more disrupting than the external ones. Some of these factors are :-

- i) trade mal-practices such as artificial shortages, black-marketing, adulteration, short-weight, misleading advertising, etc.,
- ii) inability of the government to make effective policies, to enforce laws in favour of the consumer,
- iii) ignorant and disorganised consumer,
- iv) weaker consumer organisations.

The private trade, based on the concept of the maximisation of profit is incapable of helping the consumer. It has to pursue its policy of enslaving the consumer and call him the 'King'. Whenever, a trade is taxed and checked by the government, somehow passes on the burden to the consumer. It often seems to be trading on the miseries of people. Recent expansion of multi-national corporations seem to be getting more powerful than governments and there is serious concern being raised over their influence. On the other hand, some established consumer cooperative organisations seem to be getting comparatively weaker. Unfortunate collapse of Cooperative Nederland is a cause of serious concern to all of us.

The situation in Asian countries is alarming. They have about two third of the population of developing countries in the world. Fifty per cent of world population live in Asia, which covers only 23 per cent of the total land area. Anywhere between 40 to 70 per cent of Asian population is living on conditions of poverty. In the light of the above facts, U.N. Second Development Decade (1970-80) has been formulated. The focal point of the U.N. Strategy is the rapid development of developing countries with the hope of accelerated financial and technical assistance from the developed world. The ICA has also declared Seventies as the Cooperative Development Decade. In this context, the role of cooperative movement in development of Asian societies may be discussed.

A RECENT SEMINAR ON COMMUNITY EDUCATION FOR CONSUMER PROTECTION

A seminar for Asia and the Pacific on "Community Education for Consumer Protection in the Second United Nations Development Decade" sponsored by the International Organization of Consumers' Unions (IOCU) jointly with the Economic Commission for ^{Asia} and the Far East (ECAFE) and UNESCO and in cooperation with the Consumers' Association of Singapore was held in Singapore from 4th-8th February 1974.

The President of IOCU, in his introductory paper referred to the world food shortage which could not easily be explained and he linked the rising prices of foodstuffs with the agricultural situation, but he pointed out that it was not only food which was growing more expensive for the consumer, but nearly the whole range of commodities. All the surveillance, warnings, forecasting and planning systems which are supposed to ensure the adjustment of production to the needs of society simply had not worked. Amongst the many recommendations made by the seminar was one dealing with Pricing and Marketing which recommended that consumer organisations in the region should encourage, in the light of the experience of certain countries in the region, the formation of consumer cooperatives and consumer credit unions. The Conference also suggested lines of action for consumer education aimed at consumer protection.

The Role of Cooperatives

The task before us is to define the role of cooperatives particularly of consumer cooperatives in protecting and promoting the interest of consumer especially during the Seventies. Of course, effective production and distribution under guidance and control of consumers is the central means of promoting consumer interest. So, the activities of the consumer cooperative movement as an effective means of protection should cover the following areas :

- (1) Long-term planning and economic activities under the efficient management of consumer themselves. Effective consumer influence may thus be acquired on prices, availability and quality of goods, efficiency of services, etc.

- (2) Quality control and product development can be promoted if the consumer cooperatives have their own laboratories or have access to testing facilities.
- (3) Educational work and information activities of consumers' own cooperative can contribute to their knowledge of products and facilitate their possibility of choice.

Need for a Consumer Policy :

Sometimes, it is said that consumer cooperatives will be able to check the trend of rising prices. This is correct when only internal factors such as trade mal-practices are working, but cooperatives should not be expected to control external factors described earlier. The consumer cooperatives by adopting a rational pricing and other policy^{ies} can certainly influence the market according to their strength and efficiency and thus help the conscious consumers. There are various types of pricing policies, viz. cost price policy, market price policy, active price policy, which can suit different conditions. The Conference may like to discuss such policy questions in the context of conditions prevailing in the Region. There is also urgent need of evolving an over all Consumer Policy by the Cooperative Movement in the Region. A useful guideline on Consumer Policy has been laid down by the 24th Congress of the ICA held at Hamburg in 1969 (see Annexe -A). After a common policy and programme has been evolved for the Region, it should be assiduously implemented and periodically reviewed by a competent body or committee.

Cooperative Consumer Protection in Some Countries of Asia.

The consumer cooperative movement has often found it difficult to be acknowledged as consumers' interest organisation mainly because of its emphasis on business activities. However, the general attitude has been changing with the development of educational and social activities by the cooperatives.

In this context, short description of consumer protection activities in some countries of the Region viz. Japan, Singapore, Malaysia and India has been given in this paper. The author will be grateful for supplying supplementary information on the subject from other countries of the Region.

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JAPAN

Japan has a developed economy because of its industrialisation and a strong agricultural sector. The consumer industries are very well organised and they produce a variety of consumer goods and arrange services. Often, there are problems related to distribution, suitability, quality and retail pricing of goods and services to consumers. The government agencies in Japan find it difficult to regulate the private production and distribution of consumer goods to the satisfaction of consumer. There is, however, a special cooperative law for establishing and maintaining consumer cooperative societies in the country.

Anti-Resale System Movement in Japan

According to this system, the manufacturers have an authority to fix the minimum retail price of their commodities. The retailers are not allowed to sell below the fixed margin. Resale price system was established by the government to avoid excessive competition among retail stores so far as items such as toilet goods, drugs, tooth-pastes, soap, etc. But the private trade has been engaged in profiteering because of the maintenance of such a system.

Consumers associations had opposed this system to come into retail sector when it was introduced in 1953. As a result of constant resistance against resale system, it was decided that both consumers cooperative societies and agricultural cooperative societies were not regulated by this law.

Propaganda for expelling the resale system has been carried out on a large-scale by consumers' associations in these days. However, notwithstanding, some resale makers, producers and wholesalers, are supporting resale system strongly in various ways. They have been putting pressure on the consumers and agricultural cooperatives almost forcing them to sell goods to consumers at the prices fixed by them. If these goods are sold at less price in the cooperative store, they interrupt the business activities of cooperatives in every possible way. For example, manufacturers may say "unfortunately we have no stock of goods in the godown".

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To cope with difficulties mentioned above, consumers cooperative movement has been taking several steps against resale makers. Some of these are :

- (1) Production of (as many as possible) goods by the cooperatives which are necessary for us in daily life such as cassette tapes, dry cell, toilet-set and so on.
- (2) Protection of consumers before the National Fair Trading Committee, the Ministries concerned, Provincial and Central Governments.
- (3) The cooperative movement has to have a strong power enough to check unfair interruption by private producers, finally, of course, to make effort for expelling resale system from the country.

Coordination in Efforts.

There is pressing need to protect consumers and educate them about consumption articles and services. Several organisations, are therefore, engaged in consumer protection and education in that country. Some of these organisations are :

- (i) The Japanese Consumers' Cooperative Union;
- (ii) Housewives organisations and women's democratic clubs;
- (iii) Consumer cooperative societies in urban areas;
- (iv) Agricultural cooperatives having consumer wings,
- (v) Ie-No-Hikari Association (an adult education agency for rural farmers);
- (vi) Consumers' Union of Japan and several Consumer Associations.

There is a National Liaison Committee of Consumers' Organisations set up to coordinate consumer protection activities of these organisations. Sometimes coordination with agricultural cooperatives is sought in solving consumer problems.

The Cooperative Movement in Japan plays a significant role in protecting and educating its consumer members. The Japanese Consumers' Cooperative Union (J.C.C.U.) has the Organisation Department which undertakes the following activities related to consumer protection and education. :

- (1) Promotion of 'Coop' branded goods, such as Coop tooth paste, detergent, washing machine, T.V., etc.

- (2) Various campaigns against price raising, harmful food, exaggerated advertisements of daily needs, etc.
- (3) Investigation and testing activities in the field of consumer goods and services.
- (4) Publication of monthly magazines, books and other material.
- (5) Organising various kinds of seminars, symposia, etc.
- (6) Education of individual members, increasing membership of consumer societies.
- (7) Promotion of Women's Councils.
- (8) Guidance in organising consumer cooperatives and 'Han Groups'.

The prefectural level consumer union and their member primary consumer cooperatives also have functions related to consumer protection. Some of these are, negotiation with government, press and advertisement, guidance to consumer movements in their areas, education of top management workers, members etc. In addition, there are various committees at the local level such as women's committees, medical committees and housing committees for mobilising consumers' representatives for specific purposes. Some of the consumer cooperative societies such as the, Tokyo Consumer Cooperative Society and the large sized Nada-Kobe Consumer Cooperative Society (near Osaka) have well organised programme of member activities related to their education and protection. These cooperative societies have undertaken intensive member activities through 'Han' Groups of members, buying councils, women's guilds and research groups on clothing and other consumer articles. In addition, they have testing room and laboratory facilities to find out the quality and suitability of the consumer goods sold in the market through its various units and by other private shops.

A 'Han' is a small group of housewives who live in close proximity, say in the same building and meet frequently to study common consumer problems and take suitable action on them. The 'Han' Groups have their own elected chairmen and secretaries.

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During 1970-71, there were 172 'Han' groups with more than 3,000 members around the supermarket of the Tokyo Consumers Cooperative Society. The main functions of 'Han' groups are :

- (a) to make joint purchases,
- (b) to discuss problems of members in dealing with the local cooperative shop and send suggestions to the shop managers concerned,
- (c) to study questions of common concern to consumers and take joint action on them with the assistance of local cooperatives and their unions.

In the vast area of operation of the Nada-Kobe Consumers Cooperative Society, Women's guilds are specially active in consumer education and protection. Besides, there are member housewives represented on the local management committees to advise and control about 45 branches running supermarkets and home distribution centres for the benefit of consumers.

The Effect of Cooperative Member Activities

The Japanese cooperative movement has laid great emphasis on member activities and members' active involvement in the day-to-day affairs of their society. This is the main reason for the success of the movement. The consumer cooperatives have conducted the consumer education and protection activities in various ways. The agricultural cooperatives have undertaken similar activities under the name of "Women's Associations". The names under which these activities are undertaken are of less importance, but what is more important is the active role played by members through these activities in the operation of the society, and how, through these activities, the decision-making of the management is influenced in the interest of the consumers. These member activities act as Monitor for the management of societies. The activities are also practically oriented in as much as joint purchasing, testing of goods, household budgeting and other allied activities form the main parts of member-activities. Such activities foster good relationship among women staying in the same vicinity as opportunities are also given to avail of various types of cultural facilities such as gymnastics, dances, etc. Various publications and pamphlets dealing with matters related to consumers' lives and the operations of the society are publicised

by the society in consultation with the representatives of the members and discussed in various member-groups. It may be noted that in Japan, these types of member activities are mostly built around house-wives who do most of the shopping in the family and thus have a great say and interest in these matters. In Japan these member-groups have great impact on authorities at regional and national levels. At times petitions have been presented to State & Central Governments stressing upon the various short-comings affecting consumers' lives e.g. nation-wide campaigns against public pollution, price rising etc, with successful results.

It was noticed that the management put great emphasis on these member-activities and executives in the societies were assigned these important tasks as their main responsibility and were asked to devote themselves fully to these aspects. Through these member-activities dedicated leaders have been groomed and thus has emerged devoted and experienced leadership which has contributed to success of the cooperative movement in Japan.

It may, therefore, be concluded that the cooperative movement in Japan plays a significant role in educating and protecting consumers. It joins hands with other organisations having the same objects. Through consumer cooperative shops, members have been organised in 'Han' or local action groups. These groups are nuclei of democracy at the local level and provide support to social and economic activities of their cooperatives. There is no government patronage and control to consumer cooperatives in Japan, which are making fast progress on the basis of self-help and mutual help. These cooperatives have to a large extent been helpful in building up consumer resistance to price rise, pollution, adulteration, etc. In these areas, help from other social service organisations have also proved highly useful.

The experts from the ICA Regional Office and Education Centre for South-East Asia had studied the role of cooperatives in retail distribution, consumer protection and education in Japan. As they found out that the Japanese experience would be of relevance to other cooperative movements in the region, a Regional Seminar on Shop Planning and Management was organised by the I.C.A. and held in Japan in May 1971. The Seminar recommended that the consumer movements in south-East Asia have to learn

several lessons from Japanese experience. Consumer cooperatives should be the means of education, organising and serving members. They should go into questions of consumer protection and join hands with organisations with the same objects. This broader approach will help in covering consumer problems in an integrated manner as well as strengthening existing cooperatives.

SINGAPORE

The Consumer Association of Singapore (CASE) was established in 1971 to protect the legitimate interests of consumers. The CASE, a non-profit organisation aims (i) to ensure that prices of consumer goods are maintained at a reasonable level, (ii) to work for the adoption of consumer protection laws and the maintenance of high standards in goods and services, and (iii) to support for the formation of consumers' and producers' cooperatives. The CASE brings periodical Report and Consumer Bulletins aimed at education and protection.

In the recent past, the National Trade Union Congress (NTUC), the CASE and local cooperatives have helped in establishment of a huge consumer distribution venture named 'WELCOME'. Several large sized cooperative Supermarkets have been set up by 'WELCOME' with the technical assistance from the I.C.A. and Swedish Cooperative Centre (SCC).

In addition, the N.T.U.C. has been running several consumer oriented enterprises such as 'INCOME' (N.T.U.C. Cooperative Insurance Commonwealth Enterprise Ltd.) DENTICARE (The N.T.U.C. Cooperative Dental Care Society Ltd.). There are plans to mobilise financial resources in Singapore and establish a Cooperative Bank.

The Singapore National Cooperative Union having mostly urban cooperatives as its members has been much concerned with consumer education, protection and welfare in the country. During 1972, the Union together with the CASE and the ICA Regional Office and Education Centre organised seminars so that the local cooperatives and their members could be made aware of the role to be played by the cooperative movement in solving consumer problems. Several thrift and loan cooperatives have been undertaking consumer supply activities to best

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serve the interest of their members. The Singapore Teachers' Multipurpose Cooperative Society Ltd. has recently established a Consumer Bulk Purchasing Service and recently opened consumer stores for its members. The pioneering efforts of the society deserve appreciation and all possible assistance. It is hoped the consumer cooperative movement in Singapore will soon be united and strong enough to protect and serve the consumer. It may be added that the facilities of the Regional Trade Centre sponsored by the I.C.A. and located at Singapore should add to the strength of the national movement.

MALAYSIA

The Cooperative Union of Malaysia (CUM) and the Malaysian Cooperative Insurance Society (MCIS) have been seriously concerned with promotion of consumer cooperation, so that interest of consumer could be protected and best served. It has been organising several seminars on the question of expansion of services to the members of cooperatives, cooperative and consumer education. During 1970, and thereafter special efforts have been made to establish consumer cooperative ventures in the country. The ICA Regional Office & Education Centre and the Swedish Cooperative Centre have been assisting in these noble efforts. During 1973, several Essential Commodity Distribution Centres and a Supermarket in Petaling Jaya were started by the newly established Malaysian Cooperative Supermarket Society (M.C.S.S.). Recently, the Society has opened a Supermarket (SK-KL) in the heart of Kuala Lumpur so that consumer sufferings could be alleviated. I need not go into the details of the cooperative efforts being made in Malaysia, as all of us are witnessing the facts. There is a saying which means, 'whatever is evident does need an evidence'. However, I would like to draw your attention to one point that we are in 'Rome' which was not built in a day. The phenomenal achievements of the Malaysian Cooperative Movement are results of toil and talents of the workers who worked with imagination and dedication for decades. During this period, especially after 1969, intensive educational activities have been carried out and the concept long-term planning for cooperative development was achieved, under

inspiring and courageous leadership.

The main credit for the recent cooperative achievements goes to the Malaysian Cooperators who developed institutions like the Malaysian Cooperative Insurance Society (MCIS) and its allied organisations. The MCIS which is today recognised as a National institution, is deeply involved in community development. Under its New Horizon Campaign, the Society has been emphasizing on the direct benefit services to members, in terms of consumer service facilities. In this context, the following important projects have been launched with the assistance of MCIS and other cooperatives.

- (i) Malaysian Cooperative Agencies Society (M.C.A.S.)
- (ii) Cooperative Automobile Malaysia (C.A.M.)
- (iii) Malaysian Cooperative Supermarket Society (M.C.S.S)
- (iv) Essential Food Distribution Centres of the MCSS.
- (v) Hotel Jayapuri.

The Society has also provided its investment facilities to its members so that income and ultimately their standard of living is raised. Such investment facilities are in financial, agricultural as well as industrial sector. Under its 'Newer Horizons' programmes (1974) the MCIS looks forward to serve its members in a more comprehensive manner and protect them as consumers. According to its General Manager Mr.N.A.Kularajah,

"The future as we see has greater challenges and difficulties because of the high rate of inflation and the hardships being faced over consumer services. We have a role to play. As far as possible, we shall try to reduce the effects of these on our members. More consumer services, more information and advisory assistance/as part of a campaign to help members to tide over present problems . . . "

will be provided

It may thus be seen that efforts to promote members' interest become synonymous to the concept of consumer protection. This may be taken an outstanding example of the Cooperative way of consumer protection. Conversely, it may also be said that effective consumer protection is possible through comprehensive cooperative efforts. Nevertheless, assistance of other voluntary organisations and the government will be needed in the task of protecting the consumer, especially in the context of the recent inflation at all levels.

In addition to the Malaysian Cooperative Wholesale Society and other Consumer Cooperatives, there are the following organisations engaged at consumer protection and education in Malaysia :

- (i) Consumer Association of Selangor.
- (ii) Consumer Association of Penang.

The Cooperative Organisations together with these consumer associations can develop a strong consumer front in the country. In fact, some efforts are being made in this direction. The Consumer Association of Penang is launching a new consumer education programme in the Island, in collaboration with the trade unions, cooperatives and educational institutions.

INDIA

There is a widespread net work of consumer cooperatives in the country. The primary cooperative stores are affiliated to cooperative wholesale stores which in turn are affiliated to State level consumer cooperative federations. (NCCF). At the apex there is the National Cooperative Consumers' Federation. One of the objectives of the NCCF is to help development of Consumer Cooperative Movement in the country. However, the objectives do not specifically mention areas related to consumer protection and education. On the whole, there is a lack of awareness that the consumer cooperatives have to play a vital role in protecting the consumer through business as well as non-business i.e. social, legal, educational and propaganda activities. The recent inflation, sudden breakdowns in distribution systems (because of) shortage of goods and mal-practices in the market, there is growing concern that the consumer cooperative movement should come to forefront for protecting consumer.

This does not mean that consumer cooperatives in India are in the backyards and are not providing services required by the members. In fact there is a chain of cooperative super-markets and department stores working well especially in cities and large towns. Some of the consumer cooperative societies have earned a good name due to their services to consumer members. For example, because of good work done by CHINTAMANI Supermarket at Coimbatore in Tamil Nadu, it has been approached by the government to ^{Extend} their business and services beyond its area of operation and is now serving the consumers of Madras city as well.

There are several consumer associations working in different parts of the country. However, these organisations are working in isolation in limited areas and they do not have close connection with consumer cooperatives which are widespread and are capable of serving the bulk of consumers in an effective manner and providing them with goods and services at reasonable prices. Some of the important voluntary organisations are :

- (i) Consumer Guidance Society, Bombay.
- (ii) Consumer Council of India, New Delhi.
- (iii) Consumer Association of Eastern India, Calcutta.
- (iv) Consumer Council, Hyderabad.
- (v) Karnataka Consumer Service Society, Bangalore.
- (vi) Consumer Guidance Centre, Kerala.

There is urgent need of bringing these and other agencies including cooperatives together under one umbrella so that they may broad base their activities and area of work. The National Cooperative Union of India and the National Cooperative Consumers' Federation have to provide leadership in this field and develop a coordination committee of agencies interested in defending consumer interest. Actually, there is urgent need of developing an effective consumer front (may be an organisation) at the national level for consumer protection, education and development. Some of these questions were discussed in the National Conference on Consumer Protection through Cooperative Movement, held at New Delhi in March 1974.

CONCLUSION

In some countries of Region, consumer cooperatives are strengthening their business activities and expanding their work in such a way that they can protect and serve consumer members in an integrated or well coordinated manner. However, there is need of developing stronger cooperative movements and of bringing about effective coordination between the Cooperative Movement and other agencies concerned with consumer protection and education in different countries.

The task of national cooperative movements has been clearly described in the I.C.A. Resolution on Consumer Rights and Protection (Annexe-A).

The Regional Scene.

In the South-East Asian Region, the consumer cooperative in urban areas and the multipurpose cooperatives in rural areas are engaged in consumer supply business for their members. These cooperatives have their own national federations which are represented directly or indirectly in the International Cooperative Alliance. The important consumer cooperative organisations working in the Region are listed below :

1. National Cooperative Consumers' Federation, New Delhi (India).
2. Sepah Consumers Cooperative Society, Teheran (Iran).
3. Consumers and Services Cooperative Society for the Ministry of Labour and Social Affairs Employees, Teheran, Iran.
4. Japanese Consumers Cooperative Union, Tokyo (Japan).
5. Malaysian Cooperative Insurance Society, Kuala Lumpur and its subsidiaries.
6. Karachi Central Cooperative Consumers' Union, Karachi (Pakistan).
7. Filipino Cooperative Wholesale Society, Manila (Philippines).

In addition, there are agricultural cooperative organisations serving the rural consumers through a net-work of multi-purpose cooperatives. However, the national level cooperative organisations mainly concerned with consumer cooperation and protection are only 6-7 out of the total ICA membership of 31, from the South-East Asian Region. This shows that there is need of developing consumer cooperative network in the countries in the Region. An effective collaboration among these organisations will help in meeting this need. The Conference may consider the question of developing a regional forum where problems related to consumer policies, cooperation and protection are discussed. At present there is no such regional forum within the cooperative fold.



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The International Scene.

At the international level, the ICA already has the Organisation for Cooperative Consumer Policy, to deal with questions related to Consumer Cooperation and protection.

The Organisations for Cooperative Consumer Policy, an Auxiliary Committee of the ICA, was set up in Paris in March 1973. The objects of the Organisation: are to work in the field of consumer information, protection, enlightenment and education, including environmental aspects, and to establish common lines of action, where appropriate, by acting as a centre for (a) documentation and information on the development of consumer policies by governments and by national and international organisations; (b) the systematic exchange of information on cooperative experience and initiatives in consumer protection, information, education and representation; (c) the formulation of a coordinated cooperative policy at the international level for the protection and welfare of the consumer; (d) the formulation of proposals for the implementation of such policies through all appropriate channels, national and international; and liaison with various governmental bodies and international organisations concerned with the defence of the consumer and the environment. The new committee comprises 23 organisations in 20 countries representing 50 million consumers.

Ever since its establishment in the last Century, the ICA has been seriously concerned and directly involved in the protection and promotion of consumer interest. ^{Much} ~~Most~~ of its membership has been drawn from consumer cooperative field. The 24th Congress adopted an important resolution, declaring rights of consumers in 1969 in clear terms. Details of the resolution on International Declaration of Consumer Rights are given as Annexe-A. The Conference may like to consider the ICA Resolution and suggest the guidelines for developing cooperatives in the Region as an effective instrument of consumer protection. In persuance of the ICA Declaration, let us fight for the Consumers Rights and help them in tiding over the present difficulties, specially during the Cooperative Development Decade.

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INTERNATIONAL DECLARATION OF CONSUMER RIGHTS

Resolution adopted at the 24th Congress of
the ICA held in Hamburg, September, 1969.

I. The International Cooperative Alliance declares that consumers have a right to :

1. A reasonable standard of nutrition, clothing and housing.
2. Adequate standards of safety and a healthy environment free from pollution.
3. Access to unadulterated merchandise at fair prices and with reasonable variety and choice.
4. Access to relevant information on goods and services and to education on consumer topics.
5. Influence in economic life and democratic participation in its control.

II. Consumer Policy

1. The call for pure and unadulterated food by the Rochdale Pioneers, reflected in their own practice, was made because of the widespread adulteration of merchandise at that time. Even today this call is, in many parts of the world, as topical as when it was first formulated. It therefore, still holds a prominent position among the aims of all consumer cooperative movements.

2. This basic principle has nowadays come to imply considerably more. The previously rather narrow concept of consumption has widened to embrace all that affects the health and welfare of mankind. Clean air, clean and wholesome water, and in general a world fit for mankind, have come to stand out as ever more urgent requirements. These claims are no longer only applicable within consumer cooperative movements but are basic precepts for all cooperative organisations, and for other consumer organisations.

3. The cooperative movement has constantly endeavoured to equip itself with effective means for redressing grievances. Being engaged in production and in distribution it has had the opportunity of improving the living standards of all and of making necessities available to low income groups.

4. The cooperative movement has acquired a significant influence on important sectors of economic and community life and it also has considerable influence on public opinion.

5. One of the basic principles of the movement is that the members themselves should have influence over its activities. The consumer member's self-evident right to voice his views is thus of fundamental importance in all consumer cooperative organisations. To make use of this authority and to exercise this influence the consumer needs knowledge; and education and information thus play an important part in cooperative activity.

III. National Cooperative Movements should promote consumer interests in the following ways:

1. The continued development of cooperative production and distribution with special attention to consumer needs and in order to promote national economic and social development.

2. Campaigning for legislation in the field of consumer protection and for consumer representation on all public bodies involved in decisions both directly and indirectly affecting the consumer.

3. The further development of assortment policies to meet consumer needs with the expert advice and technical assistance of specialised laboratories, so as to make available to the consumer a wide range of products with easily comparable prices and ensure them full freedom of choice.

4. Taking, and campaigning for, effective action to control monopolies, ensure effective competition and fair prices; to try to ensure that the fruits of technological progress are passed on to the consumer.

5. The provision of educational opportunities for the consumer in the field of nutrition, domestic economy and general economics.

6. The preparation and dissemination of useful information either independently or in collaboration with public and other consumer organisations and the promotion of informative labelling and truthful advertising.

7. Taking the initiative in collaboration with other organisations involved in consumer affairs to coordinate the promotion of consumer rights, in an effort to achieve joint action to promote consumer interests in all spheres of community life.

IV. In the international field the World Cooperative Movement should take steps to :

1. Heighten and develop collaboration between cooperative organisations in all parts of the world; promote and assist newly emerging cooperative movements, especially in developing countries, and generally promote economic and social development.
2. Assist in implementing special programmes designed to improve human conditions in collaboration with ECOSOC, the UN specialised agencies, the UN regional commissions and international non-governmental organisations having similar aims, and generally to promote the objectives of the Resolution in Cooperatives adopted by the UN General Assembly in 1968.
3. Support UN activities for the improvement of the human environment.
4. Advocate the abolition of monopolies and other restrictive business practices obstructing economic development and international trade and in general promote freer world trade while recognising the special problems of developing countries.
5. Advocate an international co-ordination of laws and regulations affecting consumers through organisations such as the International Organisations for Standardisation and the International Electro-Technical Commission.
6. Advocate a co-ordinated international system of consumer information through collaboration with bodies such as the International Organisation of Consumer Unions, the International Labelling Centre, the International Organisation for Standardisation and the International Electro-Technical Commission; and the joint committee formed by the last two, the International Standards Steering Committee for Consumer Affairs (ISCA).

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ASIAN CONFERENCE ON CONSUMER CO-OPERATION
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Regional Paper

on

THE STRUCTURE OF CONSUMER COOPERATIVES AT THE RETAIL LEVEL

by

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The Structure of Consumer Cooperatives at the retail level

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1. Background, ideological and structural development

When comparing the historical background and ideology of the consumer cooperative movement in Britain and other European countries with that of South-East Asia, we find many similarities and many differences also.

Both in Europe and in Asia the main practical objectives were to sell pure, unadulterated goods with right measurements and weights, at fixed and reasonable prices. Pure commodities and fair handling plays a central role in the initial stages. Fixed and reasonable prices have also been the main attraction in the development. The consumer cooperatives aim to cater to the needs of the broad masses and are mostly successful when they concentrate their efforts on staple goods of mass consumption, in the first line daily commodities like food and toiletries. The members and customers are mostly not from the very lowest strata of the society, but a little more educated and developed class of industrial workers and middle class families. In both the regions some of the strongest and the best run societies have been built by industrial workers mainly trade unionists and in a few cases by emancipated middle class women. But there end the similarities. The cooperative movement in Europe was originally a socialistic movement as against the capitalistic industrialisation developed in Britain and other countries in the end of the eighteenth century and the beginning of the nineteenth century. The members intended to build a fully collective society based on cooperative production.

These were also the ideals held by the Rochdale pioneers in 1844. But they started the work by developing a retail shop as a first step to achieve their main objectives. And the Rochdale principles based on the practices adopted by them were first and foremost principles for a consumer cooperative movement. They had to find the means to gradually build up their own financial resources for a fully independent movement within a capitalistic society. They were industrial workers and trade unionists. They struggled against private traders, who often tied their consumers with credits and therefore cash payment became a central point. The member education and the active member involvement also were important principles from the very beginning.

Every consumer cooperative has to start with one shop. In Europe many of them continued as one-shop-societies either for a certain residential area or for a factory - sometimes "closed society" with membership given only to the factory workers with special assistance from the employer. But the industrial workers who formed the main active cadre of members found it necessary from business point of view to form larger open societies with a number of branches each and national wholesale societies. In Britain the national Cooperative Wholesale Society (CWS) was formed as far back as in 1864. In other countries of Europe the same development took place mostly just before or after the beginning of the nineteenth century.

The development in many countries of South-East Asia was quite different. It was the British colonial administration in India which initiated cooperatives in Asia and formed the first Cooperative Act 1904. Their main purpose was to give a certain independence to the farmers who became more and more indebted to the money lenders and traders. The first cooperative act was therefore mainly a law for cooperative credit societies. The first consumer cooperative societies, among them the famous TUCS in Madras, were also started formally as credit societies, even though their main business was in the consumer field. For the British colonial administration, as well as for other prevailing authoritarian regimes, the main objective was to give some social relief to broad masses in the form of local cooperative societies, but they were naturally not interested in a strong centralised move-

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ment. These tendencies were continued after independence following the second World War. The governments in the new national states had very often a socialistic inspiration and bias; but, for them the cooperative movement became mainly a subject for the state to develop grass root democracy and they very often identified the state interests with the movement. The state has therefore often started, guided and assisted the cooperatives from above and therefore they did not find any basic need to build up a central structure. Instead the governments became more and more directly involved in the cooperative movements. A large part of the salary earners in the urban areas were government employees. Many governments found it necessary, especially in times of high inflationary tendencies, to assist their employees by selling low priced essential articles - sometimes much lower than the prevailing market prices in order to prevent salary increases dangerously corroding into the state budgets. This explains the reason why many consumer cooperatives in South-East Asia are societies for government officers - even among military personnel - with large subsidies given by Government and thereby turned very often into "closed societies". Similar tendencies developed among the industrial employers and these were further encouraged by government acts and regulations calling for consumer cooperatives to be initiated by the employers as social welfare measures for the employees.

Another difference was that when rationing was introduced in Europe during and after the two World Wars and in the depression years after 1930, the consumer cooperatives had already gained a certain strength and could therefore assist the states in assuring a fair and equitable distribution of essential food commodities, without changing their structural organisation. In India and other South-East Asian countries - with a few exceptions like TUCS in Madras - there were practically no consumer cooperatives to take up similar tasks. Therefore, a large number of new cooperative societies were initiated by the governments - mainly meant for distribution of rationed goods. These stores were planned by government officers from the point of view of administrative convenience. Their working arrangements, accounts and controls were formulated by the government administrators. They had therefore, no chance to outlive after the lifting of government controls and

rationing some years later when ^{the} market situation was changed. And the failure of these government controlled cooperative ration shops gave a bad name to the entire consumer cooperative movement in those countries.

2. Causes of failure and possible remedies

In Europe there were many cases of failures of the consumer cooperative societies during the last decades of the nineteenth century and the first decade of this century. Another wave of failures came after the second World War, when the cooperative stores were loaded with commodities of second quality or sub-standard material owing to the scarcity during the war. When the war was over many of these commodities lost their entire value. The reasons for most of the failures were mainly :

- a. Lack of business experience in the elected boards and among the appointed managers.
- b. Lack of trained personnel.
- c. Lack of control, efficient accounts systems and efficient auditing.
- d. Lack of a central wholesaling system, able to ensure wholesale prices through collective purchases and not through bulk purchases for the individual small stores, which blocked their finances in stocks for long periods, the value of which also deteriorated in the meantime.

The same fundamental reasons for failure are clearly traceable in South-East Asia also. It is a common experience that retail trade alone gives a very meagre margin. This is even more so in dealing with essential food articles, sometimes under Government price control and rationing.

The main remedy for (d) above naturally therefore is to pool the purchases of the societies or to develop large retail societies, large enough in themselves to make bulk purchases at wholesale prices without long time storages. Both these remedies were undertaken in Europe in the past, as already mentioned above. For No. 1-3 the main remedy is a system of well educated and trained board members and full time officers and salesmen as well as model accounts and audit systems built up in

the large retail societies and sponsored by the national organisations.

The difficulties still prevailing in most Asian countries specially are :

a. The members are mostly not cooperatively educated and are not used to collaborate in large organisations like the trained members of the strong trade unions in Europe. The member solidarity is therefore lacking in times of economic crisis for the societies. Also, the individual share holdings of members are very small. In many societies only a small percentage of the regular customers are members.

b. In several countries, for example in the Philippines, Indonesia and India, the strongest consumer cooperatives are "closed societies", either for government servants or for industrial workers in large factories, mines, railways etc. or for students and staff in the universities. Such societies, sometimes even give monthly credits to their members and accept special favours from their employers. Therefore, it is difficult to move them to amalgamate with other societies and form large sized retail societies covering one entire town or city. They are also mostly reluctant to pool their purchases on a national level. Most genuine of such difficulties is in Indonesia where there are six national consumer set ups, one each for army personnel, navy, air force, police, civil servants and one for ordinary open consumer cooperatives.

In India there is a full hierarchical set up in the consumer cooperatives built up in the middle of 1960s with 13,000 primary societies, 390 wholesale societies, 14 state federations and one national federation. But the closed societies in big industrial units, for railway men, miners, etc. are mostly left outside this system or are very loosely connected with the central purchasing system. And in the same situation are many rural cooperative shops run by the agricultural multi-purpose societies.

c. The central wholesaling system is often not functioning fully inspite of the institutions specially built for that. In the Philippines for instance the national wholesale society is mainly involved in imports of a few food commodities. In India the wholesaling structure has been involved mostly in distribution of controlled cloth, customs confiscated import goods, imported dry food, scarce commodities like tyres and tubes, batteries, watches, soda ash etc., and in marketing non-controlled cloth lifted from the mills on special allotments instituted by the central Government.

In Sri Lanka on the other hand, where many consumer goods have to be imported, sole agency licences have been given to a few state corporations, whereby the national wholesale society plays a rather limited role in procurement. These limitations in centralised purchases are mostly due to the fact that the wholesale societies are not evincing enough interest to take the pains of develppng a wide range of commodities, but rather confine to secured business giving a good margin. Integ- ration between the retail and the wholesale levels is lacking. The retail level societies do not show any solidarity with the wholesale level but make most of their purchases in the local wholesale market. Compare also the lack of solidarity among the members under 1 above.

Another sign of lack of services from the wholesale level to the retail level and lack of confidence of the retail level in the wholesale institutions is the absence of coordinated transportation. In India for instance the primary societies have to visit the wholesale societies and transport the goods through their own transportation. The same system is often prevailing when the wholesale stores have to procure goods from the state federations.

In Sri Lanka the same system is continuing irrespective of the fact that the retail societies have been merged into larger societies with a number of branches each. It is the responsibility of the branch manager to lift his goods from the society godowns. And the society managers go to Colombo for purchases from the national wholesale and the state corporations. The national

wholesale society has no depots or regional warehouses out in the country. Only one state corporation has such a network of warehouses, but they have also developed their own retail shops.

In countries like Thailand and Malaysia, Bangladesh and Pakistan there is no national wholesale society at all. To overcome these peculiar difficulties there is a need in many countries for a thorough shake up of the whole structure. But the societies and the governments are reluctant for such a revolutionary step because of general conservatism and individual fear among the persons presently in power that they may not be able to keep their power in a new set up. It is also necessary to develop a collective feeling of solidarity in the entire movement. We should see that if purchases are centralised, the retail level is able to control not the actual purchases, but the assortment of goods, the services rendered by the wholesale societies etc.

3. Advantages of large sized retail societies and how to achieve them

It is a general experience in business that large sized units are more profitable. In Europe the consumer co-operatives have planned their shops in such a way to see that the turnover per shop is larger than their counterparts in the private trade. Even the turnover per salesman is higher than in the private shops. Only by showing such high calibre of efficiency were they able to keep the prices lower in competition with private shops? There was also a need to build large societies with a network of branches because of the following additional advantages:

a. A large society can afford to have specialised officers for all important duties - for planning of new shops, inspection of shops, training of staff, accounts and control, administration, finance, real estates, member relations and member education, etc. It is not necessary that they should go for a specialist for every field from the open market, but an officer given a specialised field, will usually develop into a specialist after some years of experience.

b. In a large society it is also possible to build up a staff cadre of their own, develop good relationship between management and staff through specialised personnel officers, arrange their own staff training and give promotions to the employees. The result would be healthy staff relations. In consumer cooperatives a well trained and honest staff is a valuable invisible asset.

c. In a large society administration and accounts can be centralised and rationalised by mechanical means through office machines and this would result in lower costs.

d. Finance is the main difficulty with every cooperative society. A large society is able to turn over the finance much more frequently than a small one. Large investments can also be planned and spread over a number of years. This results in lower capital costs, less interest on loans. A large strong society would also be able to attract additional member capital as well as foreign capital at reasonable rates of interest.

e. It is often argued that a small society can offer better opportunities for a sound member democracy. It is no doubt so from the point of view of "personal touch". But experience has shown that large societies have more resources to develop member relations and member education as well as other public relations through meetings, conferences, courses and study circles, house magazines, etc.

f. The pooling of purchases is a natural phenomenon in a large society under a central management. Let me illustrate this with an example from Sweden. Some time about 1958 when the TV was introduced in Sweden, the large Stockholm society decided to enter the TV market in a big way. They invited quotations from German factories and placed an order for 6,000 TV receiving sets to be delivered in one year. The society also invited the national wholesale in Sweden, the KF, to join them in the venture. KF, which at that time had not developed its non-food purchases so much, but still could sell to other societies in the country, was not able to make outright purchase of more than 300 TV sets. They were not sure of the cooperation from the affiliated societies at that time.

Development of relatively large societies is a general trend both in Western and Eastern Europe. As a matter of fact, in Denmark they have already merged all the retail societies with the national wholesale society into one combined national wholesale and retail society. In Britain there was a proposal in the "Independent Commission Report" back in 1956 to merge all societies in the country into one, but this proposal was not implemented so far. But gradually the small societies, both in Western and Eastern societies have been amalgamating into large sized retail societies. Let me cite another example from Sweden. After some of the Swedish cooperative leaders had seen the success of large sized consumer societies in Germany and specially in Hamburg, they started amalgamation of a few societies in the capital, Stockholm, in 1915. By 1925 the amalgamated Stockholm society was already a dominant factor in the capital. By 1935 the last small consumer cooperative society in Stockholm freely opted for amalgamation with the Stockholm society. A similar development took place in all the larger towns of Sweden simultaneously with the assistance and guidance of the national organisation (KF). During the period between 1960-70 a new wave of amalgamation swept Sweden. This time it was a plan accepted by the National Congress to have only one society in each one of the 24 counties of Sweden. Today the 36 largest societies account for 90% of the total cooperative turnover, and the same percentage of the total membership. On the whole Sweden has 200 retail societies and most of them are still small societies in rural or semi-rural areas, insignificant in business.

In order to fulfil a merger or an amalgamation of societies, we have to show the members the facts and figures, highlighting the economic advantages of merger. Therefore, for every amalgamation a special report should be prepared projecting the figures of the proposed merger. With such a report, based on previous experience, it should not be difficult to convince the ordinary members and the general body in favour of amalgamation. The most difficult persons to convince are the board members and next in rank the general managers. These officials have to be suitably accommodated in the proposed societies we plan to amalgamate.

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And while planning for amalgamations we should at the same time try to stop setting up new retail societies.

In South-East Asia the most famous campaign for amalgamations has been introduced by the successful multipurpose cooperatives of Japan. After a central plan made by the Central Union of Agricultural Cooperatives (multipurpose), a large drive for amalgamations took place in 1961-70. The Prefectural cooperative unions made detailed plans for the local amalgamations in their respective areas (prefectures). Thereby during a period of 10 years the number of societies were reduced through amalgamations from 12,000 to 6,000 (1961-70). They are now planning to reach the target of only 3,200 societies by the end of 1974.

Special government actions and parliamentary legislation against the consumer cooperatives hampered till very late, after the second world war, the working conditions of the Japanese consumer cooperatives - which is probably the reason why a similar amalgamation wave has not been planned in the Japanese consumer cooperative movement so far. Another instance of large scale amalgamations took place in the agricultural cooperatives in Thailand in the years 1969 sponsored by government officials. 9,766 small rural societies were amalgamated into 445 large sized multipurpose societies. The decisions were taken in the member meetings mostly with overwhelming majorities, as the members were promised more services in addition to credit, if they amalgamated the societies. (The same may be possible in the consumer line. If a number of small societies amalgamate there is a wider scope for setting up a central department store or for renovating the old shops).

Another drive for amalgamations took place in Sri Lanka in 1971. Prior to that there were more than 5,000 multipurpose societies mainly providing consumer goods to the members as well as credit and other agricultural inputs. After the amalgamation Sri Lanka has only 372 large multipurpose societies, with nearly 20 branches each on an average. The results of these amalgamations have already borne fruit in the form of increased business for the societies. And with the new structure it was possible to employ a new cadre of well educated managers and to ensure the staff better

remunerations, which in turn improved the services of the societies. The next step might be to replace the 541 godowns with 7 large centrally organised regional godowns. The only negative side in Sri Lanka was that the Government had to introduce the amalgamations through an Ordinance issued by the Parliament. Under the circumstances, the new boards also were appointed by the Commissioner of Cooperative Societies in Sri Lanka. Thereby the idea of free and voluntary amalgamations was not fulfilled and the movement still suffers partly from these interventions in the democratic set up.

4. The structure of retail shops and stores

A. Ordinary shops

The lay out of a normal retail shop is planned in order to give maximum space round the walls for shelves to be filled in with goods, and to leave as much space as possible to the customers. In a quadrate -shaped shop three of the walls can be utilised fully for shelves. The counters also should follow the three walls.

← The space behind the counter should be just enough to let two salesmen pass through easily, i.e. 2-3 feet. If more space is left behind the counter, the salesmen may be tempted to keep goods and empties there, making the place look indecent. If the shop is smaller in one direction the counters may follow alongside the walls in 'L' shape instead of 'U' shape. Commodities which cannot be accommodated inside the counter may have to be displayed outside, but only such type of commodities which give the least temptation for customers for pilferage.

The main problem in groceries is the loose articles. Experience for the past 10 years in India has shown that it is advisable to clean and prepack pulses and spices beforehand. The costs of transparent (polyethene) plastic bags are on the increase, but they are preferred. In areas of low income groups it may be advisable instead to prepack in ordinary paper or news paper bags but samples should be displayed on the counter. If edible oils have to be sold in loose a special place in the shop should be allotted to it and they should be stored in containers with taps, so that the salesmen can easily fill up bottles and cans without much wastage.

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The real difficulty in countries like India and Sri Lanka has been the sales of rice, wheat and sugar, which have been rationed or controlled by government from time to time. Out of these, sugar can very well be prepacked but the other two items are so heavy, that prepacking in plastic bags or even cloth bags may hike the costs, which the customers may not be willing to pay, and the authorities may not allow to be included in the fixed prices. Here are a few solutions to these problems:

- a. The commodities may be weighed up beforehand in different quantities in the store room behind and placed in the shelves in containers or bags, which could be emptied into the customers' bags.
- b. Some cereals like milled wheat and rice might be packed right at the mill in 5-10-15 kg bags. The bags would be brought back by the customers and reprocured by the stores. But then the bags should be cleaned and washed before using a second time. (The same system may be adopted for edible oils filled in the store in ordinary bottles).
- c. The authorities should be convinced of advantages of measuring meat wheat and rice instead of weighing. Atleast cooperative shops should be given that right. Because of more, or less water content we get more differences in weights rather than in measurements. And measuring is quicker than weighing.
- d. Loose articles may be sold in a separate place in the normal grocery shop or in a special department of the store.

Whatever is the solution, we are bound to find means to give shelter to the customers in the queues, to speed up the working system in order to minimise the time of queuing and to see that queues do not interfere with the sales of non-controlled and packed articles. Arranging special entrance and exit for queues for wheat and rice may be a good solution.

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Self service shops

Self service has been originally introduced in Western countries for food and toiletries (except for small valuable items which are easy to pilfer). The main reasons for self service are 1) a possible reduction in the salary costs, about 25% - in the West the salaries of the salesmen account for at least 5-10% of the retail prices in food; 2) a possibility of selling more - not because the self service shop would need a smaller shop area, but because customers are tempted to buy more when they take themselves. For self service we need practically 100% prepacked commodities.

In India a few private grocery shops have switched over to self service. The owner is the cashier. Instead of a cash register, he uses a Facit adding-listing machine with a double paper roll with carbon in between. He issues a slip to the customer and keeps the other for record purposes. Some private self service shops earlier erected have any how been converted back to service shops.

Out of 110 cooperative department stores in India, 10 or 15 have self service for groceries-toiletries. Because of the fact that the cashiers have to write the cash memos by hand, there are increasingly long queues which nullify the advantages of self service. Especially where there are 5-10 different rates of sales tax, the salesmen have to write different cash memos for each rate of sales tax. In Sri Lanka one or two cooperative stores have introduced self service without much positive results. In countries like Thailand, Malaysia, Singapore and the Philippines self service has been introduced for good stores in urban areas with good results, always with cash registers for the cashiers.

Self service is a system which should never be introduced in very small shops, it needs a larger turnover. It is also necessary to introduce a mechanised system for the cashier, mainly on cash registers, but temporary measures like Facit adding-listing machines may be utilised. Self service will no doubt spread to other Asian countries also, but there is no need to push it in countries

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with low salary level for the salesmen. In these cases there would be no economic advantages of self service. The only advantage may be that the customers are quickly served, if long queues can be avoided through a mechanised cash system.

C. Supermarkets

In US and Europe super markets have come into picture. They are extra large self service shops in which a few non-food items have been introduced (along with the normal toiletries). Mass products for weekly purchases like certain small hardware products, small household articles, textile articles like handkerchiefs, towels, stockings, socks and underwares, stationery, papers, cigarettes and journals. The sale of non-food articles are mostly limited to 15% of the total turnover.

The newly developed cooperative stores in Singapore, by name "Welcome" are mainly super markets. Even in Manila we find a few cooperative super markets.

Supermarkets - with a much smaller assortment of non-food than even the small department stores or "mini stores" - are specially suited for the cooperative stores which should mainly concentrate on a small assortment of goods purchased by the customers daily or at least weekly, in which case it would be possible to sell in large quantities to the broad masses of consumers. The new high sales turnover achieved by the Singapore Welcome Stores, per store, per sq. metre selling area and per salesman shows the success with this type of store. Even in countries like India, Sri Lanka, Bangladesh and Pakistan, super markets could be introduced. And if self-service is not possible or suitable yet, a large hall could be used with ordinary service counters, but the assortment be limited like in a Western super market.

D. Department stores

The cooperative movement in Europe started with food shops, mainly for grocery, butchery, green grocery and dairy products. At a later stage special shops have come up for textiles and clothing followed by drugs, shoes and house-hold articles.

Department stores were developed by the cooperatives in the West mainly after the second World War. In a department store in the West they mostly count with about 45% of the sales in food - 40% in large central stores in the city and upto 55% in smaller stores in the suburbs.

Out of the total consumption the percentage of food is bound to be larger in Asia than in Europe, which has a higher standard of living. Therefore, in South-East Asia to achieve a larger turnover we should plan for a major portion of a department store area given for food and simple toiletries.

Cooperative department stores are developed mainly in Japan, India, Thailand and now in Malaysia. I have no personal experience of the Japanese stores. In India the cooperatives started setting up department stores in 1966. Because the food shops mostly were fair price shops selling only rationed commodities with very small margins. To stabilise the economy and ensure a higher margin, the assortment had to be widened. The department stores was one solution. But the cooperatives lacked business experience, especially in the fields of non-food, except for cloth. And many of the Indian department stores have landed themselves in financial difficulties through wrong assortment and wrong purchases. Many stores incurred heavy losses especially in read-made garments, and to a less extent, in other departments of sophisticated goods like shoes, household articles, furniture and books.

In Thailand two societies in Bangkok have been able to successfully develop department stores. One of them has already four department stores.

In Malaysia the new cooperative stores are mainly department stores in character, but there is a tendency to go for supermarkets with a more restricted assortment of non-food articles.

Home delivery, mobile shops, temporary shops

Home delivery is a service which many customers ask for, but only a few are able to utilise, because it requires certain planning in placing the order and fixed timings for receiving and paying for the goods. Same is the case with the stores. Handling

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home delivery efficiently calls for a higher degree of skill and talent in planning. Risks of customer complaints are high. Mode of payment could be a problem. Transportation costs for motor vehicles are mainly high.

The Japanese cooperative movement any how started very successfully with home delivery salesmen, who first went round to the customers residences taking orders and later returned with the goods. But gradually the business developed into more and more ordinary sales in the shops.

The societies in Britain - like the private traders - deliver every morning loaf bread and milk to the houses through special salesmen from their own dairy and bakery plants. Similar systems are prevailing in those trades in other countries, for instance in Kuala Lumpur.

The Migros in Switzerland, a large efficient semi-cooperative firm - not approved by the ICA - started with a fleet of mobile shops selling vegetables and fruits in the suburban areas, and were very successful. Later on they developed into supermarkets with a very restricted assortment of goods.

All these examples show that home delivery and mobile shops have been successfully run in some countries. But it requires a specialised system to make it function profitably, especially when delivery is effected by motor vehicles. Most western cooperatives would abstain from home delivery services, as they are not prepared to charge the costs either separately or through higher prices in the shops like the private shop keepers do.

Temporary shops is a system utilised in some Western countries. When a new suburb is under construction the shopping area is normally the last one to be developed. The cooperative society which would later on have a full store in the shopping centre, may therefore ask for a ground nearby and erect a temporary building in wood or in metal sheets to serve the new customers for a year or two till the ordinary store is ready. Some times when we find it impossible to get accommodation in the old markets in Asia, I ask myself if it would not be possible to rent a centrally situated small

plot form the local authorities for 2-3 years and erect a temporary inexpensive building, may be even with bricks. In the meantime the society could look for a permanent accommodation.

F. Planning of shops and stores

In some South-East Asian countries those cooperatives a who are in hurry to get accommodation for a shop or a department store, accept any accommodation which has reasonable space, irrespective of the location. A large department store needs a very central location with a easily identifiable entrance to attract new customers. Even a food shop has to be placed in a shopping street. If we cannot find good accommodation, we should not accept to set up our stores way out from the central market. Instead we have to plan for 5-10 years ahead. What is the total retail trade to count with? How much of it would we^{be} able to secure in competition with private traders? How much space do we need in different local markets? What is the assortment we should have? Who are our prospective customers and their needs? These are the most important questions. Cooperatives mainly cater for the needs of broad masses of industrial and other workers, lower middle class etc. Those are our customers, we may be proud to set up a central department store and to attract the higher classes. But is it really our primary goal to serve them? Are we not mostly responsible for the small man? But planning is necessary - long term planning to set up shops in every local market within 5 or 10 years, and short term planning for every retail unit. In Sweden they normally begin to plan a cooperative department store 3-5 years beforehand, a large food shop at least before 2-3 years. We should follow a similar pattern in South-East Asia also.

5. Integration between wholesale and retail levels

How did Sweden achieve the centralisation of purchases in the national wholesale to more than 90%, when the percentage of central purchases in some other West European countries is much lower and in some Asian countries is as low as 5-10%?

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To build centralised purchases it has taken a long time in Europe also. It is a time consuming task to develop an efficiently run national wholesale in open competition with private trade. But it is mainly a question of finding structural solutions, which may counteract the strong psychological tendencies among elected leaders and managers acting independently on their own, with a strong belief that they can solve all problems better than others. We must also try to curb the bureaucratic tendencies in the national organisations to neglect the practical difficulties in the retail societies.

In Sweden there were many factors for the strong tendencies towards integration as far back as in 1920s. The national organisation, KF, was a combined organisation, a whole society cum union for the consumer cooperatives. The KF began to assist the local societies in all fields by a retail planning department and an architect office, by model systems for accounts and bye-laws, by audit assistance and consultancy services, guidelines and assistance in staff training and member education, through financial assistance etc. This, combined with a gradually developed system of central purchases and regular central distribution of goods to the retail societies and stores, gave the retail societies confidence that the national organisation was working for them. KF also took over periodically from 1924 the management of societies which were in the red through a special department for "sick retail societies". And with this background it was possible later on to convince the retail societies to centralise both the planning and management (for some years) of the department stores, which were started mainly during 1956-66. During that very period KF could also centralise the purchases of non-food articles to a very large extent.

The same principles may apply to South-East Asia. If, for instance, after some time the Consultancy and Promotional Cell developed within the National Cooperative Consumers' Federation (NCCF) in India it will prove real valuable to the retail societies their solidarity with the national federation when it comes to purchases will naturally grow faster.

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But the most important task is to give the retail societies enough influence over the purchasing and distribution level. One step in that direction would be to begin in certain areas an informal pooling of purchases by a number of nearby societies. Another step is to see that the assortment policy of the purchasing institution is decided commonly by the retail societies involved and that they also would be able to wield influence on the distribution system which would serve them. Advisory committees with elected leaders and specially with managers from the retail level, may play an important role in this development, and have even deciding powers in certain fields. But the actual purchasing should be handled by professional buyers and the retail societies should have ample opportunities to offer their suggestions when necessary.

6. Need for effective control system

Both in Europe in earlier stages and in South-East Asia today, one of the main reasons for failure of consumer cooperatives is the lack of up to date and efficient accounts and controls.

One of the first and most important tasks taken up by the Consultancy Cell of the NCCF in India is to develop an efficient accounts system to be introduced in the retail societies and to see that the system gives detailed figures and results in monthly preliminary balance sheets. This would constitute a solid ground for management decisions.

The most important control is the stock control. Experience in India and other countries shows that the monthly stock taking - a value control in retail prices - is an important aid to check the leakages. There are natural leakages in stocks owing to changes in moisture and losses in packing of loose agricultural commodities, etc. Such leakages must be separately calculated and continuously replenished. Other leakages due to deterioration of quality should also be counted and controlled continuously and action taken at earliest possible stage. In ordinary shops, and especially in self service shops, there are leakages because of pilfering by customers, and more important, even by employees. The staff dis-

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honesty can be checked to a great extent if the management itself shows a high standard of honesty. Monthly stock takings, combined with detailed calculations of leakages - within 2-3 weeks after stock taking - is found in efficient societies to be the best control measure. In some South-East Asian countries stock losses - after reductions for natural leakages - are regularly recovered from the employees collectively or individually. But such recoveries as well as legal procedures against dishonest employees are riddled with difficulties. If a society pays reasonably good salaries and bonus and keep the leakages low, those can be recovered from extra bonus. In Europe the responsibility of keeping the leakages to a minimum level is placed on the shop managers and departmental managers, and they are threatened to lose their managerial positions if the minimum level is not maintained.

Another side of control is the local control by the customers-members. Clear price marking of all commodities gives the customers an opportunity to control the prices. If members are asked to collect the cash memos and produce them yearly in order to get their purchase dividend - and if most customers are members - that will also help to ensure that salesmen are not producing lower cash memos in order to pocket the difference. Elected local advisory branch committees meeting regularly to take stock of sales, services and results also add to the local control effectively in both West and East Europe.

But the main control depends on an effective internal and external audit system. In Europe such an audit is mainly performed - regular internal audit is done by professional staff - by elected auditors as well as chartered accountants in special audit committees or control commissions. It is often the practice followed that some auditors or control committees are elected by the secondary level organisations to ensure a good audit on the primary level. Such auditors are mainly able not only to make a formal audit but also to make complete statements over the business performance and to direct the management in detail how to tighten the control systems, in contract to many government auditors used by Registrars in some South-East Asian countries.

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7. Democratic and administrative structure

A. Democratic structure in a large retail society

Most large retail societies have been formed by amalgamations and mergers of small primaries both in West and East Europe. Therefore it has become natural to keep elected member committees for the branches as a link to the individual members. But in order to gain from large sized business, the local branch committees have only been given an advisory capacity. They meet and collect information about the local shops, discuss the business performances reported by the management, take up grievances and proposals from members and forward import proposals to the management as well as the management's explanations to the local members. They also call the local members for meetings and study forums and actively enforce member education and consumer information. They may also give voluntary assistance to the shops when needed and assist as controllers in regular cash and stock control.

The central democratic system includes: 1) member meetings round the branches to discuss both the performance of the branches and the reports from the central management 2) the member branch meetings elect both a local advisory branch committee and representatives to a representative general meeting (3) the representative general meeting elects the board with fair representation from all areas and all consumer groups in the society (4) the board appoints the general manager on contract for a certain period.

The advantages of such a system is that the actively involved members on the branch level will, as members of the representative general body, see that the board members are elected primarily for their efficiency and experience within the movement and not on purely political considerations. On the other hand, there is a general influence from the branch meetings of the members to the general meeting, as the branch meetings also discuss all major problems that will be decided later on in the general meeting. And between the branch member meetings the branch committees also act as a natural link between the members and the central management.

B. Democratic structures in apex organisations

The democratic structure might be the same even in an apex organisation for the whole country or for a state or a province within the country. Here it is more important that all the societies are able to attend the meetings and take part in the deliberations. Therefore, the societies may have to be called to area-wise meetings first in the state or province. All such meetings should discuss the reports and all the agenda points planned for the representative general body. As the size of the societies is mostly very uneven there must be an opportunity for every society to be represented at the lower level. And still the larger societies should have a fair representation in comparison to numerous small societies - the cooperative principle of one member one vote does not apply to apex organisations; where the societies should be represented in proportion to their size. Let me take Sweden as an example. They have 200 retail societies with a membership ranging from 50-100 upto the largest with 310,000 members. They call the society representatives to 15 regional meetings with altogether 2,200 representatives - on an average 150 representatives on each regional meeting. The 15 regional meetings elect 200 representatives in proportion to their membership strength to the national general body, which in turn elects the board. It is a large organisational set up, but not very expensive as journeys are short on the regional level. But the integration depends upon close cooperation and involvement from the lower level as stated in section 5 above.

At this level - the wholesale level - it is essential to give representation to the retail societies, not only in proportion to their strength and individual membership numbers, but also in proportion to the purchases done by them from the apex organisations. It is but fair that only those retail societies which utilise the wholesale level services should have an influence on the running of the apex. Such a system will naturally strengthen the solidarity between the retail level and wholesale level. Giving representation to dormant or otherwise not functioning societies should rather be forbidden.

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C. Administrative structures

It is also important to have a clear administrative structure in the larger societies on retail or wholesale levels. In the British system for historical reasons the business is mostly run by a general manager and the administrative side by a secretary, both on equal level. Under the general manager there are several department heads. In a retail society without much of wholesaling and production in other countries, there is often a general manager with three deputy or assistant managers, one for food sales, or food shops, one for non-food sales or department stores, and the third for administration, real estates, accounts and personnel management. If a retail society has purchase departments and production also, it is mostly necessary to divide between purchases and sales - if it is not a society having only one department store and no other retail units. Then there is a normal division between wholesale functions, sales and administration. The organisational pattern may depend not only on the business lines, but also on the ability of different groups of officers. In any case it is advisable to give the business side a dominating position, as our organisations are basically business houses. There is a tendency in some countries to increase the number of high level administrative officers, especially in countries where government officers are appointed on deputation with the societies.

There is a general rule in all business managements to see that an officer is not given more than 6-8 main subordinates as his responsibility. Therefore, the general manager should not be asked to control 10-20 departmental heads of the next level and so on. Then assistant general managers have to be appointed as a secondary issue.

As the board cannot take detailed day to day business decisions, in order to institutionalise the general manager's decisions, it is advisable in a large society for the general manager to call his nearest subordinates 3-6 for weekly meetings - in an executive committee - and to record all the important decisions there in short minutes. Thereby it is also possible to build up and train a second level management. The minutes may be confidential, but should form the background for submitting reports to the board. When the

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general manager has given the assistant managers certain powers for their own decision making - delegation of powers - then there is a reason to let them all be present also on the board meetings. If the board has standing subcommittees for detailed control, a sub-committee could be formed for each assistant manager and his area of responsibility.

In a national organisation there are natural fields of work for assistant managers:

1. Food purchases and production
2. Non-food purchases and production or
3. Production from the purchase departments
4. Planning and consultancy for the retail level
5. Public relations, consumer protection and member relations - member education.
6. Accounts and finance
7. Administration and personnel management

The number may have to be reduced depending upon the abilities of the individuals and the burdens of each area. Here also an executive committee may be a useful organ.

D. The board and the manager

The board is the highest authority next to the general body of the society. The board should take all political decisions, decide over planning and budgeting, control to have the targets fulfilled, and control costs and losses. But the board should not take detailed day to day business decisions. That is a general rule for cooperatives.

In consumer cooperatives there are two fields where the board should be very careful not to involve themselves in detailed decisions. One is the large number of detailed purchase decisions which should be taken by professional buyers. The other field is recruitment of staff, also a wide area where we need professional skill. It is up to the personnel manager and the department managers in combination to recruit and select the best possible staff at the lower level and for the general manager to take final decisions in higher levels on proposals from the personnel manager. They should all know clearly what kind of a person they need to assist them, and

have full confidence in their own personnel. The board and its sub-committees should see that the decisions are taken in the interest of the society. They are responsible for all the results. But if they involve themselves in detailed decisions, very often with favours to certain persons or companies, then there is nobody to control them.

The individual board members should bear in mind that they have no rights to order or influence detailed decisions individually. Theirs is a collective power only to be utilised in board meetings.

Even the president or chairman of the board should be careful in issuing detailed decisions which may undermine the authority and the initiative of the general manager or make the board meetings unnecessary. An important role of the president/chairman is to bridge the time gap when the general managers need to take quick decisions, but do not have the authority to do so. But mostly it is advisable to give an efficient and responsible general manager all the authority needed to act in between the board meetings.

8. Should we lay more emphasis on efficiency or on democracy?

In a cooperative society we need both. But at certain times there is a trend to develop more efficiency than direct democracy.

Many societies failed in Sweden during 1920s. Therefore, by agreements between those societies and the national wholesale society, KF, the management of those societies was taken over by a central department in KF for periods ranging from 2 to 4 years to put them back on stable foundations again. When in 1956 it became obvious that the Swedish movement needed to set up department stores, the same centralised system was applied. The local societies managed their ordinary shops, but made agreements with KF that the centre should plan and set up department stores for them and run them for 3-4 years. Thereby it was possible to pool managerial resources and purchase skill in the early stages of the department store development. Both these systems were abolished in the Swedish cooperatives in 1966-67, when they were not found necessary any more.

In India, when department stores were started in 1966, the governments provided most of the finance and planning. And many department stores were started as branches of the 400 wholesale societies. Some of these were large sized retail societies, but a large number of the wholesales were secondary societies for purchases only, governed by elected representatives from the primary societies. And still in India many department stores are run by wholesale societies in which the direct member-consumers have no say in the management, which is entirely elected from the primary societies.

Two interesting developments are taking shape in front of us - the attempts to build strong centralised consumer movements in Malaysia and Singapore. In both the cases it is an outside allied force which has come forward with the finance and the managerial skills. In Malaysia it is the other urban cooperative movements, mainly the cooperative insurance and also the urban credit societies. In Singapore it is mainly the trade union movement but also the urban credit societies. Both these developments started on a centralised system only last year and both have already developed several large sized branches. Both of them have been formed originally as trust funds, concentrating the management in the hands of the larger financiers and leaving very little influence to the direct members - customers. They seem to have good opportunities to develop efficient consumer business. They show strong interest in consumer information and consumer protection. Both of them are now involved in building up central purchase systems. In both cases the control structure as well as the democratic structure built on the direct consumers - members are still lagging behind.

It is alright to say that a secondary cooperative society also is a true democratic cooperative provided that the secondary society is mainly concerned with services to their members, the primary societies. That is the system for all national wholesale societies.

But if such a secondary society is mostly or entirely meant for direct consumer services through shops, then there is a

need to give the direct members - consumers a dominating influence over the management in the long run. To stress more on the efficiency than on the democracy in the initial stage, as done in Malaysia and Singapore, is a very reasonable solution. But there is also a danger of introducing in a consumer cooperative structure a system in which the voting rights are based on the share capital provided by the primary organisations. It is therefore, of great interest to follow the successful experiments in Malaysia and Singapore, not only from efficiency point of view but also to find how they will solve the democratic problems in the long run.

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ASIAN CONFERENCE ON CONSUMER CO-OPERATION
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Regional Paper on

PRODUCTION, IMPORTATION AND WHOLESALING
FOR SUPPORTING CONSUMER COOPERATIVES AND
FOR INTERNATIONAL COOPERATIVE TRADE.

By

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New Delhi.

Jointly organised

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8th September 1974.

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Introduction

This paper is being prepared on the basis of information and documents available in the ICA Regional Office. National papers prepared at various seminars and conferences as well as reports on activities at various wholesales organisations have been used for compiling information on the subject. The paper is not a comprehensive review of the production and wholesaling activities in the region and outside but a brief sketch of the pattern that has evolved in the field of consumer cooperatives in recent years. As regards import export, the information is mainly drawn from the data collected by the Regional Office as a part of its trade promotion work.

Production

The discussion on production in this paper will not be restricted to production by consumer cooperatives alone. It will also cover, on a selective basis, some of the activities of the agricultural cooperatives in this field. Production by cooperatives is mostly the processing of agricultural produce and of packaging the consumer items for retail distribution. Very few cooperatives have production facilities which cover manufacture of various commodities.

Processing to produce consumer goods

Processing of agricultural produce for use by consumers is extensively developed in the cooperative movements of Australia, India, Japan and to a certain extent in Pakistan. In other countries

also a few cases of processing industries are visible. The Australian cooperatives are highly specialised in processing meat, dairy products, fruits, poultry and feed. Bangladesh has rice mills as well as jute and fish processing. Iran also has a few rice mills operated by agricultural cooperatives and the consumer cooperatives do retail packaging of consumer goods bought in bulk. The Sepah Consumer Cooperative in Iran has recently started processing of meat through its own slaughter houses. The Indian cooperatives are extensively involved in consumer commodities such as sugar, edible oils, cotton clothing, fruits, spices, pickles, hosiery, sports goods, coir products, silk cloth, handloom cloth, cycle tyres, opticles, etc. Cooperatives in Japan have extensive processing facilities mostly in fruits, vegetables, dairy products, poultry meat, and rice. The cooperatives are the owners of the largest number of feed mills. In the Republic of Korea, cooperatives have fruit processing and pickle manufacturing industries. They also produce large quantities of mushrooms for exports and quite a few cooperatives also own rice mills. Malaysia has several cooperative rice mills and the recently established Supermarkets Cooperative Society has started packaging of consumer goods for retail distribution. Pakistan has fruit processing cooperatives as well as cooperatives manufacturing bicycles. Philippines cooperatives have rice mills and a plant for redrying of tobacco. There are also several sugar mills operated by planters' cooperative organisations. In Sri Lanka the cooperatives have rice mills, fruit processing factories and a big enterprise producing coir products. Singapore's production is restricted to packaging of consumer goods for retail distribution. In Thailand cooperatives own several rice mills and a joint venture between Thailand and Japan cooperatives has been established for the production of agricultural chemicals.

IMPORT OF CONSUMER GOODS

Importation by consumer cooperatives for retail distribution is extensively undertaken by cooperatives in the Region. However, the situation varies from country to country. The main consideration for importing various items is the availability of foreign exchange. Cooperatives in countries such as Iran, Republic of Korea, Malaysia, the

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Philippines, Singapore and Thailand are in a position to import a large variety of consumer articles from all over the world and hence it is possible for the retail shops there to stock a variety of products to suit the needs of their consumer members. On the other hand, cooperatives in India, Indonesia, Sri Lanka, and Bangladesh have mostly to rely on domestic production, to provide supplies for their retail stores. In this case also a few exceptions are made in cases where domestic production of items in greater demand is not undertaken locally. For example the cooperatives in India are permitted to import dry fruits from Iran and Afghanistan and until recently the cooperatives in Sri Lanka were granted permission to import onions, areca nuts and dry fish from other countries. Bangladesh is at present suffering for want of several major consumer items of daily necessity. In Australia the cooperatives are mostly export organisations and consumer articles imported, if any, would be a very small percentage of the total foreign trade by these cooperatives. In Japan, However, the cooperatives import a variety of consumer articles for retail distribution. Retail distribution of consumer items is undertaken both by agricultural cooperatives and the consumer cooperatives.

Cooperatives Engaged in Foreign Trade.

Most countries in the Region have cooperatives engaged in foreign trade of one commodity or the other. In Australia, the WESFARMERS are the biggest cooperative group handling a varieties of services and goods including foreign trade. Bangladesh Cooperative Fisheries Federation exports fish by-products to a few South-East Asian countries. The National Agricultural Cooperative Marketing Federation in India is the largest coop. exporter of pulses, spices and other products to Europe, Africa and Asia. Indonesia's Cooperative Federation handling copra and fish export their products to a number of countries. In Japan, the Cooperative Trading Company of the Japanese Consumer Cooperative Union and the UNICOOPJAPAN established by the Agricultural Fishery Cooperative Federation import a large variety of products for their retail stores and also export Japanese products to other countries. The National Agricultural Cooperative Federation (NACF) in the Republic of Korea imports consumer goods for its chain stores and exports several agricultural

products such as mushrooms and fruits. In Malaysia a new organisation called OMANCO Holdings Malaysia Bhd. has recently been established to handle import and export activities for the cooperatives there. The Filipino Cooperative Wholesale Society imports a variety of goods for its member cooperatives. In Singapore, the imports are handled by the Supermarkets or goods are purchased in the local market. The cooperative societies in Thailand organise their imports direct and to a certain extent through the Cooperative Marketing & Purchasing Federation.

Bilateral contacts for importing consumer goods are very few. Cooperatives in Japan and Thailand are linked in trade agreements and as a part of this agreement some consumer goods are imported into Thailand. Australian cooperatives export consumer products to UNICOOPJAPAN and the Cooperative Trading Company of Japan has extensive trade relationship with some of the European Cooperative Wholesale Societies. The National Agricultural Cooperative Marketing Federation of India occasionally exports agricultural products to Japan cooperatives. Indian and Sri Lanka cooperatives had occasional business links. The National Cooperative Consumers' Federation and the National Industrial Cooperative Federation in India export several consumer items to Centrosoyus in Soviet Union.

Wholesale cooperatives

Wholesale cooperatives are the weakest link in the consumer cooperative trade in the Region. Retail distribution activities are mainly handled by individual cooperatives without a coordinated action programme formulated by a central organisation. The retail societies also vary in their size and turnover. In cases where wholesale cooperative societies have been established, the retail societies have not yet developed a proper rapport with their wholesale organisations for the simple reason that these wholesale organisations are not able to offer to the retail societies the services and goods which they need at competitive rates.

In Australia, most of the functions are handled by individual cooperatives and the wholesale activity is undertaken as a part of the total structure of a multipurpose cooperative organisation like the WESFARMERS. In Bangladesh, the cooperative marketing society

marginally handles wholesale purchase of consumer items for distribution to a few retail cooperatives. In Iran, the Sepah Consumer Stores organises bulk purchase of consumer items for retail distribution through its branches. In India, the National Cooperative Consumers' Federation (NCCF) has recently developed a variety of services for its member organisations and close relations are gradually being developed with the State consumer federations, the superbazars and other regional cooperatives. The wholesale cooperative activity in Indonesia is mostly undertaken by the respective specialised federations, whereas in Japan, a strong cooperative wholesale organisation viz. the Japanese Consumer Cooperative Union undertakes a variety of functions for servicing its member organisations. In Malaysia the Supermarkets Society is the main organisation handling bulk purchase and distribution of consumer commodities. In the Republic of Korea, the National Agricultural Cooperative Federation operates chain stores as a part of the total activity of the multipurpose society and most of the purchases on a wholesale basis are handled by the National Agricultural Cooperative Federation. In Pakistan also a consumer cooperative wholesale society makes the purchases for retail stores. The Philippine Cooperative Wholesale Society has been functioning for several years and is handling a variety of goods including imports from other countries. The Singapore Supermarkets Cooperative known as WELCOME functions as a wholesale society as well as an outlet for retail distribution through its regional supermarkets. In Sri Lanka, a semi-governmental organisation called the Cooperative Wholesale Establishment functions as a wholesale organisation for importation of consumer goods and in Thailand the two cooperative societies which are operating in Bangkok mostly handle their own purchases. Although the Cooperative Marketing and Purchasing Federation of Thailand has several members which are consumer cooperatives the federation does not provide any significant services to consumer stores.

Regional Warehouses

One of the most important links between imports, wholesaling and retail distribution is a regional warehouse. The concept of such a regional warehouse has been recently introduced in a few countries of the region. The National Cooperative Consumers Federation of India is at present planning to establish regional warehouses to link up supplies and distribution cooperatives throughout the country. In Malaysia, a cooperative warehousing society has been established to undertake the

function of warehousing to service cooperatives all over the country. The agricultural and consumer cooperatives in Japan operate regional warehouses with the result that wholesale and retail activities as well as imports and exports have been properly coordinated. In the Republic of Korea also the NACF operates a few regional warehouses. In most of the other countries the need for such warehouses has not yet been felt owing to the absence of a strong wholesale organisation.

Private Trade Still a Major Source

Most of the consumer cooperatives at present are required to fend for themselves. Their purchases are mostly through local agents or through distributors of large scale manufacturing organisations and national offices of multinational corporations. In the absence of a proper channel for importation many cooperatives import their goods through private agencies. Special arrangements are occasionally worked out for importation of consumer goods in collaboration with established firms overseas. For example the Malaysian cooperatives have established a separate organisation called OMANCO Malaysia Bhd. for import and export purposes. There is also a lack of contact between cooperatives of one country and the other. As mentioned earlier, in a very few cases they have established mutual relationship for direct importation.

Relations Between Agricultural and Consumer Cooperatives

In advanced cooperative movements such as Sweden, UK, France and Germany, debates often take place concerning the consumer items produced by agricultural cooperatives and the consumer cooperatives. The main point of argument is whether consumer cooperatives should have their own production and processing facilities or whether they should buy these items from agricultural cooperatives which own such facilities. There is also the question whether agricultural cooperatives should own their own retail outlets, instead of asking the consumer cooperatives to handle their products. Such a situation does not exist in most of the South-East Asian countries except Japan where the agricultural cooperatives also operate a chain of retail stores as a part of the multipurpose activity of the agricultural cooperatives.

Some healthy trends have recently emerged after a long dialogue between agricultural cooperatives and the consumer cooperative organisations. In a few Western countries as well as in Japan the agricultural cooperatives have started supplying to consumer cooperatives processed goods such as meat, fish, poultry, fruits, vegetables, canned fruits, eggs and dairy products. This arrangement has helped in elimination of the middlemen in respect of several consumer items necessity. The agricultural cooperatives in Japan, which operate wholesale markets for selling members' products have offered to consumer cooperatives the facilities to buy in these markets agricultural produce at wholesale prices. This has enabled the two cooperatives to establish a direct business relationship which was considered difficult a few years ago.

In the South-East Asian Region there is so much scope for cooperative production and processing that the question as to who should produce becomes irrelevant. However, with a view to avoid the conflicts which later faced the advanced cooperative movements, it will be advantageous to have evolved a coordinated production and processing programme between the agricultural and consumer cooperative societies. Such programme should mainly be around commodities such as meat and fish, dairy products, eggs, canned and fresh fruits and vegetables.

Planned Production.

With a view to ensure a balanced supply of consumer items to retail stores, wholesale and large size retail societies must plan their own production of commodities which are not available from agricultural cooperatives and which for several reasons cannot be economically imported from other countries. It may be difficult at this stage to think of a coordinated production programme among the cooperatives in the Region as a whole. However, a beginning could be made by organising production among cooperatives in a single country. This coordination should normally be done by a cooperative wholesale society or in its absence, by large size retail stores. The production programme should normally be based on the availability of raw materials and labour, and the production centres should be located at places which are properly connected by organised transport to various distribution centres. In order to evolve a realistic

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production programme, the cooperative wholesale society must be fully familiar with the inventory prepared by the retail societies of the items stocked in their stores. The regional warehouses should also establish a speedy communication system with retail societies to ensure continuous information on the needs of the retail stores and to inform them of the products stored in the warehouse.

It will be unrealistic to be dogmatic about cooperative production. Each decision must be taken on the basis of a proper market survey and in the context of the economics of production of such items. In case it is possible to work out a long term agreement with a manufacturer for the bulk supply of certain commodities, it will be more advantageous for the movement to buy in bulk and organise its own packaging for retail distribution. In this case, it will be possible for the cooperatives to secure considerable price reduction as manufacturers are often eager to conclude such agreements because of the ensured market offered by cooperatives for their products.

Quality Control.

In case of cooperative production, processing or packaging, one of the most important things, cooperatives have to keep in mind is the emphasis on quality control. If they wish to establish their identity as manufacturers and distributors of quality items, quality control has to be established at the stage of production or processing. Even while packaging consumer items for retail distribution, there are often chances of adulteration and wrong measurements and this should be avoided by cooperatives as a matter of self-discipline. Also, the cooperative product should bear correct information as regards the contents of all packages. In other words it must use informative labelling. The purpose of informative labelling must be to assure the customers that the product is a genuine one and to inform him of the ingredients from which it has been manufactured. In order to ensure proper packaging and labelling, the cooperatives should, as far as possible, develop close contact with national standard institutes which are now established in most of the countries. They should also establish their own testing laboratories to ensure quality control for their products.

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Cooperative Brands

Several cooperatives in the Region have taken very bold initiatives for producing cooperative branded products. The processing cooperatives in Australia producing branded butter and other dairy products; a cooperative dairy in Western India selling its products under AMUL brand; Japanese consumer cooperatives manufacturing several products and selling them under coop brand; Malaysian cooperatives using coop label for several of the products retailed by them; and the South Korean cooperatives, processing and selling their products under coop brands, are some of the concrete examples of such initiatives. Coops brands have helped in establishing a distinct identify for coop products and have also helped in educating the consumers in selection of quality consumer items. As the average consumer is gradually becoming brand conscious, it will be advantageous for the cooperatives to develop their own brands and educate the consumer member to select them in preference to other products. In Europe, cooperatives have started selling coffee and tea under coop brands on an international basis and in several cases coop brands are produced and distributed throughout the country.

Price Policy at Production Stage

Another important factor which must be given consideration at the production stage is the question of pricing. Pricing policies should normally be evolved at the production stage and should be decided in the context of the general price structure in the country. It should normally be the objective of the movement to produce in the most economical manner and distribute the commodities with the most realistic margin. Although it is difficult to compete with other manufacturers, and undercutting in prices is not often appreciated by people in the same trade, the cooperatives should not miss any opportunity to influence the market price of commodities which they are producing or retailing. Recent examples in Malaysia, where onions and medicines were sold at exorbitantly high prices, and where the cooperatives have succeeded in bringing them down to almost 50% of the previous price demonstrates the fact that in cases where exorbitant profits by private traders, the cooperatives through their own production programme or through bulk purchases can and should

undertake an active price policy so that a healthy influence is created in the market of essential and scarce commodities. We have also the example of Sweden where the prices of margarine and electric bulbs were forced down to a realistic level because of the active production and price policy followed by the KF.

Action Against Inflation

Consumer cooperatives in South-East Asia, although late comers on the cooperatives scene, have a very good opportunity of providing to the people the essential commodities and services which are gradually becoming scarce owing to the rampant inflation encircling the world. It is possible for the cooperatives to bring sanity in the consumer distribution trade which is at present besieged by runaway prices, adulteration, false advertisements, and attractive but unrealistic labelling.

Coordinated Developments.

It may not be possible at this stage to cover the entire country with a chain of wholesale and retail organisations linked up through regional warehouses. However, wherever possible such warehouses should be established by the existing wholesale and retail societies on a selective basis. Such developments can be attempted even on a pilot basis with a view to demonstrate their advantages. The regional warehouses in Europe established by C.W.S. have proved very effective in ensuring quality control, proper transportation and timely distribution of consumer items. And the regional cooperatives should take advantage of the European experience.

Joint Buying

As stated earlier, it will be too early to speak of production programme on a regional basis. However, wholesale and supermarket coops in the Region can certainly join hands for purchasing consumer items from overseas. It may be possible for them to pool their orders of common consumer necessities, and organise buying directly from manufacturers so that they are able to secure considerable advantage in lowering the price of bulk purchase. It will be relevant to quote here the example of Scandinavian Cooperative Wholesale Society (NAF) which organises purchases of several food and allied items for its wholesale cooperative members in

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Scandinavian countries. It is interesting to note here that although the individual cooperative wholesale societies in Scandinavia have the option of direct purchases from any source they prefer, NAF has been able to offer competitive services to these organisations for the past 55 years. It has grown from a small buying group into a big wholesale organisation buying not only goods produced by other organisations but also organising production and distribution of products such as the CIRKEL KAFFE. It is also well known that INTERCOOP, which is a joint organisation established under the ICA umbrella by cooperative wholesales in Europe and elsewhere, organises purchases of several non-food items from all over the world. INTERCOOP has established buying groups of specialised commodities such as clothing, footwear, toys, women's garments, etc, and experts from various cooperative wholesales in Europe are entrusted with the task of purchasing the respective commodities from the best possible source from any part of the world. The cooperative organisations in countries which have joined the common market have established an organisation called EUROCOOP for rationalisation of production and distribution. The regional cooperatives in South-East Asia should start thinking in this direction and to start with organise common buying groups for their necessities.

International Cooperative Trading Organisation (ICTO)

A recent development of considerable significance to the consumer cooperative movements in the Region is the establishment at Singapore of the International Cooperative Trading Organisation (ICTO). This organisation was registered on 7th June 1974 and cooperatives in four countries, viz. Australia, Malaysia, the Philippines and Singapore have already participated in its equity capital. Although for the sake of flexibility in the trade operations, the ICTO is registered as a private limited company, its share capital will be fully owned by cooperative organisations. The authorised capital of the company is S\$1,000,000 out of which S\$500,000 have been offered to regional movements for subscription.

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The Company will negotiate and finalise contracts on behalf of cooperative societies from any part of the world provided at least one party to the contract is a cooperative society. It will charge a realistic commission for the services rendered.

The ICTO is expected to provide all kinds of services to cooperative trading organisations and protect their interest in the international market.

It is hoped that the consumer cooperatives in the Region will be able to import almost all their requirements and export their surplus through the ICTO. If buying groups could be organised on the lines of INTERCOOP, it will facilitate purchases through the ICTO. In any case, the ICTO is expected to fulfil a long-felt need of the cooperative trading organisations in the field of international trade.

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Supplementary Paper
SWEDEN

PRODUCTION, IMPORTATION AND WHOLESALING FOR
SUPPORTING CONSUMER COOPERATIVES AND FOR
INTERNATIONAL COOPERATIVE TRADE.

by

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ASIAN CONFERENCE ON CONSUMER COOPERATION
Kuala Lumpur, Malaysia, 23-25 Oct. 1974.

PRODUCTION, IMPORTATION AND WHOLESALING FOR
SUPPORTING CONSUMER COOPERATIVES AND FOR
INTERNATIONAL COOPERATIVE TRADE.

by

Mr. Bengt Nerlund
Stockholm, Sweden

THE SWEDISH COOPERATIVE WHOLESALE SOCIETY AND ITS REGIONAL WAREHOUSES

From its origin in 1899 up to 1919 the wholesale buying of the Swedish KF (Cooperative Union and Wholesale Society) was on a very modest scale. There was for example, no central warehousing. Instead, the local retail societies had numerous varieties of malfunctioning warehouses. The need for a co-ordinated delivery system became even more acute when some suppliers who had stored goods broke their relations with KF, in some cases even boycotting the whole consumer cooperative movement.

The wholesale business KF organised for the societies from 1919 was mainly run through sales offices which were opened at about 15 places in Sweden. To these sale offices the managers from the Coop Societies came for purchasing. But we learned after some time that this was not the right way. Why? Because the managers still spent a lot of time buying at these sale offices. An investigation was made and it showed that more than 20% of their working time was purchasing at KFs sale offices and furthermore they had no place for the goods but just their own shop. At the end of 1940s, the range of goods expanded greatly and with it the need for large storage premises, better suited to buying, transport and deliveries. It was also desirable to have a new organisation in the relations between KF as a buyer and the retail societies in respect of distribution and storage of merchandise.

Therefore KF took the initiative in modelling a completely new system for goods distribution. Remember now, that still the wholesaling was working with these sale offices. The result was the

Regional Warehouse System, within which the first modern regional warehouse was started in 1949. The new regional warehouses were built near railways and main roads.

A survey made in 1948 showed that 100 - 110 regional warehouses would be needed when the system was developed. However, experience has shown that one can concentrate on advantageous operations within a small number of warehouses. The highest the number of warehouses was 45 but has dropped to 15 now.

Back to the wholesaling, with these types of regional warehouses we had to look at the wholesale organisation. As I have said earlier that the managers were going to these sales offices and spending much time in purchases. Therefore, KF decided in 1955 to close down the sales offices. Instead, they tried to get a more effective whole-sale and more educated people just to complete the new system with regional warehouses. The wholesaling was at that time divided into two head sections, One for food and one for non-food. The sections were then divided in different departments, e.g. women's department, men's department etc. At present every department has a number of buyers who are very specialised. We have one buyer for blouses, one for dresses, one for knit wears, etc. A similar division is for food section ie. there are special buyers, one for soups, one for fruits, one for coffee, etc. We have found it's a necessasity to have the buyers specialised because all happens so fast no-a-days. If you just have one group you can take care of it much better and you can all the time look for new items and you will learn your market very well, this is very important. If you have too many groups of items you can't get the time for your market and so you can't cover it.

THE ASSORTMENT

Originally, each society chose its own assortment and did its own buying. Despite its dominant position, KF acted as a wholesaler among wholesalers on behalf of the societies. When the system of regional warehouses was introduced during the 50s, all this changed considerably. The societies working together in a regional warehouse had to agree on a common assortment. But in spite of the advantages achieved by operating the new regional warehouse system the assortment was not uniform. Each regional warehouse still composed its own assortment. In the beginning of the 60s a further step was therefore

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taken, the establishing of a "National Assortment" of merchandise to be stocked by the regional warehouse. Now the purchasing department could work more effective. We had for the first time assortment which was the same all over the country. We could press the prices from the suppliers and get more services. We had got a strong power against private producers and wholesalers.

But still the regional warehouse board or its specially appointed group e.g. the sales council, make their choice from among the merchandise included in the national assortment, then they compose an assortment which suits the requirements of the regional warehouse area. This is known as the "Regional Warehouse Assortment". So the whole system is based on a choice of merchandise starting from KFs buying departments, via regional warehouse to various retail outlets.

ADMINISTRATION AND OWNERSHIP

When KF was established it only had a few member-societies. Then it slowly became stronger when more and more societies joining the wholesale. Today, of course, all coop societies are affiliated to KF.

The cooperative regional warehouses are managed jointly by KF and the local societies. The entire profit is distributed out to the societies according to their purchasing. KF owns the premises and charges the societies rent, which covers the capital costs for the sum invested in the property, real estate tax and depreciation.

The societies using the regional warehouse pay for upkeep and repairs of the premises, heating, lighting and other maintenance costs.

KF owns the stock and the societies pay rent on the capital tied up in stock, plus cost for leakage, losses through price reductions, etc.

KF owns the fitting and the societies pay all depreciation costs on these. As can be seen from the above KF is the formal, legal owner of the regional warehouses. Indirectly KF is owned by the societies and this economic system is based on practical arrangement.

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THE ADVANTAGES OF A MODERN DISTRIBUTION SYSTEM

BUYING

Transport and reloading costs are lower when the goods are taken from national suppliers or from import docks direct to the regional warehouse from where they can be transported to the shops. The total costs and total investment for warehouse premises are lower when storage is run solely by the regional warehouse. The storage area needed in the shops is smaller.

Buying prices are as a rule lower when the purchasing department buys large quantities than when the societies manage their own buying individually. Goods reception in the shops, and orders in the societies are more easily managed when all merchandise (except milk, meat and some other fresh foods) are delivered from the regional warehouse through a rational ordering system. Goods control in the societies is simplified, thanks to the warehouse's system of ordering and invoicing.

The whole of KF's buying organisation, and thus also buying specialists, are at the service of the societies through the regional warehouse. This brings down the societies' costs of buying. (Staff can be released for sales work instead of being tied to paperwork).

Collaboration between the societies and KF is strengthened by the regional warehouses. The bargaining between societies and KF is less than before as KF receives an advance fee for its work as buyer for the warehouse.

The societies' collaboration with KF cannot result in the complete dependence on KF's buying departments as the societies are free to buy from other suppliers. This is done, after consulting KF, when a direct purchase from another source is more advantageous.

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Supplementary Paper

THE ROLE OF COOPERATIVES IN CONSUMER PROTECTION

by

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Supplementary Paper

THE ROLE OF COOPERATIVES IN CONSUMER PROTECTION

by

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Nurrahammars, Sweden.

The subject chosen for this session is a very vast one. It is therefore necessary to limit the scope only to the efficiency of the Cooperative movement and to its possibilities to work within the prevailing system existing in the country.

First we have to observe some general remarks which will have a great influence on the movements possibilities to reach its targets.

It is obvious that the role played by the consumer cooperative movement in preventing the rise in cost of living depends upon the external milieu in which the movement is operating. It depends also on the economic and social position of the movement, **if** the movement is working in a transitional period of state sponsorship or if the movement is **directed**, controlled and owned by the members themselves.

There are other marketing factors within the cooperative movement as well as the retail structure of the country which all will influence the possibilities of the cooperative movement to press the prices down.

In dealing with the role of consumers' cooperatives in consumer protection, it is necessary to consider the great variety of social and economic conditions in different countries of South-East Asia. Turning from this general remarks and bearing in mind above limitations and difficulties, I will try to relate some experiences of how the consumer cooperative movement can protect its members from the rise in cost of living. I am also quite aware of the fact that my experiences gained in Sweden and South-East Asia only can serve the modest aim in presenting a starting point for a discussion.

The Cooperative movement's long-term policy

When talking about to influence general price rises which are reducing the standard of living in a country, we have to investigate whether the price rises are of an international or of a domestic character. At present the entire world is facing price rises due to the increase of the cost of energy and shortage of food articles. Such an international inflation will be very difficult to neutralise for any country which have to rely entirely on oil and food imports.

Mainly responsible for any type of price rise is the government. It is the Government which has to take measures against the price rises.

The cooperative movement's role and possibilities to influence the price rises depend on efficiency, volume of business, level of integration and its financial resources. With the knowledge of the cooperative movements organisation, structure and economic position in South-East Asia, I can say that it has at present very small possibilities to make an immediate influence on the present worldwide inflation.

A few direct measures can however be carried out :

- The movement does not increase the price on stock in hand.
- Try to reduce the margin on important food articles
- Rationalise and centralise the daily work within the movement.

By and large, these measures will have very little effect and it will be very costly for the movement. When we know that the margin on food articles is very low, it is obvious to anyone that such measures cannot influence the price level very much. Besides the cooperative movement requires the small profit for its own expansion and existence.

More interesting will be the subject if it is looked upon as a long-term policy. What can the cooperative movement do to neutralise price rises in the future? How is the movement going to start a developing process which in the long run will increase the competition at all levels? Let us tackle these (practical) problems through splitting up the cooperative movement's activity into four headings.

- A. Establishing programme for shops.
- B. Need of cooperative integration in the level of whole-sale and production.

- C. A better coordination within the cooperative movement
- D. How to finance the programme.

Establishing programme of shops

It is easier to develop consumer cooperation based upon the purchasing interest of big groups within the wage and salary-earning population in the more industrialised areas than to do it in areas where the industrialized and urban sector of the economy is very small. On the other hand, there is as a rule, great scope and need in the latter areas for different forms of farmers' cooperative.

The practical question for a government is often to give priority in planning to certain forms of cooperative organisations, to fit the special economic and social conditions in a country at a given stage of development.

We have in this conference to strictly look upon the planning from the view of the consumer cooperative. According to above, we should establish our shops in downtowns and in suburbs there we can expect that our stores are most wanted. From the management point of view it is also much easier to run the stores in such areas where the volume of business is large. The efficiency in business is very much a question of volume. If a store will get a good turn-over it will be much easier to keep the costs down in percentage of the sale, there will be better qualities on stock in hand, better varieties of articles and the volume of business can provide lower prices. It is only through the efficiency we can get some profit and have a chance to influence the domestic price level.

Need of cooperative integration in the level of whole-sale and production.

If the consumer cooperative movement should be able to press down the prices in the future we have to assume that the wholesale price given to the movement must be as low as the price given to the biggest competitors. If there are tendencies that wholesale and production levels partly are monopolizing the trade, or if existing multinational production units run their own wholesales, or simply that the domestic

levels of wholesale and production are organisationally and financially ineffective and wasteful, then there is also a need for the cooperative movement to integrate into these levels. In such cases the cooperative movement has to fight its own battle at all levels.

It seems to me that this is a very high aim, may be a vision, but the above facts will reflect to the whole of its extent the utmost consequences of the given subject. Very soon when the societies have started to do business they feel the need of a wholesale store. Already in the initial stage the societies must understand that some activities must be coordinated.

A wholesale store is supposed to centralize the purchasing, and provide the knowledge of the market and its products. Coordination of the purchases will give bigger buying power to the wholesale while placing the orders with the manufacturers. When the movement will start to import articles, special knowledge is required, which is impossible for each individual store to obtain.

The cooperative movement's very first aim must be to establish a wholesale store, and get the local societies to be loyal and pool their resources together.

Cooperation within the Movement.

The consumer cooperative movement must be united in an apex organisation. It is only through an apex organisation we in the long run can face the competition. This is an absolute condition in trying to reach the fastest possible way of building up and developing the cooperative movement. In South-East Asia there are too many small societies and only a few big branch societies. The local societies are not very loyal to the wholesale store. The lack of coordination depends on several reasons according to the local societies. They feel that the prices are too high when purchasing from the wholesale, and that the wholesale are not working very effectively. Some societies think that the wholesale demands more planning in the case of purchases. There is also a question of communication. On the other hand the wholesale asks for more loyalty in the case of purchasing. As it is now, the volume of business will not be enough to make an influence on the market price.

There is also a fact that big production units have integrated into the wholesale level with their own agent systems which will market their products direct to the retailers. The producer will, because of this agent system, not sell their products to a competing whole-sale when they risk to break up their own whole-sale activity.

To be able to change this uneconomical system the societies have to back up the cooperative wholesale store, give it strength and through purchases make different producers to realize the cooperative movement as a serious organisation with an up-to-date purchasing and selling approach.

The consumer cooperative societies have to look upon the movement as one big unit facing the various domestic problems. The societies cannot live isolated because if they do, the entire coop. movement will never grow big and will not get any importance at the retail level.

How to finance the cooperative movement

The cooperative movements of South-East Asia, are economically not very strong. Their financial possibilities to self-support such programmes are at present out of question due to low margins, no volume of business and in a few countries are the sales based upon controlled articles (with margins which does not exist.)

Fresh money must be found and invested in the movements. Establishment of shops, investment in stocks, building up a wholesale system and in some cases integration into production will all require heavy investments. The big question is how to find this capital? I suppose that a long-term loan from the government on a low interest rate must be obtained. In some countries some other cooperative institutions may be able to invest and give loans and other forms of help.

Of course, here I must give some place for a warning. Even if we all feel the need of a fastly growing cooperative movement and if we can find the capital needed there are some other limitations which cannot be neglected. A fastly growing movement must have well educated and experienced leaders and staff. The capital itself is not a guarantee for success.

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The cooperative movement must in the long-term policy be self-supporting in their finances to a very great extent. When the movement has reached a certain level of economic stability it will be easier to obtain loans from the commercial banks.

If (and I think that this is the only way in the beginning) such long-term loan will be obtained it should be canalized through the cooperative wholesale society to the local societies. Attached to the loans given the wholesale society should make great demands upon purchasing loyalty.

If there will be profit in the wholesale society the money should be reinvested within the movement until economic stability has been established.

The question of how fast a movement can grow is very much a question of relations between-developing programme- supply of finance and required personnel available.

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ASIAN CONFERENCE ON CONSUMER CO-OPERATION
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Country: Bangladesh
Supplementary Paper

- I. THE ROLE OF CONSUMER COOPERATIVES IN CONSUMER PROTECTION
with special reference to the rise in the cost of living.
- II. THE STRUCTURE OF COOPERATIVES AT THE RETAIL LEVEL
- III. PRODUCTION, IMPORTATION AND WHOLESALING FOR SUPPORTING
CONSUMER COOPERATIVES AND FOR INTERNATIONAL COOPERATIVE TRADE

by

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THE ROLE OF CONSUMER COOPERATIVES IN CONSUMER PROTECTION
with special reference to the rise in the cost of living.

by

Md. Rahmat Ali,
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At present almost in all the developing countries the entire productive and distributive trades are in private hand. Under the present trade set up the consumers are at a great disadvantageous position being exposed to various risks of which the rise in price is most insignificant. The history of Indo-Bangladesh-Pakistan sub-continent reveals that consumers are being exploited by the private traders in various ways. The private traders being actuated by the sole motive of making profit tend to adopt various mal-practices. The goods are under-weighted, adulterated goods are supplied and in adulterating food stuff the greedy merchants do not hesitate even to mix materials harmful to health. Price is manipulated on flimsy pretexts and by hoarding goods artificial scarcity is created leading to price spiral. When goods are in short supply and there is scarcity, the situation is exploited by the traders to their advantage and the scarcity is intensified artificially by hoarding and cornering scarce goods, as a result of which price soars up putting the consumers to a serious plight.

In order to protect the interest of the consumers in such a situation Government impose control, introduce rationing and arrange for equitable distribution of scarce goods at fair prices. The history of control has, however, shown that it cannot bring a permanent solution. Control inevitably gives rise to black markets. The best solution lies in organisation of consumers' cooperatives. As a matter of fact the modern Consumer Cooperative Movement was started in 1844 when the Rochdale pioneers started their Consumers' Store in order to get rid of exploitation by traders and to improve their economic condition. The Consumers'

Cooperative Movement brings in various advantages to the consumers, some of which may be enumerated as under :-

- 1) The Consumers' Cooperatives, being organisation of the consumers themselves there can be no motive of profit making. The Cooperatives aim at supplying goods to members at fair and cheap prices and can do so by procuring the goods from the producing centres direct eliminating middlemen and the fat profit margin charged by them;
- 2) As the Consumers' Cooperatives supply goods to members only, the policy is to supply pure and unadulterated goods with correct weight;
- 3) Standard quality of goods are supplied at uniform price rates;
- 4) The long term policy of the consumers' cooperatives is to manufacture goods required by the members so as to ensure purity and quality as well as to reduce cost;
- 5) The ultimate authority being in the hands of the general body of members, the distribution and price policy is always adopted to suit the interest of the members;
- 6) A well-organised network of Consumers' Cooperatives in the country can substantially check creation of artificial scarcity by private traders by hoarding and cornering essential consumer goods and can combat price rise because the private traders can not increase the price of commodities in the face of competition from the Consumers' Cooperatives.

From a review of the history of the Consumer Cooperative Movement in India, Sri Lanka, Malaysia, Thailand and Pakistan it transpires that the Consumers' Cooperatives were initiated to tackle the problem of scarcity of essential commodities and their distribution. The Government of the concerned countries sponsored the movement and gave assistance in various ways. The contribution of the cooperative in arranging equitable distribution of essential consumer goods and keeping down the trend of rise in price was significant during the second World War and the post-war period. Membership and volume of trade increased considerably.

The new state of Bangladesh from the date of its birth has been facing price spiral. Most of the manufactured goods used to come from erstwhile West Pakistan or were imported from other countries. The whole sale trade in pre-liberation period was generally in the hands of West Pakistani traders. With the exodus of the established whole sale traders, stoppage of import from West Pakistan and for other adverse circumstances after liberation there has been scarcity of consumer goods and supply has been dislocated and disrupted. The price is soaring high continually. The Government of Bangladesh has taken quick action by setting up Consumers' Supply Corporation for arranging procurement and distribution of essential consumer goods, particularly to low income groups at fair and reasonable price. The Government have nationalised important industries and aim at socialising the whole sale and retail trade. It has been decided to distribute consumer goods through fair price shops initially with ultimate object of handing over the fair price shops to the Consumers' Cooperatives. For arranging import of consumer goods Trading Corporation of Bangladesh - a state trading organisation has been established. The Government have realised that the need for consumers' cooperatives is great but in the present circumstances decided not to organise cooperatives in a hurry but to start it on a firm and enduring foundation so that the movement can stand in the face of competition from the private trade even in free economy. It was felt that intensive programme of motivation to rouse the consumers into a consciousness of the need should precede expansion of the organisations. This decision was taken in view of the fact that the consumers' cooperatives flourished in Second World War and post-war period, but the movement got a set back with the gradual return of normalcy in consumer goods supply and withdrawal of control. A National Seminar was held on the needs of the Cooperative Movement of Bangladesh in June, 1972 with the assistance of ICA Regional Office and Education Centre for South-East Asia. The Seminar appreciated and endorsed

Government views and made recommendations that Consumers' Cooperatives should be formed in two or three cities to serve as models. In rural areas the existing Union Cooperative Multipurpose Societies and Krishi Samabaya Samities (agricultural cooperatives at village level) may be used by Consumer Supply Corporation for distribution of basic consumer goods and that the consumer movement should consist of only two tiers, the retail societies on branch pattern and only one whole sale society at the national level.

The Bangladesh Samabaya Marketing Society Ltd., has been in existence since 1961 with the object of fostering credit and marketing of agricultural produce and developing Consumers' Cooperatives. It could not make any significant head way till liberation although it handled import trade of some selected items in pre-liberation period. After liberation the Government decided to allot 10% of the imports made by Trading Corporation of Bangladesh and 10% of the product of the Bangladesh Textiles Industries Corporation to the Bangladesh Samabaya Marketing Society to distribute through cooperative channel. The Bangladesh Samabaya Marketing Society Ltd. has been distributing the allotted consumer goods, viz Babyfood, textile goods, Coconut oil, Battery etc. through 127 Central Societies and 1973 Primary Cooperatives in urban and rural areas. The number of individual members linked with the member s societies are over 35 lacs. The total number of citizens involved will be about 1.75 crores i.e. about 24% of the total population. There is a tremendous pressure for enrolment of new societies as members. But considering limited supply further expansion is being discouraged.

Thus when supply was scarce, price was high in the open market and private traders were creating acute artificial scarcity, the Consumers' Cooperatives came in and played a significant role in saving the consumers from exploitation by arranging equitable supply at fair prices. Cooperatives proved to be popular distributing agencies safeguarding interests of the consumers as best as they could under heavy strain.

But in competitive trade or when control shall be relaxed the cooperatives shall have to face different economic situations for which they need business efficiency, good management, consumer consciousness and a broad-based educational programme.

To achieve the above objective the Consumers' Cooperatives should be strengthened financially as well as with trained manpower in the management and business side. The Cooperatives should participate in all the stages of business, viz., wholesale, retail and even in import. The wholesale Cooperatives should have purchasing units at all producing centres to purchase goods at cheap rates and arrange distribution through retail centres which should be economically viable business units. The Cooperatives should enter in import trade for essential consumer goods. The Government should allocate increased quota of foreign trade to Cooperatives. Where possible and as quickly as possible Cooperatives should take up production of consumer goods to ensure supply at reasonably low cost. Of course for this purpose the Government should come forward with financial assistance initially and also help training up Cooperative personnel in business management. The Cooperatives should engage capable experienced managerial staff for efficient management and business operations. The Cooperatives will have to have their own transport fleet. It is no doubt a very big job to compete with capitalists who are in the trade for long. But a beginning has to be made with faith and courage. The Cooperatives of the developed countries which have already established themselves should come forward to assist the cooperatives of the region with experts, training facilities, financial assistance and inter cooperative trade support. ICA can play a vital role in this respect. Extensive promotional work should be undertaken by national cooperative unions as well as international cooperative agencies to arouse consciousness among the people about the need and utility of cooperatives.

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PRODUCTION, IMPORTATION AND WHOLESALING FOR SUPPORTING
CONSUMER COOPERATIVES AND FOR INTERNATIONAL COOPERATIVE TRADE.

by

Md. Rahmat Ali
Bangladesh

To stand in the face of competition from the private traders, the consumer cooperatives should establish themselves as whole-time trader in consumer goods required essentially by the consumer members. This is essential for growth of the consumer cooperatives and attracting loyalty of the members. If the consumer cooperatives concentrate their business in controlled commodities under Government patronage as has been done by most of them in the past they cannot expect loyalty of the members. The object of protecting the interest of the consumer members and keeping down the price is also frustrated unless essential commodities can be supplied regularly, as suspension of business by the cooperatives in time of normalcy expose the consumers to exploitation by private traders and temporary relief given is doubted. To ensure permanent protection to consumers the cooperatives have to be permanent source of supply of consumer goods. This requires that there should be a net work of organisation for production, importation of consumer goods and wholesaling of the same so that retail consumer cooperatives get the supply at cheaper price to compete with the private trade.

One of the policies of the consumer cooperatives is to go for production of goods to have regular supply at low cost and maintain purity of the supplies. The other way of achieving the objective may be to establish business relation with the producers' cooperatives. The producers' cooperatives can produce at a cheaper cost. A question arises that the producers' cooperatives may demand high prices because it is their interest to sell at maximum price. On the other hand it may be stated that the producers do not produce all that they consume. They need consumer

goods and they need protection of their interest as consumers. Therefore, it is possible that a collaboration between consumers' cooperatives and producers' cooperatives is possible whereunder in mutual interest a trade relation will grow and supply will be ensured. Even otherwise if the consumers' cooperatives buy from producers' cooperatives at market rate, they may get share of profit as buyers and producers as consumers can get rebate from the consumer cooperatives against purchases. It is for national cooperative unions concerned to bring about such arrangement.

Where producers' cooperatives are absent the consumers' cooperatives can go in for production. This will require again market study, costing and planning. There should be trained and experienced people for the purpose. There should be sufficient fund to handle the project. The national Government and International Cooperative Federations can render help in this regard.

In a two tier consumer cooperative system there should be a wholesale society at the national level. It should make procurement from the producers' cooperatives as also from other sources. The wholesale society should have both manufacturing and processing plants. The society should also make import of commodities not available at home or within the region. The wholesale society may have three sections, viz., manufacturing section, import section and wholesale distribution section. Here again experienced staff will be needed to handle the business and there will be need of huge fund. While share capital will mobilize some fund, substantial amount should come from outside, either from Government or from other agencies. The wholesale society should have arrangement for delivery at retail centre so that cost of transport may be kept at the minimum per unit. This is definitely a big job. But with the cooperation and assistance of the cooperative organisations of the advanced countries and ICA this may be made possible.

Where the production of consumer goods has been nationalised, as in Bangladesh, a big share of the produce should go to cooperative wholesale organisation for distribution in the interest of the consumers and Government should take suitable measures in this regard.

It is an admitted fact that the individual producers particularly the agriculturists do not get the full benefit of their labour. The middlemen or the private traders and in the case of exportable goods the big capitalist exporters also get the lion's share of the benefit arising out of the fruit of labour in the same way as in the case of imported goods a good margin is retained by the importers and other middlemen in trade and the consumers pay for that at their cost. The cooperative producers organisation with well organised cooperative marketing is a way to give fair return to small growers. A still better return can be had if the cooperatives can handle the export trade. In the same way handling of import trade by the cooperatives themselves can ensure those goods cheapest to the consumers. Besides, promotion of international trade among the different national cooperative organisations is necessary in strengthening world cooperative movement and for promoting the welfare of the downtrodden people and stabilisation of their living standard standing upon the principles of self reliance and mutual assistance

As import export trade has long been controlled and monopolised by the big capitalists, it is not so easy to extend cooperative activities and gain full control on it. However, difficult it may be, the cooperative organisations in this region have stepped into this field and their achievement in the past years are praiseworthy.

In addition to the UNICOP and ZENNOH of Japan, cooperative of India, Thailand, Indonesia have entered into the field. The Bangladesh Samabaya Marketing Society also has made some import from different countries. Of course the contribution of the cooperative to foreign trade is not significant. The failure of

the cooperatives in the field results from their lack of experience. Even a powerful private organisation may find it difficult to enter the field in commodities in which other companies are trading for a long time not to speak of the cooperatives. Besides lack of experience cooperatives lack in finance. Efficient trained personnel to handle foreign trade and efficient internal market structure are lacking in the cooperative structure. But it does not mean that a small beginning cannot be made which will make an opening for on-the-job training and development of trading efficiency. The Japan Thailand Maize project can be cited as an example. With the assistance and cooperation of the UNICOP and ZENNOH of Japan and the guidance of the officials of the Cooperative of Thailand, the Thai Cooperatives have been successfully handling the trade. As the Thai cooperatives do not have and cannot arrange adequate finance to handle the export the Japanese Cooperatives make available a Packing Letter of Credit through which advances are obtained by the CMPF of Thailand to make payment to farmers for maize collection. Thai Cooperative personnel are given training under Colombo Plan grant. Japanese Cooperative movement provided Thai Cooperatives an expert in farm and marketing management through the Colombo Plan. In Indonesia Maize Project in East Java is being implemented by the Cooperatives with assistance under the Colombo Plan.

The above examples makes it sufficiently clear that International trade by Cooperatives is possible if the ICA and Cooperatives of developed countries come into assistance. For export trade, it is of course essential that there should be quality control and a very well organised marketing structure so that cooperatives may not have to depend on any private agency at any vital stage and may not fail to fulfil contract of effecting supply of specified quantity of goods of specified quality in time. It is necessary to build up the infrastructure before export trade is handled. In import trade, however, it is not necessary to have so much of preparation before trade is taken up. In some countries

there may be foreign exchange difficulties but it should not be difficult to handle foreign import under bilateral trade arrangement.

Some trade barriers and import control are constantly in force in many developing countries partly by conventional protection system and partly by different in stage of economic and social development among world nations. Yet promotion of cooperative trade by these countries is not impossible through barter trade which does not call for immediate out-flow of their foreign exchange.

To make foreign trade possible for the cooperatives, assistance should come from the national Governments, the cooperatives of developed countries, the ICA and other organisations.

The assistance from cooperatives should come by way of providing expert, training facilities and if necessary by helping with funds. Such assistance may come in mutual interest. The cooperatives in developed countries may have regular communication with the cooperatives of the less developed areas as in this region. They may make it a point to procure goods from countries of the region through cooperatives and similarly export through the cooperative where possible. This will be on the basis of mutual aid and promotion of cooperative brotherhood world over. It is strongly felt that in the interest of the small man and to help them to improve their economic condition the cooperatives of the countries of this region should be helped by those already in foreign trade in this field.

In this connection it may not be out of place to mention that Bangladesh imports most of the consumer goods as well as capital goods. Bangladesh exports agricultural produce, particularly jute, tea etc. There is prospect of developing fruit processing industry as also fish preservation for export. Cooperatives in Bangladesh are going to undertake these businesses. Bangladesh Samabaya Marketing Society Ltd. has the experience of import trade, although

not so sufficient. It can handle foreign trade if assistance comes from the cooperative organisations of the world and the ICA in all possible ways to get a footing in the field.

Such business on the spirit of self reliance and mutual help if undertaken between the cooperatives, will reduce the margin of middle agents. It will not only help in strengthening economic ties and rehabilitating the economy in the field of agriculture and industry but also will help to provide more jobs to the unemployed, raise the standards of the cooperative members, strengthen cooperative ties, brotherhood and friendship among people in the region. The close cooperation between the agricultural and consumer cooperatives within and outside the country and sympathetic attitude of the national Governments towards their cooperatives are most essential in attaining such aim.

THE STRUCTURE OF COOPERATIVES AT THE RETAIL LEVEL.

by

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Barring a few exceptions, the size of consumer cooperatives in most countries of the region is small. The commodities with which the societies deal are a selected few, the supply of which is limited. Possibly the limited supply of scarce goods has influenced growth of small consumer cooperatives as it is not possible to satisfy large number of members of larger societies with the limited supply. The result has been, particularly in Bangladesh that the consumer cooperatives have not become viable economic units. Not only that, some of these societies are practically distribution centres of some goods received at irregular intervals and they cannot be termed as consumer stores as such. These societies have many problems. The capital is small, the cost of carriage inwards is high, the shop site is unsatisfactory, shop layout and outfit is unimpressive. These societies cannot arrange finance from banks because of their poor business and show. They cannot employ good and efficient staff. Insufficient supply cannot satisfy all the members as a result of which the members tend to be disloyal. The overhead cost of the societies even in such a situation is high. This being the situation the small cooperatives cannot stand competition of the retailers and die away quickly. The history of Consumers' Cooperatives in the region also shows that while they flourished, so long as Governments gave preferential treatment and control existed, many of them were closed with withdrawal of control and subsidies and other facilities provided to cooperatives. Though there are wholesale units to procure merchandise to feed the retail cooperatives, these also are not well equipped financially and have not been able to give proper leadership and guidance. In Bangladesh the Bangladesh Samabaya Marketing Society Ltd. which is the wholesale organisation cannot meet the requirement

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of the retail cooperatives because of limited quota available to it from the Trading Corporation of Bangladesh and the Bangladesh Textile Industries Corporation. Thus the present structure of retail cooperatives and the supply position from the whole-sale Society are not suitable.

In India and other countries of the region retail cooperatives on branch pattern have been started with wholesale societies at the state or national level. While organising such retail cooperatives, the minimum economic size of a shop as also of a society having regard to convenience of the consumer have been determined. The Bangladesh Seminar also have recommended retail cooperative on branch pattern with one wholesale organisation at national level. It is essential that consumer cooperatives are organised on that pattern.

It is not necessary that a Society will start with a fixed number of branches. The branches should be opened with necessary arrangement for supply from the whole-sale societies. The shops should be located at suitable places and these shops should be well furnished and suitably staffed. The wholesale Society should establish suitable warehouse /branches at regional level to arrange supply to the retail cooperatives. This arrangement will reduce cost of carriage of goods by the retail cooperatives. The cost of wholesale society for arranging supply will be comparatively less as it can arrange transport, and bulk transport will mean less per unit cost of carriage.

So long as scarcity of consumer goods persist adequate supply may not be possible but the wholesale society's quota should be increased by respective Govts. to ensure supply of essential consumer goods having regard to the coverage, regularly and not at irregular intervals.

So long as the cooperatives cannot be supplied with sufficient supply to run economically, the Govt. should support the cooperative specially in the matter of arranging finance

from the commercial banks.

Assistance should come from the ICA at least in the initial stage by way of training, motivation, shop planning, lay-out etc. The whole-sale society should also provide guidance and leadership.

As stated earlier the Consumer Cooperatives in the region flourished under controlled economy and they received set-back with the return of normalcy. Another feature of cooperative movement in the region is that its existence is dependent on state patronage, assistance and preferential treatment. Consumer Cooperatives have not developed except in a few cases as viable business organisations. It is said that the success of the consumer cooperative lies to a great extent in the loyalty of members and their cooperation and establishment of right kind of store. If we analyse the causes of lack of loyalty we will find that the Consumer Cooperatives have not been able to cater the needs of consumer members adequately and efficiently and on regular basis. The cooperatives have been solely dependent on supply of scarce commodities from controlled sources. The source being dry the cooperatives have dies away. In some cases consumer cooperatives have tried in normal economy but due to lack of business attitude and foresight, want of regular market intelligence, good salesmen, purchase managers have failed to procure goods at cheapest price and arrange sale in competition with the private traders. Both purchase and sales organisation are weak. As a result the consumer cooperatives have failed to attract the loyalty of members who have naturally alienated allegiance to private traders for regular supply at cheaper rate. Of course credit sale by private traders is one of the reasons of alienation of loyalty. It is, therefore, incumbent that the consumer cooperative should gradually add more and more items of consumer goods to their inventory of merchandise and there should be regular supply of the goods at competitive price rather at a lower price than the private traders. Reports are there that in India cooperatives were able to sell goods at 3-5 p.c. lower price than private traders. This requires a regular planning of procurement by whole-sale organisation.

One of the policies of consumer cooperative is to go for production of goods to have the supplies cheaper and to maintain purity. At the same time some are of the view that if the consumer cooperatives go for production they may come in conflict with the producers' cooperatives whose interest is to sell at highest price. Besides, consumer cooperatives will not be as efficient as producers in producing commodities and cost of production may go up. It is considered that coordination and cooperation between the producers' and consumers' cooperatives and a business relation with them can serve the purpose of both. The producers are themselves consumers and they do not produce all that they consume. Thus trade relation between consumer and producers cooperatives can serve the interest of both.

Therefore, it is considered advisable that the whole-sale societies should arrange procurement of consumer goods from producers' cooperatives where available and there should be dynamic policy of enrolling members in consumers' cooperatives to extend facilities to members of producers' cooperatives in all types of consumer goods dealt with.

Where home production of consumer goods has been nationalised, as in Bangladesh, a bigger share of the produce should be made available to cooperative wholesale society in the interest of the consumers and Government should take suitable measures in this behalf.

The wholesale societies should maintain regular market intelligence and undertake procurement of essential consumer goods from production centres and in doing so they should act on purely business consideration. There should be competent purchase staff at the wholesale society. Actually it is at the purchase level that profit is made. Lastly, there should be no deviation from the fundamental principle of consumers' cooperation, namely, the division of profits among all the members in proportion to the amount of their individual purchases as profits should belong to those who by their acts ensure the prosperity of the society.

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Country: INDIA
Supplementary Paper

- I. ROLE OF CONSUMER COOPERATIVES IN CONSUMER PROTECTION
with special reference to the rise in the cost of living.
- II. STRUCTURE OF CONSUMER COOPERATIVES IN INDIA AT THE
RETAIL LEVEL
- III. PRODUCTION, IMPORTATION AND WHOLESALING FOR SUPPORTING
CONSUMER COOPERATIVES AND FOR INTERNATIONAL COOPERATIVE TRADE -
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ROLE OF CONSUMER COOPERATIVES IN CONSUMER PROTECTION
WITH SPECIAL REFERENCE TO THE RISE IN THE COST OF LIVING

by

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The consumer today is greatly in need of protection against undue rise in prices, unwarranted by valid economic reasons, as for example, when there is a temporary interruption in supplied or when artificial shortages are created. The consumer also needs protection against the sale of adulterated, sub-standard and spurious goods. Besides, he also faces other mal-practices, such as under-weighment and use of incorrect weights and measures, evasion of taxes. It is recognised that, while legislation is necessary to deal with such anti-social mal-practices, it cannot by itself provide the solution to this vast problem. It is necessary to arouse public consciousness and organise consumers themselves. Consumers' awareness is the best deterrent against mal-practices in the consumer goods.

2. Apart from protecting consumers against trading mal-practices, it is also necessary that the consumer should be able to get correct information about the products that he buys. Products are marketed without providing adequate information or exaggerated information to the consumer about their nature, quality, composition and texture. The consumer is, therefore, unable to assess respective merits of different brands. Thus, there is a need for informative labelling of products. The consumer also needs protection against aggressive publicity, when exaggerated and untenable claims are made about the quality or efficacy or durability of various products. These tasks can only be handled effectively, if the consumers organise themselves into an organised body that can undertake in a constructive manner, the task of

consumer protection and education.

3. Consumer cooperatives can undoubtedly play an important role in this task. In fact, the genesis of consumer cooperation lies in the protection of consumer interest. The cooperative form of organisation can lead to elimination of middlemen and intermediaries to a large extent, and, as they do not operate on profit motive, they would have no interest against indulging in trading mal-practices or profiteering. A sound, healthy and efficient consumer cooperative movement, which has support of people at large, patronage of its members and support of the Government, can be a powerful instrument in protecting and safeguarding the interest of the consumers. Consumer cooperatives can set standards for healthy trading practices by selling quality goods at fair and reasonable prices, without exploiting situations of temporary shortages or resorting to other mal-practices.

4. Effective consumer cooperative organisations have, by their performance in Scandinavian and European countries, as also successful cooperatives in India, have demonstrated effectiveness of consumer cooperatives in safeguarding the interest of the consumers. Essentially, consumer cooperatives will have to adopt the Consumer Protection Charter adopted by the Consultative Assembly of the Council of Europe on 17th May, 1973 in Strassburg. These are :

- (i) Right of consumer to protection and assistance
- (ii) Protection against physical damage due to unsafe products.
- (iii) Protection against damage to economic interests of the consumers.
- (iv) The right to redress against damage.
- (v) The right to consumer information.
- (vi) The right to consumer education.
- (vii) The right to representation and consultation.

These aspects can be tackled effectively through consumer cooperative organisations in a comprehensive and integrated manner. Consumer cooperatives can make significant contribution in this field of consumer protection, in respect of (a) quality control, (b) price stabilization, and (c) education of the consumers. In under-developed countries,

one of the basic problems is sale of adulterated and sub-standard food-stuffs, drugs and medicines and other consumer articles. According to a report, "Every third sample of food lifted from the market is either adulterated or sub-standard". Consumer cooperatives will have to keep strict control over the quality and where necessary, undertake direct manufacture of articles or have products manufactured according to prescribed specifications. Besides, it is essential to set up quality testing units, to check the quality of products regularly at the stage of purchase and sale. Large consumer cooperatives can set up their own quality testing units, while the smaller ones will have to make their purchases mostly from wholesale stores/state federations, which should have a mechanism in quality control.

5. In a situation of rising costs of living and rising prices, consumer cooperatives in India have been able to play a very useful and significant role. While consumer cooperative institutions functioned as 'price setters' and operated as 'market leaders', by following the 'Active Price Policy' in normal times, in a situation of rising prices, they have to operate in a more dynamic manner, by pursuing a policy of 'no profit no loss' in respect of certain common essential articles required by average consumer. In other words, they have to follow a policy of "loss leaders" in respect of certain essential goods and make up the deficit, through the sale of other high margin goods by adopting a proper sales-mix. Adoption of such a policy by some of the successful consumer cooperatives, has lead to a very healthy influence on curtailing the rising trend of prices.

6. Consumer education is one of the vital features of the consumer cooperative movement. Apart from educating consumers in various mal-practices, consumer cooperatives will have to look at the problems of the consumer more comprehensively, so as to cover activities which have a bearing on the life of the consumer, in respect of aspects like family budgeting, nutrition, education. By doing so, there will be greater involvement of the members, with the cooperative organisations, which will eventually help in tackling more efficiently the economic aspects of the sale of consumer articles. In the matter of

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consumer education, greater emphasis should be laid in effective involvement of women in consumer cooperatives and fields of consumer education. Women should be given adequate representation on the boards of management and special facilities should be provided for them, and cultural and economic activities organised for women members, like flower shows, cooking, health and nutrition, fashion shows. Groups of women living in compact areas may be encouraged to make joint purchases, for which, special discounts may be provided and also given opportunities to discuss their problems with the local managers of cooperative stores and offer suggestions. Thus, an effective communication can be established between the members on the one hand and the consumer cooperative institutions and its management on the other, for mutual benefit and advantage.

7. Consumer cooperatives could thus become instruments for organising and serving the consumers, as also in their education. Consumer cooperatives should join hands with voluntary organisations of consumers and lend adequate support, as may be required. These broad approaches will help in tackling consumer problems in an integrated manner, and also help in strengthening of consumer cooperatives and in building up their business efficiency and managerial competence.

STRUCTURE OF CONSUMER COOPERATIVES IN INDIA
AT THE RETAIL LEVEL

by

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A country-wide network of consumer cooperatives has been built up under a four-tier structure. By the end of June, 1974, there were about 400 wholesale/central consumer cooperatives (normally one for each district) and about 13,100 primary consumer cooperatives, 14 state federations of consumer cooperatives and the National Consumers' Cooperative Federation at the apex. At the retail level, there are about 15,000 retail outlets organised by the primary consumer cooperative stores, about 2,050 branches and 110 large-sized department stores operated by wholesale/central consumer cooperative stores. Two of the State Consumer Cooperative Federations are also operating 4 department stores. At the retail level, the total sales turnover of all consumer cooperatives is estimated at Rs. 325 crores for the year 1973-74.

2. The federal pattern of organisation of wholesale/central consumer cooperative stores with primary stores as members as also individuals initiated in 1962 has given rise to a federal pattern of organisation, in which, at each level, the membership is drawn from the lower level organisations. While some of the States have adopted a unitary pattern, wherein the wholesale/central stores have direct link with individual members, in majority of the States federal pattern with primaries and individual members is adopted. Based on the experience of the working of consumer cooperatives, a determined shift towards the unitary pattern of organisation in the interest of business efficiency and viability was introduced from the year 1966-67. In pursuance of this

approach, some of the States, which had a purely federal pattern, have progressively adopted the mix-pattern, and wholesale/central stores are gradually developing and increasing their own retail outlets and also providing for direct admission of individuals to their membership. About one-third of the wholesale/central consumer cooperatives have since set up department stores, besides opening a number of large-sized retail outlets known as mini department stores. The objective is to extend the unitary pattern, so that, consumer cooperatives can be large enough to be viable and able to compete with the private trade. This a matter which is vital to the structural integration and reorganisation of the consumer cooperative movement.

3. During the Fifth Five-Year Plan (1974-75 to 1978-79), a concrete programme of the development of wholesale/central stores has been initiated. This programme includes setting up of 140 new large and small department stores, and 750 large-sized retail outlets (mini stores). These retail outlets will undertake sale of diversified range of consumer goods, such as, food-stuffs, household articles, drugs and medicines, textiles, readymade garments, crockery, electrical and leather goods and also fruits and vegetables. Normally, the department stores will have a minimum selling area of 5,000 sq. feet and the maximum area being about 50,000 sq. feet; while large-sized retail outlets will operate in a selling area of about 1,000 sq. ft. Along with diversification, the new retail outlets that have been set up are able to adopt modern techniques of retailing, such as, pre-packing, price marking, proper lay-out and display and extend facilities such as self-service to the customers. One-room shops which were mainly dealing in foodgrains and rationed articles, are being discontinued and instead, large retail outlets with diversified range of business are being increasingly set up so as to improve their economic viability and expansion of services.

4. In regard to the large number of primary consumer cooperatives which are operating in various cities and towns, the approach is to rationalise their number, by liquidation of dormant and weak units and amalgamation of good working societies with wholesale/central stores, and to strengthen the selected good working primary societies, so that

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they can function effectively as retail outlets with diversified range of business. It is estimated that about 4,000 primary consumer cooperatives which are dormant may be liquidated. It is proposed to develop about 2,000 primary consumer cooperatives and strengthen their financial and operational base, so that they can render effective service to the consumers with a diversified range of goods and services.

5. Retail outlets that are being set up by the wholesale/central stores are based on scientifically drawn up projects, indicating the extent of their services, investment in stock, rate of stock turnover, staff to be employed and estimates of income and expenditure. By adopting this approach, it has been possible to improve the efficiency of the retail outlets, as also to ensure that these operate as viable units from the very inception. In some cases, where the wholesale/central consumer cooperative stores are weak and are incapable of undertaking effective retailing functions, the State Consumer Cooperative Federations which are wholesale organisations, have to set up big department stores for handling retail business and thus fill up the gaps, where required. This experiment has proved highly useful and the department stores set up by the federations have been working successfully, as they combined in them the benefits of wholesaling and retailing under a single institution.

6. The approach in the Fifth Plan in India (1974-65 - 1978-79) is to rationalise the structure at the retail, as well as wholesale levels, so that there is a closer integration between the wholesale sector and the retail societies. It is, therefore, proposed to further strengthen the state consumer cooperative federations at the State level and the National Consumer Cooperative Federation at the national level, so that these institution can render effective wholesale/services to the district level central/wholesale stores and to viable primary consumer cooperatives. The setting up of the department stores and

mini department stores at the retail level, has given a new dimension to consumer cooperative structure. In fact, these retail outlets are acting as catalysts for the growth of consumer cooperatives with diversified range of business, which were hitherto dealing in controlled food items. Consumer cooperatives are showing greater awareness to this approach, and their efficiency in retailing has also shown marked improvement.

PRODUCTION, IMPORTATION AND WHOLESALING FOR
SUPPORTING CONSUMER COOPERATIVES AND FOR
INTERNATIONAL COOPERATIVE TRADE - (India)

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I. Supply arrangements and Wholesaling

Comprehensive supporting arrangements have been made for ensuring effective supply arrangements to consumer cooperatives at the wholesale level. The supply arrangements evolved for consumer cooperatives by the Government of India can be broadly indicated as follows :-

(i) In respect of essential commodities, such as, edible oils, baby food, paper, dry batterm cells, soda ash, razor blades, tyres, hurricane lanterns, textiles, soaps, matches, electric bulbs and appliances, the manufacturers have been prevailed upon to supply them at prices as charged at the first point of distribution, subject to the lifting of prescribed minimum quantity at a time.

(ii) In respect of a large number of other consumer goods, such as, biscuits, confectionary, beverages, breakfast foods, cigarettes, tea, condensed milk, cycles, drugs and medicines, footwear paper and stationery, washing and cleaning materials, pressure cookers, readymade garments, salt, sewing machines, toilets and cosmetics, sports goods, hosiery, thermos flasks, toys, umbrellas, manufacturers have agreed to make supplies to the wholesale/central stores on uniform terms and conditions as applicable to their wholesalers/authorised dealers, and in some cases, with special discounts.

(iii) 10 to 20 per cent of state-wise market release/
replacement sales of certain items of essential commodities, viz.,

baby food, textiles, dry battery cells, razor blades, cycle/rickshaw/scooter tyres and tubes have been earmarked by the manufacturers for sale through consumer cooperatives. Besides, special quotas in respect of soda ash and paper have been ear-marked by the concerned manufacturers. A certain percentage of production of watches manufactured by the public sector undertaking, Hindustan Machine Tools, are also made available for sale through the network of consumer cooperatives.

(iv) In regard to agricultural commodities, these are procured from the Food Corporation of India in respect of levy sugar and other controlled commodities like wheat, rice, etc. In regard to pulses, the National Consumer Cooperative Federation and in some cases, the State Consumers Cooperative Federations make bulk procurement of these articles and supply the same to wholesale/central stores as also to the primary stores.

(v) Under the statutory scheme introduced by the Government of India, 90% of the production controlled cloth, 800 million metres per annum is to be sold through the network of consumer cooperatives and fair price shops at ex-mill prices with a margin of 20%. The National Consumer Cooperative Federation at the national level is coordinating the supply of State quotas of cloth, the State Consumer Cooperative Federations and Cooperative Marketing Federations do coordinating functions at the State level, and retail sales are undertaken by wholesale stores and the retail societies in urban areas, and marketing and service cooperatives in rural areas. The annual turnover in controlled cloth is expected to be of the value of nearly Rs.120 crores.

(vi) The National Consumers' Cooperative Federation is the chief importer of all consumer goods imported in the country. Some items of consumer goods are imported by it directly, and others through the State Trading Corporation. The National Consumers' Cooperative Federation imports dry fruits and dates against import licences of small value. These in turn are re-allocated and distributed through the network of consumer cooperative stores.

(vii) The National Cooperative Consumers Federation is appointed as the sole distributor for consumer goods confiscated by the Customs and Excise Department of the Government. The annual turnover of customs confiscated good is about Rs.3 crores. These goods are distributed through the network of consumer cooperatives, at prices periodically fixed by the customs and excise authorities of the Government.

2. With increasing role of the public distribution system, it is envisaged that a number of new additional consumer items, such as bread, edible oils, etc. will be marketed through the network of cooperatives. With the growing role of consumer cooperatives in the public distribution system and diversification of their business, steps are being taken to introduce a system of institutionalisation of purchases, which involves, inter alia, pooling of purchases at various levels, identification of commodities to be purchased and the different agencies that will purchase them and standardisation and inventory and purchase charts, streamlining of operational procedures for such purchases and determination of margins between tiers, so as to enable the ultimate consumer to get the benefit of institutionalisation of purchases of the cooperative sector. To begin with, it is envisaged that there should be a firm understanding between the wholesale/central stores and the state federations on the one hand, and the affiliated primaries on the other, regarding the goods that they will buy from the Federation and sell through their own outlets and through primaries. Purchase and coordination committees including representatives of the stores should be formed to decide, among other things, on purchase policy, assortment policy and pricing policy. Purchases on behalf of the stores are to be undertaken by the Federation by associating a representative or representatives of the stores. In the matter of purchases, State Consumer Cooperative Federations will maintain liaison not only with wholesale/central stores, as indicated above, but also with the National Cooperative Consumers' Federation, so as to ensure proper coordination and avoid overlapping and duplication of effort. The National and State level federations would set up distribution centres in various important regions so as to facilitate supply of consumer goods from the warehouse to the feeder societies.

Special steps are being taken in this direction during the Fifth Five Year Plan.

II. Production activities of consumer cooperatives

It is increasingly recognised that consumer cooperatives to be effective should undertake manufacture of certain essential consumer articles, so that, they can combine manufacturing and wholesaling in a single organisation. Though significant progress has not been made in this direction, a small beginning has been made by the consumer cooperatives by undertaking manufacture of certain consumer items, such as, processing of pulses, manufacturing edible oil, paddy processing, coffee grinding, ghee refining, spice powdering, bread and biscuit manufacture, manufacture of exercise books and stationery, manufacture of polythene bags, manufacturing furnishing requirements, re-packing of chemicals, etc. Recently, these activities have been extended to manufacture of readymade garments and hosiery on a limited scale. Although the manufacturing activities undertaken are on a small scale, commodities manufactured are those where considerable adulteration and other mal-practices take place in the open trade. Hence, these services have proved very useful to the consumers, as consumer cooperatives are able to supply pure and unadulterated pulses, spices and other items at lower prices. Further, it is considered that during the Fifth Plan, consumer cooperatives should enter the field of production in a big way, so as to ensure adequate supplies to the wholesale/retail level institutions. In particular, the approach is to ensure that State and National Consumers Cooperative Federations and also some of the highly successful consumer cooperatives will be into the fields of production during the Fifth Five Year Plan.

III. International Cooperative Trade

4. The National Consumers' Cooperative Federation has developed a new line of activity in international trade on cooperative-to-cooperative basis. The Indian delegation of 4 members of the Board of Directors of National Consumers' Cooperative Federation visited the USSR in October 1972 and this was followed by the visit to India of a

delegation of four persons from Controsoyus, (Soviet Cooperative Union), Moscow. As a result of exchange of these delegations, a Trade Protocol has been signed between the NCCF on the one hand and the Soviet Cooperative Union on the other. The Trade Protocol envisages export and import on a barter basis of goods of the value of about 4 lakh US dollars on both sides, subject to agreement regarding individual transactions. As a first step, USSR Cooperatives have agreed to buy from NCCF cuff-links and cigarettes of the value of 1 lakh US dollars. The items offered to India by the USSR Cooperative are tinned and canned fruits, vegetables, pickles, toys and souvenirs and some odd items such as waste-paper, wood-waste, regenerated wool, etc. Since it will not be possible under the present import policy to import items, the NCCF has requested the Cooperative to explore the possibilities of supply of raw asbestos, ammonium sulphate, sulphur, kerosene and diesel oil. Besides, the Soviet Cooperative Union have also offered to help in training of Indian personnel in the consumer cooperatives of USSR.

5. Besides, the National Consumers Cooperative Federation is also negotiating of possibility of supply of some of the consumer goods to UNICOOP, Bratislava, Kukhovaka (Czechoslovakia). It is also learnt that the German Democratic Republic are also interested in importing canned and processed fruits from India, especially pineapple slices, orange jice concentrate, grape fruit juice, tomato paste concentrate, canned mushrooms, and banana pulp. In the South-East Asia, Malaysian Cooperative Super-Markets Society has evinced interest in importing some articles for the Cooperative Supermarkets which they propose to set up in that country. Catalogue of commodities has also been exchanged. NCCF has set up a Committee for Promotion of Imports and Exports and has established a wing for External Trade. Besides, cooperative super market in Delhi is also exploring the possibility of supply of certain consumer articles to cooperative super markets in Africa, on bilateral basis.

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6. In the field of international cooperative trade, consumer cooperatives and large cooperative department stores, can develop international trade on cooperative-to-cooperative basis to their mutual advantage. Within the framework of import policies of the respective countries in the South-East Asia region, the International Cooperative Alliance will have to identify commodities of interest to different countries, so that, this field of activity can be explored and better understanding and exchange of goods and know-how could be developed between consumer cooperative movements of various countries particularly of the South-East Asia region.

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CONSUMER COOPERATIVE MOVEMENT IN INDIA
ROLE AND FUNCTIONS

(A paper presented by the representatives
of the National Cooperative Consumers'
Federation (India) New Delhi.)

Jointly organised

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CONSUMER COOPERATIVE MOVEMENT IN INDIA

ROLE AND FUNCTIONS

(A paper presented by the representatives of the National Cooperative Consumers' Federation (India) New Delhi, to the Asian Conference on Consumer Cooperatives held at Kuala Lumpur on 23-25 October 1974).

Structure of the Consumer Cooperative Movement in India

During the last about 12 years, a net-work of consumer cooperatives has been developed in India as a part of planned development, which consists of a four-tier organisation, comprising 13000 primary stores, 390 central stores, 14 State Federations of the Central Stores and the National Cooperative Consumers' Federation at the apex. Some of the primary consumer stores have more than one selling units. Thus, there are over 2100 branches set up by the primary consumer stores. The Central Stores have also set up over 1900 branches and about 150 large, medium and small sized department stores. In India, consumer cooperatives operate mostly in the urban areas. Distribution of consumer articles is taken up in the rural areas by the Cooperative Marketing Societies and Service Cooperatives organised in the agricultural sector. Central Stores have been organised in almost all districts having urban population of 50,000 or above. They were organised on the Federal pattern, in most of the States, affiliating primary stores. However, in some States, these stores were organised on the unitary pattern, serving individual consumers directly, through their branches. Since their experience was found successful, a shift from the federal pattern of organisation towards a mixed pattern, having individuals as well as the primary stores as members, has been adopted increasingly in almost all the States. Central Stores are now functioning as multi-retail outlets, by opening new branches, large sized retail outlets and Department stores.

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Sales turnover of Consumer Cooperatives.

Retail sales of consumer cooperatives have showed a substantial increase from Rs. 400 million in 1962-63 to about Rs. 3000 million in 1972-73. These are expected to have gone up to Rs. 3250 million during 1973-74. It is envisaged that, as a result of the intensive efforts to be made in the 5th Plan, the sales turnover of consumer cooperatives would be of the order of Rs. 6000 millions by the terminal year of the 5th Plan (1978-79), thus almost doubling the sales turnover within a period of five years.

Diversification of business of Consumer Cooperatives

A healthy feature of the development of consumer cooperatives in India, during the recent years, has been the diversification of business of consumer cooperatives, Sale of non-controlled commodities, which accounted for only 27% in 1966-67 is estimated to have gone up to over 60% during 1972-73. This welcome development has been possible due to the organisation of Cooperative Department Stores and large sized retail outlets, which provide a wide range of goods and services to the consumers. In fact, consumer cooperatives can almost be called the pioneers in the field of department stores, since there were hardly any department stores in the country prior to the organisation of cooperative department stores, popularly called as "Super Bazars". Thus, the department stores in the cooperative sector have set the trend for the establishment of large sized retail stores in the private sector, for facilitating comprehensive shopping under one roof.

Programme in the 5th Plan

One of the dominant objectives of the country's 5th Five Year Plan is to build up a viable consumer cooperative movement, to enable it to function as an important element in a consumer oriented distribution system. The 5th Plan envisages further strengthening and organisation of the public distribution system to help in the distribution of essential commodities and other consumer articles at reasonable prices

and increasing involvement of consumer cooperatives in the distribution of consumer articles of mass consumption. The main thrust of the effort would be to strengthen the wholesale sector, consolidation, strengthening and expansion of retail outlets, including opening of new department stores and other large sized retail outlets and further diversification of business.

Objectives of the Consumer Cooperative Movement in India

In the country's Third Five Year Plan (1961-66) a large programme of organisation of consumer cooperatives was included with the objective of ensuring fair and equitable distribution of essential consumer articles, at reasonable prices. The programme was accelerated in 1966 with a view to checking the rising trend of prices after the devaluation of the Indian rupee. Even though, the consumer cooperatives were essentially to be sound and efficient business organisations, they did not have profit motive, and were expected to put a curb on the various mal-practices employed by the private trade, including adulteration, short-weighment and hoarding of scarce commodities leading to price spiral. Thus, side by side with the economic objective, they had a social purpose also. Consumer Cooperatives can be said to have achieved this objective, at least to a limited extent.

Growing Rise in the Cost of Living in the Region

There is a growing rise in the cost of living almost all over the world, particularly during the last few years. This is markedly so in a developing country like India. The prices of consumer commodities depend on a variety of complex economic factors, both internal and external. Checking the inflationary price trends is essentially a Governmental function and consumer cooperatives cannot alone be expected to combat this menace, particularly, when the means of production are entirely in the private and public sector. The consumer cooperatives can, of course, help to stabilise the prices to the extent possible, without expecting to benefit from the

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speculative trends, and can help to check the price spiral by ensuring fair and equitable distribution of consumer goods, particularly of mass consumption, at reasonable prices. They can also help to protect the interests of the consumers by eliminating the malpractices usually employed by the private trade and by providing the product information and product knowledge to the consumers.

Protection of Consumers interest

It has been recognised that protection of consumers interest is primarily a governmental function. Several important measures have been taken and a number of legislations have been enacted by the Indian Parliament and State legislatures to safeguard the interests of consumers and assure them full value of their money. Some of the central legislations are:

1. Prevention of Food Adulteration Act 1954
2. Standards of weights and measures Act 1956
3. The Essential Commodities Act 1955.
4. Monopolies and restrictive trade practices Act 1969.

In addition, the parliament has extensively amended the Drugs and Cosmetics Act 1940., after independence. All these laws aim at eliminating the dangers to which consumers are exposed under the present system of economy and distributive trade. The administration of the Prevention of Food Adulteration Act, and the Standards of Weights and Measures Act is relegated to the State Governments and local bodies. Owing to inadequacy of inspecting staff employed for the purpose, it cannot be said that the provisions of these Acts are enforced to the full extent. Under the Monopolies and Restrictive Trade Practices Act, the Govt. of India have set up a Commission, which enquires into:-

- a) restrictive trade practice, upon a complaint from any trade or consumer association, or upon own knowledge or information, and

b) Monopolistic trade practices, upon a reference made by the Central Government or upon its own knowledge or information, and passes such orders as are necessary to eliminate monopolistic or restrictive trade practices. The Act, which can be a very effective instrument in safeguarding the interest of the consumers, has certain handicaps. It applies only to private sector. Secondly, the enquiry procedures to be followed by the commission are a long drawn process, which reduces its effectiveness. Under the Essential Commodities Act 1955, the Government can regulate the production or manufacture of any essential commodity and also control the price at which the commodities may be bought or sold. The storage, transport, distribution, disposal, acquisition, use and consumption of any essential commodity can also be regulated under this Act. Black-marketing, creating artificial scarcity, with-holding from sale any essential commodity can be prohibited under the Act. The Act gives very wide powers to the Central and State Governments and the latter are bound to follow the directions of the Central Government. The persons contravening provisions of the Act are punishable for a term of 5 years, or fine, or both. The purpose of the Drugs and Cosmetics Act, 1940 is to regulate the import, manufacture, distribution and sale of drugs and cosmetics. It has been the intention of the Act to maintain standards of quality of drugs and cosmetics, in public interest. However, it has been observed that inspite of very strict penalties, mis-branded and adulterated drugs and cosmetics are being manufactured and sold on a wide scale, which has become a great health hazard.

The Government of India have established the Indian Standards Institute, which prescribes standards in respect of a large number of manufactured items, including consumer goods. The Directorate of Marketing and Inspection of the Government of India also provide standards in respect of processed agricultural goods, which are agmarked for quality. The ISI Standards and Agmark quality markings are used on voluntary basis, under close supervision and inspection of

the ISI and the Directorate of Marketing and Inspection, and are reliable means of protecting consumers against low quality and sub-standard goods. Since, however, ISI and Ag-marking specifications and markings are not used by a very large number of manufacturers, the consumer is not free from the dangers of exposure to the substandard goods.

The Role of Consumer Cooperatives in the field of consumer protection:

Consumer Cooperatives, being consumers own organisations, have a duty and responsibility to provide protection to their consumers, without entirely depending upon the governmental function of consumer protection. In Japan, consumer cooperative, with other voluntary organisations, effectively undertake consumer protection and education activities. There is a committee known as a National Liaison Committee to co-ordinate the efforts of the consumer cooperatives and other voluntary organisations in this respect. The Japanese Consumers Cooperative Union, the several womens organisations play an important role in this field. In Sweden, KF has set up (a) a food laboratory, (b) a test kitchen, (c) a laboratory for testing textiles, leather and plastic goods, and (d) a laboratory for testing household articles, machines and appliances. These laboratories test the goods in question from the point of view of quality, compare them with competitive brands in the private market, procured and sold by it, to rigid tests to judge their utility. These laboratories, together with the KF purchasing departments, lay down manufacturing specifications for the goods ordered, and by frequent testing, ensure that the specifications are adhered to by the manufacturers. KF's laboratories and factories also undertake product development and keep abreast with new articles which make their appearance in the market. As a result, retail outlets of consumer cooperatives, in Sweden, have been able to guarantee their customers "customers security" on many goods sold by them. This guarantee endows the customer with the right to return any articles purchased by him and either get a refund of his money or take another item in exchange, without any question being asked.

A conference on consumer protection through cooperative movement was held in New Delhi under the joint auspices of the National Coop. Union of India and the N.C.C.F. on 15 and 16th March, 1974. The conference discussed governmental measures, role of the cooperative movement and voluntary organisations, rationalisation and

distributive trade and consumer consciousness and education, indispensably essential for consumer protection. Among others, the Conference made the following recommendations in regard to the role of the consumer cooperatives, in the field protecting consumer interest.

1. A committee should be set up under the auspices of the NCUI, to look after the protection of consumer interest, with representatives of the National Cooperative Consumers' Federation, National Agricultural Cooperative Marketing Federation, National Federation of Industrial Cooperatives, National Federation of Cooperative Sugar Factories, etc. as also representatives of the Indian Standard Institute, Department of Health, Department of Civil Supplies etc. The main function of the committee should be to mobilise and co-ordinate efforts of the cooperative sector for promotion and enforcement of consumer protection measures and also to maintain a close liaison with the voluntary organisations engaged in the price resistance movement and consumer protection and guidance activities.
2. Consumer Cooperatives and other voluntary organisations engaged in consumer protection at various levels should hold common discussions and formulate and implement consumer protection activities, jointly.
3. Various cooperative journals should earmark space for publicising information relating to consumer protection and guidance. Large consumer cooperatives and department stores should bring out their own journals/bulletins/brochures, highlighting the problems facing the consumers and educating them how to protect their interests, by providing them guidance and information and by encouraging them to make their purchases through consumer cooperatives.
4. Each cooperative department store and wholesale store should appoint a public relations officer to receive and attend to consumer complaints and to provide effective information and guidance to consumers.
5. The State Federations of consumer cooperatives and large consumer cooperative stores should set up their own laboratories, where foodstuffs and other consumer goods could be tested for quality before they are put on sale. Where it is not possible to set up such laboratories, the cooperatives should use laboratories set up by municipal authorities, home science colleges or other voluntary institutions, even by giving financial help, where necessary.
6. The consumer cooperatives should give wide publicity to the various mal-practices employed by the private trade, through various methods and media of publicity. The consumer store should

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also provide facilities to the customers to check the quality and weight of the commodities purchased by them from outside as well as from the store.

7. In order to ensure increased operational and economic efficiency and purchase of quality goods, at the most economic price, consumers cooperatives should pool, institutionalise and co-ordinate their purchases. Where necessary structural changes in the organisation of consumer cooperatives should be effected in the direction of developing a unitary pattern through a process of merger and amalgamation of smaller stores with the bigger ones.

8. The consumer cooperatives should introduce the facility of returning goods purchased by consumers from the stores within a reasonable period of time in order to create confidence in the consumers and attract them to the consumer cooperative stores.

9. The housewife being the key person in the consumer movement, she should be closely involved in the promotion and development of the consumer cooperative movement and other consumer organisations, in a big way.

These recommendations can, with dvantage be implemented not only by the Indian Consumer Cooperative Movement but also by the consumer cooperative movements in the South-east Asian region with a view to developing consumer protection activities within the cooperative movement. In the scheme of pooling and institutionalisation of purchases, the National and State Federations should increasingly make purchases, on behalf of their constituent units, particularly of agriculturally based consumer commodities from the cooperative marketing and processing societies by building up inter cooperative relationship. It is also advisable that consumer cooperatives make purchases as far as possible directly from the manufacturers so as to eliminate a host of middleman. In this context, the National organisations of consumers cooperatives should also explore the possibility of obtaining a certain percentage of production of manufacturers in the cooperative, public as well as private sectors, for sale through consumer cooperatives, under a cooperative label, with their own specifications of quality, packing etc. In course of time, they should also think of establishing, by themselves,

or in collaboration with cooperative marketing and/or industrial societies, cooperative industries or production units, which will reduce their dependence on the manufacturers of consumer articles in the private sector. The following consumer industries and consumer services offer scope for being taken up by the National or State Federations of consumers cooperatives in the region, at the present stage of their development:

- a) spices powdering,
- b) dall mills, (splitting of pulses),
- c) coffee grinding,
- d) washing soap,
- e) exercise books and stationery,
- f) polythene bags,
- g) readymade garments,
- h) bakeries,
- i) flour mills,
- j) machine laundry and drycleaning,
- k) fruit and vegetable processing,
- l) oil mills,
- m) hosiery factories, etc.

It may be pointed out that the projects of some of the above consumer industries have already been taken by the National, State as well as large consumers stores in India.

Combating the rise of cost of living in the Region

As has been pointed out earlier, it is the primary responsibility of the governments to check the inflationary trends in the economy and the growing rise in the cost of living. In India, the Central Govt. have recently taken various measures to check the inflationary trends in the economy. While the ultimate effect of these measures would have to be watched over a longer period of time, there has been some indication of fall in the prices of certain commodities in the last few weeks.

This is not to suggest that consumer cooperatives have absolutely no role in combating the menace. Apart from helping to stabilise the prices by denying to themselves the

benefits of speculative trends in the wholesale market, consumer cooperatives should make all possible efforts to reduce their costs by increasing their operational efficiency, which could be achieved by:

1. Procuring and selling a wider range of consumer goods of mass consumption, rather than dealing with high priced luxury articles.
2. Making efforts to achieve larger per salesman/per sq.ft. sales turnover.
3. Pooling and co-ordination of purchases at the level of State and National Federations and making direct purchases from manufacturers, at prices ranging at the first point of distribution, and thus eliminating middleman, such as dealers, stockists, wholesalers etc.
4. Taking up processing and manufacturing activities at the level of State and National Federations or large department stores and/or in collaboration with cooperative marketing/processing/industrial societies.

Problems of distribution and suitability of the present structure of consumers cooperatives.

The retail trade, at present, consists of a host of inter-mediaries, who add to the margins, which ultimately determines the retail price of consumer goods. Apart from the margins at various levels, the handling costs at many levels also increase the retail prices. The four tier structure in the consumer cooperatives does not help to eliminate these factors in the retail trade. The low margins available at various levels, and also the dangers of handling and storage at the level of different tiers, affect the business economics of consumers cooperatives. The result has been that a large number of primary consumers stores and even some small wholesale stores have not been economic and viable propositions. They have been incurring losses year after year and have ceased to be effective retail

organisations. While there is a need to organise cooperative shops in many centres, it is necessary to develop a unitary pattern of structure for the consumer cooperatives by instituting a process of merger or amalgamation of smaller or non-viable stores with the neighbouring larger and successful stores. In the scheme of pooling and institutionalisation of purchases also, it is necessary to ensure avoiding over-lapping of functions and direct supply of goods to the retail units so as to reduce inter-mediarities and handling costs. While it may not be possible to eliminate any one of the 4 tiers for various reasons, in practice it may have to be ensured that the lower tiers function as branches or units of the higher tiers for certain purposes.

Inter-national Trade in the Consumer Cooperative Sector.

At present, there is very little inter-national trade that is being undertaken by the consumers cooperative movement in India. The Government of India have of late followed a very right policy to entrust the import and export trade activities in the consumers cooperative sector to the National Cooperative Consumers Federation. The import permits given to the National Cooperative Consumers' Federation during the last few years relate to only a few consumers goods items, such as, wet-dates, and dryfruits, painting colour boxes and brushes required by the student community etc. Recently, the National Cooperative Consumers' Federation have signed a protocol with the Centrosoyus, Moscow, for export of cuff-links and cigarettes against import of consumer goods from the USSR. The import items have, however, not yet been decided.

It would no doubt be advantageous for the consumer cooperative movements in the region to enter into inter-national trade relationship, on a cooperative to cooperative basis. However, there would be problems of securing foreign exchange requirements from the governments for such international cooperative trade in all the developing

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countries. In this context, it is necessary to explore as to what extent international cooperative trade could be developed among the consumer cooperative movements in the countries of the South-East Asian region, on the basis of exchange of goods without involving hard currency exchange which will be difficult to secure.

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CONSUMER PROBLEMS AND CONSUMER PROTECTION
IN INDIA

by

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CONSUMER PROBLEMS AND CONSUMER PROTECTION IN INDIA

(Extracts from the articles published in quarterly Journal "The Indian Cooperative Review" - in January, April and July issues)

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I. THE DEVELOPING ECONOMY OF INDIA

1. Till independence which came in 1947, the country was bogged down in a clogmire of stagnant economy sustained by traditional pattern of agriculture and decadent handicrafts with a sprinkling of modern industries here and there. Under such economic conditions, people had extremely low level of consumption and few needs of divergent items of consumer goods. Naturally, consumer problems were also relatively insignificant. An era of planned economic development was ushered in with the introduction of the First Five Year Plan in 1950. We are now at the fag end of the Fourth Five Year Plan, which will be over by the end of 73-74. Indeed, this period has been the cradle of a new epoch. Green revolution has taken place with the introduction of modern farming practices aided by chemical fertilizers and other scientific inputs. Mighty irrigation dams, big power projects with long transmission lines, electrification of about one-fourth of the total number of 500,000 villages - modern transport system of all types including ship building, aircrafts and automobile manufacturing, increased and wider means of communication, various giant capital and producer goods industries (metallurgical, chemical and electrical) oils and minerals projects, petrochemical complexes, innumerable consumer goods industries to meet the widely expanding demands for modern amenities of life, and various big commercial and financing institutions are the hall-mark of achievement in some of the important fields. Although at present there is a big problem of educated unemployed for the solution of which various measures are under way - there is no gainsaying the fact that opportunities and venues of remunerative employment and earning increased for the many and so also the scope for the rich becoming richer during these 25 years since independence. A person with average technical attainment has settled down in a high position. A small trader a decade ago, is a flourishing businessman of the day, an average entrepreneur has become an industrial magnate, and a larger industrial house, a monopolistic concern, a dominant company or an industrial giant.

In the rural areas while the big progressive farmers have amassed enough - the man behind the plough with reasonable surplus produce is not lagging far behind in the run. The national income has increased to Rs.320,000 million in 1971-72 at current prices from about Rs.91,000 millions in the year 51-52 at 1948-49 prices and the per capita income to about Rs.550 from Rs.250 during the same period. However, in reality purchasing power of a fairly large section of the people has increased substantially both in the urban and the rural areas. The old and traditional ways of life have been undergoing transformation from simplicity to complexity with consequent bulging of demand for diverse items of consumer goods and services, many of which were not seen or considered new fangled luxuries in the immediate past. The level of consumption and the urge for better ways of life have increased. These are in brief the glaring features of a developing economy which have brought in its train various consumer problems which have aggravated due to unhappy developments in the behavioural pattern of a section of the trade and industry and other intermittant factors beyond control.

II. PROBLEMS OF CONSUMERS.

2. Rising trend of prices.

Consumers are now in a bad plight and passing through a time of trials and tribulations. There is growing discontent and frustration among the consuming public specially the low income group and vulnerable section which form the bulk of the community. The prices of essentials of daily life and other consumer goods have been rising year after year. However, moderate may be the percentage of rise in the general price index as an All-India picture in the statistical exercises conducted from time to time, in terms of short period base years - the consumers particularly those residing in big urban areas who pay through their nose for goods and services know from their own experience that prices of most of the consumer goods have increased enormously.

It is also observed "that new series of all-India average consumer price index number for industrial workers on base 1960-100 for March 1970 stood at 179. The index for March 1970 on base 1949-100 derived from the 1960 based index works out at 218". There has been further increase in 1972. 'The Capital' in its issue dated 10th August 1972 referring to Finance Minister's remarks on the value of rupee in the Parliament made the following observations :

"I am not sure that a rupee today buys what could be bought by equivalent 42.4 paise in 1949 But I have a suspicion that a rupee today is worth even less than what seven annas were 23 years ago".

"That is based absolutely on prices index which does not take into account the rise in the cost of service during the period. If Mr.Chavan makes a deeper study, he would find that the rupee is today not worth 25 paise".

3. Under planned economy envisaging heavy investment to achieve rapid economic development, a trend of rising price is inescapable. It is the price which people have to pay ungrudgingly in the larger interest of the country and the future generation. During the

First Three Five Year Plans, the total financial investment in public and private sectors together, amounted to Rs.17,6100 million and during the Fourth Five Year Plan the estimated plan outlay exceeded the total investment during the last three plans together. Obviously, under planned economic development temporary imbalance between demand and supply during the gestation period from investment to full production is inevitable. Deficit financing becomes also unavoidable with their resultant inflationary impact on price level. Supply of money in the hands of the public has increased disproportionately to the growth during the last few years due to various factors including sharp increase in the income of the farmers particularly in the wheat zones. The situation has been aggravated by repeated natural calamities, such as floods and droughts of unprecedented magnitude.

4. The biggest factors contributing to unjustifiable rise in prices particularly in times of scarcity and other emergency situations are rooted elsewhere and emanate from the insatiable greed for profit of the unscrupulous elements in the trade and industry. Hoarding and profiteering or charging abnormally high prices by creation of artificial scarcity have become well exercised tools in the hands of such elements to exploit the consumer. Sheltered market conditions intended to give a stimulus to the growth of industries are being abused by many of the beneficiaries to exploit consumers. Monopoly trends grew rapidly during this period in a number of consumer goods industries. Although there has been some improvement in the situation due to introduction of necessary legislation, the report of the Monopolies Commission, 1965, is revealing. The report mentioned that only a small number of manufacturers were virtually monopolising the production of about 75 consumer industries and the top three enterprises of a number of consumer industries share the largest percentage of production. The monopolies, oligopolies and dominant companies by controlling production dictate and administer prices and shut out competition. Quite a number of them resorted to restrictive trade practices. 'Resale price maintenance' which has been curbed under recent laws, was imposed upon their wholesalers and retailers on pain of stoppage of supplies for violation of such undertakings to be given by them. Some of the monopolies and cartels have a tendency of developing various other forms such as price ring, allocation of markets between them, exclusive dealing contracts - the ultimate effect of which is detrimental to the interest of the consumer. Mrs. Indira Gandhi, Prime Minister of India, while inaugurating the annual general meeting of the Associated Chambers of Commerce and Industry in December, 1970, said that in India private enterprise is more private than enterprising. Brought up in sheltered markets, businessman here had not developed vitality in entrepreneurship. They had profited so much through shortages in a protected market that some foreign economists had referred to Indian industrialists as rentiers rather than entrepreneurs. However, the Prime Minister conceded that it was an exaggeration to treat the entire business community with the same brush although the fact remained that the rentier mentality was wide spread.

5. These pernicious trends of business have their cumulative effect in yawning of the deficits in the family budget of the average consumer. Borrowings followed by complete moratorium on payment even cannot help them to meet the situation. Their struggle for increased emoluments

take different turns with changing situations. With every rise in the cost of living index beyond a point, there is cry for increased pay packets. Strikes and processions from peaceful to deplorable, to voice their anguish and grievances legitimate or marginally so, are now the frequent occurrence of urban life. The latest cry is for need based wages and bonus. The employers, whether Government, public or private sector undertaking do often offer additional remuneration or dearness allowance to their employees in sympathetic understanding of their difficulties. But the fact remains that no sooner such offers are made than the prices of consumer goods and services go up stultifying the benefits which the employers bestow on their employees. Worst still becomes the plight of other fixed income groups whose income does not increase. The Central Government has been compelled to concede salary wage increase amounting to colossal figures. Such concessions and extra allowances paid to the employees virtually turn out as sources of windfalls for a considerable section of the trade who are out to net the entire inflow of money income of the wage-earning consumers, by simultaneously raising the prices of consumer goods. It is felt that student unrest to some extent is contributed by subconscious resentment against the high cost of books and equipment etc., which exercise indirect influence from a remote control in their minds whatever may be the immediate cause.

Alarming trend of adulteration

6. Adulteration in various forms and designs such as debasement or falsification by mixing with something inferior or spurious or as deviation from the demanded nature in substance and quality and thereby causing prejudice to the purchaser has been alarmingly on the increase. Adulterated food stuff, spurious drugs and medicines, shoddy goods, sub-standard articles particularly domestic electrical appliance are the growing dangers to the health limb and life of consumers. Glaring instances are flashed in newspapers from time to time. Coconut oil is mixed with mineral oil, mustard oil with spindle oil or used transformer oil and while oil with essence of mustard. Adulteration of other types of edible oil like groundnut oil or til oil is equally deplorable. "According to a recent survey 38.8% of the coconut oil sold in tins was found adulterated. The survey was carried out by the Directorate of Marketing and Inspection in Bombay. The percentage of adulteration in loose coconut oil was naturally even high as much as 46.7%. Til oil was worst of all showing 47.8% adulteration. Loose ground nut oil was also found adulterated..." "(Keemat March-April 72, Bombay). Consumption of mustard oil adulterated with toxic oil extracted from 'Argimone' oil seeds (seeds of wild growth) often result in 'beri beri' and dropsy disease. The Maharashtra State Registered Medical Practitioners Association in some of its deliberations sometimes age mentioned that '25,000 people in and around a single district of Akola, suffer from the effects of eating cooked food with adulterated oil. Many of them have swollen limbs and some have become permanently crippled'. A very tragic instance of use of adulterated mustard oil according to UNI report published in a leading daily is revealing. "Adulterated mustard oil has reduced a bustling labour locality in the Dum-Dum area (Calcutta) into a gloomy colony of paralytics. With the increasing use of powdered spices to save time in the urban and semi-urban areas -

adulteration has become rampant. Powdered spices are in some cases processed from inferior quality or moth infested wholespices or godown sweepings of stockists and spice merchants. Powdered spices are also occasionally mixed with dyes some of which are very injurious to health (such as metnil yellow, lead cromite etc.) to give a brightening look. "It is difficult for the system eliminate the dyes, so they lead to an accumulative effect which is carcinogenic (cancer producing)" so writes a staff reporter of a leading newspaper in an article captioned "Yen for bright masalas can cause cancer". Adulteration is also done by mixing coloured powders, dust, yellow-mud and jute fibre. Sometimes powdered spice develop fungal growth and insect infestation due to storage in unhygienic conditions. As for whole spices, black pepper is adulterated with casia bark, 'Kalanji' (Kaljira) with charcoal coated seeds of wild growth or thorny weeds. Bad quality whole pulses are also sometimes processed as 'besan' or mixed with dyes, to give them a better look. Petels of sunflower and scented and dried cobwebs of maize are mixed with saffron. It was also reported in a newspaper that the total quantity of saffron sold in Delhi was much more than the total production of saffron in Kashmir, the only source of supply to the whole of the country. Dried resinous substance is sold as genuine 'asfortida' (hing). Blotting paper is mixed with thick milk and ice-cream Adulteration of confectionery, sweetmeats, 'pulao', cold drinks like sharbats, syrups etc. with non-permissible dyes and prohibited sweetening agents are not rare phenomena of these trades. Prolonged consumption of such adulterated stuff while may delight the gourmut temporarily, may casue various diseases in the long run. Tomato catch-up is mixed with sweet gound juice. Jam or jelly are not always free from adulteration and impurities. Flour mixed with dust and inadequately hulled rice mixed with find stone-grains (kankar) are common in times of scarcity. Loose tea and coffee are not always free from adulteration. Coffee is mixed with tamarind seed powder and used tea is soaked in catachu or mixed with foreign matter, such as husks, roasted gram or (turdal pulses) dyed with catachu, iron sulphate and poisonous dyes. Mixing of vanaspati or animal fat with ghee is a common form of adulteration. Sometimes, animal fat or vanaspati is mixed with ghee- flavour agents and colours to pass off as pure ghee. Butter is also adulterated. Even 'pan masala' is sometimes made up of bits of paper, wheat flour, talcum powder, sugar, injurious colouring materials and essence. There is high incidence of food adulteration in the country. Laboratory testing conducted once by a National Laboratory in the country revealed 30% of consumer goods sold in the market are adulterated. Shri K.K.Shah, while Minister, Government of India, as reported in a leading newspaper, had stated on the occasion of World Health Day function held at New Delhi on 7.4.70 that "every third sample of food lifted from the market is either adulterated or substandard."

Faking business

7. A staff reporter of a leading newspaper made an interesting revelation about faking business. "There is no business like faking business - trying to sell off turney item as popular brands. Profits are glorious, no real technical skill and knowledge is needed and there is the bluffer's satisfaction of having fooled the public without batting an

eyelid Manufacturers of spurious goods are undoubtedly clever people They do not believe in putting their eggs in one basket. Manufacturing is done at one, storing at another and packing at the third place Printing presses that do not get much business are happy to print fake labels and make money ... Between trusted parties code words are used ... There are different methods of packing faking. Some get original packings from 'kabaris' and put spurious stuff within ... There are others who get packings done to look like the original".

Sub-standard goods and hazards.

8. Many consumers are familiar with stories of sale of sub-standard drugs and medicines and unethical practices adopted by some of the pharmaceutical firms, apart from high prices charged by them. The Times of India in its editorial "Hoodwinking consumers" dated 26th November, 1972. revealed some cases of open sale of drugs which pose a health hazard. It is observed from a report in a journal "In the first of the year (1971) the Maharashtra Govt's Chemical Analyst examined 379 samples of drugs and cosmetics. Of these 110 samples (almost 30%) were found to be sub-standard." Reports appear from time to time in dailies about detection of sub-standard stock of medicine supplied by contractors even in hospitals. Use of such substandard drugs and medicines result in injurious reaction to the system of patients.

9. Indeed complaints are often heard against poor performance and substandard quality of some brands of cars, refrigerators, airconditions, domestics electrical appliances and mechanical devices of innumerable brands and varieties which are in the market. A doctor attached to an important medical institute in a letter to the Editor published in some leading daily wrote "the pernicious effects of this enterprise are evident everywhere in the wretched quality of our cars (I broke the gear of ... a new car within a fortnight of purchase) and in the unreliable hospital equipment, we have to use ... Fatal cases of using substandard emersion heaters often appear in newspaper. Use of substandard pressure stove is another danger." The prospects of immediate returns seem to have encouraged unscrupulous businessmen to manufacture and market inferior stoves and burners without any consideration for the consumers. Substandard burners and stoves have caused burn accidents which are often fatal.

The inferior quality and variety of wooden furniture painted and varnished glossy and shining often undiscernably conceal defects covered with pudding and padding.

Purchase of shoes and bags, suitcases, has become a puzzling affair as the unwary shoppers cannot recognise from their appearance whether these are made of quality leather, leatherite or other synthetic materials concealed, whether water-proof as told by the trader or otherwise defective and unsuitable to the customer.

Short weight and measurement

10. Short weight and measurement - which are the traditional tools in the hands of unscrupulous elements of petty traders have been spreading in open defiance of law and within the knowledge of the mum customers who prefer losing than buying unpleasantness in the trail while shopping. Soaking of vegetables for hours together under the very eyes of the gullible customers on the plea of retaining their freshness and quality is a common practice, while the main intention is to befool the customers. Traditional scales convenient in playing the game of short weight, tampering of modern weighing scales, the tricks of manipulating measurement tapes - are the crude malpractices to the stock of which are being added other ingenious devices also. Deception in weight of goods sold even in sealed containers and packages and false marking and levelling of weight at the manufacturing and has been on the increase - with the growing popularity of tinned and packed commodities.

Misdescription and fraudulent marking and inadequate labelling.

11. Misdescription and fraudulent marking of merchandise are other deceitful practices. Hosiery goods, ready-to-wear garments and textiles etc. with description and marking of specified size, finish, colour and materials are sometimes found on the first wear or wash to be contrary to the description and marking. Inadequacy of fastness of colours of textiles and shrinkage are common complaints. The description on the fabrics such as dip-dry or crease-resistant etc. are often found to the utter dismay of the buyer to be incorrect. Textiles manufactured of the versatile synthetic fibre of different varieties with myriads of strange names and their various descriptions are increasing in popularity and have become formidable competitors of other textiles of natural fibres (cotton, silk and wool). In spite of their beautiful and attractive get up and pronounced delicacy, durability and other virtues, it is becoming increasingly a problem for the puzzled consumer to judge their money's worth and make proper selection of the item really required as the description lacks genuineness, reliability or precision in many cases. The worse is the position with regard to blended fibre textiles as the range of content variation of fibres is wide. Textiles manufactured with artificial rayon and staple fibre are offered as genuine silk or woollen goods to the unwary customer. Another problem which is on the increase with growing popularity of fashionable textiles is lack of adequate care label with instructions about their washing, cleaning and ironing methods and the nature of care to be exercised in the matter, as these are man-made fibres and may not be washable in hot water or dry cleaned or ironed or may be fit for cool or medium or hot wash and iron etc.

Peddlars and howkers

12. These door-to-door salesmen generally render a good service to the house-holders by reaching various kinds of daily necessities from vegetables and butter and bread to their very doors regularly and in time when they are required. The consumers are sympathetic to these weaker sections of the traders earning their livelihood by such service. These door to door salesmen are now increasing in different lines of sales activities. Many of them sell utensils, clothings and other useful items of daily necessities. There are now canvassers among them of cosmetics, toiletries, detergents of known and unknown manufacturers. But a section of them are now-a-days found to take recourse to various tricks of cheating the unwary householders and housewives. Sale of adulterated, substandard and faked goods by itinerant vendors or door-to-door salesman is not now a rare thing. Anti-social elements posing as door-to-door salesmen commit theft and intimidate lonely housewives. 'Switch-selling' by door-to-door salesmen and other social problems may also arise in near future.

Unsolicited goods

13. Mailing unsolicited goods, a business device of a section of the trade in some other countries is also making its appearance in this country to the embarrassment of consumers. Greeting cards, journals and other light weight consumer goods are sent by post as if on sale or on return basis. The consumer is caught unawares of the trouble of paying for the goods or returning them by post.

Hire purchase/instalment payment system

14. With the increasing use of various consumer durables, such as, electrical and mechanical house-hold equipment and modern costly furniture, transport vehicles etc., the manufacturers and dealers have been providing facilities of payment in instalments or on hire purchase system to boost up sales. This is also advantageous for middle or low income group of consumers who may not otherwise afford to go in for such necessities or luxuries on cash payment. But consumers by and large are not conscious of the extra cost involved in such deals and the legal implications of the agreements and the resultant pressurization on default of an instalment and other complications which may arise. The assurances in guarantee cards or warranties given to the consumer of many durables by some of the manufacturers or their dealers for free after-sale service or replacement, if found defective, within a specified period are not faithfully adhered to in practice in some cases on various pretexts and excuses to the agonizing harassment of consumers.

Complexity of goods and shopping problems

15. Bewildering varieties and ranges of goods and their substitutes of intricate workmanship, device and design are arriving in the market with advancement of modern technology and know-how in the country, to meet the demand and the urge for comfortable living among consumers. Goods are presented in attractive packages and get-up to the bewilderment of consumers. Their difficulty is aggravated by aggressive

salesmanship. Shopping opportunities for many consumers are becoming restricted for want of time as shopping hours to a large extent coincide with office hours. Shopping has become a complicated and taxing job and not a leisurely exercise as in the past. The comparative efficiency and standard of performance of a number of similar products and whether such a thing is a good buy, or a bad buy, cannot ordinarily be judged. The consumer cannot generally make a wise and informed choice for lack of guidance facilities and is vulnerable to the wiles of salesman.

High pressure salesmanship and advertisement

16. Glaring advertisements in neon-signs, street posters, in cinemas and various other advertising media are the modern gimmicks and techniques of sales promotion. In some of the newspapers, advertisements have the major coverage now-a-days of the limited number of pages as compared to the recent past. Advertisements with glamorous feminine poses, romantic and other domestic scenes, the 'cabaret' poses of some of the so-called prestigious hotels often become atrocious to the eyes and the mind. Deplorable methods of advertising practices tend to encourage consumers to be irrational and impulsive in buying beyond their means and make them to buy and not what is really beneficial, useful or economical to them. Unsuspecting customers are simply tentalized by widely extravagant claims or sheer hyponizing influence of advertisements which appeal to their sense of pride, desire for luxuries, lust or greed. The code of advertisement is not adhered to.

Repairing and servicing trade linked with consumer goods.

17. The repairing and servicing trade in some cases are tending to become racket as it were. Consumers of different income groups are increasingly going in for motor cars, scooters, refrigerators, air-conditioners, room coolers and heaters, washing machine, radios, television and a host of other modern mechanical and electrical domestic equipment according to their need and capacity. It has become a practice with many dealers supplying spares and offering repairing and servicing facilities to charge exorbitant rates apart from unsatisfactory rates and poor quality of service they render. It will be no exaggeration to say that the usual charge of an ordinary mechanic visiting a house merely for visual or superficial test of domestic equipment is sometimes higher than the normal fee charged by an experienced MBBS physician visiting a patient, a human mechanism. Malpractices and unsatisfactory servicing by a section of dry cleaners and laundering trade have been growing fast. Some of these servicing agencies do not use the right type of washing materials. Instead of mineral oil etc. they use ordinary washing soap and detergents damaging the texture and durability of woollen clothings while charging at the same time high rates.

Catering Services

18. Under the facade of inviting environments of politeness, some of the so-called posh hotels and caterers and particularly their shabby counterparts charge unreasonably high rates. The num customer can only feel the pulse of this section of the trade when the saluting service boy presents the bill in nice plate to empty his purse.

State and poor in quality food served to the hungry railway passengers in about-to-move trains by the cunning service boys of a class of private caterers on the railways is well known.

A few minor services

19. The unscrupulous elements of taxi and scooter drivers are growing in number. Although they want public sympathy in their agitation for increase of rates and ban on addition to their fleet, many of them do hardly miss an opportunity to exploit the unwary passengers particularly new comers and strangers by tampering metres, taking circuitous routes and in other ways and do seldom oblige passengers if they intend to go to places of even reasonably short distances. Some of the so-called educated youngmen who have taken up such trade often outbid their traditional counterparts. The Railway porters, the down trodden for whose cause our hearts bleed, will very often not like to touch the small luggage of passengers, frantically calling for their services, because they are busy to exploit the passengers with comparatively heavy luggage.

Environmental pollution

20. Dangers of environmental pollution to the health of the people are now being widely talked of for remedial measures. Mrs. Indira Gandhi Prime Minister of India, laid considerable stress on the need of control of environmental pollution particularly in the developing countries at the Stockholm International Conference on the subject held some-times ago. It is not that the problems of pollution of air, water and land are confined to developed countries only. Health hazards are growing with contamination of waters of some of the rivers and canals with the discharge of industrial wastage and poisonous materials from various mills and factories situated nearabout them. Blanket of smog over-caste the sky of Calcutta and Delhi during the winter season. The Central Public Health Engineering Research Institute in their survey of atmosphere have brought out the hazards to public health due to concentration of soot and smoke in Delhi, sulphur dioxide and other obnoxious gases in Kanpur and Calcutta and Sulphide in Bombay. Fishes in Jamna river, Delhi, die in large numbers due to discharge of industrial wastage and sullage. Many of the surviving lots develop obnoxious smell in them. With the increase of various types of pesticides and insecticides in agricultural farms also sometimes become casue of danger to man and animal and birds in the rural areas, for want of care.

21. Myriads are thus the mounting problems of consumers in India, of which some examples have been narrated above. 'Consumer is the sovereign', 'Consumer is always right' - all of which catch phrases may speak of the high pedestal position of consumers in the market of the past are now tending to yield place to cavalierism, ill-treatment and exploitation because of deplorable activities of a section of the trade and industry - although many of them maintain a

high standard of business morality. Living has indeed become a sore problem. Who knows dying would become another problem in this country with the increasing cost of performance of funerals etc. to the surviving near and dear ones of the deceased consumer. "The Consumer Affair" of the International Cooperative Alliance in one of its issues reported that according to Miss Ruth Harmen, the author of "the High Cost of Dying", the funeral industry in America is a \$2.0 billion a year empire built on dead bodies, since the salesman deals with griefstricken survivors whose reactions at this time of stress are irrational."

Consumers are, therefore, in need of protection, for which they must come forward to work constructively in a democratic manner and not depend entirely on Governmental measures.

The need and measures for consumer protection

22. In economically advanced countries under free economy, radical changes were brought about the Industrial Revolution in the methods of production, size of industries and system of distribution and merchandizing long ago. Increasing purchasing power and growing demand for consumer goods, boosted up competition and lure of profit in the industry and trade. In this process grew up monopolies and cartels, and long chain of intermediaries. The apparent benefits of competitive economy were nullified with the appearance of substandard, spurious, shoddy and adulterated goods in the market, restrictive trade practices, interplay of long chain of intermediaries on the price spread and other malpractices, overt and covert. These gave rise to problems of consumers in various forms and dimensions. Although their malignancy and intensity have been reduced and subdued considerably, due to Governmental measures and action programme of consumers themselves, these are still persisting. Growth of such maladies in their very acute forms in the developing economy of India is not, therefore, something surprising. In India, the vast majority of consumers are not conversant with the complexities of shopping of sophisticated and bewildering varieties of consumer goods which are appearing in the market. They lack consumer education, consumer consciousness and as such cannot make informed choice. The 19th century market practice of "Caveat emptor" i.e. the buyer be aware, is still the common trend of the market inspite of laws. "The consumer is strangely silent or if he feels that he has been ill served in quantity, price or otherwise, even his inner-self feels hurt or grievously disappointed or aggrieved - he takes it philosophically or as an unavoidable malady of the trade against which only Government, if it so wills can take action". Consumers are inarticulate and unorganised.

23. The traders on the other hand, are well organised to promote and enhance their interests, even though individually they are in a much better position to protect themselves as bulk-buyers for sale and because of their skill in the trade and product knowledge. They combine

not only to protect their own interest but also to come to an understanding among themselves about sale price generally to be charged to the customers. Adam Smith's (the reputed Economist) one observation about them though long ago made in the context of the then prevailing situation is not altogether pointless even today. He wrote "people of the same trade seldom meet together even for merriment and diversion, but whenever they meet their conversation ends in a conspiracy against the public or in some contrivance to raise prices." There are innumerable associations and organisations of wholesale traders dealing in different categories of consumer goods so also of the retail traders in various markets to voice their grievances or take united action for protection and advancement of their business interest in the country. The manufacturers, big and small, in different industries have their own Associations spread over the country. Various chambers of commerce from the local to the national level are powerful bodies which voice their cause forcefully in affairs affecting not only their interest but also national affairs and sharply react to Govt. policies which do not suit their causes although largely beneficial to the community and consumers as a whole. The question of adequate and right measures of protection to consumers against growing exploitation and other unfair activities of unscrupulous elements in the fast changing pattern of trade and industry under developing economy of the country is looming large.

24. "Consumer protection" in the opinion of many are those measures which aim at assuring to the consumers:-

- "(a) The right to safety: to be protected against the marketing of goods which are hazardous to health and life.
- (b) The right to be informed: to be protected against fraudulent deceitful and grossly misleading informative advertising, labelling or other practices and to be given the facts on which to make an informed choice.
- (c) The right to choose: to be assured wherever possible of access to the variety of products and services at competitive prices.
- (d) The right to be heard: to be assured that consumer interest will receive due and sympathetic consideration in the formulation of Government policy and fair expeditious treatment in its administrative tribunals".
("Protecting the consumers" - J.M.Wood)

25. The committee on consumer protection appointed in 1959 by the British Government under the chairmanship of Mr. J. T. Molony, to consider and report what change if any in the law and what other measures if any, are desirable for the protection of consuming public, observed in their report "consumer protection is an amorphous conception that cannot be defined. It consists of those instances, where the law

intervenes to impose safe-guards in favour of purchasers and hire purchasers, together with the activities of a number of organisations, variously inspired, the object or effect of which is to procure fair and satisfying treatment for the domestic buyer. From another view point, consumer protection may be regarded as those measures which contribute directly to the consumer's assurance that he will buy goods of suitable quality appropriate to his purpose; that they will give him reasonable use and that if he has just complaint there will be a means of redress". The committee stressed on the need of improvement of the existing laws and practices with regard to (i) safety and quality standard (to give assurance to the consumer that goods are safe, if safety is relevant and of sound quality (standards), (ii) informative and care labelling assisting consumers to judge for themselves whether the goods would satisfy their requirements. (iii) seal of approval and comparative testing of consumer goods (iv) means of redressal of grievances of shoppers, (v) restraint on misdescription and objectionable sales promotion methods in the form of advertisements or otherwise and lastly (vi) major organizational reforms in the form of consumer council of national status. The committee did not, however, make any recommendation on the need of price control.

26. A good section of the consumers believe that it is Government and Government alone which can protect consumers from such deception and exploitation by unscrupulous section of the trade and industry through various administrative and ameliorative measures. Many others plead for stronger criminal laws to protect the public as a whole rather than individuals from various crimes against consumers. Some advocate comprehensive legislation in the form of consumers' charter, so to say, as a solution to the hydra, headed problems, consumers are confronted with as shoppers in their dealings with trade and industry and also against environmental pollution, threatening their health and existence. A school of thought lays emphasis on adoption of a code of conduct voluntarily by the business community. There are others who believe in organised efforts of consumers themselves for consumer resistance and protection. There must be consumer awareness crystalized into positive action programme of their own. Organisations of consumers are broadly of two forms viz. (i) consumer association, council or union and (ii) consumer cooperatives. Consumer associations, are by and large, post-war development in consumer movement and 'consumerism'. The consumer cooperative movement is the oldest movement of consumers which has taken root in most of the developed countries. There is, however, no short-cut to consumer protection in a democratic country with free or mixed economy. In such a situation, it is worth while analyzing the utility and comparative importance of various legal and other Government measures and consumers' action programmes for achievement of the desired objective.

Legal Measures

27. State intervention for the welfare of the consuming public is a commonly sought after remedy, in the aid of those least able to protect themselves as soon as the threat of exploitation becomes active. Various laws have been introduced in the light of the prevailing conditions in different countries. Criminal proceedings are instituted for some offences against the consumers by Government at public expense. Some laws enable the aggrieved and the wronged consumers to seek compensation against certain acts of exploitation and deceitful action. Some of the important legislations in UK are: the sale of goods act - concerning breaches of contract relating to sale of goods, weights and measures Acts for protection against short weight and measures, merchandize marks Acts for protection against fraudulent marking of merchandize, the misdescription of fabrics Act against misleading claims to inflammability etc., the sale of food (weight and measures) Act for protection against malpractices in prepacked food, - the Hire Purchase Act protecting the consumer against exploitative terms of credit traders of durable goods, the food and drugs Act restraining sale of any food or drug which differs in substance, and quality from that demanded by customers and make it an offence to offer food unfit for human consumption, the pharmacy and medicine Act, Advertisement Act, the monopolies and Restrictive Practices Commission Act, the consumer protection Act 1961 and the Resale Prices Act of 1964 - restraining resale price maintenance, a long felt measure enacted by Wilson Government.

28. In USA - where the common belief is that massive supply of consumer goods serve adequately the interest of consumers and healthy competition is the best friend of the consumers - legislative measures have been introduced from time to time for protection of consumers. Although the legislative measures in the beginning, such a Federal Trade Commission Act and the Anti-trust and monopoly legislations were intended to give protection to the small enterprises against unfair trade and competition and their bearing on the interest on the consumer was indirect and incidental, but at subsequent stages legislative measures directly aiming at consumer protection were introduced. The Federal Trade Commission Act was also amended to prohibit deceptive or unfair trade practices. The various laws such as Federal Food, Drugs and Cosmetics Act, the Federal Hazardous substances labelling act, Meat Inspection Act, the Poultry Products Inspection Act, the textile fibre products identification Act 1960 etc. are some of the important legislations for consumer protection. In USA, various enactments and amendments thereto are increasingly being introduced for curbing various malpractices and exploitative activities of the trade. Consumer Credit Protection Act 1970 is designed to ensure that a consumer credit report will contain only accurate, relevant information and will be kept confidential. The Federal Trade Commission has arranged that its recently created Bureau of Consumer Protection will enforce this Act.

29. "In Europe, the first blow against monopolies and restraints on competition was struck in the Scandinavian countries." (Reporter of Monopolies Enquiry Commission in India). In all developed countries with democratic set up, various legislative measures introduced in the past are being tightened up according to the exigencies of the situation.

30. In India, a number of legislative measures have been in force and new ones are being introduced from time to time. The Essential Commodities Act of 1955 with subsequent amendments regulating supply, distribution and prices, the Standard Weights and Measures Act, the Agricultural Produce (Grading and Marketing) Act, the Trade and Merchandise Marks Act, - the Drugs Control Acts, the Drug-Act and the Prevention of Food Adulteration Act are some of the important legislative measures aimed at protection of consumers. On the recommendation of the Monopolies Inquiry Commission 1965, a very important piece of legislation for the protection of consumer viz. "The Monopolies and Restrictive Trade Practices Act of 1969" has been introduced for the control of monopolies and prohibition of monopolistic and restrictive trade practices including resale price maintenance.

31. The statutory measures conferring legal remedies to the aggrieved consumers and restraining trade practices prejudicial to the interest of consuming public on more comprehensive lines are necessary and may have to be strengthened as deterrents against the predatory elements of the trade and industry. However, so far as Government is concerned, action can only be taken when violation of the provisions of the laws and regulations came to the notice or detected. By and large, consumers are not interested in getting damages and compensation under various laws; - they are interested in having their money's worth. Complexity of legal rules imposing duties - their exceptions and limitations which exist and the long drawn and time consuming procedures in courts are apparent difficulties for average consumers. Molony committee on consumer protection in UK observed that the number of prosecutions undertaken bears no relations to the number of offences committed. As for aggrieved individual consumers - they have either the time nor the energy and often resources to secure proper redress in the court or from Governmental authority. Many of them have no knowledge of the legal remedies and rights. Legal measures even as good as consumers charter need to be supplemented and coordinated by other agencies of consumers or consumer oriented service agencies.

Standard specification and quality

32. Standard specifications and standard certification laws are other measures for improving quality standards. Standards certification marks are guide to assess the quality of the products - their safety to limb and life. Standard certification marking assures the buyer that a particular product conforms to a recognised standard of quality relating to certain characteristics of the products, its name, dimension and verifiable properties. Independent and state sponsored institutions have been functioning in developed countries to evolve and introduce suitable standard specification and certification marking for various products including consumer goods as well. The British Standard Institute set up originally for evolving standard specifications, "kitemark" mainly for engineering industry gradually began to take interest in formulating standard specification for consumer goods. The American Standard Association is another important Institution in the line. Sweden has an independent Information Labelling Institute affiliated to its Standard Institution. The Institute known as V.D.N. Institute has a scheme called V.D.N. System for informative labelling of a number of consumer

goods including food items and electrical appliances, textiles etc. Safety standards, quality standards and care labelling are being adopted increasingly in advanced countries. The manufacturers are also being given guidance by productivity councils to adopt quality control. At the international level, the international organization for standardization (ISO) has been making special efforts to safeguard interests of consumers.

33. In India - the Indian Standard Institute has been engaged in evolving standard specification for various products. A consumer Products Division has also been formed in the Institute. The ISI has been operating ISI certification schemes under the ISI (Certification Marks) Act 1952. Under this Act, ISI has been invested with the authority to grant licence to manufacturers to use ISI marks on their products if these are in conformity with relevant Indian Standard Specifications. Licence is granted after inspection and checking of necessary requirements. ISI has evolved over 400 Indian Standards for various products including consumer goods such as biscuits, milk products, inks, shoe polish, pressure cooker, aluminium utensils, coffee, certain domestic electrical appliances, certain sports goods, water meters etc. The Agricultural Marketing Division of the Ministry of Agriculture, Government of India, has been operating a scheme of 'Ag-marking' of some agriculturally based consumer products, such as edible oil, powdered spices. The national productivity council of India has been providing guidance to manufacturers to introduce quality control. However, ISI certification scheme and Agmark scheme have ordinarily no compulsive force so far as the internal market is concerned. In advanced countries also quality standard, informative labelling and quality control schemes are not compulsory for the manufacturers of particular products. A producer may or may not go in for ISI certification marks unless he feels that joining the standard certificate scheme will promote his business. Moreover, scope of standardization of consumer goods is not wide enough and has not been evolved for all types and varieties of consumer products because of practical limitations. Sometimes, unsympathetic attitude and lack of interest of the manufacturers, obstruct evolving suitable standard specifications and their adoption. Their success largely depends on the cooperation of the consuming public in organised forms to educate the individual consumers to be quality conscious.

Self discipline of the trade and industry

In Britain there is a Retail Trading Standards Association. It is composed of a section of the leading retail traders and enlists the support of some manufacturers and distributors. The object is to maintain a high standard of trading practices and code of conduct as a sort of self-discipline among the traders and prevail upon the manufacturers to maintain standard quality of their products. In India, some manufacturers and traders have started recently fair trade practices guilds/associations with the object of inculcating adoption of a code of conduct by the trading community which will restrain them from profiteering or indulging in unhealthy business practices in the hope that such restraints and self discipline will bring about a healthy impact on the behavioural

pattern of the trade in the service of consumers. Indeed, it is too much to expect that such Associations will bring about any change whatsoever in the situation when stringent legal and administrative measures are not producing the desired results and particularly in a trading environment polluted by insatiable greed and lure of profit.

Governmental agencies

35. In developed countries with affluent economy, governmental agencies involved in the administration of measures as provided in the laws and in pursuance of Government policy for safeguarding consumer interest are being strengthened and tightened up. In USA the Federal Trade Commission and the Food and Drugs Administration, for instance, are introducing stringent regulations to curb trade malpractices, adulteration of food and manufacture of spurious and substandard drugs and medicines and other malaise afflicting consumers. The Justice Department of the Government of USA has created a consumer Affairs Section within its Anti-Trust Division. This unit is intended to strengthen and coordinate enforcement of consumer protection laws and to serve as a focal point of consumer complaint. President of USA has a special Adviser on consumer affairs. The US Government have set up Environmental Protection Agency charged with protection and cleaning up the environment. The fact, however, remains that inspite of various administrative measures consumers are agitating more and more for consumer protection. The Canadian Government has created a Ministry of Consumer and Corporate Affairs. This Ministry also provides grants and assistance to voluntary organizations. In West European countries, special Departments or cells are functioning in their Ministries of Economic Affairs for consumer protection. In Britain, the Ministry of Agriculture, Fisheries and Food, the Ministry of Health and some other Government Departments are concerned with various administrative measures relevant to their responsibilities and function in respect of consumer interest. The Cooperative Congress in U.K. sometimes ago, had recommended that protection of consumer interest should become a major concern of the Government and for that purpose a separate Ministry of Consumer Welfare should be set up.

36. In India the Central Ministry of Agriculture (including Deptts. of Food and the Deptt. of Cooperation), the Ministry of Health, the Ministry of Petroleum and Chemicals, the Ministry of Industrial Development including its Civil Supplies Organization etc. and in the States, appropriate Departments particularly, the Deptt of Food and Civil Supplies and Deptt. of Health are discharging specific roles assigned to them under various laws and Government measures for the welfare of consumers. Experience shows that various Government Departments and agencies meant for consumer welfare cannot be effective without public cooperation.

Public Distribution System

37. In times of emergency such as war or unprecedented natural calamities causing short supply of food grains or other essential commodities, Governments in many countries introduce rationing for equitable distribution of such commodities at fair price for protection of consumers. Government or Government sponsored organizations take over control of supplies and stocks of such commodities and arrange their distribution through ration shops and fair price shops. Consumers in this country particularly in the urban areas are well acquainted with such public distribution system. These fair price shops are dismantled after the emergency is over or they languish gradually with relaxation of rationing system or withdrawal of control orders.

38. Although the need for public distribution system in respect of distribution of some essential commodities is recognised, it is difficult to maintain a vast network of wholesale and retail outlets absolutely by Governmental agencies. Consumer organizations having no profit motive need to coordinate with the public distribution agency like the Food Corporation of India and State Government Civil Supplies Organizations. In the face of obvious opposition from the private trade to public distribution system, there must be spontaneous support and cooperation from consumer organizations. Experience shows that public distribution system is costlier than consumer owned organizations which can afford to manage distribution more economically at particular points and cooperation between the two types of organizations may yield better results both from the point of view of economy and satisfaction of consumers. It is also to be kept in view that a giant monolithic public distribution organization on an All-India basis becomes unwieldy. Monolithic structures have problems of dislocation of supply due to strike etc. Coordination with decentralized trading organizations of consumers would be more effective arrangements. While public distribution system may be desirable for foodgrains and a few other essential commodities, it is not practicable for public sector undertakings to arrange supply of the wide range of consumer goods of various national brands and assortments according to consumer preference. Moreover, linking up of the public distribution system with private sector industries may sometimes be fraught with undesirable consequences. It will not be fair to arrange supply of the products of a selected number of manufacturers in the same line to the exclusion of many who may all be producing standard quality goods. Apart from distribution of a few essential commodities - through public distribution system, price control by Government on other important items of consumer goods is advocated by a section of thinkers. Price control cannot be imposed on all items of consumer goods for obvious difficulties of administration and supervision. Even when price control is imposed on a limited number of essential consumer goods, the government machinery needs cooperation of the consuming public in their organised form to administer such schemes effectively. Indeed, organised consumer resistance to unjustifiable price rise by the private trade can achieve better results. Alert and assertive public opinion and social control and ownership of business to a reasonable extent by consumers themselves are essential to achieve significant results for consumer protection and

enhancing consumer interest. It requires a strong consumer movement. The consumer movement may generally take two forms viz. (i) consumer associations and councils and (ii) consumer cooperative movement.

Consumer Associations and consumer unions

39. Since the second world war a new form of consumer movement has emerged in developed countries with free economy in the form of voluntary organizations, such as consumer councils, consumer unions etc. This type of consumer movement is now gradually coming up in developing countries including India. Their objects are broadly to educate the consumers about their legal rights to inform consumers what is a good buy on comparative laboratory tests so that they can make an informed choice - to exercise moral pressure and persuasion on the trade and industry, to adopt informative labelling - to protect, agitate and offer resistance to all sort of exploitation, unjustifiable price rise by the trade and exercise adequate vigilance for the purpose, - to champion the cause of consumers to Government and persuade Government to enforce necessary legal, administrative measures, and remedial measures, to press the view points of consumers to Government in the formulation of policies relating to consumer affairs. Consumer resistance movement is also being organised by house wives exclusively. A world wide, body of consumers viz. the "International organization of consumers union" which was also set up several years ago to coordinate the activities of consumer unions of different countries recommended inter-alia, in its 7th Congress held at Stockholm in August 1971 formation of a development committee on consumer protection in developing countries. The concept of consumerism is growing all over the world.

40. The British Standard Institute formed the Consumer Advisory Council in 1955 consisting of representatives of women's national organizations and individuals of standing and experience in trade chosen by the Institute. It was financed by the B.S.I. The consumer Association was organised in 1957. It is an independent non-profit making organization which is financed with funds collected from members who are subscribers of its magazine. The former published "shoppers guide" and the latter "which" informing and guiding the consumers about the suitability of products on comparative laboratory tests. The consumer Association Ltd. runs a chain of Advice Centres to provide information on buying, consumer credit to consumers. During the last war Citizens Advice Bureau were set up for consumer service. These local bodies handle consumer complaints and take up reasonably justifiable complaints with the traders.

41. On the recommendation of the Molony Committee on consumer protection the Board of Trade set up 'the consumer council' in 1963 with 12 members appointed on the basis of their personal qualities and not as representative of any other organization. It is an autonomous organization. The council stresses on consumer education. as a primary means of making them informed and discriminating shoppers. It issues pamphlets, bulletins, and publishes its own magazine "focus"

catering information and advice on shopping in general, "buying credit", servicing and maintenance and safety devices etc. It has been laying stress on modification and improvement of laws on informative labelling particularly of food and house hold goods. Radio and television programmes include information on consumer interest supplied by the Council. Improvements in the quality standards of some items of consumer goods have been brought about through the influence of the Council. The National Consumer Group (NFCG) - a federation of about 100 local voluntary consumer groups came into being in 1964 to stimulate and coordinate the activities of the local groups. The local consumer groups are concerned with local consumer problems such as food prices, garage charges, services.

42. In Scandinavian countries, - consumer Associations and consumer councils have been in existence to carry out consumer movement. The Swedish Consumer Institution conducts research on consumer problems and provides consumer with information on nutrition, cooking recipes, comparative laboratory test information on various products and arranges programmes on nutrition etc, for T.V. Schools, Home Science College etc. The Norwegian Consumer Organisation/Council handles consumer complaints, conducts consumer education, runs correspondence course for consumers and supplies testing results of consumer products. Holland and Denmark have their consumer organisations carrying on similar functions of consumer education, comparative testing, guidance and handle consumer complaints. In Finland, the consumer council consists of representatives of consumers, traders and is charged with the tasks of goods testing, analysing factors affecting prices, consumer education and consumer information etc. Results of goods testing are given publicity through its own publications. Information concerning consumer interest is also supplied to voluntary consumer oriented organisations, the press, the radio and the T.V.

43. In Belgium, the Ministry of Economic Affairs have set up a consumer council with representatives of consumer organisations. It does research on consumer problems and informs itself about conditions of consumers and reports to the Ministry the points of views of consumers.

44. Switzerland has its federal consumer council set up by Government in addition to non-official organisations for consumer protection. A foundation has been established by the united efforts of some of these organisations. The foundation services as a centre for checking quality, usefulness, suitability of price and the manner of handling sophisticated goods etc. It also finances the consumer testing laboratories and disseminates the results through publications of its member organisations.

45. In West Germany besides the goods testing foundations, which has been set up and financed by Government, the working group party of consumers, a non-official organisation which has been working for consumers protection has set up an Institute for applied consumers research to make scientific analysis of the social and economic problems of consumers. This Association represents consumer view points to Government and is engaged in consumer education and information services.

46. In France, large number of voluntary organisations for consumer protection and consumer education are in the field in addition to the National Consumer Institute, with functions such as consumer education and dissemination of consumer information and advice on comparative laboratory tests through mass communication media etc. Italy has also consumers unions.

47. United States, the world's largest consumer nation, has probably the strongest consumer movement due to untiring efforts and dedicated service of leader like Mr. Ralph Nadar, "a saint in the church of technology." For a number of states in USA, Consumer Organisations - official, semi-official and voluntary - have been functioning. Some of the organisations are much older than those in Western Europe. Consumers Union which came into being over 30 years ago has over one million subscribers and income over \$10.0 million. It owns extensively laboratory testing facilities to disseminate unbiased and independent comparative test report of goods for the benefit of consumers. Its information service is intended to provide technical guidance to shoppers in buying. "Consumer-Report", its monthly magazine is its mouth piece. The Consumer Federation of USA was set up in 1966 with consumer servicing organisations - the number of which has been increasing. In more than a dozen of the states these organisations are authorised to advise the Governors on matters affecting consumers' interest, on legislative matters and represent consumer views before commissions, agencies and Depts. for protecting consumer interest.

48. The Consumer Association of Canada has been responsible for prevailing upon government for passing of various legislations for consumer protection.

49. In Japan, the Consumer Association with its branches in a few prefectures has been conducting consumer movement. It publishes comparative test reports in its own journal 'the Consumer' and offers complaint service, organizes seminars, exhibitions etc. for consumer education.

50. Newzealand has set up its 'consumer councils'. It brings out test reports in its magazine and represents consumer view points to Government bodies and spreads consumer education. It has its testing laboratory. In Australia, the Australian Consumer Association is carrying on similar functions.

51. In India the "Monopolies Enquiry Commission of India 1965", stressed on the need of establishing consumer organizations and expressed the view that "There is no reason why Consumer Societies should not with proper encouragement gather sufficient strength in course of time to be able to fight back against practices of industrialists whether manufacturers or traders - which tend to injure Consumer interest.

52. A nucleus consumer organisation under the title "the National Consumer Service" was set up in 1963 as a wing of Bharat Sevak Samaj, a Social organisation. Its main object was to collect market intelligence, to study the trend of rising prices, publish bulletins for information of consumers, and to agitate against malpractices of the trade. A few local councils and consumer groups affiliated to it were also set up in Delhi. Another Consumer Organisation popularly known as PRRM (Price Rise Resistance Movement) was started in Delhi in 1964. It used to hold meetings to protest against rising prices, and formed special squads to keep watch on the price trend in different areas of the city. Open air shops in different localities were also formed for sale of vegetables, eggs etc. Effervescence of its activities bubbled out after a short while. The National Consumer Council of India was formed and formally inaugurated in 1968 at Delhi. It included in its executive Committee of elected representatives as well as nominees of a few Ministries of the Government of India and the Indian Standard Institute. The consumer guidance Society of Bombay registered in 1966 as a voluntary organisation with individuals and institutional members has been doing pioneering work for Consumer protection. Its objects are to promote and protect the rights and interests of Consumers and render information and guidance and complaints service. It campaigns against adulteration and exploitation of the trade and industry and publishes test results of consumer goods. Its mouth piece "Keemat" - now a regular monthly journal is a good magazine on consumer information and consumer education. It is becoming popular by its praise-worthy activities. In 1972, it convened the first All-India Conference of Consumer protection in Bombay, which was presided over by Dr. Peter Goldman, President International Organisation of Consumers Union.

It will be observed from the objects and functions of Consumer Associations/Councils/Unions briefly narrated in the foregoing paragraphs that the main emphasis is on informing and educating the consumers to be discriminating shoppers as a safeguard against the wiles and vagaries of the trade and help awakening Consumer consciousness and awareness among consumers about their rights as buyers. They agitate and protest against the ill-treatment and malpractices of trade and industry and represent the cause of consumers to government for legal and regulatory measures for consumer protection. It is essentially a movement of 'protests'. The associations serve as forum for discussion on Consumer problems. Democratic Governments obviously with Cooperation and support of well-organized consumer movement are strengthened in introducing legal reforms and administrative measures for consumer protection. They, however, exercise indirect influence for correction of the abuses and malpractices of the trade and industry. Consumer Councils and Consumer Associations because of the very nature of their organizational approach

and operational contents - do not reach the general mass of consumers who are much more in need of service of consumer organisations. The Chairman of Newzealand Consumers Institute once expressed regret that most of its members are middle class and that few come from lower income group most in need of consumer protection". ("Consumer Affairs ICA) This is all the more true of a developing country like India where the general run of consumers are price-conscious and are yet to become quality conscious. Their level of educational attainment is not high enough as in the affluent countries. The impact of such organisations will, therefore, be generally confined to the middle and educated section in big cities. Voluntary Consumer Associations depending exclusively on member subscription cannot be expected to collect sufficient resources to carry on their legitimate functions in a developing country like India and will not be able to enlist large membership. Subscriptions from industrialists and traders as taken recourse to by some consumer Associations in foreign countries may not have salutary effect in their functioning. Consumer organisations which can have greater mass contact and can work as a countervailing force against the trade and industry by reducing their entire dependence on the private trade to meet their requirements of daily life through their organised trading activities would be the most effective organization for consumer protection and for promoting consumer interest. Social ownership of the trade in consumer goods and services and consumer industries to a reasonable extent is the best remedy to consumer problems. They can also supplement the public distribution system in respect of some essential consumer commodities and thus exercise a healthy impact on the market. Another point of weighing consideration is that a socio-economic movement should have lofty idealism and high philosophic contents capable of inspiring the masses. Consumer Cooperatives as trading organizations of Consumers (people) themselves charged with the responsibility of serving the society and having high philosophic principles of equality and justice can hope to become a strong consumer movement.

Consumer Cooperatives

54. Consumer cooperation forms the most important and powerful sector of the cooperative movement in western countries. Indeed the need for consumers to organise themselves was first expressed in the genesis of the cooperative movement which originated as a consumer cooperative movement in Britain during the hungry forties of the 19th century. From the successful beginning made by the Rochdale Pioneers - the consumer cooperative movement spread fast to other European countries and has grown up as a strong sector of the cooperative movement in those countries. Consumer cooperatives have been continuing their constructive endeavours as trading enterprises of consumers themselves to protect and further the interest of consumers since that time when there were hardly any worthwhile laws or governmental action programmes to protect the interest of consumers in the market of 'Caveat Emptor'. Consumer Associations and consumer councils which form by and large post-second World War consumer movement was unknown. The organised

buying power of consumers in the form of a strong consumer cooperative movement motivated purely by service spirit to the community is a countervailing force against the private trade of purely profit motive at the cost of consumers.

55. Jerry Voorhis, an eminent cooperator of USA in his book "American Cooperatives" described "Cooperatives, then, are consumer owned, customer owned patrons owned business that belong lock, stock and barrel to the same people who use their services. More than that, they are businesses of which you, whoever you are, can become an owner quite automatically simply by continuing over a short period to purchase from them". Indeed these characteristics apply more befittingly to consumer cooperatives. His other remarkable observations about cooperatives are very revealing. "Cooperatives are distribution oriented, need-oriented, consumer oriented businesses. One frequently hears it said that other businesses even outdo cooperatives in being consumer oriented. But the fatal flaw in all this argument is that while other businesses do a rather sensational and some times a bit repelling job of protesting their love for consumers, they do not carry this to the point of reducing prices any more than absolutely necessary. And certainly not to the extent of saying that all their net profits are the property of their customers and must be paid to them at year's end. Cooperatives do both these things."

56. The views of great cooperators of the past such as Anders Orne of Sweden, Prof. Charles Gide and Earnest Poisson of France on Consumer Cooperatives as quoted by Bonmer in his book "British Cooperation" are thought provoking. These are "Salvation in our opinion must be sought in a new organisation first by cooperation of individuals... In its present phase the consumer cooperative type of undertaking is of universal interest and magnificent province as a herald of a new order". (Anders Orne) "Whilst abolishing advertisement, lying, cheating and inducement to extravagance, it will succeed in establishing in business a reign of truth and justice" (Prof. Charles Gide). "The institutions which form part of the essential conditions of a transformation of society are definitely to be found in the consumer movement" (Earnest Poisson). Dr. G. Cauquet in his book "The Cooperative Sector" had very aptly pointed out "The Cooperative movement itself a people's movement is a kin to other such movements engaged in the people's defence and emancipation. It differs from them in that by its very nature and as a pre-condition of its sound development - it takes as its province not only production and distribution of goods, but also man himself and his behaviour."

57. Consumer protection and furtherance of consumer interests are enshrined in the well-known basic principles of cooperation enunciated by the Rochdale Pioneers viz. (1) open membership, (2) democratic management, (3) fixed rate of interest on capital subscribed, (4) only purest provisions procurable should be supplied, (5) the full weight and measures should be given (6) distribution of patronage dividends to members on the basis of purchases made by each, (7) sale at market price and no credit be given or asked, (now the trend is active price policy in place of sale at market price), (8) definite percentage of profits should be allotted to education, and (9) religious and political neutrality.

58. Consumer Cooperatives are, therefore, democratically governed trading enterprises of consumers themselves whose main functions are to supply unadulterated and standard quality consumer goods to the consuming public without any profit motive and in that process to campaign for consumer education and consumer rights. Truthful and honest trading are innate in the business principle of a consumer cooperative owned by consumers themselves to protect their health, life and limbs. The principles of supply of goods of correct weight and measurement and only purest provision procurable should be supplied were omitted from the principles of cooperation adopted by the ICA Congress of 1934 and 1937 because of the common view taken by them that principles of honest trading are not distinctly cooperative. Prof. Lambert in his book, studies in social philosophy of cooperation observed "I shall not however, dwell on the sixth principle - purity and quality of products which now a days can usually be taken for granted". This reliance on trade, I am afraid, is misplaced in the prevailing situation in many countries. The fact, however, remains that subtler and clever technical devices and methods are taken recourse to now-a-days as compared to the crude devices adopted in the past for deceitful activities for exploitation of consumer by a section of the private trade. The International Cooperative Alliance Congress at Hamburg held as late as in 1969 in their declaration of consumer rights, inter alia, stressed that consumers should have "access to unadulterated merchandise at fair price and with reasonable variety and choice". Supply of pure and standard quality goods at fair prices will continue to remain the most attractive feature of consumer cooperatives.

59. Efficient consumer coops follow a cautious policy of procuring consumer goods from reputable sources of supplies in addition to production from their own factories and ensure distribution of not only pure and quality goods but also of safe device and mechanism to avoid hazards to health, life and limb of consumers. Many well managed consumer coops in West European countries have laboratory testing arrangements of their own and are increasingly using "coop brands" to ensure quality of goods. In Scandinavian countries 'Coop' brand goods range from 17% to 40% of their total sale of branded goods and in Britain it is about 15%. The Independent Commission on consumer coops in Britain observed that the motto of consumer coops should be "never to sell shoddy or untested merchandise but goods for which it is willing to accept responsibilities".

60. Consumer coops have also assumed importance as institutions providing honest after-sale-service to durables and other sophisticated items of consumer goods.

61. Salesmanship and advertisement in consumer coops are aimed at assisting consumers to spend to their advantage and to educate in that process the consumers in the selection of the right type of goods. "During a period of shortage, the contribution of coops allowed the better organization for the distribution of scarce commodities". This observation of Prof. Paul Lambert is very true of India where consumer coops have been utilised during the Second World War and the subsequent emergency condition for equitable distribution of consumer goods.

62. Consumer coops being socially owned trading organisations are not only ideally suited to play their complementary role to the Govt. managed or public sector autonomous agencies under public distribution system, but have proved more economic and better organisation in many of the socialist countries. Consumer coops are rapidly taking up wide areas of function of consumer association and consumer councils for consumer education and Campaigning for legal measures against monopolies, restrictive trade practices and other measures for consumer protection.

63. The International Cooperative Alliance Congress held at Hamburg in 1969 on consumer protection declared that consumers have a right to :

- "1. A reasonable standard of nutrition, clothing and housing.
2. Adequate standard of safety and a healthy environment free from pollution.
3. Access to unadulterated merchandise at fair prices and with reasonable variety and choice.
4. Access to relevant information on goods and services and to education on consumer topics.
5. Influence in economic life and democratic participation in its control."

The achievement of consumer cooperatives for consumer protection in western countries.

64. The consumer coops in western countries have built up a powerful sector on modern lines in the distributive trade for providing pure and standard quality consumer goods and services at fair prices along with other concomitant benefits to the consuming public and are conducting consumer education and consumer information service as well in their campaign for consumer protection. They occupy a dominant position in the economy of those countries.

(a) Trading and production activities

In Britain consumer coops account for :

- " - one sixth of the food trade,
- one third of milk sold,
- over one fourth of the self service, food stores,
- over 10% of meat sales,
- almost one third of department stores and
- almost one fourth of the super-markets.

("Cooperative today" by Nora Stettner)

"The consumer coop. movement in Britain has great achievement in the most obvious tasks before it - providing the daily necessities of millions of people regularly, cheaply and with goods of reliable quality. It also provides a demonstration on an impressive scale of the democratic control of commerce and industry and the elimination of the profit motive" (Margaret Digby)

"In the last 50 years, membership has risen from 2½ million to 13 million, retail turnover from £70 million a year to more than £1000 million. The movement has the largest wholesaling organization in Britain ("Competition for consumers" by Christina Fulop).

65. The Swedish consumer cooperative movement has spectacular record of achievement to its credit and is the most progressive and influential one in the world. The movement has the patronage of about half the Swedish families. The consumer cooperatives handle 17% of the total retail trade of the country and 26% of the trade in food stuff. The consumer coops have annual sales turnover exceeding 7000 million Swedish Kr. The consumer coops have about 3500 retail outlets consisting self service shops, speciality shops, mobile shops, about 140 deptt stores, 126 super markets and a number of discount houses. The K.F. (Cooperative Forbundet), the wholesale society combines in itself the functions of cooperative union (i.e. educational and promotional activities) as well as wholesaling and production and is the largest business enterprise in Sweden. The K.F. owns and controls about 140 factories producing foodstuffs, textiles, soap and cosmetics, leather goods, domestic wares and electrical appliances, various shop equipment, building materials and a host of other consumer goods. About 30% of the national output of the important items of consumer goods such as clothings, margarine, flour, macarone etc. are manufactured by K.F. Factories. Its share of the national output of electric lamps and edible oil is very high.

66. Consumer cooperatives in Denmark handle about 10% of the retail trade in general and 20% of the total trade in food and grocery items, whereas Deptt Stores in the private sector account for about 4% and chain stores about 3% of the consumer trade in that country. They run self service stores, Deptt. stores as well as supermarkets. The wholesale society popularly known as FDB runs about 30 factories and a number of subsidiary concerns.

67. In Finland consumer coops handle 37% of the retail trade, whereas share of deptt stores in the private sector may not exceed 1%. In Norway consumer cooperatives handle about 15% and in iceland about 33% of the retail trade. In Switzerland consumer cooperatives share about 10% of the retail trade as against 12% by chain stores and about 4% by deptt stores. In West Germany, Consumer cooperatives run their self service stores, Deptt Stores and supermarkets, superettes, hypermarkets and own factories for production of food and other consumer goods. The progress of consumer coops in other western countries is also significant. By undertaking retail trade and production of consumer goods they ensure supply of pure and standard quality of goods at fair price and exercise a regulating influence on the open market. Consumer cooperatives also manage holiday resorts, convalescent homes, clubs and other service activities for the benefit of members.

68. In USA where consumer associations and consumer councils and competitive economy have so long been stressed upon as the best means of protecting consumer interest - there has been now a distinct swing towards more and more consumer coops for protection of consumer interest.

69. In East European countries with socialist economy and USSR consumer coops play a major role in the distributive trade particularly in the rural areas. In Poland consumer cooperatives account for about 21% of the total retail trade. In East Germany consumer cooperatives control 30% of the retail commodity trade and USSR about 26% of the retail commodity circulation. In Czechoslovakia consumer cooperatives serve about 27% of the national retail trade as a whole.

70. Economics of scales and disproportionate market power are also manifesting in concentration of control of retail trade in the combines of Deptt stores, super markets and chain stores, in the private sector of some of the western countries. Consumer cooperatives are endeavouring to derive the economy scale by amalgamation of a number of cooperatives and expanding their deptt stores, super markets in size for generating a healthy competition and put a brake on the adverse influence of such combined in the market.

(b) Production of consumer goods

71. Since consumer cooperatives can reduce the price spread from the production end to the retail end by elimination of middlemen and bargaining with manufacturers as bulk buyers - they take up production of consumer goods on efficient lines to reduce the cost of supplies with a view to enable them to sell at cheaper price and thus bring down the price in the open market. In Sweden about 45% of the business turnover of consumer coops is contributed by the factories owned and controlled by the factories owned and controlled by consumer cooperatives. The K.F. of Sweden by taking over margarine production and expanding its production activities succeeded in bringing down the market price of margarine and was able to break the price cartel of manufacturers. Its 'luma' electric bulbs manufacturing factories broke the price ring of the private sector. "The initial result of competition in the sphere of production has in many cases been to transfer the monopoly profit to consumers in the form of lower prices. The long term result in many cases has, however, been still more important. Competition from an efficient cooperative enterprise has resulted in sustained efforts by the competing private factories to rationalise the production processes in the plants, thus reducing the cost and ultimately the prices of their products to the advantage of the consumers" (says Mauritz Bonow, the Chairman of the International Cooperative Alliance). In Finland production enterprises of consumer coops are competing with monopolies. The Norwegian coops have reduced the prices of margarine manufactured by monopoly concerns - by reducing their own prices. In Great Britain and Denmark the production enterprises of consumer cooperatives account for one third of their volume of trade. The flour mills and margarine factories of wholesale societies in England and Scotland have generated effective competition with powerful combines and chains. The 'Vizle' flour mill of the Danish Wholesale (FDB) is the biggest flour mill in Denmark. "The cooperative movement in France, Germany,

Italy, and Switzerland and other European countries fought the big monopolies with some success producing certain commodities on a substantial scale and helping to keep down prices ("Cooperative and monopolies in contemporary economic system" ICA Publication). Collaboration among consumer cooperatives in productive enterprises have been growing in advanced countries. The 'Luma' electric lamp factory of K.F. with its new factories in Norway and Britain and the recent Euro-Cooperative biscuit factory at Ulbrich and the Euro Cooperative chocolate factory at Dortmund Bracket, the joint ventures of the consumer cooperatives of Belgium, France, West Germany, Italy and Holland are such examples.

(c) Consumer education and campaign for consumer protection by consumer cooperatives.

72. The consumer cooperatives in western countries conduct programmes for education of consumers on household budgeting, cater information to enable consumers to make intelligent choice in their purchase suited to their requirements apart from programme on member-education and training of employees and officials in principles of cooperation and efficient business techniques. The cooperative unions of Britain and Scandinavian countries bring out a number of publications and bulletins from time to time on consumer information". "The consumer and the law", "textiles and the consumer", "Managing Homes" are some of the important publications of the cooperative union of Britain. The Cooperative League of USA publishes an information bulletin "consumers" to stimulate consumer pressure to strengthen legislative measures for consumer protection. "To tell the truth" is another valuable and important publication of the Cooperative League of USA narrating consumer information and protection activities of American Cooperatives. The International Cooperative Alliance publishes its journal "consumer affairs" catering information about various measures introduced in different countries for protection of consumers. The consumer cooperatives in other advanced countries campaign for securing representation of consumers in the statutory and Govt agencies concerned with consumer affairs.

73. The ICA has set up a consumer working party to maintain contact with development in consumer affairs and assist the ICA in the sphere of consumer protection activities. A working party on consumer protection has been set up by the Central Union of Austrian Consumer cooperatives which stresses on consumer information activities within the Austrian Consumer Cooperative Movement. The Danish Consumer Cooperative Movement campaign for consumer protection with objects, such as to provide information on price and quality, consumer rights, and where to go with complaints. They represent consumer view point to Govt. The Belgian Cooperative Movement runs T.V. programme on consumer problems, price, cost of living and alerts the consumers through its press against abusive selling practices. In Holland and Sweden consumer coops secure representation along with other consumer associations in the State recognised and financed bodies concerned with consumer interest.

74. The campaign of consumer cooperative against restrictive trade practices, resale price maintenance and other abuses of cartels and monopolies is well known. "The attitude of the K.F. towards resale price maintenance has been clearly shown over a period of many years in various official statements which the Board of Directors of K.F. has submitted to the Swedish Govt. The K.F. has strongly opposed the system of resale price maintenance introduced by the private manufacturers and enforced by means of collaboration between manufacturers and wholesalers and retailers within the private sector in Sweden's economic life" (Resale Price Maintenance - by Mauritz Bonow). The Swedish Cooperative Movement has influenced the Govt. in bringing about legislation for the establishment of an official register for private cartel agreements to be kept open for inspection by the general public. In Finland the K.K. has been pressing for anti-monopoly legislation since 1927.

75. The 18th Congress of the International Cooperative Alliance held in 1951 adopted a resolution declaring the formal policy of the International Cooperative Movement towards monopolies. In 1967, the ICA while reaffirming the policy resolution of 1951, inter-alia, declared that the danger of monopoly is as great today as it was then for developing countries and called upon cooperative organizations, national Govts and international organizations to support research into problems of monopoly to create awareness of its dangers and to take such measures as may be possible to counteract its evil effects and encourage social ownership through cooperatives.

Progress of consumer cooperatives in India

76. (a) Early years of consumer cooperatives

In India, a predominantly agricultural country, cooperation since its beginning after introduction of the cooperative societies Act of 1904 - has remained virtually an agricultural cooperative movement upto independence. About 100 consumer cooperatives were organised during the scarcity conditions of the first world war and immediate post-war years. Many of them met with infant mortality. In subsequent years new societies were of course organised in industrial establishments and urban areas here and there. The working of consumer cooperatives again received a set back during the economic depression of the thirties and new arrivals here and there although offset the dwindling number of societies of war time, did not reflect any significant increase in their total numerical strength and business turnover upto the beginning of the second world war, when their total number was 396 with about 43,000 members and sales turnover of Rs.57.15 lakhs (1938-39). The second world war gave a fillip to the consumer cooperative movement. Due to scarcity conditions of essential commodities and introduction of rationing, there was phenomenal increase in their number. Consumer cooperatives by and large were encouraged by State Government departments in search of suitable agencies to run ration shops/fair price shops for the distribution of controlled commodities equitably at fixed price. Consumer cooperative by and large put a good account of themselves in the

discharge of their responsibilities in the distribution of controlled commodities. In 1951-52, the peak year of their progress, there were about 9,700 primary consumer cooperatives with membership of 18.47 lakhs and sales turnover of about Rs.82.0 crores. However, following decontrol in 1952-53 rapid decline in their business turnover set in.

77. The first five year plan document pointed out that in the urban areas special importance must be attached to consumer cooperatives. "It would in our opinion be in the interest of the planned development of distributive trade that an attempt is made to build up consumer cooperatives over as wide a field of the distribution trade as possible". The second five year plan introduced in 1955-56 also reiterated the need of organising a net work of consumer cooperatives. However, upto the end of the second five year plan (1960-61) no precise programme with targets of development and financial outlay for development of consumer cooperatives was taken up.

78. With the progress of economic and industrial development, under the two successive five year plans, - there was more purchasing power in the hands of the people having better employment and better earnings both in urban and rural areas. The third five year plan document observed "conditions for the development of consumer cooperatives are generally favourable and if special efforts were made, rapid progress can be achieved. This will be the greatest help not only in the stabilization of retail price but also in preventing the evils of adulteration in food stuff". A small scheme for the development of consumer cooperatives on planned basis was included for the first time in the third five year plan for cooperative development. The scheme could not, however, receive full attention due to competing claims of other cooperative development schemes which were introduced earlier. The progress was slow and insignificant.

79. The national emergency in the wake of Sino-Indian conflict of 1962 actually brought about the real phase of development of consumer coops on a planned basis with a view to enabling equitable distribution of essential commodities and other consumer goods at fair prices and assist in that process to have an impact on the trade. A centrally sponsored scheme for organising among general public a network of consumer coops in cities and towns with population exceeding 50,000 within a period of three years was introduced by the end of 1962. The Govt. of India agreed to provide the entire estimated amount of financial assistance as per approved pattern of assistance through the State Govts. to the consumer coops to be organised/reorganised under the scheme. Simultaneously, the Govt. of India introduced a scheme for the development of consumer coops in industrial and mining establishments with workers more than 300 and a scheme for the supply of essential commodities to the rural population through marketing and village service coops. In addition, consumer coops among Central Govt. employees in Delhi and in a few states were also taken up on an experimental basis. All these schemes were to be implemented in a coordinated manner for the integrated development of consumer coop. movement throughout the country. Therefore, development of consumer

cooperatives is a recent phenomenon in the history of cooperative development in the country. It was indeed a colossal task in enormity and magnitude to set up a vast net work of consumer coops as voluntary organizations of the people keeping in view the shortness of time limit and other difficulties. There were serious problems of shopping and office accommodation in suitable localities of the urban areas. Private sector industries were generally reluctant to make supplies available to consumer coops as it disturbed their relation with the long established hierarchy of stockists/distributors and wholesalers. There were difficulties of railway movement and other means of communication. There were acute shortages of expertise and trained personnel to man the consumer coops commissioned for services. Yet the cooperators in the country shouldered the challenging task with confidence at the call of the Government in the service of the community. The programme took a good and rapid start and there was clamour for more and more consumer coops throughout the country as time passed on. An evaluation of the working of consumer coops under the centrally sponsored scheme for urban consumer coops conducted by the Planning Commission in 1964 revealed that as regards quality, price, and availability of rice, wheat and pulses, the majority of the respondents reported the quality as either pure and graded or better than within the market". In a survey conducted in 1966 on the activities of consumer cooperatives by the National Consumer Service (of Bharat Sewak Samaj) it was observed that the prices charged by consumer coops are lower than market rate. The quality of goods sold were much superior to the quality of similar goods sold by the private trade, there were no complaints of adulteration in goods sold by the cooperatives against a spate of such complaints against private traders and the standard of service in its cooperatives showed considerable improvement.

80. Immediately after devaluation in 1966 Consumer cooperatives received a further impetus with the introduction of an accelerated programme for covering smaller towns with consumer cooperatives and by setting up deptt stores for distribution of wide range and varieties of consumer goods of standard of quality under one roof at fair prices. This programme also envisaged setting up of consumer cooperatives in university campuses and colleges for the benefit of the students. After the opening of the deptt stores/super-bazars, it was noticed that the retail trading circles around them in many places used to announce that things are available at super-bazar price in their shops. They thus tended to create a healthy impact on the retail trade. A small beginning has also been made by some of the consumer cooperatives in setting up flour milling (power driven atta chakki unit), coffee grinding, spices powdering, oil milling, pulses processing and bakery and units for repairing and servicing of domestic electrical equipment, watch repairing, tailoring and laundering etc. One super-bazar has arrangements for laboratory testing of groceries before purchase and checking of samples placed on counters.

Brief analysis of progress

As a result of various organizational and promotional efforts made since the end of 1962, a country wide institutional frame work of cooperatives has been built up with about 13000 primary consumer cooperatives, about 2000 retail branches, 112 deptt stores super-bazars at the ground (retail) level, most of which are affiliated/attached to about 390 wholesale/central consumer stores at their higher echelon, 14 state consumer federations at the state level and the national cooperative consumers federation at the apex national level. This set up of consumer cooperatives includes round about 3000 consumer stores covering more than 75% of the industrial establishments with more than 300 workers, and 200 primary consumer cooperatives as also 12 wholesale stores in mining areas. Another important group of primary consumer cooperatives is among the Railways, P & T Departments and other commercial establishments and university campus and colleges. Individual membership of consumer cooperatives exceeded 45 lakhs and their retail sales turnover over Rs.2500 crores in the year 1971-72. Under the scheme for distribution of consumer articles in the rural areas there were about 34,000 village service cooperatives and 1600 marketing societies engaged in such activities. Their sales turnover in consumer goods was estimated to be near about Rs.200 crores in 1970-71.

It is estimated that out of the total number of about 13000 primary stores about 1000 primary consumer cooperatives have membership varying from 500 to over 1000 and generally sales turnover between Rs. 6.0 lakhs to over Rs.10.0 lakhs a year, while some of them have sales turnover exceeding Rs.50.0 lakhs a year. Majority of these consumer coops are among industrial establishments. The average membership of primary consumer cooperatives was about 300 and average sales turnover amounted to Rs.1.15 lakhs in 71-72, one third of these stores are running at profit, one third at loss and the remaining one third had no loss or profit or were dormant. Majority of them are tiny little single room shops. Out of about 390 wholesale central stores only about 163 were in profit and the remaining ones in loss. The deptt. stores or super-bazars generally occupy a selling area from 50000, sq.ft to 15,000 sq.ft, while a number of them have selling area between 20,000 sq.ft to 40,000 sq.ft and the biggest one occupies over 90,000 sq ft area. They deal in a wide range of consumer goods and a number of them have set up cafeteria and other servicing units as well as self service grocery sections. The sales turnover of 100 deptt stores amounted to about Rs.35.0 crores in 1971-72. However, quite a number of them continued working at loss. A few of these deptt stores have annual sales turnover between Rs.4.0 crores to Rs.6.0 crores. Out of the 14 state consumer federations, 11 were working at profit, although business turnover of majority of them was not to the desired extent in 1971-72. The National Coop. Consumers Federation which has been working satisfactorily at profit since the beginning and has been paying purchase rebate and dividend on shares held by members and the Central Government apart from fair rate of bonus to the employees recorded a sales turnover exceeding Rs.6.0 crores in 1971-72. This is in brief the broad outline of progress of activities

of consumer coops on a planned basis for about a decade only since 1962-63 when centrally sponsored scheme for consumer cooperatives was introduced.

83. It is, however, to be admitted that deficiencies and shortcomings have crept into the working of a number of consumer cooperatives in the process of their organization with amazing speed. There have been cases of faulty organizations, structural defects, selection of wrong personnel, mismanagement and injudicious purchases. Sudden decline of their business due to relaxation of control of foodgrains, price fluctuation of agriculture commodities and, lack of regular supply of stock of manufactured goods during peak season, have been causes of losses and depletion of their resources with snow ball effect on their business position and lowering of their image in some areas in the estimation of consumers. Absence of any emphasis on member education programme to retain their loyalty in times of stress and strains and inadequacy of trained personnel of different categories are other deficiencies. Transfer of the Centrally Sponsored Schemes for consumer cooperatives to the State sector from the beginning of the 4th Five Year Plan with consequent dislocation of the tempo of activities under the programme, just like changing horses in the mid-stream have also had its adverse effects. The position has again taken a better turn and is improving due to new action programme of a Central Sector Scheme, combined with consultancy service for improvement of managerial efficiency and operational aspects of working of consumer cooperatives.

84. As an over-all picture, their services to consumers have been significant in the matter of distribution of standard and pure quality goods and equitable distribution of short supply commodities to the extent of supplies they could obtain from the manufacturers. The private traders near-about deptt. stores, super-bazars and other fairly equipped cooperative stores are generally on the alert not to charge prices higher than the cooperatives under normal conditions and where market conditions ease down they often try to outbid the consumer cooperatives by charging apparently lower prices - the gimmick in many cases being not to charge sales tax or some other tricks. Some glaring illustrations of the people's enthusiasm in consumer cooperatives are noticeable in times of purchase spree during annual budget session when there is likely chance of rise of prices due to proposal for increased excise duty etc. In times of sudden rise of prices of some commodities in the market, there is heavy rush of consumers in the cooperative stores. The cooperative make equitable distribution at fair prices, however, high may be the market price and whatever may be the scope of earning profit.

85. Apart from service to consumers, they are the most truthful payers of sales tax to the state, income tax to the Central Government and actrois to the Municipal Corporations. The deptt stores/super-bazars have opened new venues of employment of educated youngmen and women who find in cooperatives better and dignified atmosphere. Super-bazar Delhi alone employs about a thousand persons. The

consumer cooperatives particularly the deptt stores/~~super~~-bazaars have become pace setters in the retail trade. Their self service methods, prepacking of groceries after cleaning are being emulated by private traders.

Prime Minister, Mrs. Indira Gandhi in her inaugural address to the Sixth Indian Cooperative Congress held in April 1971, inter-alia, made the following observations about consumer cooperatives in the country: -

"Another important sphere in which cooperatives can play a significant role is the distribution of consumer goods. The pressure on prices is of serious concern to our economy. Government are adopting necessary measures However, these measures need be reinforced by organised action by consumers themselves The development of a sound consumer cooperative structure needs attention and persistent efforts."

"During the last decade we have undertaken the development of consumer cooperatives. Some cooperatives have succeeded but their total impact has not been very significant. Consumer cooperatives with growth potential should be identified and enabled to enlarge their operations thus exerting a beneficial influence on the trade in consumer goods."

86. The structural pattern of consumer cooperatives have to be rationalised to derive economy of scale and reducing the number of tiers in the structure. The small primary consumer cooperatives are the weakest link in the structure. A programme of amalgamation of viable primaries or merger with the existing wholesale/central stores should be taken up so that the latter can function as multi-unit stores or chain stores with large sized retail outlets dealing in diverse items of consumer goods. The inefficient and defunct ones should be weeded out. The wholesale central stores may open super-bazaars or retail outlets of required size, instead of encouraging new primary stores in areas not covered or where defunct cooperatives have been weeded out. The existing super-bazaars need to be strengthened. Some large sized primary consumer cooperatives particularly those among the industrial workers may not be inclined to be merged with wholesale/central stores. They may amble along independently with complacence and may be affiliated to the state consumer federations which would ultimately become wholesale stores in their respective states thereby reducing one tier in the structure. The State consumer federations will also have to be strengthened to enable them to take up wholesale business function on a large scale on behalf of their constituents and take up management of sick constituents as also promotional activities and consultancy service.

87. The programme for organization of consumer industries by consumer cooperatives at their higher echelons should be strengthened to increase their economic viability and supply of quality consumer goods particularly on the food and allied lines as well as clothing and domestic wares.

88. In rural areas, retailing of consumer goods by primary marketing and service-cooperatives with diverse items of consumer goods should be intensified as a part and parcel of the integrated programme of development of consumer cooperatives. Strengthening of financial base of consumer cooperatives and facilities for securing financial accommodation from banks needs emphasis. Above all is the need of well trained personnel. "The cooperative movement will never succeed unless there are trained co-operators" ... All the goodwill in the world, without adequate training will not produce results" - (Nehru).

89. Managerial cadres for manning the consumer cooperatives with efficient and expert business executives etc. should receive greater attention. The relationship between the business executives and the Board of Directors should be on a new pitch, the latter being left with framing of business policies and general control. Modern retail trading is a highly specialized job requiring adoption of modern techniques of management and operation including management accounting, inventory management and control, display, shop layout, bulk buying, sales promotion methods etc. for which consultancy service with experts are required. A country wide programme for member education, women's participation and consumer education and information service with laboratory testing facilities of consumer goods sold by cooperatives is another urgent need of the hour as have been taken up by consumer cooperatives in advanced countries. There should be provision for educational opportunities for the consumers in the field of nutrition and domestic economy. Campaigning for suitable legislation for consumer protection should form a part of their activities.

90. The National Cooperative Consumers Federation which has been expanding its business and production activities in addition to full fledged consultancy and promotional services will also have to initiate action for member education and consumer education and information service and other consumer protection activities in collaboration with the National Cooperative Union and Indian Consumer Councils.

91. With the successful implementation of the above corrective measures and developmental programme of activities under the Fifth Five Year Plan, consumer cooperative distribution system will be further strengthened and may become in near future a strong consumer cooperative movement as such from the existence of which people may derive the greatest possible benefit in respect of price, quality and service. Consumer cooperatives can actively advance and protect consumer interest. In consumer cooperatives, therefore, lies the best hope of consumers in India in the existing situation and in future too.

92. A well organised consumers' cooperative movement can no doubt assume the role of a countervailing force through its trading activities, supplemented by its own production enterprises and support of other processing and producers cooperatives, with unstinted and spontaneous support ensured from the public sector undertakings engaged in the manufacture of consumer goods, and if treated as an integrated part of the public distribution system. Coordination of the citizen's

committees, consumer councils and associations with the consumer education and consumer protection campaigns of cooperatives will be a tower of strength to the consumer movement as a whole in influencing introduction of legislative measures, standardization, quality control and other Governmental measures for consumer protection. Consumer cooperative movement forms the spearhead of multifaceted operational tactics to fight the hydra-headed problems of consumers and restore to them their rightful place in the socio-economic structure of the country if not regain consumer supremacy in the context of consumption as the end of production. The areas of coordination with other agencies may be as follows :-

(a) Public distribution system/public sector undertaking and consumer coops.

In times of scarcity of essential commodities and rising trend of prices, public distribution system is required to be introduced to ensure equitable distribution of such commodities at fair prices and even at subsidized rates if procurement has to be made at higher cost for the benefit of the people, particularly the low income group and vulnerable section of the community. It may even be necessary at times under planned economy to enable the vulnerable section to have some of the important items of necessities within their paying capacity. Public distribution system has not, however, been clearly spelt out. Normally it should mean state trading at wholesale and retail level. Since it is impossible for the Govt. or public sector undertakings to set up such a vast net work of centres at the wholesale level, district or other lower level distribution points and run fair price shops or retail shops on a country-wide basis, public sector undertakings of the Central Govt. or the state Govt. departments or their state civil supplies corporations appoint their nominees at the wholesale or storage point from amongst the private traders and to some extent from the coop sector and issue necessary licenses to them to work on behalf of them. Similarly selected petty retailers are also allotted fair price shops. Utilizing the services of private trade at wholesale and retail level becomes anomalous although may be expedient under compelling circumstances. It is in fitness of things that consumer coops which are socially owned non-profit making trading organizations engaged in the service of the community are treated as part and parcel of the Public Distribution system to give it a full colour and real meaning of the system as such. Public sector undertakings or Govt. managed institutions being expensive because of heavy overhead costs-well managed consumer coops with necessary wherewithals and manpower are a better choice to take up distributive trade at wholesale and retail level. Moreover, giant all-India level public sector undertakings have their complicated administrative problems in the context of strikes of employees etc. A decentralized cooperative sector should be preferred. While it may be necessary to have giant public sector undertakings like the FCI in the matter of procurement of foodgrains, and buffer stocking, consumer cooperatives need to be involved at the distribution levels on a countrywide basis to economize expenditure and avoid duplication of efforts. It is also not desirable to set up separate public distribution agencies for each and every item of essential commodity required to be brought under the purview of public

distribution system. If at all required, it should be at the national level for coordination and the remaining functions can be taken up advantageously by the cooperative sector having experience and vast net work of wholesale and retail distribution units on a decentralized basis. For example, in the case of levy sugar distribution, the wholesale distribution functions in some of the states have been transferred by the FCI which was originally entrusted with the work, to the cooperatives and in the remaining states, the cooperatives will follow suit. It may be possible for the Food Corporation of India to hand over its functions at the national level to the national level consumer or marketing federations in near future. In case of controlled cloth, practically the entire work of distribution beginning from lifting of stock from mills right upto retail distribution has by and large been entrusted to the cooperative sector which are managing the distribution with a low margin. The physical target of distribution of controlled cloth at fixed price originally estimated at 400 million metres per annum has been now increased to 800 million metres per annum. It is undoubtedly a gigantic task entrusted to the cooperative sector. A large number of fair price shops are assembled on temporary basis during emergencies and have to be dismantled after the supply position becomes normal. As a long term measure fair price shops may be cooperativized instead of licencing petty retailers. More and more fair price shops under public distribution system should be allotted to the cooperative sector.

Public sector undertakings at the central level are growing in the field of consumer goods industry including bakery, drugs and medicines, petroleum products, photo films etc. In some of the states, state managed or autonomous public sector undertakings are producing soaps, fruit products etc. They may extend and enter pastures new. In the matter of distribution, effective coordination with the consumer coop distribution system need to be established to the desired extent. An admirable example has been set by M/s H.M.T. Ltd. who have been arranging distribution of their HMT watches through consumer coops except in a few places where they have their own distribution centres working for long.

Consumer Councils and Consumer Associations

93. Consumer resistance movement in India is yet to grow to a significant extent. However, the Bombay Consumer Guidance Society has been rendering useful service since its inception for the last several years. The Consumer Council of India set up at Delhi in 1966 has been struggling against rough weather still now. Its magazine 'The Indian Consumer' ventilates the grievances of consumers. "The Consumer Activists" - is a recently organised consumer organisation in Delhi. "Consumer Information" - is its monthly journal. In Andhra, "The vizag Consumer Council" at Vishakapatnam has been organised with specialists in different fields of consumer problems. There are a few consumer Associations/Councils in other states such as in Kerala, Tamilnadu, Karnataka and West Bengal. Women's organisations like women's guilds of western countries have come up in some cities and towns of Maharashtra and Gujarat apart from

from the capital city of Delhi. The primary functions of such women's organisations - "Mahila Mandals" - is akin to those of consumer Associations. There are also some citizens committees. Consumer organisations of non-trading and non-political type have their felt needs.

94. Such voluntary organisations on an All-India basis with its affiliates spread over cities and towns need financial support and encouragement from government. In Britain, the Board of Trade provided financial assistance to the consumer council set up on the recommendations of Molony Committee. Such organisations should keep away from the manufacturers some of whom may try to influence them.

95. Functions of such voluntary organisations will be common to those of their counterparts in Western Countries with special emphasis on the establishment and management of laboratories for comparative testing of samples of consumer goods for information of consumers, campaigning against abuses of trade and monopolies, study of consumer problems spreading consumer education to enable citizens to make informed choice of their purchases, disseminating knowledge of consumer products, creating consumer awareness or conscious of their rights through the media of their journals, T.V. and Radios, and assisting and advising govt. for introducing legal and administrative measures for protection of consumers. Unlike Western countries the articles of association etc. of the consumer council of India provide for coordination with consumer cooperatives for protection of consumers. Such an enabling provision would help bringing about effective coordination with consumer cooperatives on which great emphasis is being laid. Consumer Councils as representatives of consumers in general should also work as catalysts of the working of consumer cooperatives and of other public distribution agencies for improvement of their operational efficiency and removal of their drawbacks in a constructive way.

Coordination with Indian Standard Institute

96. As pointed out in earlier paragraphs, the Indian Standard Institute has been evolving Indian Standard specification for industrial products including consumer goods. Large number of consumer products are also covered now under I.S.I. Certification mark scheme. The consumer Division of the Department of Cooperation, Ministry of Agriculture is represented in the consumer products division of I.S.I.

97. National Cooperative Consumers' Federation is also its member. The Bombay Consumer Guidance Society keeps contact with the I.S.I. so also the Consumer Council of India. Effective coordination among all these agencies is very much desired for protection of consumer interest. The Consumer Cooperatives should sell more and more I.S.I. Certification marked consumer goods, 'Ag mark' consumer products and 'Q' marked products introduced in some of the states as quality marking symbol of industrial products.

Consumer Lobby

98. The Consumer Association and Consumer Councils as democratic organisations of the people should campaign for stricter legal measures against malpractices of the trade and should have their lobby to voice their grievances in the state Assemblies and the Parliament in an intensive manner than at present.

The Need of a Separate Governmental Agency for Consumer Protection.

99. At the Governmental level in the centre there are several departments/ministries with functions relating to consumer affairs. The Department of Cooperation, earlier a department of the former Ministry of Community Development and Cooperation, and now a department of the erstwhile Ministry of Food and Agriculture redesignated now as Ministry of Agriculture, is charged with the main responsibility of planning, and framing policies and rendering financial and other assistance to the state cooperative departments for development and working of consumer cooperative. Financial assistance on a liberal scale has been provided by the Central Govt. to such coops without any parallel in the history of state sponsored cooperative movement wherever exists in the world. A vast and comprehensive net-work of consumer cooperative distribution system has been built up within a record time in collaboration with the State Cooperative Departments individual leaders of cooperatives and cooperatives financing agencies. This is undisputable. But the Department of Cooperation has no power, jurisdiction or effective say in the matter of public distribution system of food-grains etc, State trading and distribution of other important items of consumer goods of public sector undertakings nor it is in a position to exercise its pressure on the private industries. It is like a general with a vast army but no arms or ammunition to fight its battle of consumers. Its position has in no way improved after its transfer to the Ministry of Agriculture (Food and Agriculture). The Ministry of Commerce has its Internal Trade Department, Civil Supplies Organization and can exercise some influence on the consumer councils and consumer associations. Its precise role for consumer protection does not appear to have crystalized as yet. No systematic effort for encouraging development of consumer associations or consumer councils at the national level with necessary financial support has been taken up.

100. The Ministry of Petroleum and Chemicals is charged with the responsibilities of development of drugs and chemicals and petroleum products industries. There is the Monopolies and Restrictive Trade Practices Commission with necessary machinery to give advise to Govt. regarding control and regulation of Monopolistic and restrictive trade practices. The Ministry of Law and Justice and company Affairs are also concerned with various laws about consumer interest. The Ministry of Health has an important role to play in preventing food etc. adulteration. The Ministry of Finance etc. have some functions in relation to consumer affairs. Effective coordination on desired lines among all these

agencies need to be established. It has been earlier mentioned that the President of USA has a special Adviser on Consumer Affairs Section. In Canada there is a separate Ministry for Consumer Affairs and a Consumer and Corporate Affairs. The Administrative Reforms Commission (Report of the Study Team) stressed on need of unification of consumer problems in the machinery of Central Govt. to focus attention on the felt problems of the consuming public and suggested that the Ministry of Commerce should have two department of trade and Consumer Protection and a department of export industries. They even recommended that consumer coops should go over to the Department of Commerce. The fact, however, remains that an effective coordinating Central Government Department whether in the Ministry of Commerce or Department of Food or some other Department at Supra Ministry level or a separate Ministry altogether as the case may be, need to be set up early.

In the states also coordination among state government departments concerned with consumer affairs need to be intensified and made effective. The Food and Civil Supplies Deptts go their own way. Coordination between Cooperative Department and Civil Supplies Department depends to large extent on the attitude of individual Ministers and officers rather than on State Govt. policy. Even in the Department of Cooperation the problems and developmental needs of consumer cooperatives do not receive the desired priority consideration because of more pressing claims of other sectors of cooperative development. Coordination among all departments having some bearing on consumer affairs is yet to be built up on the desired line. The programmes for consumer protection are hardly known to the average citizen. In the State Govts. a counterpart agency of the Central Govt. concerned with consumer protection is therefore, essential.

It need hardly be reiterated that under the Fifth Five Year Plan with estimated outlay of about Rs.50,000 crores which is more than the total outlays of all the previous four plans together - the problems of consumers are bound to aggravate as production will not be commensurate with investment during the gestation periods and their consequent adverse effects on prices apart from other operational effects of financing a planned economic development programme with great rapidity. It is, therefore, high time that at Governmental level, effective machinery to tackle the entire problem of consumers on a unified basis is established.

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Asian Conference On Consumer Co-operation
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SOME MAIN PROBLEMS

ON CONSUMERS' CO-OPERATIVES IN ASIA

with reference to the Indonesian situation

by

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SOME MAIN PROBLEMS CONSUMERS' CO-OPERATIVES IN ASIA.
(With reference to the Indonesian situation)

1. INTRODUCTION

The mission which has to be carried out by the Co-Movement in Indonesia, from a certain point of view will make the movement slightly different from the movement as known in other countries. Aside from the general objectives to create certain activities for the mutual benefit of its members, the Indonesian Movement has its own merits gained during the Liberation Movement in those colonial days, and thus the Indonesian Co-operative Movement formed an integral part in the struggle for independence to achieve a prosperous society based on social justice.

For these reasons as mentioned before, once the Nation has gained the independence, because of these merits in the past the co-operative society has been incorporated in one of the articles of the Constitution, and this made the co-operative movement part of the nation's aspirations to be achieved, for whose progress and further development the nation should seek ways and means for its due realisation.

Because of its merits in the past the general attitude is always to make the movement an important agent in the execution of the plans and programmes for achieving economic development. Naturally the consumers' societies were not exempted from Government's interference and so consumers' co-operatives became part of the rationing system in times of inflation in carrying out Government's policy in controlling the market-prices.

Such a policy regarding the economic situation caused the development of the consumers' cooperatives to come to a standstill and lose its potency and its function as the supplier of consumers' commodities for the simple reasons that the co-operatives were made entirely dependent on Government's rationing. Ultimately the consumers' co-operatives stopped any activities whatsoever.

2. THE DEVELOPMENT OF CO-OPERATIVES AMONG THE GOVT'S CIVIL-SERVANTS AND MEMBERS OF THE ARMED FORCES.

In the previous paragraph we have tried to give a brief exposee of the development of the consumers' co-operatives among the people. The co-operatives which have been developed among the Government's Civil Servants and among the members of the Armed Forces are different from those already mentioned before. These co-operatives have always been in the position to survive, although the economic situation with its run-away inflation was felt as a heavy burden.

In general that kind of co-operatives are of the multi-purpose type. Many of them have several activities on hand such as: a retail-shop, a credit department, home-industry, transportation, small-scale industry to produce agricultural equipment, even bicycles, fishery, forestry, etc. which made the slogan "Production-oriented" and "Jointly we consume" very popular.

In continuance thereof we would like to inform the distinguished conference of some relevant facts in relation with the service in supplying consumers' commodities which has already been carried out by this kind of co-operatives, especially that among the service-men of the Armed Forces. These co-operatives at the primary level are in charge with the distribution of consumers' goods, and so their main activities are the running of the retail shops. At present we are able to present the following figures:

Cooperatives among the Army with approximately 950 shops;
Co-operatives among the Navy with approximately 100 shops;
Co-operatives among the Air-force with approximately 50 shops;
Co-operatives among the Police-Forces with around 200 shops.
In total there are around 1,300 shops scattered all over the country, and if we also take into consideration the existing shops owned by the Civil Servants Co-operatives and the Batik Cooperatives (G.K.B.I.), we come to a sum-total of nearly 2,000 shops all over the country serving the consumers to obtain easily the 9 essential food-commodities and also other commodities, such as radios, TV, motor-cycles and bicycles, etc.

Those co-operatives, like the co-operatives among the common people as has been already mentioned before, suffered, from the same obstacles. Some of those obstacles are external in its nature being part of the existing regulations. But since Law No.12, 1967, on the fundamentals of the Indonesian Co-operatives was enacted, and since the Government has been executing the Five-Years Development Plan (REPELITA), those obstacles were surpassed, and since then gradually favourable conditions are developing bringing new life and new hope for the development of the Indonesian Co-operative Movement.

These circumstances formed an important factor in accelerating the growth of the co-operatives among the Government's Civil Servants and Service-men of the Armed Forces, during the last 7 years, and made it possible to establish all these shops mentioned herebefore.

3. THE ORGANISATIONAL STRUCTURE AND THE OPERATIONAL PROBLEM.

One of the subject-matters which will be discussed in this Conference is "The role of Consumer Co-operatives in Consumer Protection, with special reference to the rise in the cost of living".

In this respect it deserves a closer view of the fact that the co-operative societies among the service-men of the Armed Forces in Indonesia has made it evident that co-operatives could well be the protector of the consumers' interests. Although one of the main objectives of those co-operatives is to be and aid to the military command in supplying the necessary commodities to the members of the families of the soldier, but according to one of the many functions of the Armed Forces to be a social potency the shops were made possible to develop and to participate in serving also the general public non members of the Armed Forces.

For the convenience to obtain a clear picture of the development among those co-operatives in how far those shops are able to serve the interests of its members and the general public, we would like to explain the organisation at the primary level, and some of the relevant problems especially relating to problems in the operational sector, which are e.g.

a. The conducting of the organisation on the primary level is very simple and consist of three members: a chairman, a secretary and the treasurer, assisted by two or three other members having the position of being commissaries. Together, they form the Board of Directors, and any affair relating to the special need of the member will be tackled directly by this Board. All business activities meanwhile are the responsibility of managers fully recognised as professional managers, who have to make up their reports and accounts to the Board of Directors.

In principle the organisation of the co-operatives and its business should be carried out based upon the principle of equality between the mission and scope of activities affecting the need for personnel. In other words mission and scope of activities will determine whether we shall have a big or small organisation. The principle to be about equal was made regarding the efficiency of the management.

b. Concerning the geographical conditions of Indonesia, consisting of so many islands, big and small, the organisational structure of the co-operatives among the Armed forces was made in three stages: the primaries the secondary organisation and National Federation. The decentralisation matures in tackling the activities to be performed by the primary societies, made them widely spread, each having one or more shops.

c. In view of the effort to participate in serving the general public, all shops owned by the co-operatives are located outside the military barracks, but still within reach of the members, which guarantee the best service for the members and the general public as well.

d. All primary co-operatives have its own "outlet". At least they have one ordinary shop, but in the provincial-capitals where the movement has been developed much further. Many of the shops have already taken the stage in becoming a supermarket or mini-supermarket.

e. The problem to be faced as internal obstacle is the shortness of capital. Although this kind of problem bil

by bil has been surpassed by the own power through the services of the Indonesian Co-operative General Bank (BUKOPIN) which is owned by all National Federations of Co-operatives, or because of the "credit-policy" for the benefit of the co-operative movement which was recently adopted by the Government to help the weaker section of the entrepreneurs.

f. The second problem to be faced, is the problem which is also internal in nature in the field of management and technical skill. But this does not hamper very much comparing with the problem of lack of capital. Progress has already been made through education and training, conducted by the movement itself or by the Government. One of the Government Department has a special division which is in charge of the education and training, even the guidance of its business.

In this respect we have to mention the aid rendered by the ICA in the field of education and training on co-operatives in Indonesia. This contribution was very valuable and has quickened the process caused by the lack in managerial skill and technical know-how among the Indonesian co-operatives in general and especially the co-operatives among the Armed Forces.

4. PRODUCTION, IMPORT, WHOLESALING AND INTERNATIONAL TRADE.

In dealing with the third subject of this conference on the problem, how to support the activities of the consumer's co-operatives through the linkage of production, import, wholesaling and international trade, for the Indonesian case, anything related to this should be connected with the Indonesian economic development which is now in full progress.

In this respect, relating to the economic development, the efforts in the co-operative sector are mainly on the village level, mostly and mainly in the agricultural sector, which has been carried out by establishing Village Co-operative Units (K.U.D.). This reminds us of the fact that 70% of the people are farmers, living in the villages. This group of the population formed nearly 80% of the GNP. of the country.

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Referring to the fact that this group consists of small agricultural producers, most of them to be recognized as land-labors or estate labors, nevertheless they are consumers, and in this way their strength as a consumer-group could be well linked-up with the consumers' societies in the town. The co-operative shops in town could well serve the country-people and become the main supplier of the Village-co-operative Units. According to this idea the farmer and the Village-co-operative units are not forced to be customers of non-co-operative enterprises to fulfill their daily needs. Up until now past experiences show that on pay-out day in the estates or at harvest-time in the villages, the traders take their opportunity to gain big profits by selling their commodities against agricultural produce on a higher price.

It is not an impossible effort to create the linkage between the co-operative (Village-co-operative Units, consumers' cooperatives and the co-operative of importing and exporting societies). The latter is still in the process of establishment. The Consumers' co-operative are in the position to become members of KOPEXIN (The Indonesian Export and Import Co-operatives) and this body will serve as the wholesale agent for the co-operative stores, concerning the import of commodities. On the other hand KOPEXIN is in the position to handle the export of agricultural commodities or to distribute it among the consumers' Co-operatives.

If we take into a closer consideration as has been explained before about the linkage of those organisations, we are fully aware of the great value to link up: production-import - wholesaling and international trade.

Another element in this link-up system which should be developed and be made a potency among the co-operatives, are the Co-operative Banks and insurance Co-operatives.

On this occasion of the Conference we would like to propose for obtaining greater contribution from the ICA and we seriously hope that the ICA should take a more important part in the development of National Co-operative Banks and Insurance Co-operatives in the member-countries. Whether it will take the form of a kind co-operation in the banking-

activity, or any other shops of business, we sincerely hope that this body, whether it will be a regional co-operative bank or an international one, will open possibilities to create capital-support among the co-operatives themselves in the member countries of the ICA.

5. CONCLUDING REMARKS.

In this concluding paragraph we shall put forward some conclusions, very short and briefly:

- a. As the affect of too much Government interference in the past, the Indonesian Co-operative Movement had suffered from obstacles in its development. Especially in view of the consumers' co-operatives, this movement already has been put into a certain position which seems to be fatal for its further development.
- b. According to the facts, the co-operative movement among the Govt. Civil-Servants and that among the Armed Forces have served the difficult period of economic depression, and nowadays this movement forms the potency for further development of the co-operative shops all over the country. This fact takes place since we started the era of economic development and this is the reason why we discussed at length about its development and its mission, to serve the general consumer, and we sincerely hope that our special subject might be made subject for further discussions in this conference.
- c. To develop the Consumers' co-operative or to enlarge the role of the co-operative shops, also if possible to take further steps to establish a supermarket, we are of the opinion that the situation in Indonesia has already come to a favourable stage, regarding the existing thousands of big and small co-operative shops among the Govt. Civil Servants and the members of the Armed Forces as well.
- d. The geographical condition of the country with its thousands of islands and the in-adequate economic infrastructure still form elements which should be taken into consideration in constructing certain plans and programmes to develop the consumers' movement.

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- e. The development of the consumers' movement in Indonesia should be linked up with economic development plans, especially those parts which are mainly involved with the development of the co-operatives in the agricultural sector on village-level.
 - f. Village co-operatives Units, the existing co-operative shops, the KOPEKSIN (the Export and Import Co-operatives) and the BUKOPIN (the Indonesian Co-operative Bank) should be recognised as elements for the development of the International trade sector of the Indonesian Co-operative Movement.
 - g. In view of all these efforts, we are still in need of the help and the role of the ICA in the first place in the establishment of Co-operative banking and co-operative insurance in Indonesia which will form the dynamic factor in developing all sectors of activities undertaken by the Indonesian Co-operative Movement.

These are our comments on the various subjects of this conference, and it is our sincere hope that it might be made useful to the conference.

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ASIAN CONFERENCE ON CONSUMER COOPERATION
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Country: Japan

Supplementary Paper

- I. THE ROLE OF CONSUMER COOPERATIVES IN CONSUMER PROTECTION
with special reference to the rise in the cost of living
- II. THE STRUCTURE OF COOPERATIVES AT THE RETAIL LEVEL
- III. PRODUCTION, IMPORTATION AND WHOLESALING FOR SUPPORTING
CONSUMER COOPERATIVES AND FOR INTERNATIONAL COOPERATIVE TRADE

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THE ROLE OF CONSUMER COOPERATIVES IN CONSUMER PROTECTION
with special reference to the Rise in the Cost of Living.

BY

Isao Takamura

Akira Kurimoto

1. The Fundamental Aim of Our Cooperative Movement:

The Japanese consumers are distressed by the most intense inflation in the world and the flood of environmental pollution and harmful goods. Therefore, our cooperative movement takes activities of protection of peoples' livelihood and health as the first aim, and spreads the campaign for consumer protection all over the country as follows. Main slogan in the 24th Congress of Japanese Consumers' Cooperative Union (J.C.C.R.) insisted: let us obstruct the proceeding of inflation by the advance of cooperative movement, and convert national policy and economy to the ones devoted to the upraisin of the people's livelihood.

2. The Activities Against Inflation Stimulating Policy

The prices increased last year comparing January this year with that of last year at the rate of 37.0% in wholesale and 26.3% in consumers goods which are extraordinary high and tightened the livelihood of the people. This is primarily based on the inflation stimulating policy of the government for the rapid economic growth of big businesses through the fiscal and monetary policy. The most rapid proceeding of spiral inflation in the world has not only caused impoverishment of consumer by the rise in the cost of living and enlargement of big businesses, but also given the bad influences to the countries of this region. We demand to change over the policy of inflation to those of stabilizing and improving people's livelihood by the petition to the authorities and spreading campaign. At the same time, during the national senate election in July 1974, we propagated for consumers' interest, and since last year we organized "anti-inflation national joint committee" with trade unions,

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consumers' organizations, opposition parties as the center of anti price-hike movement.

3. The Activities Against Controlled Price of Monopolies.

The second factor of price-hike is market-control activities of the oligopolistic big businesses such as controlled price, cartels, speculation on land and goods, distribution control. The evil influences by these monopolies are the international phenomenon, and especially multinational corporations give the gigantic threat to independence of countries and people's livelihood. Recently Japanese monopolies also emerged abroad pursuing markets and resources and have given the great influence on the economy and people's livelihood of developing countries. So, we must strengthen the countervailing power against international monopolies and develop collaboration between cooperatives in this region.

In the midst of price increase of consumer goods and "artificial shortage of goods" caused by monopolies who made use of "the oil crisis" as a good chance in the autumn of 1973, we protested against their illegal and anti-social practices by means of the petition to the prefectural and central governments, disclosure of illegal cartel agreements by the oil industries and the release of commodities from markets. Through these activities we made much contribution to the protection of consumers' livelihood in that period. Especially, in connection with kerosene, which is most important fuel for home use in the cold seasons, we had fruitful results as follows. The production and distribution of kerosene is under the control of 13 wholesaling capitals and so they raised oil price and restricted oil supply as well as getting rid of cooperatives' management and consumers' livelihood were largely threatened. But we fought against these offensives by our movement and played an important role of low-price leader of kerosene, which was evaluated highly among consumers.

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We are also developing activities for amendment of Antimonopoly Act for the interest of consumers which will enable us to regulate unreasonable and unfair practices of monopolistic enterprises. The Antimonopoly Act has been amended for the worse and did not function satisfactorily up to now, but the Government could not help getting to amend it under the increasing criticism against monopolies. We petitioned to the authorities concerned and are doing signature-collection campaign in order to put such articles as "disclosure of the cost price" and "command of reducing prices formed by cartels" in the Act.

4. The Activities against raising of Public Utilities' Fare.

The third factor of price-hike is the raising of fare of public utilities controlled by the Government such as fare of transportation, fees of electricity and gas, consumer rice price and others. We insisted that the government should not raise them for stabilizing livelihood of the people and obtained the fruitful results in this field.

On the occasion of fare-raising of National Railroad, we made big campaign of preventing it from raising up by petitions and negotiations with the Government and held meetings with trade unions and women's bodies as the core of National Liaison Committee of Consumers' Organizations whose secretariat is our union. The fare-raising of the National Railway was postponed by 30 months even though the bill was passed in the Diet. We attained also many other targets regarding fares of private rail ways, buses, taxis, and fees of electricity and gas and others. In connection with consumer rice price, we insisted that rice was the main provision of the Japanese and double price system (producer's price and consumer's) should be maintained. We, consumers and farmers developed joint struggle against the hike of consumers' rice price. At the meeting of Rice Price Council of the Government in September, Mr. Nakabayashi, President of J.C.C.U. insisted strongly representing consumers' position that raising of consumer rice price should not be enforced, otherwise it will cause more intense price increase and housewives' cornering of rice.

II The Structure of Cooperatives at the Retail Level

I The Position of Cooperatives at the National Level

It is often pointed out that Japanese retail market consists of 1.3 million undertakings and 90% of them are inefficient small businesses having less than 4 employees. On the other hand, department stores have occupied 10% retail market share, but haven't the ability of change over of such as stiff market structure because they depended on wholesaling stores and haven't original merchandising. But, since "the theory of revolution on distribution system" was introduced in 1950's, many super markets were constructed all over the country and organised into chain stores, and the trend of monopolization at the retail level has been strengthened. These department stores and chain stores are directly supported not only at the finance by big businesses, but also they have the advantage of goods by the integration with the trading concern, so-called "sogo-shosha". Today they are under the control of 6 big business groups, having 23% retail market share.

Under the retail market structure, cooperatives have experienced severe competition with private capitals. If the big stores open new stores near the trading area of cooperatives, turnover of them often reduces by 20%. Especially, there are large influences in the field of clothes, miscellaneous goods and perishables if such big stores dump their goods. Moreover, there are many small private retailers having deep-rooted antipathy to cooperatives and such anti-cooperative movement was one of obstacles on amendment of Consumers' Livelihood Cooperative Society Law.

Under these circumstances cooperatives have been developing steadily, and increased the turnover by 4.2 times in these 10 years. Nowadays, Japanese consumers' co-operative movement has 4 million members, turnover of 350 billion yen (US\$1200 million) in 1,600 stores of 570 societies, and 1.37% of retail market share. But, in spite of the small market share, cooperatives have a significant influence in the lives of the people.

2 The position of Co-operatives at the Local Level

Consumers' co-operatives in Japan organize 12.7% of all households but we have some blank districts of co-operatives, and organization of consumers are rather behind in the big cities. But we organized more than 10% of all households in 13 prefectures where cooperatives have a significant influence on people's livelihood of these regions and have increased their political voice such field as participation to various councils or legislation of municipal ordinances of the central and prefectural governments.

Financial aids from prefectural governments turned to 3 billion yen (US\$10 million). On the other hand, cooperatives of 7 prefectures surpassed national average of retail market share, and especially market share of cooperatives in Hyogo Prefecture is 6% and in Hokkaido 2.5%. We'll present 2 examples in connection with the influence of cooperatives in the big cities; one is the example of Nada-Kobe Cooperative in Osaka and Kobe where the movement is strong and the other is the example of cooperatives in Tokyo where it is rather weak.

Nada-Kobe Cooperative

Nada-Kobe Cooperative, the biggest one in Japan has established the firm position not only in the retail but also as its organization of membership. At present it has the turnover of 80 billion yen (US\$267 million), the share capital of 7.7 billion yen, the membership of 360 thousands households whose figures mean that it is the organization of 31% households in this district and 21st biggest retail business in Japan. Nada-Kobe Cooperative has been contributing to stabilization of prices as "a price leader", and is the bases of members' livelihood.

On the contrary, there are 252 cooperatives in Tokyo, but retail market share in this area is very small. Tokyo is the political, economic and social center of Japan with 10 million population. In contrast to its bigness, the movement is far behind. But according to the development of consumers' movements, many new cooperatives or joint-purchasing groups were founded and developed.

Among them some strong cooperatives were organized. Cooperatives fight against price-raising and environmental pollution as a center of consumers' movement and consumers' expectation to the movement has been increasing. The Tokyo metropolitan government began to make contracts of purchasing agricultural produce directly with farmers and distribute through cooperatives to stabilize the price of vegetables. We are participating in the project of founding distribution centers.

On the other hand there are many cooperatives which play an important role in consumers' livelihood of those regions in the middle cities of about 100-200 thousand population. Tsuruoka Cooperative is known as the precursor of contemporary movements which call small neighbourhood groups "Han" in Japanese as the basic organization of the movement. We succeeded in pulling down the prices by 10-20% than ordinary market through the collective milk-drinking movement and direct dealings with agricultural cooperatives. When the big chain store launched into the city and dumped goods at lower price than the cost price aiming to damage the cooperative. Then many housewives-members

3 The Position of Cooperatives with regard to Goods.

In spite of the small market share in total, cooperatives play an important role in supplying some commodities.

At first, CO-OP branded goods were developed to materialize consumers' attitude and claim against characteristics of contemporary goods such as controlled prices, brand worship, enforcement of waste, harmful goods and unreasonable indication etc., and have considerably contributed to develop cooperatives and confirm solidarity and consciousness of members. It is the reason why CO-OP branded goods have obtained consumer's reliance that they have been developed, supervised through tests and spread them by members themselves. The turnover of CO-OP branded goods reached 15.3 billion yen (US\$51 million), 4.4% of total turnover of whole societies. But these CO-OP branded goods give great socioeconomic and psychological influence to the private undertakings, for they are afraid of spreading of these goods. For example, detergents made from ABS (Alkyl benzene sulfonate) were widely used in the laundry and kitchen as very effective detergents, which caused skin disease, liver troubles and water pollution. Since our union developed and spread a new type of detergent made from 100% alcohol materials named "CO-OP Safter" which doesn't cause illness and pollution, it has gotten trust among consumers, and given consumers the weapons for banishment of harmful detergents.

Secondarily Japan depends 99.7% of crude oil on importation from abroad and international petroleum monopolies have 80% share of import and so control of market has been often taken place through cartels and speculation. But cooperatives have supplied cheap kerosene from home use to members through joint-purchasing activities in Han groups against controlled prices and have been experienced various interruption, from monopolies, such as trade restriction practice or enforcement of controlled prices. Especially, after "the energy crises", the wholesale capitals threatened to stop oil supply to us, if we don't admit unreasonable price raising. Taking self-guard measures such as import of kerosene etc., many cooperatives had developed the movement such as petitions, negotiations with wholesaling capitals and exposure of unjust cartels all over the country. As a result, the Government was obliged to freeze the upper limit price of kerosene, prosecute oil industries, and we could maintain the lower prices and get trust among consumers. In spite of only 1% of our retail market share, at present the national price of kerosene can't be decided without reference to that of cooperatives. Thirdly concerning rice, the main foodstuff of Japanese, we insisted that the double price system should be maintained to guarantee stable production and stable consumption and campaigned against raising

of consumer rice price, spread "the movement of use of standard-price rice" against destruction of this system through liberlization of rice circulation. Finally the production of milk has become hard by the structural cost-raising of imported animal feeds or distribution system, and its consumption began to decrease. Cooperatives have a talk with dairy farmers to deal it directly with them in order to support the stable production and consumption of milk of high quality as a people's healthy food. And through joint-purchasing (collective drinking movement) of milk in order to raise its consumption and save the distribution costs, cooperatives are playing the important role as the price leader of milk.

4 The Characteristic of Cooperatives' Retail Business

Under the control of distribution by big capitals, the originality of cooperatives is needed to win in the competitions with private capitals.

First of all we must refer to he combination of the management and the organization. Once dualism of management and organization was a dominant viewpoint of our cooperative movement, but through many experiences including "the oil crisis" we became to realize that : the organizational activities will increase turnover by members' understanding on superiority of cooperatives' goods or the ideal of cooperative movement, and on the other hand from necessity of raising turnover and the share capital, organizational activities should be strengthened. Moreover, the democratic administration of cooperatives is also important. Through the members' activities such as book-keeping of households or tests of goods, members can concretely check and make a decision of choice of goods. Indeed some cooperatives completely leave choice of goods of them to "the committee on choice of goods" consisting of members.

Secondarily the joint purchasing activities should be mentioned. At present, under the severe situations of price-raising, new cooperatives are founded one after another, and almost all of them are operating only by joint purchasing without stores. From the management viewpoint it is an useful form of supply whichoperation we can begin without great funds, and from the members' side, it brings some merits on prices by means of collective and planned purchasing. It plays an important role as a original supply system of cooperatives in the fieldof competitions with big stores.

The third characteristic is the assortment centered on perishables. Though it is necessary for cooperatives to supply the commodities which is needed for survival of consumers, onee the fields of perishables are the most weak point of chain stores because of their profit rates or qualities of goods.

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For the cooperatives, dealing with perishables is inevitable, and cooperatives with the direct managing of them can contest on even ground with private chain stores. The rate of perishable turnover in total turnover of cooperatives is 24% and that of chain stores is 17%.

Finally we mention the cooperation between cooperatives. Multilateral cooperations between consumers co-operatives and agricultural, fishery ones strengthen the position of both finance and goods aspects of cooperatives.

Through market control and integrations of producers, big businesses including multinational corporations have subordinated both consumers and farmers, but we must support our livelihood each other by the cooperation between consumers and farmers.

III Production, Importation and Wholesaling for supporting consumer cooperatives and for international cooperative trade.

1. Wholesaling of Cooperatives

The All Japan Co-operative Wholesale Society was founded as the wholesaling organisation of all cooperatives in 1958, which had developed CO-OP branded goods, and was amalgamated with J.C.C.U. in 1965. Thereafter, J.C.C.U. became the sole central organization in which organizational activities and wholesaling one are united. Wholesaling activities have steadily developed and total turnover has become 5 times in this 5 years. At present total turnover of J.C.C.U. is 238 billion yen (80 million US\$), which is equivalent to 8% of total amount of sales of all members' societies. Among them, CO-OP branded goods play an important role as consumer-controlled goods which we contract of production with the private manufacturers. The turnover of CO-OP branded goods, consisting of 193 kinds or 613 items amounts to 15.3 billion yen (51 million US\$). Though it is 5% of total amount of sales, it plays an important role in spreading and strengthening of cooperatives, upraising of members' solidarity and consciousness. CO-OP branded goods are superior to other private goods both in quality and price and have obtained consumers' trust and been a driving force of strengthening and spreading of cooperatives, because members themselves have developed, tested and spread CO-OP branded goods. As the wholesaling activities, J.C.C.U. deals with the commodities such as foodstuffs, clothes, miscellaneous goods, electrical appliances etc., and it forms among wholesale business the position of 50th in foodstuff field, 15th in soap and detergents field, 5th in miscellaneous goods field. It is intensively expected the wholesaling activities of J.C.C.U. to spread its items and quantities in response to increasing needs of unit cooperatives and their members, and to develop to the enough scale to support its members' societies. At present, it is needed on the premise to strengthen the managing constitution of unit societies and collaboration among them.

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2. Co-operatives and Production

As in almost all types of industry monopolies have been formed, a few big businesses have controlled the market.

It is very difficult for such undertakings as cooperatives to participate in production and the original market. Because monopolies have already seized the route of raw materials and have their production at large scale.

Nada-Kobe Cooperative Society is the sole society with own factories, where goods of 1.8 billion yen (6 million US\$) are produced in a year, centered on foodstuffs such as bread, noodle, soyabean cake and so on. On the other hand, CO-OP branded goods of J.C.C.U. are produced by private manufactures according to our specification. In the midst of extraordinary situation and making use of the chance so-called "oil crisis", big businesses made a sellers' market by supply control and price up-raising. As the direction of the future in production, we think it wise to order our co-op branded goods to the 2nd class manufacturers as before.

3. Cooperatives and Foreign Trade

At present 6 big trading concerns 'Sogo-shosha' have monopolized 50% of foreign trade in Japan, and their monopoly in importing foodstuffs and raw materials makes their speculation on goods easy. These concerns are playing an important role of a spearhead of 'Japanesemonopolies' advance into abroad utilizing their gigantic capitals and organizations and as the multinational corporations give serious influence on the economy of the Asian countries.

In this meaning, the international cooperative trade is considered important to protect the lives of the peoples in the region.

Under these circumstances, on the basis of the resolution of ICA 19th Congress, "Co-optrade Japan Ltd", former Japan Co-operative Trading Co., Ltd. was founded as a foreign trade department of J.C.C.U. in 1956 outside of it. Because the present "Consumers' Livelihood Co-operative Law" prohibits cooperatives from selling any goods to non-members. "Co-optrade Japan Ltd" has been developing the foreign trade, starting from the businesses with the Centrocoyus of U.S.S.R., and now has dealings with cooperatives or the trading corporations of U.S.S.R., China, Canada, U.S.A., Australia, Asia Europa etc. It contributes so much to counterning

the multinational corporations and strengthening solidarity among world cooperators and to world peace accordingly, through economical exchanges among cooperatives.

The sales turnover of Co-optrade went up to 7 billion yen (23.3 million US\$) in 1973, consisting of 6 billion yen of amount of import and 1 billion yen of amount of export. The sales amount to cooperatives goes up to 1.2 billion yen (4 million US\$) 20% of amount of import, and the other 80% is sold to general dealers. The rate of sales with cooperatives is increasing according to needs of cooperatives. Aiming at development and importation of goods which can be respond to cooperatives' demands under supply-deficit, Co-optrade Japan Ltd is going to import foodstuffs from Asia, U.S.A., or kerosene and give full play to functions as a foreign trade department of cooperatives.

On the other hand, Nada-Kobe Cooperative is importing the foods from Asian countries and Australia, too. It developed the beef cattles by financing an Australian corporation and imported 1000 cattles in 1973. It also imported onion, lettuce, celery, lemon from U.S.A., onion, cabbage, carrot from China, onion from Spain, New Zealand and sold at cheaper prices by 20-40%.

So, it is necessary for us to collaborate further with overseas co-operatives for the safe-guard of the people in spite of the present difficult situations of foreign exchange.

NIPPON SEIKATSU KYODOKUMIAI RENGOKAI

(JAPANESE CONSUMERS' CO-OPERATIVE UNION)

TELEGRAMS: CONSUMUNION TOKYO
TELEPHONE: TOKYO (404) 3231

HEAD OFFICE: SEIKYO-KAIKAN, 1-13.4 CHOME,
SENDAGAYA, SHIBUYA-KU,
TOKYO, JAPAN

Statistics of Consumers' Co-operatives in Japan

Following figures are those which are affiliated with
the Japanese Consumers' Co-operative Union (J.C.C.U.)

(As of March 31)
1974

↑73/72
= (%)

| | | |
|--|--------------|-------|
| Number of consumers' co-ops | 572 | |
| Number of prefectural unions | 33 | |
| Number of national federations | 4 | |
| | (Thousand) | |
| Retail turnover (store) | ¥322,685,385 | 133.1 |
| (Restaurant and others) | 30,517,654 | 153.9 |
| Total | 353,203,039 | 134.7 |
| Individual members | 4,034,480 | 112.9 |
| Numbers of "Han" groups (Neighbourhood) | 64,381 | 149.2 |
| Members organized in "Han" | 625,663 | 118.0 |
| Total sharecapital of co-ops | 18,816,833 | 124.8 |
| Number of co-op stores | 1,575 | 117.0 |
| Number of employees | 27,348 | 110.6 |
| Turnover of J.C.C.U. (Wholesale) | 23,871,000 | 141.0 |
| Number of co-op branded goods | 193 kinds | |
| | 613 items | |
| Turnover of co-op goods (64 % of the total) | 15,300,000 | 173.9 |

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(Table No.1) Statistics of Japanese Consumers' Co-operative Union
(NISSEIKYO)

| Fiscal years | | | | | |
|-------------------------------|-------------|----------|----------|----------|----------|
| | 1969 | 1970 | 1971 | 1972 | 1973 |
| | (¥ Million) | | | | |
| Turnover (Revenue) (Total) | (6,893) | (10,831) | (14,852) | (17,032) | (24,018) |
| Wholesale | 6,823 | 10,744 | 14,753 | 16,900 | 23,871 |
| Publication | 24 | 30 | 30 | 48 | 51 |
| Guidance | 3 | 4 | 5 | 6 | 5 |
| Subscription | 43 | 53 | 64 | 78 | 91 |
| Share capital | 93 | 128 | 235 | 402 | 521 |
| National Federation | 3 | 3 | 3 | 3 | 4 |
| Prefectural Union | 28 | 28 | 29 | 31 | 33 |
| Unit society | 475 | 506 | 531 | 556 | 599 |

(Table No.2) Statistics of Co-operade Japan Ltd. (¥ Million)
(Trading department of Japanese Consumers' Co-op. Union)

| | 1969-1970 (Mar-Apr) | 1970-1971 (Mar-Apr) | 1971-1972 (Mar-Apr) | 1972-1973 (Mar-Apr) | 1973-1974 (Mar-Apr) |
|---------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Sales turnover (Total) | (2,740) | (2,928) | (3,993) | (4,442) | (7,109) |
| Amount of export | 1,115 | 1,269 | 2,064 | 1,581 | 1,362 |
| Amount of import | 1,325 | 1,592 | 1,858 | 2,815 | 5,669 |
| Domestic trade | 70 | 68 | 71 | 45 | 77 |
| Share capital | 50 | 50 | 50 | 50 | 50 |

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(Table No.3) No. of Societies and Membership

| | Total | No. of Societies | | Membership | |
|-----------|-------|------------------|----------|------------|-------------|
| | | Functioning | Inactive | Total | Per Society |
| Mar. 1967 | 1618 | 1225 | 393 | 8174 | 6892 |
| 1968 | 1623 | 1212 | 411 | 9313 | 7933 |
| 1969 | 1593 | 1213 | 380 | 10085 | 8605 |
| 1970 | 1656 | 1255 | 401 | 11721 | 9340 |
| 1971 | 1669 | 1248 | 421 | 12661 | 10524 |
| 1972 | 1702 | 1249 | 453 | 14258 | 11416 |

(Table No.4) No. of Socs. and Membership by Types of Business

| | | No. of Socs. | Membership (Thousand) |
|---------------------|---------------------|--------------|--------------------------|
| Supply | Supply only | 616 | 2690 |
| | Supply & Service | 352 | 1884 |
| | Supply & Insurance | 4 | 170 |
| | Supply & Others | 12 | 635 |
| | Sub. Total | 984 | 5379 |
| Service & Insurance | Service only | 139 | 362 |
| | Insurance only | 72 | 7915 |
| | Service & Insurance | 6 | 602 |
| | Sub. Total | 217 | 8879 |
| TOTAL | | 1201 | 14258 |

(Table No.5) Amount of sales

| Fiscal year (Apr.-Mar.) | No. of Socs. | Total amount of sales(¥ Million) | Rate of increase against previous year |
|----------------------------|--------------|-------------------------------------|--|
| 1966-1967 | 969 | 112,717 | 112% |
| 1967-1968 | 969 | 128,177 | 114 |
| 1968-1969 | 9950 | 149,395 | 117 |
| 1969-1970 | 1213 | 173,196 | 116 |
| 1970-1971 | 994 | 217,145 | 125 |
| 1971-1972 | 9984 | 306,962 | 141 |

(Table No.6) Amount of sales by Types of Commodities

| Commodities | Amount (¥Million) | Rate of composition | Rate of increase against previous year |
|-----------------|----------------------|------------------------|--|
| Foodstuffs | 141,168 | 46.0 | 149 |
| Clothes | 31,953 | 10.4 | 131 |
| Utensils | 31,307 | 10.2 | 154 |
| Land & Building | 30,186 | 9.8 | 168 |
| Others | 72,348 | 23.6 | 122 |
| Total | 306,962 | 100.0 | 141 |

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(Table No.7) No. of socs. and turnover by service societies

| Types of Services | No. of Socs. | Amount of Services (¥ Million) | % ±72/71 |
|-------------------|--------------|-----------------------------------|----------|
| Hair dressing | 145 | 486 | 103.8 |
| Restaurant | 1189 | 11,011 | 112.7 |
| Cleaning(Laundry) | 68 | 156 | 92.6 |
| Medical | 87 | 12,667 | 137.5 |
| Public bath-house | 22 | 92 | 135.3 |
| Housing | 18 | 248 | 236.2 |
| Pawn shop | 5 | 78 | 13.8 |
| Others | 188 | 12,634 | 180.8 |
| Total | 722 | 37,375 | 136.7 |

(Table No.8) Medical services

| No. of socs. | No. of hospitals | No. of clinics | | | No. of doctors | No. of nurses | No. of beds |
|--------------|------------------|----------------|--------------|-------|----------------|---------------|-------------|
| | | with beds | without beds | Total | | | |
| 85 | 35 | 27 | 56 | 83 | 386 | 1,566 | 3,765 |

(Table No.9) Mutual insurance business

| Types of Insurance | NO. of socs. | Total premium (¥Thousand) | Total payment (¥Thousand) | Rate of payment |
|----------------------------|--------------|------------------------------|------------------------------|-----------------|
| Fire Insurance | 77 | 8,858,401 | 2,768,505 | 31.3 |
| Life Insurance | 13 | 4,399,105 | 3,249,087 | 73.9 |
| Traffic accident Insurance | 54 | 1,934,509 | 841,681 | 43.5 |
| Other Insurance | 52 | 5,402,786 | 3,941,741 | 73.0 |
| Total | 90 | 20,594,801 | 10,800,951 | 52.4 |

(Table No.10) Amount of borrowing by sources of supply

| Source of supply | Amount of borrowing (¥ Million) | Composition % |
|---------------------------------|------------------------------------|---------------|
| Labor Bank | 37,308 | 41.9 |
| Corporate | 148 | 0.2 |
| Pension Welfare | 14,859 | 16.7 |
| Commercial Bank | 13,566 | 15.3 |
| Co-op Debenture Companies | 10,801 | 12.1 |
| | 543 | 0.6 |
| Peoples Finance Corp. | 98 | 0.1 |
| Other (incl. Local Public Org.) | 11,626 | 13.1 |
| Total | 88,945 | 100.0 |
| No. of socs. | 765 | |

*Source: Annual consumers co-operative Survey by the Ministry of Welfare (All tables above are as of March, 31 1972)
This survey also covers those societies which are not affiliated with the J.C.C.U.

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ASIAN CONFERENCE ON CONSUMER
COOPERATION

KUALA LUMPUR (MALAYSIA), OCTOBER 23 - 25, 1974

Country Paper

on

The Role of Consumer Cooperatives
In Consumer Protection With Special Reference to the Rise
in the cost of living

presented by

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The Role of Consumer Cooperatives in
Consumer Protection with Special Reference
to the Rise in the Cost of Living

INFLATION AND THE HIGH COST OF LIVING

Malaysia had enjoyed a very long period of relative price stability until early Seventies. From the end of Korean War Boom of the early 1950s through the end of 1960s, retail prices on average rose by less than one per cent per annum. With the start of 1970s Malaysia experienced an accelerating rate of inflation which in turn increased the cost of living. The rate of price increase in Peninsular Malaysia was 1.6 per cent in 1971, 3.2 per cent in 1972 and 10.0 per cent in 1973.*1 This comparison shows that the current rate of inflation is very startling indeed. Although the rate of inflation in Malaysia may be considered moderate in comparison with many developed and developing countries, it is not easy for the Malaysian society to adjust itself smoothly and quickly to conditions of rapidly rising prices.

The increase in consumer prices has not been uniform in pattern. The consumer price index shows that while other goods and services have markedly spiralled between 1971 - 1973, prices of foodstuffs which form the largest components of the 100% index, rose staggeringly 15% high between June 1972 and June 1973, compared to some 3 per cent in 1971 - 1972. *2 The impacts of the sharp increase in prices of foodstuffs have heavily burdened the family budgets and have been most felt by the lower income group. Thus the acute inflationary trends which reduce the purchasing power of consumers have resulted in high cost of living.

The causes of inflation may be attributed to various factors both internal and external. The world-wide rise in prices and the tendency for the Malaysian economy to import inflation is one of the major causes. The ratio of imports to national income for Malaysia was about 43 per cent in 1973. *3 The food shortages and the recent energy crises may also contribute to its excessiveness. Government taxation in the form of tariffs and salestax have apparently altered the position of relative price stability in the country. The malpractices such as hoarding and speculation on the part of the private sector have enhanced the unproportionate price spiral.

The economists have seen it in the broader and deeper aspect of the causes. The rapid and accelerated expansion of money supply which rose to 57% between June 1970 to June 1974 *4 due to the fast/^{economic} growth in the country and the surpluses in the balance of payment have contributed immensely to the internal inflationary situations.

Whatever the causes of inflationary problems, measures taken by government alone either by legislation such as/^{price} control, anti-hoarding action etc, or by anti-inflationary monetary and fiscal policies, may not be effectively resolved. One cannot overlook the fact that while the New Economic Policy in Malaysia which has started to be effected in line with the Second Malaysia Plan in 1971 aimed at the eradication of poverty by raising income levels and to correct economic imbalance among all Malaysians the uncontrolled and accelerated cost of living will frustrate the development objectives and will ultimately make it ineffective.

ROLE OF CONSUMER COOPERATIVES

It can now be seen that in parallel with the government measures, the consumers themselves have a big part to play in easing the inflationary pressure. With this objectives, consumer associations have been set up in all states of Peninsular Malaysia with the national body at the summit. They set up a few distribution centre which are mostly situated in big cities and towns and cater majority for the higher income group which form a relatively small component of the populace.

It is felt that the actual process of checking the price rise would achieve a greater degree of success with the involvement both direct and indirect contribution from and participation of the greatest number of people. The means of checking and stabilising the rising prices hinge largely on the involvement and participation of the populace and therefore, the cooperative movement which is essentially people's movement is potentially a source of "power" which should be actively generated.

BACKGROUND AND HISTORY

The Consumer Movement forms an integral part of the overall structure of the Cooperative System in this country. Yet this aspect of the Movement may be said to be only comparatively recent growth.

From available records there were only 2 Consumer Societies in the country in 1941. The first consumer society registered was the Ulu Langat Malay Cooperative Shop Society in

in 1936. During the period between 1941 - 1950, the progress in the development of this aspect of the movement was slow and haphazard. By 1950 there were only 21 consumer societies on the register.

There was a sharp increase in the number of retail consumer societies in the country. The number rose from 21 in 1950 to 164 in 1951. This number eventually increased to its peak in 1956 with 248 societies on the register. The total business turnover of these retail consumer societies in 1956 amounted to about \$23.5 million.

The reason for this phenomenal development was Government's interest in consumer cooperatives expressed in the form of active encouragement and financial and other assistance such as acquiring premises and the monopolistic rights to stock and sell certain essential foodstuffs in food-restricted areas declared "black" under the Emergency. Earlier on the Korean War and the Suez Canal Crisis had already caused shortage of essential consumer goods in the country. To control the movement and sale of these goods, only cooperative shops and stores were licensed to sell them in the black areas because these shops and stores could be easily inspected.

Thus the growth of the cooperative consumer movement in this country during the 1951 - 1956 period was an imposition from the top resulting from the hasty implementation of Government policy. Its expansion was therefore without adequate preparation of the ground work necessary for its healthy development.

To make matters worse for the cooperative shops and stores, when conditions in the country returned to normal in 1960, Government terminated all privileges, protection and assistance. The consumer cooperatives, born under pressing circumstances and having lived a few years of unnurtured infancy, were left to fend for themselves in competition against well-established and skilled private enterprise. The resultant failure was therefore inevitable.

PRESENT POSITION AND SETBACKS

The statistical figures for Consumer Cooperatives Societies in Peninsular Malaysia as at the end of 1972 is as follows:-

| Type of Societies | No of Socs. | Membership | Share Capital | Total Resources | Purchase | Sales |
|-------------------|-------------|---------------|------------------|------------------|-------------------|-------------------|
| | | | \$ | \$ | \$ | \$ |
| Single purpose | 123 | 33,540 | 1,152,692 | 4,471,489 | 11,792,401 | 13,001,410 |
| Multipurpose | 110 | 34,498 | 2,203,768 | 5441,683 | 10,722,043 | 11,321,991 |
| Total | 233 | 68,038 | 3,356,460 | 9,913,172 | 22,694,444 | 24,323,401 |

(Source: Dept of Cooperative Development).

The 1956 figures of 248 societies and turnover of \$23.5 million compared to that of 1972 of 233 societies and turnover of \$24.3 million, it could clearly be seen that the consumer movement had hardly made any head way at all.

The set up of the Consumer Movement in Malaysia had been developed along the following distinct sectors:-

1. Shops in Malay Kampung
2. Stores in Places of Employment
3. Stores in Chinese New Villages
4. Stores in Urban Areas
5. Shops in Land Development Schemes

In all the above sectors, the main causes of the setback and the **unsatisfactory** state of affairs of the majority of the retail consumer societies have been attributed to the following factors:-

- a) Excessive granting of credit without effective recovery safeguards,
- b) Inefficient or dishonest managers,
- c) Lack of sufficient working capital,
- d) Disloyalty of members,
- e) Indifferent or incompetent committees of management,
- f) Unfair external competition,
- g) Bad accounting
- h) Unjustifiable leakage.

OTHER PROBLEMS

Amongst other problems that contribute to the drawback of the consumer cooperatives, the following factors are widely cited:-

1. High purchasing price of goods.
2. Poor goods assortment.
3. Poor procurement methods.
4. Lack of patronage by members.

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5. Insufficient volume of business.
6. High management and administrative costs.

THE NEED FOR CONSUMER COOPERATIVES

The present need of the consumer^{cooperatives}/at the time of fast rising of the cost of living is based on the real struggle to protect and safeguard their own economic interest - in other words, to survive against high costs and low purchasing power. Unlike the way the consumer cooperatives were set up at the off-set of the movement which was motivated from top-down, the need for consumer cooperatives now is based to the full extent on consumer protection against unduly high profit seeking private business organisations where foul play by cunning and unscrupulously raising the prices which swells further the inflationary pressure, cheating in weight and measures and adulteration of goods which are inevitable.

With the fast rising cost of living, the consumer movement should essentially be considered as an important component part of our cooperative structure, and accepted to be an immediate measure to combat and check the price rise of consumer goods, thus having appreciable impact on the cost of living index in the country. It is therefore necessary now than ever that our movement be fully strengthened and its development be expanded to cover not just a meagre portion of the populace but as far as possible a greater number of to reach consumers in all sectors. It is felt that a new strategy in developing the Malaysian consumer movement is essential. Past problems and setback that had bottlenecked our progress should be remedied henceforth.

Of late, consumer movement here had entered a new era of progress whereby bold ventures into chain stores, supermarkets and minimarkets have been established. The Shamelin Cooperatives so far have established a member of branch stores in many towns and kampung in Peninsular Malaysia. The Malaysian Cooperative Supermarket Society had put up remarkably sophisticated Supermarkets and distribution centres. A Cooperative Consumer Society in Malacca is undertaking bulk supplies to local cooperative shops, and in Perak a secondary society with more than twenty primary societies of various types as its members namely the Gabungusaha, is also carrying out bulk supplies to its local members. The Ushajaya with its area of operation covering the state of Selangor is doing well and its main store in Petaling Jaya is entering into a supermarket system of operation.

To sum up it can be said that between 50 to 60 per cent of the consumer cooperatives are doing well and viable. However, as a whole, and in comparison to the private sector, consumer cooperation has not made much head way and therefore little economic impact. There is, therefore a scope for expansion which need priority treatment.

FORMATION OF A NATIONAL CONSUMER ORGANISATION

A wholesale organisation known as the Malaysian Cooperative Wholesale Society (MCWS) with a view to supplement the steps in the operation of retail shops was established in 1949 with initial membership of 7 consumer societies and a working capital of \$3,200/=. In 1968 the MCWS thrived with expanded membership of 122 societies and working capital of \$2,015,017. It received financial assistance from Government and had played

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an effective role as a wholesale organisation in supplying the retail consumer societies throughout the country with goods and commodities at reasonable prices. Unfortunately the MCWS **dwindle** due to the burden of overdue and unrecoverable loans given to its members. The Government approved a write off of \$1,138,482.90 of the loan. It is now a dormant society although efforts to revive it had been attempted.

As one of the problems of our consumer cooperatives is the procurement of goods which are normally obtained from local private enterprise at higher price, it is felt that a national consumer cooperative be set up to undertake bulk purchase and sales, import and export and ultimately manufacture consumer goods. The **National Consumer Cooperative** will also aim at uniting the individual primary consumer societies. Towards this integrated approach, a national seminar on consumer cooperation was organised by ANGKASA which was held in February last.

The seminar had resolved that a National Consumer Cooperative be set up. The idea is to form one single society at the national level with area of operation the whole of West Malaysia. Cooperative Societies, either urban or rural would be eligible for membership to this consumer organisation. The main objective is that this organisation will establish warehouses and distribution centres. It will also encourage and sponsor formation of new consumer societies. In such a set up the society will be able to channel goods to its members obtained direct from the producers. The consumer cooperatives will therefore be assisted by the organisation particularly on such functions as goods procurements, distribution and assortment, etc.

Similarly also such assistance can be rendered to rural multi-purpose societies. In addition the organisation will be working in close cooperation with government sponsored agencies like PERNAS, SEDCs, State Trading Corporations, UDA and MARA, etc, particularly in the fields of goods procurements and of obtaining suitable sites for distribution centres and warehouses.

At the moment, a survey is being done by ANGKASA to determine the viability of the project of the proposed National Consumer Cooperative which is expected to be launched this year or early next year. With the experience of the new defunct Malaysian Wholesale Cooperative Society (MCWS) which had come to a dead end due to various reasons, one can expect that the organisers of the proposed National Consumer Cooperative will be more cautious in their attempt and implementation.

In conclusion, the attempt in strengthening the primary consumer movement could be better achieved if viable urban societies with available funds would consider venturing into the consumer field.

It is also recommended that the growth of the consumer cooperatives be assisted financially and technically and its sustenance must be ensured by close supervision.

The set up of more new cooperatives shops and stores to cover a greater part of populace in all sectors should be organised and established immediately. The government agencies such as UDA, MARA, PERNAS, SEDCs, LPN, and the like should give all support and cooperation in the setting up of the consumer organisations in the way of making available infrastructures, licences, supply of

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of goods and credit facilities.

The government of Malaysia should continue in a more effective way its grants for payment of salaries of managers of shop societies.

Steps should be taken to train managers, workers and accounting clerks in order to provide efficient management and administrative machinery of the societies.

Assistance from ICA should be obtained in giving expertise to probe into our movement with a view to recommend steps to correct all the past problems and setbacks.

The proposed National Consumer Cooperative Society should be given all support by all cooperatives.

Sekretariat ANGKASA.

22nd October, 1974.

Sources

- *1 Treasury Economic Report 1973/1974
- *2 ~~Department of Statistics~~ Malaysia
- *3 Economic Report 1973/1974
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ASIAN CONFERENCE ON CONSUMER COOPERATION, KUALA LUMPUR, MALAYSIA

JAYA PURI, PETALING JAYA, MALAYSIA - OCTOBER 23-25, 1974CONSUMER COOPERATION IN PENINSULAR MALAYSIAHistory:

- The Consumer Movement forms an integral part of the overall structure of the Cooperative System in this country. Yet this aspect of the Movement may be said to be only of comparatively recent growth. Unlike the other sectors of the Cooperative Movement in the country such as Credit, Processing and Marketing Societies, whose development had been gradual and had spread over a period of years, the actual promotion of the Consumer aspect had been one of forced growth resulting from measures of deliberate policy on the part of the Government as a consequence of internal and external stimuli.
2. As far as could be ascertained from records available, there were only 2 Consumer Societies in the country in 1941. The first Consumer Society registered was the Ulu Langat Malay Cooperative Shop Society in 1936. During the period between 1941 - 1950, the progress in the development of this aspect of the movement was slow and haphazard. By 1950 there were only 21 consumer societies on the register.
3. In 1951, there was a steep rise in the prices of essential consumer goods and in the cost of living index in the country on account of the Korean War, the Suez crisis, and the Emergency in the country. At that time not only was there a general shortage of essential consumer goods but there was also much adulteration of goods and cheating in weights and measures. Importation of goods was also interrupted. Black marketing and profiteering became rampant and rife. The cost of living was soaring rapidly. Government was concerned at the possible hardship and discontent which might result. As a remedial measure, the Government decided to promote and encourage the development of the Consumer Movement as a means of checking and stabilising the rising prices of essential consumer and other goods in the country.
4. Another factor which accounted for the acceleration of the development of these Consumer Cooperatives was the "special position" the Government conferred on the Movement with regard to the sale of certain essential articles of foods in certain areas declared "black" under the Emergency regulations. Under a system of strict control, permission was only given to Cooperative stores and shops which were more amenable to regular supervision and inspection by Officers of the Department of Cooperative Development to carry, stock and sell essential foodstuffs in the food-restricted areas, particularly in the Chinese New Villages and other rural areas.
5. In order to stimulate the rapid growth of retail consumer societies in the country, the Government not only actively encouraged the establishment of these Cooperatives, but also gave financial and other assistance to the newly established societies to enable them to build or acquire premises, for stocking, for payment of salaries and also in meeting certain initial overhead expenses.
6. As a result of the direct and active encouragement by Government, there was a sharp increase in the number of retail consumer societies in the country. The number rose from 21 in 1950 to 164 in 1951. This number eventually increased to its peak in 1956 with 248 Societies on the register. The total business turnover of these retail consumer societies in 1956 amounted to about \$23.5 million.

7. It could thus be seen that the rapid growth of the Consumer Movement from 1951 onwards was more an imposition from the top on account of external and internal circumstances and was not based very much on the spontaneous desire of the people themselves. In other words the consumer movement in this country may be said to have developed and expanded without an adequate preparation of the ground work for its healthy growth due to the urgency of the time factor.

Types of Consumer Societies:

8. Due to the set-up of the Malaysian Society, the Consumer Movement had been developed in the following distinct sectors:-

- (a) Shops in Malay Kampongs
- (b) Stores in Places of Employment
- (c) Stores in Chinese New Villages
- (d) Stores in Urban Areas
- (e) Shops in Land Development Schemes

Malayan Cooperative Wholesale Society Limited:

9. To assist the retail consumer societies in the country to obtain and sell their essential consumer goods at fair and reasonable prices commensurate with quality, the Malayan Cooperative Wholesale Society Limited named in short as the M.C.W.S. Ltd. was established in 1949 with a founder membership of 7 retail societies and a working capital of \$3,200.00.

10. At the outbreak of the Korean War followed by the Suez crisis the Government decided to strengthen the Malayan Cooperative Wholesale Society Limited with financial assistance to enable it to play a more effective role as a wholesale organisation in supplying the retail consumer societies throughout the country with goods and commodities at reasonable prices.

11. The Malayan Cooperative Wholesale Society Limited received from the Chartered Bank on the Guarantee of the Government an overdraft of \$1,700,000.00 at an interest rate of 5% per annum. In June 1955, this overdraft from the Bank was transferred to the Treasury at a revised rate of interest of 3% per annum. In addition, the Government agreed to lend to the Society up to \$300,000.00 at 3½% per annum to be issued as and when required.

12. Write-off: Because of the trading practice in this country, the M.C.W.S. Ltd. had to give extended credit to its member societies in the same way as the retail societies had to give credit to their members. Unfortunately, the retail societies were unable, on account of various factors, to meet their obligations to the M.C.W.S. Ltd. due to their inability to collect debts given out to members and non members. As a result the M.C.W.S. Ltd. found itself burdened with sundry debts amounting to \$1,406,332.00 by 1953 of which a sum of \$756,745.00 was overdue. Government accepted a certain amount of responsibility and in 1959 approval was given to write-off an amount of \$1,138,482.90 due from the M.C.W.S. Ltd. to the Government.

13. In 1961, the Federal Land Development Authority came into being and this created an opening for the M.C.W.S. Ltd. to improve itself. To supply the settlers with their essential daily requirements in the early phase of their settlement, the F.L.D.A. and the M.C.W.S. Ltd. entered into an agreement whereby, pending the establishment of Co-

18. With regard to (a) excessive granting of credit without effective recovery safeguards, except where full deductions are made from paysheets or against deposits made, all credit given should be tied up with marketing. In other words, there must be a link-up between credit given to a member of a retail consumer society and his obligation to sell his produce through the society. This is opined as the only way to ensure the effective recovery of dues given out by retail consumer societies in the rural sector in the country.

19. With regard to (b) Inefficient and dishonest managers, this problem could be solved by training up a cadre of efficient management personnel, and also requiring all managers to provide adequate collateral security on appointment. It is necessary also for managers in retail consumer societies to be paid reasonable salaries in order to minimise the temptations of dishonesty on their part. As regards the training of such management personnel, the Co-operative College could assist in this respect.

20. With regard to (c), Lack of sufficient working capital, it would be necessary either for the Government or the Urban Sector of the Movement to assist to a certain extent till such time as sufficient liquid funds are built up by these societies. Particularly in the rural areas, the possibility of acquiring sufficient working capital to operate retail consumer societies efficiently and effectively is very slim in view of the present economic condition of the rural population.

21. As regards (d) and (f) Disloyalty of members and unfair external competition, these problems could only be satisfactorily solved through a sustained and systematic method of member education and for this task adequate financial and personnel resources would be required.

22. As regards (e), Indifferent and incompetent committees of management, this again could be rectified through education and proper training and also by providing some incentive to the committees of management. The days of full time honorary service are over and it is only fair and proper that Co-operators should be compensated to some extent for loss of time and earnings in serving their societies.

23. With regard to (g) Bad accounting, the solution would lie in building up a corps of book-keepers from the rural areas. Alternatively, such expertise could be obtained from the urban areas but the problem would be whether the majority of the retail consumer societies in the rural areas could afford to pay for such services in view of their relatively small volume of business. Here again, if a link up between consumer and marketing activities could be effected in consumer societies, incomes would be further increased and thus the employment of experienced paid staff made possible.

24. With regard to (h), Unjustifiable leakages, the only effective solution to this problem is to make it compulsory for all consumer societies to adopt a proper system of stock control acceptable to the Department of Cooperative Development. This is very essential if unnecessary and unjustifiable losses which are now believed to be so rampant in most of the retail consumer societies in the country are to be avoided.

25. Conditions for success:

From what have been stated above, it is apparent that the following conditions must be in existence for retail consumer societies in this country to have a reasonable

operative shops by the settlers themselves, the latter would operate a retail branch on each of the Schemes for the convenience of the settlers. In this activity, the Government gave another loan of \$500,000.00 to the M.C.W.S. Ltd.

Operation During Korean War and Emergency:

14. During the period of the Korean War and the Emergency in the country, the majority of the retail consumer societies were able to operate fairly satisfactorily, economically and efficiently. This was no doubt largely due to the presence of several factors to their advantage at that time such as control by the Movement of certain essential foodstuffs, monopolistic control of certain commodities and the restriction in the issue of certain licences for dealing in essential commodities by the Authorities.

Effect of Ending of Korean War and Emergency:

15. The cessation of the Korean hostilities and particularly the ending of the Emergency in 1960 however saw the lifting of many control restrictions in the stocking and selling of essential foodstuffs by the Authorities coupled with the resumption of inflow of imported goods into the country and these resulted in the retail consumer societies in the country having to meet with increasingly keen and often unfair competitions from the many private shops which sprang up like mushrooms all over the country particularly in the rural areas. This state of affairs naturally greatly affected adversely the operations of the retail consumer societies financially and in their business activities. Members began to take advantage of the situation and refused to pay their dues to their societies, and when pressed to do so would take their patronage elsewhere to the many private shops which were only too glad to accommodate them. Disloyalty began to set in and other defects began to appear resulting in a rapid deterioration of the state of affairs of most of these societies. The extent of the effect could be judged from the fact that the total volume of business turnover in respect of the New Village Stores alone dropped from more than \$6 million in 1952 to about \$3 million in 1961 after the ending of the Emergency. By the end of 1962 the number of retail Consumer Societies had dropped to 204 from 248 in 1956 and most of the existing ones were not functioning satisfactorily and economically.

Problems:

16. Generally speaking the following are among the main causes for the unsatisfactory state of affairs of the majority of the retail consumer societies in the country:-

- (a) Excessive granting of credit without effective recovery safeguards;
- (b) Inefficient or dishonest managers;
- (c) Lack of sufficient working capital;
- (d) Disloyalty of members;
- (e) Indifferent or incompetent committees of management;
- (f) Unfair external competition;
- (g) Bad accounting;
- (h) Unjustifiable leakages.

17. It is obvious therefore that if the retail consumer societies in this country are to have a reasonable chance of success and to have an appreciable impact on the cost of living index in the country, the causes enumerated above would have to be eliminated or at least their effects considerably reduced.

5. Need for Consumer Cooperatives

There is a great and urgent need for a strong consumer cooperative movement in the country. From the experiences of successful consumer cooperatives in countries in Europe, the Americas and Asia, it is obvious that if consumer cooperation is to have a reasonable chance of success as well as an appreciable impact on the cost of living index in the country, the Cooperative Movement should consider seriously the introduction of consumer cooperative supermarket operations.

6. There is a school of thought as to the advisability of launching in consumer cooperatives in a setting where there is a large number of retailers among whom competition is keen and who operate on rather low margins due to low overheads as well as low cost of family labour. Against this can be cited the growing number of successful private supermarkets.
7. Consumer cooperatives have an important role to play in order to counteract the malpractices and inefficiencies of private retailers and to protect and further the consumer interests of the workers. On account of the great potential contributions which consumer cooperatives can make to the solution of the consumer problems of workers, it is essential that consumer cooperatives should be developed, and considerable scope exists for effecting this with the concerted and combined efforts of cooperative societies in Peninsular Malaysia which have an individual membership of 652,697 with assets worth \$482 million at the end of 1971.
8. Recognising this urgent need to participate more effectively in consumer activities, the cooperators at the 32nd All-Malaysia Cooperative Conference held in Johore Bharu in April 1970 unanimously passed a resolution to establish a national cooperative Supermarket Society.

The CUM took steps to implement the 1970 resolution by sending cooperative leaders for training in consumer cooperation in Sweden in 1970 and 1972 and made feasibility studies on the running of the supermarkets in Malaysia on cooperative lines with the aid of ICA/SCC specialists on consumer cooperation. A committee was formed to organise the formation and inauguration of the Malaysian Cooperative Supermarkets Society Limited in June 1973. Within a couple of months the MCSS started its first outlet in Petaling Jaya, the Cooperative Emporium, in August 1973. Soon after the establishment of the first outlet, Malaysia, like the rest of the world, experienced a shortage of some essential foods, particularly rice, oil, milk and flour. The MCSS established a number of "Essential Food Distribution Centres" in Kuala Lumpur, Petaling Jaya, as well as other parts of Malaysia to counter the rapid rise in price of essential food commodities. the EFDCs became the second division of the MCSS. In May 1974, the MCSS open a large supermarket in the heart of Kuala Lumpur City.

Other developments on consumer cooperation in Malaysia are undertaken by Shemlin, a consumer cooperative society with a number of cooperative stores in rural areas and villages throughout Peninsular Malaysia, and the Malaysian Multi-Purpose Cooperative Society which plans to have a chain-store type of organisation in consumer activities.

The formation and organisation of consumer cooperation in Malaysia need to be evaluated in the light of new developments taking place. A thorough understanding of the objectives and possibilities of consumer cooperation is essential in order to create a sound foundation for this field of cooperative activities. Many consumer co-

chance of success:-

- (a) Proper control of credit and an effective recovery system;
- (b) Efficient and honest management;
- (c) Active and honest Committees of Management;
- (d) Sufficient working capital;
- (e) Loyalty of members;
- (f) Proper maintenance of necessary books and
- (g) Proper system of stock control.

NEW & RECENT DEVELOPMENTS

1. General Economic Situation

The population of Peninsular Malaysia (pop. 8,819,928 - 1970 census) with a growth rate of 3.5% per annum is increasing rapidly especially in the larger towns like Kuala Lumpur City, Petaling Jaya, George Twon City, Ipoh, Johore Bahru and Kuantan as a result of a rapid upswing in economic development, industrialisation and the migration of rural population to urban areas (30% in the next two decades). The gross national product has arisen steadily in the past few years. Though there was a small rise in wages and salaries in the public sector in the last couple of years, the recent trend of rising prices in consumer goods nullified what little additional take-home pay the worker received.

2. It can be said in general terms that the rising costs, especially in the last three years, have reached alarming proportions. With almost daily reports of price hiking of the basic commodities considerable attention has been focussed on consumer goods until Government took steps to introduce a law on price tagging on a host of consumer goods. Consumption and prices of food in general and non-food in particular are bound to increase in an increasingly affluent society much to the detriment of the poor underpaid workers who have no means to prevent themselves from exploitation by the private sector.

3. Consumer Cooperatives

Though the cooperative idea and philosophy has been in existence in Malaysia for over 50 years, the consumer aspect of the Movement is not playing a dominant and vital role in the consumer business. Consumer cooperatives in existence are small in size and are struggling hard in a losing battle with private retailers. Unlike the other successful sectors of the Cooperative Movement in the country such as Insurance, Credit, Housing and Banking, the actual formation of the consumer aspect had been one of forced growth, an imposition from the top on account of external (Korean War and Suez Crisis) and internal (Emergency) circumstances resulting in financial failures and disenchantment by those it purported to serve.

4. Role of Consumer Cooperatives

The consumer aspect of the Cooperative Movement has a definite role to play in the economic and social upliftment of the workers of the country. Consumer cooperatives constitutes one of the main pillars of the cooperative idea and philosophy. The consumer cooperative movement in the country, whatever its shortcomings, is an important component part of the whole Malaysian cooperative structure. Its healthy development is a necessary pre-requisite if the Cooperative Movement in the country is to succeed as a whole.

operatives are very small, and some are large. Most of them serve purely local areas while others extend over large regions and even over the whole country. They vary from single-purpose to multi-purpose organisations and not infrequently a co-operative society of one type develops into another type. It is essential at this stage in the development of consumer cooperation in Malaysia that consumer cooperatives in the country should come together to either form a federation of consumer cooperatives or amalgamate into one big organisation in order to be sufficiently competitive and effective in its objectives to serve consumers throughout the country.

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Kuala Lumpur, Malaysia

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ASIAN CONFERENCE ON CONSUMER CO-OPERATION

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Country Paper: NEPAL

COOPERATIVE MOVEMENT WITH SPECIAL REFERENCE TO
CONSUMER COOPERATIVES IN NEPAL

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COOPERATIVE MOVEMENT WITH SPECIAL REFERENCE TO
CONSUMER COOPERATIVES IN NEPAL

By: Bal Gopal Adhikari

Back-ground Information:

Nepal, also known as the Himalayan Kingdom with the Mt. Everest, the highest peak in the world, with an approximate area of 56,000 square miles and 11.3 million population, is situated between the two big neighbouring nations—China in the North and India in the South.

Economically speaking, our country has the predominance of agricultural sector so much so that about 90 p.c. directly or indirectly depend upon agriculture for their livelihood. Agriculture contributes 65 p.c. to the total national income of the country. About 75 p.c. of the total export of Nepal comprises of agricultural products like rice, Jute, sugarcane, tobacco, oilseeds etc. The average annual rate of population growth is about 2 p.c. and the percentage of economically active population is something like 55 p.c. . However, the agricultural sector is now conspicuous by a low productivity per man and acre, not due to an inherent inferiority of land and labour but due to some unfavourable conditions such as high man-land ratio, small size of holdings, exorbitant rent, insecurity of tenure, inadequate irrigation facilities, poor means of transport and communication, lack of capital and credit, defective marketing system and unstable prices conservative outlook of cultivators, lack of knowledge on the part of the cultivators of improved techniques of cultivation, short-supply of quality seed, lack of fertilizers and organic manures, inadequate use of plant protection materials, lack of improved implements, inadequate research surplus labour force, lack of productive investment, inadequate land use, lack of organization and leadership, unfavourable weather conditions, defective land tenure system etc. But productivity in land can be raised to a great extent by the application of improved means and techniques, adequate research work, productive investment and revolution in the land tenure system.

Land tenure problem, one of the major problems in the economic life of Nepal, is a chronic national problem which has affected not only agriculture but also the entire socioeconomic life of the country. Therefore the programme of Land Reforms has been implemented in Nepal since 1964 with the ultimate objective of bringing about fundamental changes in the socio-economic life of all the people depending on agriculture.

The objective of the land reform programme is to improve the living standard of the actual tillers and to provide encouragement for maximising agricultural production. To achieve these objectives in the Lands Act 1964 there are provisions of security of tenure to actual tillers, reduction of rents, acquisition and distribution of the excess lands above the ceilings among landless peasants and other deserving tenants, collection of compulsory savings for creating an alternative fund for advancing loans for short term purposes and thereby improving their economic conditions. This programme was to be implemented at the village level mainly in three phases viz. (a) cadastral survey (b) establishment of co-operative society for providing credit, supplies and marketing facilities to the farmers (c) coordinated agricultural extension services to disseminate technical knowhow for improving agricultural production. Thus the Land Reform measures and programmes of Co-operative Development assume a position of crucial importance to bring about an increase in agricultural production and a durable rise in the standard of life of the rural population.

Starting of the Co-operative Movement in Nepal:

Co-operative movement along the modern lines is of very recent origin in Nepal. It was only after the dawn of democracy in 1951 that the importance of Co-operation in the development of rural economy was realised. Accordingly in order to introduce the co-operative system a separate Department of Co-operatives was set up in 1953. The main problem faced by the Department of Co-operatives were the dearth of trained personnel in the Co-operative field, absence of a law for co-operatives and lack of an institution to finance co-operatives.

In real sense the co-operative movement in Nepal started only since 1959 along with the promulgation of the first Co-operative Societies Act, 1959. It helped in organising, running and administering Co-operative Societies of various types in different parts of the country.

Almost all the primary co-operatives are multipurpose societies, for the economic life of rural areas in Nepal is however, marked with more complex problems in respect of credit requirement. The needs of village community extend to wider areas of credit both in respect of social and cultural demands as well as purely individual circumstances. The multipurpose society attempts to solve the economic problem of the present rural economy of Nepal and therefore is regarded as the best medium for ameliorating the economic condition of peasants for the following reasons.

It serves as a centre for the general economic improvement of its members and attempts in particular (a) to finance crop production (b) to act as an agent for the sale of members' crops (c) to supply the farmers' needs for agricultural production like quality seeds, cattle-feed, improved fertilizers, agricultural implements and tools, insecticides, consumer goods like cloth and kerosene, salt and sugar on ident basis or on the basis of established needs and (d) to encourage subsidiary occupation for its members. Therefore, Nepalese Co-operative Movement is preceeding towards the development of multi-purpose societies.

Panchayat System and Co-operatives:

In 1961 the partyless Panchayat System of democracy was introduced in the Country. The fact that co-operation is one of the most appropriate instruments for socio-economic upliftment and thereby raising the standard of life of the rural population has been recognised with greater significance in the Panchayat System which aims at establishing a just society free from all sorts of exploitation and conflict. This system is directed towards class co-ordination. His Majesty's Government of Nepal under this system has accorded greater significance to co-operatives. Panchayats and co-operatives are looked upon as complementary and supplementary to each other. So the co-operative system of economy, the most suitable and the best form of economy for the Panchayat system as a method for bringing about revolutionary changes in the existing agrarian structure of the country in order to establish adjust society free from all sorts of exploitation and conflict is given a very important place.

With the launching of the "Back to the village national campaign" graciously granted by late King Mahendra, the importance of co-operatives for rural re-construction has assumed new dimensions in Nepal.

The New Programmes for Co-operative Development:

In view of our geographical disadvantage and limited resources both in terms of capital and trained personnel in the concerned field and on the basis of our past experiences since the beginning of the current five years plan His Majesty's Government of Nepal has approved and implemented some new co-operative development policy and programmes intending to mould the Co-operative Movement on such realistic approach as to make it more efficient, useful and responsive to the needs of the rural population.

The programme lays more stress on the quality rather than the number of co-operatives. It prescribes certain conditions and attributes that essentially seek to make a co-operative system economically viable and efficient. The programme does not aspire to cover the whole country and all aspects of our economy at one and the same time. Places have been selected on the basis of considered criteria. As has already been mentioned multi-purpose cooperative societies are deemed more suitable to the rural needs. Agricultural sector is given priority. The societies have to concentrate more on services required for farm operations. The area of operation and membership of a co-operative society should be so large as to make it a stronger unit. Emphasis is laid on efficient management. The guided societies are run by trained managers deputed by the Department of Co-operatives or Agriculture Development Bank. The books or account of these societies are properly maintained and periodically audited. Timely supervision, direction and inspection are exercised on them regularly. For a few years the Managing Committee of such a society is to work as an advisory capacity for the management affairs and guided co-operative society is to be managed on the advice of the Managing Committee and under the guidance of His Majesty's Government for a temporary period. Member Education camps have been launched in different districts with a view to making the members and the advisors of the guided co-operatives aware of the working, procedure, principles, objectives, importance and soon of co-operation and thereby enabling them to participate in the management of co-operatives actively in the near future. As soon as the society can be run efficiently and viably by the local people themselves His Majesty's Government and the Agricultural Development Bank will withdraw their hands from the management of the society gradually.

The guided co-operatives with the object of providing institutional credit facilities to the members at the village level and thereby increasing the agricultural production in the country and raise their living standard have the following main functions to perform.

1. To provide timely and adequate credit to the member farmers for the purchase of seeds, fertilizers, insecticides, farm implements and machineries and hired labour cost required in connection with their farming operations.

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2. To supply agricultural inputs like quality seeds, improved fertilizers insecticides, small farm machineries and equipments to the farmers.
3. To make necessary arrangements for marketing of agricultural produce of the member farmers.
4. To make available consumer goods of daily necessities to the farmers if necessary.

Accordingly, the co-operatives will have four functions to perform viz., credit, supplies, marketing and technical services. Agricultural Development Bank which has taken the responsibility of management of these guided co-operatives will be responsible for providing necessary credit based on farm plans and cash needed for sale of inputs and consumer goods.

The service of Junior Technical Assistance (JTA) to prepare farm plans for the member farmers and provide them timely technical guidance at the farm level will be made available to such societies by the Extension Department. Agricultural Marketing Corporation is providing dealership to a these societies for facilitating the sale of agricultural inputs required by the farmers in the area.

Consumer Cooperatives

Nepal is an importing country in the sense that her trade balance is deficit because of more imports and less exports. Moreover, the supply of imports has not been regular and adequate. Distribution aspect is hindered by the lack of means of transports and communication. Furthermore, malpractices with regard to sales, underweighing, adulteration etc have obstructed healthy distribution of consumption goods. Hence the importance of consumers' Cooperative societies is great.

With the objective of supplying domestic requirements of rural population, Cooperative consumers' societies have been organised for the first time in the year 1959-60.

The supply of consumer goods is undertaken by several institutions such as multi-purpose Cooperative societies, consumers' stores and Cooperative unions. In case of consumers' store society takes up only those activities as have direct relation to the retail distribution of supplies at reasonable prices and in proper weight and measure.

Quite recently realising the necessity of consumers' stores in order to successfully combat the problem of rising prices and shortages of essential goods His Majesty's Government of Nepal has encouraged the Cooperatives to open the consumer stores in different places with the provision of some necessary facilities to run the stores efficiently. The Cooperatives have obtained the dealership of certain essential commodities like edible oil, kerosene oil, salt, sugar etc from Salt Trading Corporation, and the dealership of rice from Agricultural Marketing Corporation. There is growing tendency of opening consumer stores in different parts of the country in the context of rising prices and the cost of living.

Apart from the retailing business some of the Cooperative unions have been engaged in wholesale business of consumer goods like salt, sugar, kerosene oil, edible oil, rice etc.

The following limiting factors will have to be solved in order to develop consumers movement on proper and efficient lives.

1. A central agency capable of supplying consumption goods, regularly and adequately, to the Cooperative societies dealing in consumer goods. In the absence of such an agency the consumer stores engaged in retail trade have to depend on individual wholesalers due to which the quality of goods supplied and the price structure of these goods are in no way better than those of private retailers
2. The dearth of trained management capable to run the stores. Such training is required to understand the mechanism of consumer stores and to bring efficient practices into the operation of these societies. Thus practical as well as theoretical understanding with regard to the management of consumer stores is essential and its absence is hindering the development of consumer stores.
3. The regional practice grown out of tradition and habits is another reason of ineffective performance of consumer stores. For example in the hilly region of Nepal there is a habit among people to sell their produce in the same shop from which they buy the goods of their domestic requirements. This has placed the consumers store in a very odd situation because the stores do not buy agricultural products owing to the lack of

godown facilities. Second instance is the traditional habits like the habit of buying goods with commodity rather than with cash, the habit of purchasing on credit even when the buyer has adequate money, purchasing from family's shop-keeper i.e. the shop from which generations of family have been purchasing the goods and therefore, even though the buyer knows that malpractices are there, he continues buying from that shop. This sort of traditional loyalty is one of the hindrances to the healthy growth of consumer store.

4. There are other difficulties such as the lack of roads and transport system, the paucity of finance required etc.

The solution of these difficulties is very high degree coordinated approach consisting of educational drive among the masses in regard to cooperatives together with an integrated policy of linking credit with marketing consumption with a view to make the whole structure efficient. His Majesty's Government of Nepal is therefore paying increasing attention to the task of overall Cooperative development with due stress on consumer stores. The Government is determined to bring as much relief to the low income group as possible by making available essential products which are imported from foreign countries against foreign currency as well as national products to the common man.

In spite of the fact that the problem of shortages and price rises is not a mere national phenomenon but rather a repercussion of world wide inflation and shortages of essential commodities. His Majesty's Government is determined to do everything to fight shortages artificially created to make more profits by giving incentives to Cooperatives to open consumers' stores and by taking necessary actions against the back marketers and those indulging in undue profits and creating artificial shortages.

As per the policy of regional planning and balanced development, His Majesty's Government of Nepal has followed the policy of organising and reorganising Cooperative societies in the hilly places which will deal in consumer goods. Accordingly quite a number of Cooperatives have started opening consumer stores recently.

In the fiscal year 1973-74 the total amount of consumer goods supplied by the Cooperatives is amounted to Rs.51,40,198.

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ASIAN CONFERENCE ON CONSUMER CO-OPERATION

KUALA LUMPUR, MALAYSIA, OCTOBER 23 - 25, 1974

1. THE ROLE OF CO-OPERATIVES IN CONSUMER PROTECTION.

2. THE STRUCTURE OF CONSUMER CO-OPERATIVES AT THE
RETAIL LEVEL.

3. PRODUCTION, IMPORTATION AND WHOLESALING FOR
SUPPORTING CONSUMER CO-OPERATIVES AND FOR
INTERNATIONAL CO-OPERATIVE TRADE.

PRESENTED BY

THE SINGAPORE NATIONAL CO-OPERATIVE UNION, LTD.

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THE ROLE OF CO-OPERATIVES IN CONSUMER PROTECTION

1. BACKGROUND

In Singapore consumer protection was felt as far back as the thirties when a small group of public spirited and co-operatives orientated men organised some 100 families into what was to be the pioneer of co-operative consumer movement. The group organised orders and delivery of the monthly requirements at competitive prices. However, their efforts had to be abandoned for want of official recognition from the Director of Co-operation.

The post-war period saw a group of professionals comprising lawyers, university lecturers and school teachers establish the first Singapore Co-operative Stores Society Ltd. in 1947 when black-marketeering was flourishing with impunity.

The Society's two branches-one at Fullerton Building in the heart of the commercial centre and the other at what is presently known as the Odeon Theatre located in a largely residential cum shopping area drew overwhelming responses from a rapidly increasing membership. The Society paved the way for the development of consumer co-operative movement in Singapore.

The close of the fifties witnessed a mushroom of a dozen of small co-operative stores and shops in Singapore. But the co-operative effort seemed to wane towards the sixties.

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Though lacking in momentum, the small co-operatives had made significant contribution to the co-operative movement in that they brought about a consumer awareness, and kept down the prices of goods in the neighbouring shops. It protected consumers interest in ensuring that goods purchased were of the good quality, right quantity and reasonable price.

Further development was retarded by several setbacks. The absence or lack of co-operative education to promote the principles of co-operative Consumerism brought about indifference among the membership. Besides, the co-operative movement had to compete with the introduction of credit facilities offered by private enterprises. Shopkeepers outdid the Co-operative by offering, for example, a case of aerated water for the year's purchases. The home delivery service of family-run provision shops provided another assault on the co-operative movement.

2. CONSUMER PROTECTION.

We have given you a background of our earlier attempts in consumer co-operation which unfortunately did not show any evidence of much success. We want to emphasise the word PROTECTION because our co-operators must be geared to provide such facilities, advantages and what not to protect the movement from any more failures or setbacks.

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Singapore is vulnerable and open to facing challenges which can break the morale of the co-operative consumer. Today in Singapore the co-operative consumer movement has reached a successful stage - it is expanding. But we cannot at the same time in our urbanised and affluent society fail to notice the success which private enterprises in the way of emporiums, department stores, family stores and famous names such as the Singapore Cold Storage, Fitzpatrick Supermarkets, Isetan, Yaohan all serving the Singapore Consumer.

The big groups quite naturally through their commercial intelligence will be checking almost regularly in the Co-operative consumer prices of essential articles, and then in gradual stages keen competition will follow. Others would attract co-operators with long term credit.

Therefore it is our view that co-operative Consumer education on a concentrated full-time basis must be started in Singapore. It should also include studies in enabling every co-operative householder to be aware of the prices of the essential requirements.

The role of co-operatives in consumer protection, in our opinion, can be made more effective if Societies desiring to go consumer would get together to form a central purchasing agency with facilities for warehousing and distribution.

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A central purchasing and distribution agency would undoubtedly go a long way to help Societies which are mainly managed by a full-time clerical staff and a part-time executive body in the management committee of each co-operative. The agency with modern business management techniques would assist, too, in deciding a common pricing policy without which sister co-operative societies would only succumb themselves to the whims and fancies of the irresponsible capitalists or commercial enterprises.

It is definitely unwise and unhealthy for co-operatives to compete among themselves as member-consumers would naturally like to compare prices for similar goods purchased. Co-operatives must at all times co-operate and co-exist to fight inflation, profiteering, hoarding of goods and artificial shortages of raw materials.

Bulk purchasing by a central organisation will no doubt increase and strengthen the bargaining power. The advantages are numerous and obvious. The experience gained is for the benefit of the whole co-operative consumer movement and should be treasured by all and not to be tucked away somewhere in the confines of a Society.

In this respect, the Consumer Association of Singapore has efficiently and responsibly played its role in disseminating information to the consumer public whenever cases are brought to its attention. CASE has acted/a vital media to check profiteering and with the / as co-operation of NTUC WELCOME together with the Singapore Teachers

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Multi-Purpose Co-operative Society Ltd. and others prices are generally stabilised.

The Singapore National Co-operative Union strongly encourages Societies not presently involved in consumer activities yet to take advantage of the facilities extended to them by the four NTUC WELCOME Supermarkets, and a number of Consumer Clubs set up throughout our island Republic to cater for the needs of consumers in the urban, suburban and rural areas/districts of Singapore.

It doubtlessly augurs well - and it must be advocated too - if the co-operative movements in Asian Countries would, for the protection of consumers, work closely with their Consumer Associations, related Government Departments, interested agencies and sister co-operative Societies by periodically reviewing progress achieved, co-ordinating their work and making concerted efforts to realise the same noble aim - to combat inflation - global or local - for the sake of the ordinary wage-earners who are fellow co-operators as well.

One area in consumer education that this Conference may consider is the development of the School Co-operative Movement. Let us not forget that our school-children are potential consumers. They will probably face the same problems as the present adult consumers.

The Singapore National Co-operative Union, The Registry of Co-operative Societies and the Education Ministry in Singapore provided

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the necessary motivation and the first school co-operative Society was registered in August 1974 in St. Joseph's Institution. More of such Co-operative Societies are expected to start in the coming months to make education a more practical and meaningful process, to supply the needs of the student population and to cut down costs wherever possible for parents in spending on the education of their children.

Hence, a programme in consumer education is to be drawn up, if let us include the schools as well. Let us train our youths, too, to be consumer conscious. Schools must be urged to form school co-operative Societies as yet another of the extra-curricular activities. Let us, in passing whatever information to our members in the adult co-operative consumer movement, do the same for our youths in Schools. Educate them when they are in their impressionable age and the effective role of co-operatives in consumer protection will be felt by all - the young and old in a human Society.

THE STRUCTURE OF CO-OPERATIVES AT THE RETAIL LEVEL

The consumer co-operative in Singapore namely WELCOME, Singapore Teachers' Multipurpose Co-operative Society, The Singapore Armed Forces Enterprise (SAFE) and the many consumer clubs established in the various Government Departments do their own purchasing, distribution and dissemination of information.

WELCOME serves the general public whereas The Teachers' Multipurpose Society and the various other consumer clubs serve a restricted membership and they are very successful in their own fields.

The 'WELCOME' Consumer Supermarkets operate with full time and professional staff. Prices are at market value and purchases are on cash basis only. Members purchasing at the WELCOME Supermarkets are dispensed with rebate stamps which will entitle them to rebates for their purchases. The STMCS and many of the consumer clubs operate on a very small margin of profits of about 3% to 5%. Prices of goods here are below market levels.

To facilitate international co-operative trading between Co-operatives, a Co-operative Trading Centre has been established in Singapore known as the International Co-operative Trading Organisation.

The ideal structure at the present would be to set up more retail consumer branches in the various housing estates all over the island, with centralised purchasing and warehousing facilities.

With a strong consumer central organisation and with the available services of the Co-operative Trading Exchange, the object would be to have a central wholesale purchasing agency for distribution to retail societies. This will eradicate the numerous individual purchasing personnel with trained professional efficiency; planning, controlling and buying will be simplified and most important - reducing overhead costs with better purchasing power. In time of crises and food shortages, depending on supplies and imports from private enterprise, a string of problems like inflation and short supplies through hoarding could be created.

In a nation like Singapore with numerous small shopkeepers all over the island, competition and with severe rising costs of labour, the method of self service sales is most recommended as practised in the Co-operative Supermarkets.

Purchases are done only at the Stores and no distribution whatsoever is undertaken. With the high cost of transportation time lost in travelling to get commodities would be eliminated. In a competitive Community like Singapore, many of the consumer lines are already well established and no advertising is required for their sales. The family-run retail shops provide delivery service, and

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also give incentive gifts to their regular consumers during festive occasions.

The answer by the Co-operative would be either to provide everything under one roof as what an emporium provides or else provide a home delivery service or even supplement with a mobile consumer service. For this home delivery service, a nominal charge for transport is required and also a minimal order is necessary. Distribution should be in specific areas on specific days once a week. This needs organisation and much planning to succeed. The mobile service could supplement the normal distribution once a week, carrying a few varieties of the essential commodities.

Experienced and trained full time personnel should be employed at all levels to run the consumer societies efficiently and profitably. Specialised officers for purchasing and stock control are essential. Weekly sales summaries should be made so as to effect a proper check on the sales movement and also for stock control purposes. There should be proper stock cards for all items with requisitions made out for distribution to branches. Periodical stock takings should also be made. Modern accounting system with regular auditing by qualified and trained personnel should be implemented.

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PRODUCTION, IMPORTATION & WHOLESALING FOR SUPPORTING
CONSUMER CO-OPERATIVES AND FOR INTERNATIONAL
CO-OPERATIVE TRADE

Consumer Co-operatives are still in their infancy in Singapore. The need for production, importation and wholesaling will only come about when the consumer movement has established itself to form a strong co-operative organisation. With the many retail outlets of the various consumer bodies, it would then be economical to consolidate the needs to go into production. The Shoemakers Co-operative is the only one on the production line producing shoes. The Shoes are sold in the open market. The Singapore Livestock and Agricultural Co-operative Society which was registered recently intends to go into pig farming initially and then poultry raising and vegetable growing. From the farm, pork and chicken will be sold to members and consumer societies at reasonable prices and at a later stage canning with special co-operative brands has been planned. In vegetable farming using hydroponic techniques will be attempted. Growing of mushroom on straws will also be attempted as it has a very good market.

Possible new avenues for Production could also be for garments, sports gear, school books and bread. Another promising line is a motor workshop.

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Processing, packaging, importing and wholesaling could be undertaken on joint effort by consolidating all consumer bodies to form an apex organisation to cater and produce own consumer needs. With the establishment of the International Co-operative and Trading Organisation, the consumer co-operatives will be able to import all their consumer requirements from producing co-operatives and channel them to supply outlets. It can also act as sales agent for local goods produced by production co-operatives.

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ASIAN CONFERENCE ON CONSUMER CO-OPERATION

Kuala Lumpur, Malaysia, October 23-25, 1974

THE STRUCTURE OF COOPERATIVES AT THE
RETAIL LEVEL IN
SRI LANKA

BY

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THE STRUCTURE OF COOPERATIVES AT THE RETAIL
LEVEL IN SRI LANKA

by

M.P. Henry

I consider it a great privilege for being able to participate at this Conference where problems regarding consumer cooperatives at the retail level, in Asian countries are being discussed; and also for being given the opportunity to present a paper providing the background knowledge explaining in, particularly the working system of Cooperatives in Sri Lanka at the retail level. My intention is to enrich knowledge by the valuable discussions that will take place at this authoritative Conference and to experiment them when I return to Sri Lanka. If we, the delegates of this Conference, are in a position to evolve a practical programme of work at local level in our respective countries and thereafter, at an international level endeavour to promote the joint efforts and mutual understanding amongst our Nations, it would definitely be a matter of unique significance. Thereby the progress of the Cooperative movement in our own countries will be accelerated undoubtedly. Such a step would be of lasting interest to Sri Lanka. Such course of action only, will speak of the success of an International Conference of this nature.

History of Cooperative Societies in Ceylon:

At the out-set, I have to review in brief the history of the Cooperative movement in Sri Lanka, and the manner in which the movement developed upto date, and how it operates at the retail level, which is the main theme of my note. Without touching on the short

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history of the movement it would be difficult for me to enlighten you on the points I am going to stress on, or to pin-point the short-comings in our own system and to discuss such short-comings.

Originally a haphazard system of affording credit facilities at a Cooperative level was known several decades ago, in our country, somewhere towards the beginning of the current century. That was not a State sponsored system, and was therefore infested with innumerable short-comings. When the need for uplifting the rural economy in an organised manner arose, the then Government of Ceylon, amended the Cooperative Ordinance in 1911, in order to give a legal status to Cooperative Credit Societies. Thereafter the system proved to be comparatively more successful than it was before, and, in 1936 the Cooperative Ordinance was further revised to give wider powers to Cooperative Societies which were geared to foster progress in the rural economy of the community. During the period of the Second World War, in the year 1943, the then Government was faced with the difficult situation in the regular distribution of food supplied in the country. The Government immediately turned towards the Cooperative movement as the most efficient extent organization which was in a position to cater to the needs of the nation. The final result of that course of action was the emergence of Cooperative Retail Societies in the villages. By taking that step the then Government of Ceylon was able to save the situation, and deliver the goods. The typical consumer in the village was afforded the opportunity to purchase scarce food items, though on a rationed basis, at his village shop at controlled prices, without being played into the hands of the black-marketeer. He could know at what price he could purchase his essential items as the Price List was displayed prominently at the shop window. But, at the same time, the private trader monopolised the major part of the rural market, supplying extra-ration supplied to the consumer at exorbitant rates. In the absence of a well established central import organisation to get down at least the essential provisions, the local Co-operatives had to depend entirely on the private importers, and purchase at the prices they quoted. We have to note here, that the private importer

had better regard for his local counterpart, the private trader than the local Co-operator for obvious reasons. The bulk of his imports were purchased by the private traders. As a result of this dual system of supplies, that is the local Co-operator on one side and the Private Trader on the other, there arose competition in the local market at rural retail level, and the Cooperative Societies who had to depend on private importers for their bulk supplies, exercised a fair amount of difficulty in regularly obtaining their requirements. Consequently the private dealers had their shops flooded with various commodities in contrast to the Cooperative Shops which were confined to just a few items.

In order to break this monopoly of the private trade, the Cooperative Wholesale Establishment was set up, in order to import food items to start with. Here again, the purchases had to be made not only to local Cooperatives but also to the private provision dealers as well. If this responsibility was undertaken, the business of the Cooperative Wholesale Establishment could have been a failure. After several years of experiment by former Governments of Ceylon who did not wish to curb the private trade, the Cooperative Wholesale Establishment was given statutory powers as a Government sponsored Organization. With wide powers vested in it, the C.W.E. obtained the sole right of importing certain important items essential to the life of the community. But, still the C.W.E. could ill-afford catering to the full needs of the Cooperatives scattered everywhere in the Island. The result was that the private dealer who was well established over a period of long years still survived alongside the Cooperatives, and the rural consumer had no alternative but to look up to him for part of his requirements.

The dawn of the Bandaranake Era in 1956 was the beginning of a new phase in the history of the Cooperative Movement in Sri Lanka. The Mahajana Eksath Peramuna - The Peoples' United Front effected a structural change in the activities of the Cooperative Movement. The existing system of having different types of Cooperatives for varied activities such as Credit, Local Produce, Carpentry, Thrift, Workers, a single Multipurpose Cooperative Society which embraced all manner

of activity in an area of operation was formed. This new system found favour, as the Cooperators could avoid heavy overhead charges and administrative expenses by having one Society, whereby they could also economise on time. Therefore, the system of having different Cooperative Societies dealing with the limited scope of one subject, was discouraged. With the result, a new type of Cooperative Societies - The MULTIPURPOSE COOPERATIVE SOCIETIES were established.

It had to be admitted that the Multi-Purpose Cooperatives helped in no small way to uplift the rural economy. But, the position of funds and administration of such societies which were in the hands of untrained men were not very sound. Hence, on experiment it was found that the generalised established of Multi-Purpose Cooperative Societies throughout the Island would not be helpful. The recommendations of the Royal Commission appointed to study the Development of the Cooperative Movement in Sri Lanka, were that the best method of uplifting the rural economy of the country was by establishing Primary Producer and Consumer Cooperatives at village level with equal powers to all such societies. The Multipurpose Cooperative Societies in different parts of the Island with varying financial stability was not a full solution to improve the village conditions on a generalised basis.

Political History:

The political history of our country is also linked up with the development of the Cooperative Movement. The United Front Government under the able leadership of Mrs. Sirimavo R.D. Bandaranaike, which was returned to power in May 1970, with an overwhelming majority, was determined to improve the Cooperative Movement to such an extent that the Cooperative retail points at village level would be in a fitting position to cater to the entire needs of the consumer population. Mr. T.B. Illangaratne, Minister of Foreign and Internal Trade who is also in charge of the subject of the Cooperative Movement has taken the initiative in formulating the policy with regard to this matter, with a view to re-orientation of the entire movement. As a result of this

far-sighted policy the consumer Cooperatives at retail level have, today, progressed upto such a level that they produce food and market them regularly through the local Cooperative. On the converse, ninety per cent of the commodities - requirements by the local consumer are supplied through the same Cooperatives. The merits of this system are many. The margin of profits retained by the Society in either way of marketing the producer's goods or in supplying the needs to the consumer are minimal only to tide over the expenditure in administrative and overhead expenses. The cheap supply of food to the consumer, and the pro-rata distribution of profits amongst the members of the Society, the participative cooperative of the actual producer in the affairs of the society - have all been contributing factors to popularise and progress the movement.

Organization:

Today, in Sri Lanka, there are 8000 Cooperative Depots catering to the nation at retail level, which compose of the basic network in the village throughout the Island. These are affiliated to 372 Multipurpose Cooperative Societies for purposes of regularised administration. In addition, there are 541 Wholesale Depots, also controlled by the above number of Multi-purpose Cooperative Societies. These Depots are solely responsible for the orderly distribution of essential items to the Retail Cooperative Depots and a few private dealers who still survive. We have to remember at this point, that the C.W.E. in Sri Lanka today, holds the monopoly of import-trade in a number of commodities. Hence, the few private dealers who still deal in these items have to obtain them from the C.W.E. or locally from the Cooperative Stores Societies, as I explained above. Out of the one hundred per cent of the Country's trade today, at least eightyfive per cent is handled by Cooperative Societies. In addition, the Cooperatives function as the Wholesale dealer to the private dealer and Cooperatives are the agents for most of the State Corporations.

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Though the C.W.E. has been entrusted with the monopoly of the import trade, in a situation where the foreign assets position in our Country is at a low ebb, the C.W.E. is compelled to confine its imports to the limits set by the State in order to preserve foreign exchange. The C.W.E. conversely works in the capacity of a wholesale importer to the private sector as well. In these circumstances of acting in a dual role, the C.W.E. has necessarily to confine its imports to the limited targets set by the State, and no on an elaborate basis to meet the full requirements of the Cooperative Societies at retail level in their respective areas of operation. The resulting corresponding position is that the retail societies do not receive their full requirements to cater one hundred per cent to the needs of the consumer. But we must not forget that the consumer gets the appropriate quota of his requirements, though he may not be very satisfied with the quantum he gets. The C.W.E. and the Retail Cooperative Society on the other hand, has no alternative, but to effect a fair distribution of the available items evenly among the consumers. Such a system will only, eradicate the inequalities of the HAVES equipped with extra-purchasing power and the HAVE -NOTS who would be deprived of the fair service of an organisation which is their own creation. It is inevitable, that at a time of short supply the demand increases. There is no doubt, that obstacles in this process of trade take place almost at every point of time. Where the market is flooded with items which are freely and readily available the price would naturally drop and the buyer would not experience any difficulty. But, our conditions, today, are different. In building up a new nation with aspirations for a socialist structure of society, we are going through a period of severe austerity. Sri Lanka, today, cannot afford to be extravagant in looking for luxury items, at the expense of her limited foreign assets position. As such, Sri Lanka is compelled to import only the barest minimum of essential items- not the luxury goods, and, such essential items are to be distributed in a very fair and even manner amongst all sections of the community.

In that process the Retail Cooperative Societies are expected to render yeoman's service to the State on one side and the people on the other. After the new changes that took place in 1970 the Retail Cooperatives have been broad-based and are in the process of proper organization.

New Setup in Cooperatives:

The untoward system of having a committee of few men, untrained or inexperienced in what they did in the affairs of a Cooperative Society was gradually been done away with, and replaced by a Directorate, with a Board of Directors who are experienced in trade, administration, accounting procedure, auditing, organisation, human relations and etc. Trained officers of the Department of Cooperative Development have, in suitable places, been appointed ex-officio members in the Board of Directors. This new system is proved successful in so many ways. The Board of Directors frame the policy of the Cooperative Society and the network of other retail societies and depots coming under its area of operation and control. One Board of Directors replaces several committees of untrained or under-trained persons at local level. Consequently the administration expenses and overhead charges in handling commodities are brought down to the minimum. Such wasteful expenditure which eat into the quantum of profits, have now been diverted to the common benefit of everyone concerned. One wholesale distribution point against several retail points has effected in a reduction of the price payable by the consumer.

Retail Cooperative Societies are managed by managers who are trained in the techniques of trade. Even the employees in such shops are carefully selected men and women who are possessed with a basic knowledge and personality. They are trained to be tactful and to have good relations with the public at large. Therefore, the Cooperative movement, today, at the retail level is advancing smoothly on the path of progress.

The Wholesale Cooperative also has better strength to compete with the private trader and thereby purchase at a reasonable cheap price. The circulating capital of the Wholesale Cooperative being naturally more than that in a retail society, the quantities of different items that could be purchased at any one time could be comparatively more. But, consequently the consumer would be benefited by that service of the Wholesale Society.

On the other hand, the Wholesale Cooperatives have a better buying power since they have to purchase in bulk. Transport and storage facilities being provided in a systematic way, the wasteful expenditure would be minimal. The resulting benefit finally goes to the consumer.

Alternatively, the Wholesale Cooperatives help the local producer in obtaining credit facilities easily, and in arranging the sale of his finished produce in a properly organised manner. The rural producer will no longer have to be under obligation to a middle-man who used to buy his produce for a song and appropriate the lion's share of profit.

In an open competitive economy there seems no limit to competition. Much more than in the primary manufacture of articles, in the process of secondary manufacture, in reassembling of imported articles and redistribution the maximum profits are obtained. This is so in every case, whatever the nature and type of article be. It is in this area of redistribution, that the middle-man gets the best, at the expense of the first producer or the final consumer. Therefore, so long as the Cooperatives at retail level confine their interest in the movement diverged from the private trade, it becomes unfeasible to combat the middle man who fleeces the producer or the consumer. The only way of salvation is for the Cooperators to reinforce the infra-structure for production, and consolidate proper organisation, distribution and exchange, in order to eliminate waste of human efforts..

The objective of the Cooperative Movement is service to the real producer and the consumer. This objective cannot be achieved by the mere purchase of a few items from a State Department or a Private Wholesale Dealer and by redistributing those articles among the consumers locally. The day and the hour has come where maximum human efforts should be utilised for the production of food and other commodities.

The responsibility of the State in any country is to render greatest service for the greatest number of its people. It is crystal clear that no country can progress while being in a watertight compartment. International exchange of ideas, communication, trade and produce is essential. But, we must remember that all these originate at local level though they finally become component factors at a national level. We must, therefore, analyse at an International Conference of this nature, with a sincere feeling of fraternity amongst our participant countries, the ways and means to tide over the hard times, the whole world is faced with, today. If we are in a position to evolve a system of pooling our national produce at an International Cooperative level to help our own people, it would be a real success.

In conclusion, I sincerely thank the International Cooperative Alliance and the Regional Directorate for giving me this opportunity to make available for this Conference, a few facts on the structure of Cooperatives at retail level in Sri Lanka. I undertake to make the maximum use of the knowledge that I gather here in putting them into actual practice when I return home to Sri Lanka. Finally, I thank every one of you Gentlemen, for the kind cooperation given to me in the process of my paper.

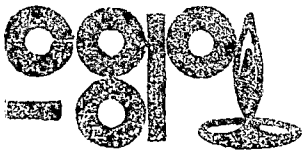


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ASIAN CONFERENCE ON CONSUMER CO-OPERATION
KUALA LUMPUR (MALAYSIA) OCTOBER 23-25 1974

CONSUMER CO-OPERATION IN SRI LANKA
FUTURE PROSPECTS

R.G.G.O. Gunasekera, National Director
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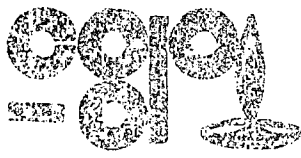


CONSUMER CO-OPERATION IN SRI LANKA - FUTURE PROSPECTS

One of the countries that has been worst affected by power economies is Sri Lanka. The price level of imports which are mainly food items and petroleum products have increased considerably but the price level of major exports, namely, tea, rubber and coconut which still account for 77% of foreign exchange earnings, has remained almost constant. The balance of payments is heavily against Sri Lanka and this has resulted in major restrictions of food imports and other consumer goods. The population of Sri Lanka is, on the other hand, growing very rapidly and according to future projections the present population of 13.5 million will double itself by the turn of the century. A fair and equitable distribution of consumer goods at fair prices will be an urgent requirement for the future. With the cost of living spiralling upwards daily there should also be a constant review of systems to effect whatever savings for the consumer by improving efficiencies. As 85% of the ration books are attached to the co-operatives of Sri Lanka and as they have the responsibility of distributing all major food items, the challenges that the co-operatives are facing and will have to face in the future are very much more complex than those in a developed economy. In this context the co-operative movement of Sri Lanka has to play its own role in the socio-economic struggle of the people of the people in building up a self-reliant nation.

At the time of the re-organisation of the 5,818 retail primaries both multi-purpose and single purpose in 1971, 50% of the societies were running at a loss and 17% were defunct. This meant that 67% of the retail societies i.e 3,322 societies were not in a position to serve the consumers in any meaningful manner. The retail societies that were running at a loss were only confining their trade to the distribution of rationed items. In many cases, the money for the weekly purchases was advanced either by one of the committee members or the General Manager.

This position was reversed with the re-organisation and, except for the defunct societies that were liquidated, all other retail societies were given a new lease of life as branches of large primary multi-purpose societies (MPCS). Due to economies of scale, there are more finances available for the societies to expand their activities and serve the consumer better. For example by the end of 1972 the number of retail branches had increased to 6,703. The



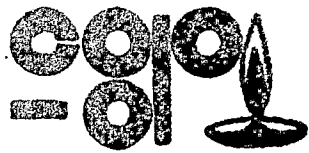
increase in the margins of profit allowed to co-operatives in dealing with rice, sugar and flour which amounts to 60% of the consumer turnover of the co-operatives provided an additional Rs. 23 million during 1972/73. These additional funds were available for the expansion programme and for paying better wages to the co-operative employees who, however, are still the lowest paid employees when compared with those in the Govt. and corporation sectors. For the record, it should be noted that of the 22,797 employees in 1968, 37% received a monthly wage of less than Rs. 100/-, 53% between Rs. 100/- - 200/- and only 10% above Rs. 200/-.

The need for a complete restructuring of the co-operative movement of Sri Lanka was emphasised in the report of the Commission that examined the co-operative movement of Sri Lanka in 1968 :-

"We certainly do not advocate a return to pre-war concepts of a small, slow movement made up of select groups catering to their own needs rather than the needs of the community and the nation. We are confident that, with the movement drawing its power from a mainspring of voluntary action but operating within broad guidelines of national planning, co-operative societies can perform two functions simultaneously; they can serve the needs of their members and at the same time make a massive contribution to national development.

But we must underline our conviction that minor changes in the present system will not be enough to effect the new perspective. The co-operative movement in this country needs something more than a slight adjustment here and a shift of emphasis there. Increasing the dose of aspirin will not do when surgery is called for

Our task has not been to recommend what brand of aspirin should be taken but to decide whether or not surgery should be done. That is why we recommend several times that nothing should be tolerated simply because it was started long ago, and nothing should be continued for the mere reason that it worked passably well in the past. A new perspective must start from fundamental changes, not superficial modification" (Report of the Royal commission on the Co-operative movement in Sri Lanka Sessional paper No II - 1970)



Although the re-organisation provided a new base for the development of consumer co-operation in Sri Lanka, the problems are still too major for a single MPCS to tackle by itself. A national seminar on consumer development was held in July 1972, with the active participation of the ICA Regional Office, New Delhi, and some of the many problems in the future development of consumer co-operation were identified. This seminar was unique in that the participants were the General Managers of the MPCSS and the recommendations were evolved by them. The staff of the Department of Co-operative Development were present only as observers.

The major problems affecting the development of consumer co-operation at the retail level could be identified as follows:-

1. non existence of an effective apex organisation;
2. lack of a planned programme of development;
3. lack of finance;
4. lack of training;
5. member apathy at the branch level;
6. bad image of the co-operatives.

CO-OPERATIVE MANAGEMENT SERVICE CENTRE'S ACTIVITIES IN THE CONSUMER AREA

The Co-operative Management Services Centre (CMSC) was set up with Government and SIDA (Swedish International Development Authority) funds, with the ILO as the executing UN Agency, and became operational in April 1973. The primary objective of this project is to establish a permanent centre with the objective of improving the economy of operations and the quality of services of the co-operative enterprises in Sri Lanka. The centre is tackling this objective mainly through management consultancy in the main areas of co-operative activity. In the consumer area, the chief assignments carried out to date are described below.

Co-operative Wholesale Establishment as Consumer Apex

Official recognition was given in December 1973 for the transformation of the Co-operative Wholesale Establishment from a defacto government corporation to a true consumer apex to serve all societies. In the working paper that was presented by the CMSC for this transformation the basis of these changes was referred to in the following manner :-



"There are many advantages to the nation to be gained in bringing about this transformation. Apart from the economic advantages of, for example a rational distribution network throughout Sri Lanka, there are also many social advantages which may follow. A planned approach to the use of manpower, career development for greater job satisfaction and developments which will provide further employment can provide for a meaningful future for those involved. Again, from the customers' point of view, there is a considerable need to improve the existing services such as the need to find a solution to the present queuing problem which would receive considerable popular support.

A comprehensive and co-ordinated programme to obtain these advantages can only be effectively and quickly implemented through a strong apex organisation to provide the necessary leadership and drive. The sooner the apex can start on such a programme, the sooner such advantages can be felt. The ultimate objective is to develop the co-operative consumer movement so that it will provide a service, compete and grow on a firm economic foundation."

Regional Warehousing System

In a study conducted by the CMSC on the present system of distribution of food stuffs many major weaknesses were revealed which are summarised below :-

1. Excessive handling (a hook is used on an average 51 - 100 times per bag which results in wastages and considerable damaged to the bag),
2. Duplication of warehousing and poor utilization of transport,
3. Malpractices due to multiplicity of handling and transport,
4. Leakages and losses due to inadequate stock control,
5. Unsuitable storage,
6. Loss to the country in the form of sweepings amounting to Rs. 10 million per year

In the proposals submitted by the CMSC it was suggested that the resources of the Co-operative Wholesale Establishment and the Food Commissioner (a government department responsible for the import of major food items) be combined to set up a regional warehouse system under the Co-operative Wholesale Establishment. In its new role as the consumer



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apex the CWE would be responsible for maintaining adequate stock levels of consumer goods at regional warehouses according to a basic consumer goods assortment which would be determined in collaboration with the MPCSS. It would also undertake delivery initially to MPCSS and eventually direct to all branches.

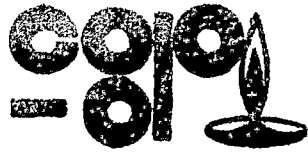
Experiment on Contract marketing

At the request of the MPCSS of Hambantota district, which is one of the 22 administrative districts of Sri Lanka, the Sri Lanka Co-operative Marketing Federation, which is to be developed as the agricultural apex, has contracted to purchase certain agricultural products of the district during the cultivation season at a pre-determined price. An important feature of the contract is that the apex organization has contracted to sell the products again at a pre-determined price to MPCSS outside the district which are in need of such products. This scheme is an experiment assisted by the CMSC and will try to bring the producers and consumers together through a co-operative network. It will be interesting to determine whether the loyalties of the members and societies will be maintained with pressures from the open market. The prices determined will be based on the market trends and production costs of each product falling within the contractual obligation. If the experiment is a success it would have a direct impact on keeping down the cost of living and would be expanded to other products which the average consumer buys.

Queues

The long queues which daily form at almost all co-op branches is one of the most criticised features of the co-operative movement in Sri Lanka today. The CMSC in collaboration with Colombo North Multi-purpose Co-operative society carried out an indepth study of the queue problem over a period of five weeks in order to find a solution to this problem.

The planning of the investigation was based on the hypothesis that the size of queues in any system was basically a function of the rate of arrival of customers, the system of servicing them, the demand for each type of service and the time taken for each operation within each service.



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The study therefore included, the arrival pattern of customers by a physical count of them as they arrived at a branch throughout each day over the whole period; the demand pattern for each type of service by analysis of all daily transactions throughout the period and the time for each element within each operation for each service by work measurement using stop watches in order to establish by synthesis techniques, the time for any combination or variability of service and the extent to which work content could be reduced through any changes in method.

The results are still being analysed, but it is already clear that queueing can be virtually eliminated at existing branches without the need for any major changes in buildings or recruitment of additional staff. This could be achieved through a combination of re-allocating staff duties, adequate staff scheduling, marginal extension of branch opening hours and simplification of procedures.

Member Education

At the branch level, the committees are also slow in recognising their new role. Member participation in the affairs of the society is lukewarm. It is necessary to foster among the members a spirit of national consciousness and loyalty, a sense of discipline and awareness of socio-economic problems with the intention of promoting the idea of self-reliance and the spirit of co-operation. The CMSC will be obtaining the advice of a foreign consultant early next year to formulate with the National Co-operative Council of Sri Lanka a comprehensive programme of member education.

Training

The CMSC will be reviewing the present co-operative management training programmes and will assist in developing an integrated management training programme to meet the future needs of the co-operative movement. It is envisaged that the apex organisations will be responsible for such training.



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CONCLUSION

Regional Co-operation

In the same way that a single co-operative society cannot withstand all outside pressures without the active co-operation and support of an effective apex organization, the economy of the world has reached a level where a consumer co-operation movement of a single country cannot withstand the pressure of the world economy without effective co-operation between them. The situation in Sri Lanka is a clear example of this.

The course of history during the last 150 years shows two broad results of economic development and political thinking; a form of mixed capitalism and public ownership or control moving towards greater public ownership on the one hand; and complete national ownership moving towards a system to provide greater individual responsibility and incentive on the other. Somewhere between these areas the co-operatives continue to strive but in a way which is more related to the conditions in which the co-operative concept was born in the west rather than the changed circumstances of the present time.

The co-operative idea showed how ordinary men and women could achieve a greater control of economic power based on self reliance and mutual trust. It is time that this same concept of self reliance and mutual trust were to be fostered among nations through purposeful regional and world co-operation so that it may emerge as a third economic force bridging the two worlds.

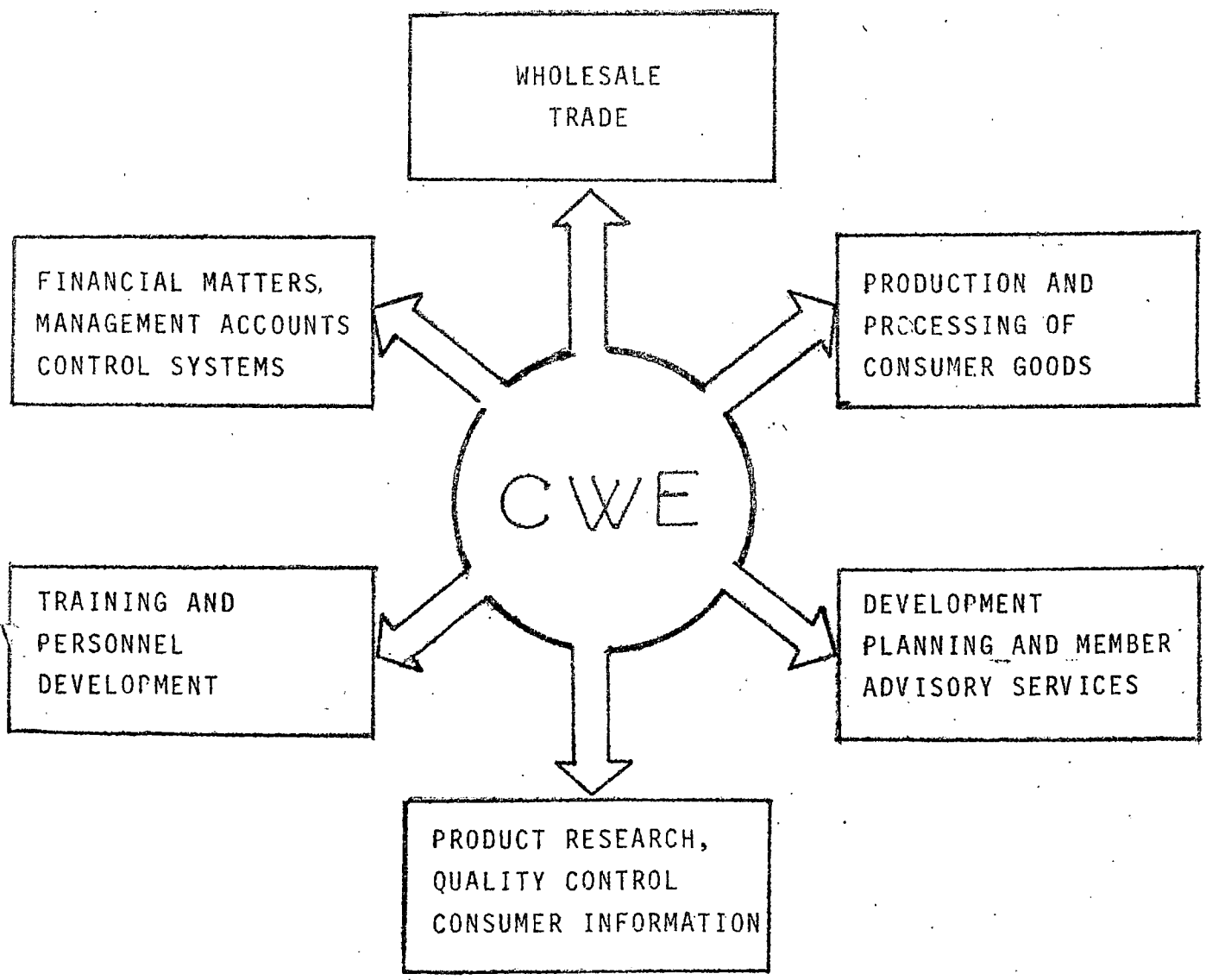
Co-operative Management Services Centre,
127, Grandpass Road,
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SRI LANKA.

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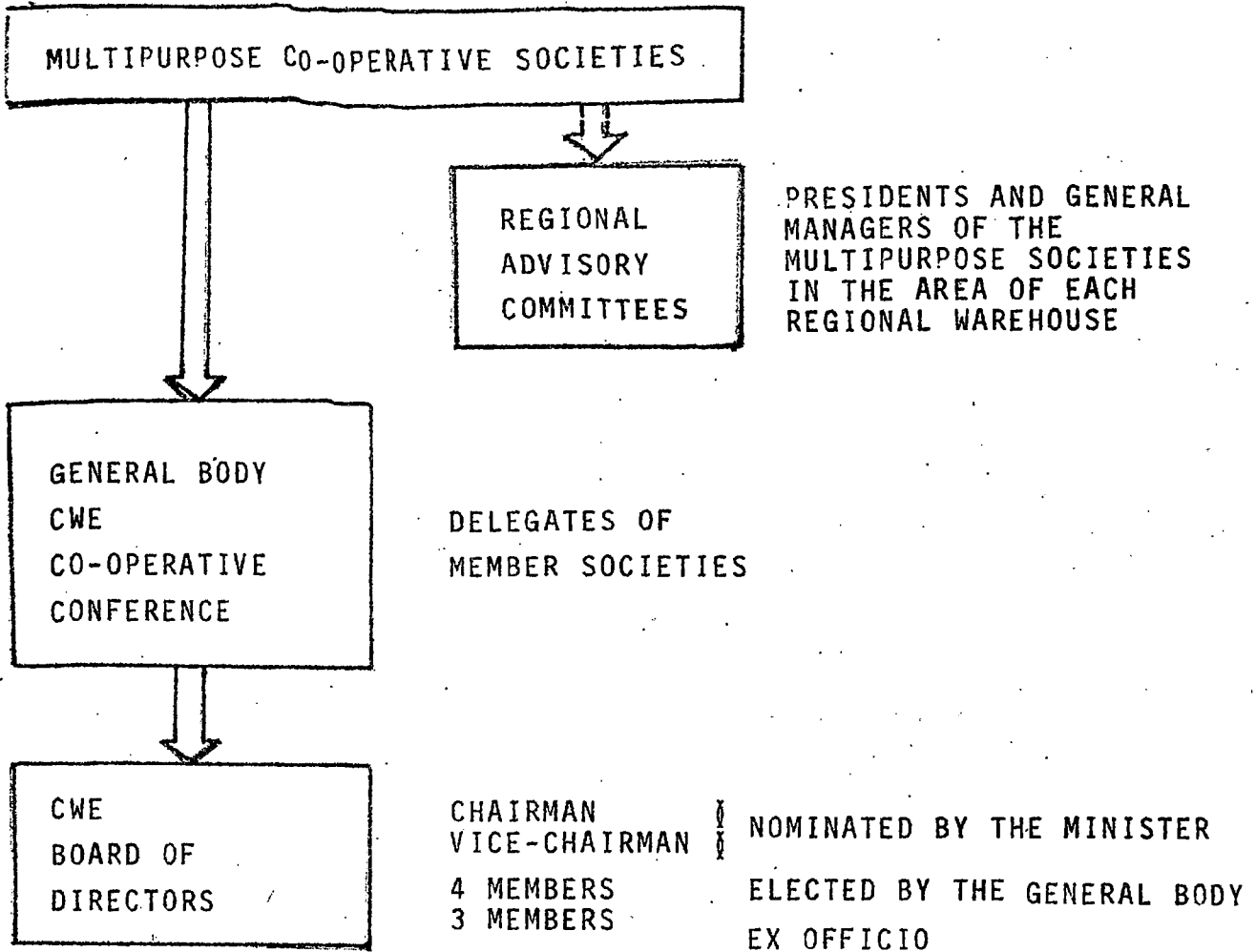
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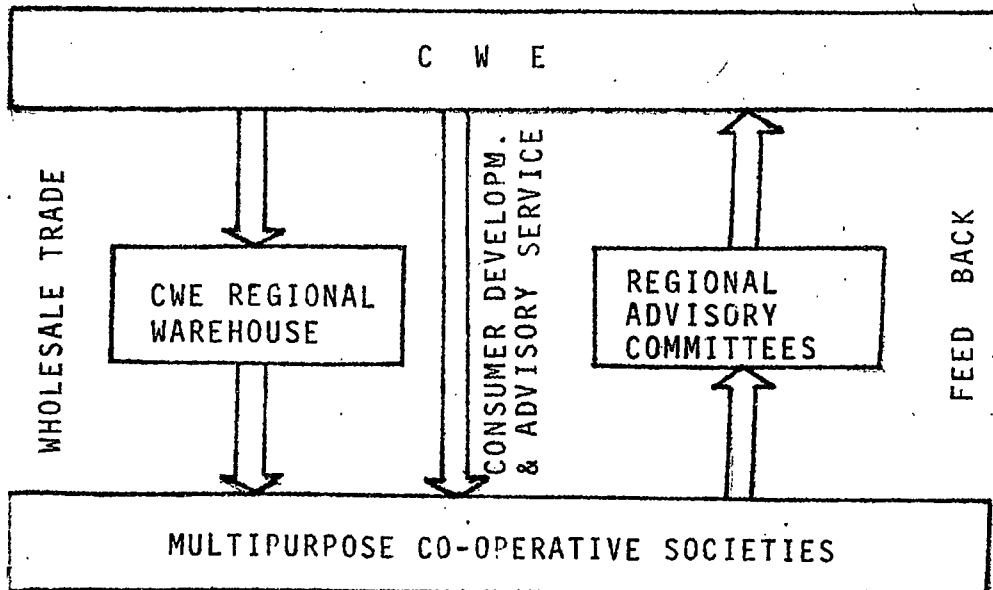


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Kuala Lumpur, Malaysia, October 23-25, 1974

Background Paper

on

THE CONSUMER COOPERATIVES IN THAILAND

Jointly
Organised by

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
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India.

COOPERATIVE UNION OF MALAYSIA LTD
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SOME ASPECTS OF CONSUMER COOP IN THAILAND

The consumer cooperatives in Thailand began some 37 years ago, the first cooperative store registered on 18th March 1937 after the promulgation of the Cooperative Societies Act B.E.2471 (1928) was in Ayuthaya Province. In the same year, there were five additional cooperative societies established in various part of Thailand, locate in Uttaradit, Saraburi, Chacherng-Sao, Lopburi and Prathumthani. Most of the members of these societies were also members of the small unlimited credit Cooperative societies. Since then, the cooperative stores have steadily increased both in urban and rural area. The most successful cooperative stores are in Bangkok and some big cities.

Presently, there are 91 cooperative stores in Thailand, 19 of them are located in Bangkok Metropolis and the remaining 72 are in rural areas. The majority of the stores operate small retail outlet, only two cooperative stores in Bangkok Metropolis operate big Supermarkets and department stores.

The consumer cooperative stores maintain a close relationship with agricultural cooperatives in the area of marketing and purchasing. The farmers can purchase consumer goods from cooperative stores and at the same time sell their products through cooperative stores.

The consumer cooperatives in Thailand have made a some progress in protecting consumers by stabilizing prices of essential commodities. During the Sugar shortage, cooperative held sugar in reserves for their members and sold it at controlled prices. Although this helped to relieve the shortage, somewhat, sugar was still rationed according to a particular families size.

Since the Second World War, the Thai economy has been hampered by a scarcity of consumer goods and by the rapid inflation. As a result, those who receive fixed incomes, which includes government officers have suffered. The government, therefore, has tried to alleviate this problem by establishing cooperative stores. Although there has been a rapid increase in forming new cooperative stores through-out the country, the consumer cooperative are not quite successful. This is due to the fact that most of stores are still not doing good business, especially those in the rural areas. The consumers in rural area can buy their goods from many other shops with bargaining over the price and competitive manner among the sellers. So far the cooperative stores have made a small impact on the retail trade business in their areas of operation, and they still have a long ways to go before they become a significant factor in retailing. Some cooperative stores have been running at a loss due to the heavy initial expenditures but insufficient volume of business, which resulted to the problem of liquidity, and operational deficiencies. To improve these deficiencies, good management and various training programmes must be instituted on a permanent basis.

The objective of consumer cooperative is aimed at offering special services to its members. One among other means is to offer consumer goods at reasonable price. At the end of each fiscal year, if the cooperative store makes a surplus from its business, divided on shares and patronage refunds will be allocated to the members. With the difference of profit allocation from other enterprises, the consumer cooperative became popular in various communities, particularly in colleges and universities where students are keen to these benefits. At present the government is emphasizing on the following policies in order to strengthen the consumer cooperative.

- 1) To amalgamate small cooperative store in each province and to expand its branches in various areas of a particular province.

- 2) To encourage the collaboration and coordination between the agricultural cooperatives and the cooperative stores. That is, the consumer cooperative should become the sole agent for farm products of the agricultural cooperatives.

- 3) To promote the admission of new members on the basis of accepting those who are willing to do business directly with the society.
- 4) To encourage the large societies to organize new branches instead of forming entirely new societies.
- 5) To promote the establishment of small factories for producing essential commodities.
- 6) To improve management efficiency,

The consumer cooperative societies in Thailand are aided by various forms of government assistance. Such assistance is as follows :-

- 1) Internal auditing of each society
- 2) Personnel training and membership education from the Cooperative League of Thailand and Department of Coop. Promotion.
- 3) Exemption from Taxation
- 4) Long-term loans with low rate of interest.
- 5) Technical guidance and adult education.
- 6) Purchasing of cooperative goods whenever possible.

The Cooperative Wholesale Society of Thailand Ltd., (CWST) was established in May 30, 1952. The objective was to purchase goods from producers and manufacturers at wholesale prices. But despite, this fact to society has continued to face keen competition from the private sector. However, the CWST is still beneficial to the member cooperative. But the then Ministry of National Development and to Government of Thailand wanted the CWST to widen its objectives and be able to offer better services to both consumer and agricultural cooperative societies. As a result, the CWST has merged, and formed the National Federation namely the Cooperative Marketing and Purchasing Federation of Thailand Ltd., (CMPPF) on August 22, 1969. The affiliated members of the CMPPF are comprised of both Agricultural and Consumer cooperative stores.

At present, the activities of the CMPPF are only involved in promoting agricultural cooperatives and also exporting some agricultural products. Consequently, the consumer cooperative stores in Thailand would like to separate and form their own federation for serving retail.

consumer cooperative stores. The general functions of the new consumer cooperative Federation shall be as follows :-

1. To directly purchase the finished goods of both domestic and Foreign products, and also to reduce the transactions made through middlemen.
2. To serve as an information centre for cooperative stores and a link with other types of cooperative societies in the country.
3. To utilize the Federation's capital for producing goods under "Cooperative Brand"
4. To improve itself and become an exporter.

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2) To serve as an information centre for cooperative stores and a link with other types of cooperative societies in the country.

3) To utilize the Federation's capital for producing goods under "Cooperative Brand"

4) To improve itself and become an exporter.

Financial Position of Consumer Cooperatives in Thailand,

1969 - 1973

| Items | 1969 | 1970 | 1971 | 1972 | 1973 |
|------------------|-------------|-------------|-------------|-------------|-------------|
| No. of Societies | 116 | 108 | 104 | 106 | 90 |
| Membership | 94,691 | 99,203 | 114,321 | 129,830 | 155,250 |
| Share Capital | 6,131,900 | 7,988,700 | 7,718,500 | 10,534,500 | 15,507,700 |
| Total Sales | 233,090,500 | 236,178,700 | 271,671,800 | 245,305,700 | 464,420,200 |
| Net Profit | 5,185,300 | 6,845,400 | 9,163,400 | 14,050,500 | 20,476,500 |
| Coop's Equities | 26,921,500 | 30,649,100 | 37,068,900 | 47,792,700 | 65,372,800 |
| Total Assets | 42,697,100 | 47,604,600 | 63,547,700 | 78,456,800 | 115,815,500 |

Note 1 - Sources: The Department of Cooperative Auditing

- Currency in term of Baht.

- Baht 20 = US \$ 1

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