

REPORT THE INDIAN UNIVERSITY  
TEACHERS' WORKSHOP ON  
CONSUMERS COOPERATION  
HELD AT SIMLA (PUNJAB) INDIA

MAY 19-26  
1963

I. C. A. NEW DELHI

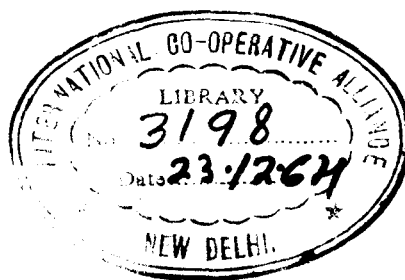
ICA Library  
334.5(540) ICA-R  
ICA 00598

ICA 00598

R E P O R T

THE INDIAN UNIVERSITY TEACHERS' WORKSHOP ON  
CONSUMERS COOPERATION

held at  
Simla, (Punjab) India  
May 19-26, 1963



3341.5(5110)(063)  
ICA

INTERNATIONAL COOPERATIVE ALLIANCE

11 Upper Grosvenor Street  
London W.1.  
(England)

Regional Office & Education Centre  
6 Canning Road, New Delhi.1  
(India)

International Cooperative Alliance  
Regional Office & Education Centre for South-East Asia  
Post Box 639, 6 Canning Road  
New Delhi.1 (India)

R E P O R T

UNIVERSITY TEACHERS' WORKSHOP ON CONSUMER COOPERATION (INDIA)

Simla : May 19-26, 1963

The University Teachers' Workshop held at Simla from the 19th to 26th May, 1963, discussed various aspects of consumer cooperation, such as need and scope for consumer cooperatives, its principles, relationship between the primary and the wholesale societies, parliamentary structure, capital resources, pricing policy, member education and employee training, for the consumer cooperative movement. The scope for students cooperatives in the Universities, methods of organising them and their problems also received detailed attention.

The Workshop discussed the performance of the consumer cooperative societies in the past, and felt, that on account of various internal weaknesses, the consumer cooperative movement had not achieved the expected results. During the post-war period consumer cooperative societies have showed a steady decline in terms of number of societies, membership, and sales turnover. The Workshop emphasized that unless the consumer cooperative societies developed efficiency in their operations, they would not be able to compete with the private trade.

The Workshop felt that it was not possible to state categorically that consumer cooperative societies were economically a better form of organisation on the basis of comparison between the consumer cooperative movement and the retail trade since empirical data was not available. While welcoming the attempt made by the Indian Cooperative Union to study the retail trade in Delhi, the Workshop felt that a comparative study of private distributive trade and consumers cooperative movement was called for. The amount of subsidies and other economic advantages received by the societies should also be included in the costs. The criteria for judging the operational efficiency of consumer cooperatives should include costs of goods and service supplied per unit of turn over. The rate of return on invested capital, it was felt, was not a satisfactory measurement of efficiency in respect of cooperatives in view of the non-economic benefits secured by the Movement for its members. Hence the rate of capital accumulation and non-economic benefits conferred by the movement should be included in the criteria for evaluating the relative performance of consumers movement. Other economic indices include ratio of turnover to working capital and ratio of costs to working capital. It was suggested that for purposes of comparison the dependability of the data supplied by the retailers should be thoroughly checked up. The study should also take note of the fact that figures of profits from retailers are vitiated on account of doubtful practices of the retail dealers viz., wrong weightments, discriminatory price policy, and unreliable accounts.

Since the consumer cooperative societies were economic organisations owned and managed by the consumers themselves, the Workshop agreed that the consumer

cooperative movement had a potential role to play in protecting the consumer against adulteration, in supplying him goods and services at reasonable prices and in undertaking other activities such as consumer education etc., likely to increase consumer welfare. The role of the consumers movement was not to replace private enterprise entirely from the distributive trade but to act as a regular check on the exploitative elements in the private trade. The consumer cooperative movement should work on the basis of accepted cooperative principles. In this connection the practice of widespread credit trading was noted and the Workshop felt that consumer cooperative societies should transact business on cash basis only. It was, however, possible to make arrangements with the help of the employers and the thrift and credit societies whereby consumers could obtain credit for purchase of their supplies.

The consumer cooperative movement could be of great benefit to the emerging middle classes and the working class population in the urban areas. There would be considerable scope for consumer cooperatives in the distributive trade wherever the retail trade suffered from lack of efficiency in regard to prices charged, quality of goods supplied, quality of services, and particularly in situations where oligopolic or monopolistic conditions existed. While the retail trade was overcrowded and prices charged by them were usually low, oligopolic conditions were present in the field of wholesale trade, imports, and production. Hence the consumer cooperative movement, if it is to be successful, should enter these fields along-side the establishment of retail outlets.

The consensus of opinion in the workshop was that consumer cooperatives in India were generally too small in terms of capital resources and turnover to be able to compete efficiently with the distributive trade. It was felt that the primary society should be large enough so as to have adequate capital resources, managerial and technical personnel, and adequate turnover. From that point of view although societies might be started in the initial stages on a smaller scale in the context of limited technical abilities of the managerial personnel, the societies should amalgamate in course of time to form large societies as sufficient experience and resources were acquired. In cities like Bombay, Delhi, Calcutta, Madras the movement would have a conspicuous advantage in establishing a large city-wide cooperative society with a number of branches. Operationally, such societies need not open branches in all the localities immediately but gradually as resources permitted. If such large societies were established, then the best level for setting up wholesale stores would be in important trade centres from which goods were distributed all over India. A few wholesale stores of that nature were likely to meet with greater success than numerous wholesales.

The functions of the wholesale cooperative society were to engage in wholesale trade, undertake processing, and also to go into production in those fields where monopolistic conditions existed. Other functions of the wholesale would be to provide common services required by the primary societies, such as technical advice in regard to shop lay out, capital formation, provision of member education, etc. A strong consumer cooperative wholesale was regarded as the backbone of the consumer cooperative movement.

The question whether primary societies should in all cases buy from the wholesale societies was discussed in detail. It was agreed that in the initial stages the primaries should support the wholesale society for a limited period in view of the costs of growth by voluntary agreements. Similarly retail societies could expect member support for limited purposes either in the initial stages or where the private retailer is attempting to kill the society by undercutting it. In normal cases, however, the primaries should be free to buy from the outside market if the prices

offered by the wholesale were higher. Although there was no clash of interests between the members and their societies and similarly between the societies and cooperative wholesales, compulsion cannot be built into the cooperative structure forcing members to buy from their primaries and their primaries from the wholesale irrespective of prices. The patronage of members could be achieved only through efficient operations and education campaign directed to build up member loyalty.

The Workshop felt that maintenance of economic efficiency in consumer cooperative organisations was compatible with democratic management. Suitable parliamentary structure could be evolved for large societies and wholesales through representative democracy which would permit for member influence to be felt at the management levels. As the societies grow bigger, professional management subject to the usual control by elected laymen would have to be introduced into cooperative societies.

Capital formation in consumer cooperative societies was likely to be slow and difficult. The development of sound internal financial position was emphasized by the workshop and it was felt that the curx of capital formation lay in the expansion of membership, an appropriate price policy and rate of surplus generation. Plough-back of surplus and conversion of patronage refund into share capital were important methods of building up capital. The practice of the Swedish cooperative movement of selling to non-members so as to bring them within the cooperative fold, through an automatic mechanism of converting patronage dividend earned by them into shares, was commended by the workshop. The workshop noted that urban thrift and credit movement had substantial amount of funds which were seeking channels of profitable investment. The consumer cooperative societies should therefore approach the urban banks for obtaining loans and support in membership expansion programmes. Arrangements could be worked out whereby urban cooperative banks could advance loans to their members for purchase of shares in consumer societies.

The price policy to be adopted by the consumer cooperative societies was considered of crucial significance in the growth of the movement. In the initial stages when the consumer cooperative movement forms only one of the many small traders, it will have to take the prices ruling in the market as given and follow a passive price policy. But, when the consumer cooperative movement grows in strength and commands a substantial portion of the trade it would be in a position to influence the market. It is only then that a consumers movement could follow an active price policy. Active price policy was defined as a policy of price leadership by which the consumers movement could set lower prices and influence other competing agencies to bring down their sale prices. It was recognised that in an active price policy the prices charged by the consumers cooperative movement would not be consistantly lower than those of the private trade. It was also felt that an active price policy would help the consumers movement to expand its membership, volume of turnover, and the volume of surplus. If the cooperative movement is able to generate sufficient amount of surplus, the problem of capital formation would become comparatively easier. In times of scarcity the consumers cooperative movement should not take advantage of short supplies to charge higher prices but should follow a consistently stable price policy and also help in ensuring equitable distribution. By doing so, the cooperatives would act as a restraint on private profit-making enterprises. In the long run, the consumers movement would be able to influence prices to the extent it extends its activities to manufacture of goods particularly in fields where there are monopolistic elements. The Workshop agreed that the consumer cooperative movement cannot be an instrument of price stabilisation either in periods of inflation or depression. However, to the extent that consumer societies do not artificially raise prices in periods of rising prices associated with scarcity

conditions, they would be a healthy check of inflationary tendencies. Also provided the resources of the consumer societies are strong, the movement could enter the market in order to acquire valuable assets for itself when prices are falling. This step might, to some extent, be a countervailing element against the deflationary forces.

The Workshop recognised the importance of membership education and employee training. It was felt that the first priority in employee training should be training of managers of the primary and wholesale stores. So far as member education was concerned, the workshop emphasised the need for ensuring continuity in educational activities and in providing in collaboration with the wholesale societies business education to the general membership and particularly to elite groups of members.

### Students' Cooperatives

As regards appropriate fields for students' cooperatives, it was felt that the following fields could advantageously be undertaken by students' cooperatives:

Book Cooperatives: This had a great scope for development, as profits in the book trade were high, due to scarcity of books, particularly the imported ones.

Cafeteria Mess: Here the importance of link up with the cooperative wholesale was stressed.

Clothing and tailoring activities.

Health and Health Insurance: It was suggested that members of the group submit papers on the subject to the ICA which will undertake to distribute these to the other members.

Credit: This was a controversial subject. Some participants felt that student cooperatives should not at all undertake credit activities, while others maintained that with thorough control and supervision credit activities could be of great assistance to students.

### 1. Participation in Students Cooperatives

It was indicated that as cooperation is a voluntary movement, voluntary membership would be desirable. In some cases in students cooperatives, however, it would be advantageous to introduce compulsory membership to give the cooperative the numerical strength.

Various opinions were expressed regarding membership of university teachers and university staff. On the one hand the teachers could give valuable guidance in the conduct of students cooperatives, on the other in some cases teachers and staff members had completely taken over control of the society, whereby students' interests were bypassed and students had no opportunity to gain experience by participation in the management.

Students of age below 18 are not allowed to full membership in some States. It was pointed out that the Central Government recommends to the states that students below the age of 18 should be allowed to become fullfledged members in students' cooperatives.

## 2. Universities' Support of Cooperatives

It was pointed out that universities could enable grants to the students' cooperatives, could provide them with localities, and ought to make purchases of stationery and other supplies through the cooperative wherever possible.

## 3. Importance of registration

Although it was possible to have informal cooperative groups, registration secured a number of advantages. The following can be mentioned:

Government credit in some cases,  
Greater stability and continuity,  
Application to the Cooperative Wholesale,  
Tax concessions, and  
Government audit facilities.

## 4. Size of Students Cooperatives

It was stressed that students cooperatives ought to be organised on largest possible scale so as to make them economically more viable. Large size was, however, not as important in students cooperatives as in cooperatives in general.

## 5. Educational values of students' cooperatives

Student cooperatives constituted an excellent ground for democratic training of their members. The members would have many opportunities to utilise this when they left college.

Student cooperatives besides giving employment facilities to able students, train them in management problems at a very early age.

Finally, students cooperatives were a good training ground for commerce, accounting and business students who could acquire practical experience in these fields through active work in their societies.

In view of the above discussions the group felt the importance of encouraging and creating students cooperatives on an as wide as possible scale in India.

---