

**PUBLIC ACCOUNTS COMMITTEE
(1969-70)**

(FOURTH LOK SABHA)

HUNDRED AND SECOND REPORT

[Paragraph 112 of Audit Report (Civil), 1969 relating
to Central Government Employees Consumer Co-
operative Society Ltd, New Delhi (Ministry of
Home Affairs)]



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1970/Magha, 1891 (Saka)

Price : Re. 0.85

336.3951R
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**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
ANDHRA PRADESH					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay-1.	30
2.	G.R. Lakshipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	13.	The Current Book House, Maruti Lane, Raghunath Dadri Street, Bombay-1	60
ASSAM					
3.	Western Book Depot, Pan Bazar, Gauhari.	7	14.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
BIHAR					
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37	MYSORE		
GUJARAT					
5.	Vijay Stores, Station Road, Anand.	35	15.	M/s. Usha Book Depot, 5851A, Dhira Bazar, Khan House, Girgaum Road, Bombay-2 BR.	5
6.	The New Order Book Company Ellis Bridge, Ahmedabad-6.	63	RAJASTHAN		
HARYANA					
7.	M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana).	14	17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
MADHYA PRADESH					
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13	UTTER PRADESH		
MAHARASHTRA					
9.	M/s. Sunderas Ginchand, 601, Girgaon Road, Near Princess Street, Bombay-2.	6	18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road Bombay-1.	22	19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26	WEST BENGAL		
MAHARASHTRA					
			20.	Granthaloka, 511, Ambica Mookherjee Road, Belgharia, 24 Parganas.	17
			21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
			22.	Firma K. L. Mukhopadhyay, 611A, Banchharam Akur Lane, Calcutta-12.	82
			23.	M/s. Mukherji Book House, 8B, Duff Lane, Calcutta-6.	

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6.	The New Order Book Company Ellis Bridge, Ahmedabad-6.	63	16.	M/s. People Book House Opp. Jagamohan Palace, Mysore-1.	16
HARYANA					
7.	M/s. Prabhu Book Service, Nai Subzmandi; Gurgaon, (Haryana).	14	RAJASTHAN		
MADHYA PRADESH					
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PART II*

Minutes of the sitting of the Public Accounts Committee held on :
16-7-1969 (F.N.)
24-1-1970 (F.N.)

* Not printed (one cyclotyped copy filed in the Table of the House and five copies placed in the Parliament Library)

PUBLIC ACCOUNTS COMMITTEE
(1969-70)

CHAIRMAN

Shri Atal Bihari Vajpayee

MEMBERS

- 2 Shri Syed Ahmed Aga
- 3 Shri Bhagaban Das
- 4 Shri C. Chittibabu
- 5 Shri K.G. Deshmukh
- 6 Shri Bimalkanti Ghosh
- 7 Shri K.M. Koushik
- 8 Shri Mohan Swarup
- 9 Shri H.N. Mukerjee
- 10 Chaudhary Nitiraj Singh
- 11 Shrimati Sushila Rohatgi
- 12 Shri Ram Awtar Sharma
- 13 Shri Ramshekhar Prasad Singh
- 14 Shri Tayappa Hari Sonavane
- 15 Shri Balgovind Verma
- 16 Dr. Z.A. Ahmad
- 17 Shri A.P. Chatterjee
- 18 Prof. Shanti Kothari
- 19 Shri S.S. Mariswamy
- 20 Shri G.H.V. Momin
- 21 Shri N.R.M. Swamy
- 22 Shri Tarkeshwar Pande

SECRETARIAT

Shri Avtar Singh Rikhy—Joint Secretary.

Shri A.L. Rai—Deputy Secretary

Shri K. Seshadri—Under Secretary

INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Second Report (Fourth Lok Sabha) on paragraph 112 of Audit Report (Civil), 1969 relating to the Ministry of Home Affairs.

2. The Audit Report (Civil), 1969 was laid on the Table of the House on the 18th April, 1969. The Committee examined paragraph 112 relating to the Central Government Employees Consumer Co-operative Society Ltd., New Delhi at their sitting held on the 16th July, 1969 (FN). The Committee considered and finalised this Report at their sitting held on the 24th January, 1970 (FN). Minutes of these sittings form part II* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix VI). For facility of reference, these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of this case by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the officers of the Ministry of Home Affairs for the cooperation extended by them in giving information to the Committee.

NEW DELHI ;
Dated 18th February, 1970

29th Magha, 1891 (Saka)

ATAL BIHARI VAJPAYEE.
Chairman,
Public Accounts Committee.

*Not printed (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library).

MINISTRY OF HOME AFFAIRS

Audit Report (Civil) 1969

CENTRAL GOVERNMENT EMPLOYEES CONSUMER CO-OPERATIVE SOCIETY, NEW DELHI.

Audit Paragraph

1.1 The Central Government Employees Consumer Cooperative Society Ltd., New Delhi, was set up in April, 1963 for supplying essential goods at reasonable prices to Government employees and also those of the autonomous corporations. The Society's paid up capital on 30th June, 1967 was Rs. 9.24 lakhs, out of which Rs. 4.67 lakhs had been contributed by Government and the balance by about 40,000 Government employees. Loans from Government on that date were Rs. 24 lakhs, and Rs. 7.23 lakhs were also drawn from the State Bank of India as on that date under cash credit arrangement with the Bank secured against hypothecation of goods and collateral guarantee by the Government to the extent of Rs. 20 lakhs (reduced to Rs. 10 lakhs from July, 1968).

1.2 The Society has been running 21 stores (with 3 main godowns) as at the close of December, 1968 which deal in rationed commodities, groceries, textiles, general merchandise, footwears and Customs confiscated goods.

1.3 The accounts of the Society for 1963-64 and 1964-65 showed a profit of Rs. 1.30 lakhs and Rs. 0.61 lakh respectively, while those for 1965-66, 1965-67* and 1967-68* (upto January, 1968) indicated loss of Rs. 1.35 lakhs, Rs. 7.52 lakhs and Rs. 4.37 lakhs respectively. These losses had occurred although (i) the majority of the stores were functioning in Government buildings and godowns allotted to the Society at the nominal rent of Re 1. per month each (ii) during 1963-67, Government had met (by paying grant of Rs. 4.65 lakhs) the entire expenditure on salaries of superior staff of the Society and (iii) Government loans of Rs. 24 lakhs carried a lower rate of interest (4½ per cent) than the prevailing bank rate (8 per cent).

1.4 Supply of rationed commodities during 1966-67 constituted about 42 per cent of the business of the Society. This particular business was started in December, 1965 although a detailed examination of its economics in October, 1965 had shown that this would not prove to be economical as on an average the Society would sustain a loss of about Rs. 13 000 per mensem.

1.5 Purchases were generally made much in excess of actual requirements for reasonable periods. For instance, although textiles valuing Rs. 10.24 lakhs were in stock in June, 1968, the Society purchased Rs. 14.63 lakhs worth more of textiles during 1966-67 and 1967-68. Out of these, textiles worth Rs. 16.70 lakhs only were sold upto June, 1968, leaving textiles worth Rs. 8.95 lakhs in stock. Some of the old and left-over stocks could only be sold at a rebate of 10 per cent to 20 per cent through clearance sale.

*Tentative Accounts.

Certain damaged goods worth Rs. 0.74 lakh and Customs confiscated goods like watches, pens, pencils etc., costing about Rs. 1.13 lakhs were lying with the Society at the end of June, 1967. In July, 1967 the management informed the Board of Administration that Customs confiscated goods worth about Rs. 1 lakh were not saleable. Most of these goods have not been disposed of so far (February, 1969).

Had the purchases been realistic a substantial portion of the loans and overdrafts which were Rs. 31.23 lakhs (at 4½ per cent to 8 per cent interest) at the end of June, 1967 would not have been necessary and the losses would have been less.

1.6 Physical verification of stocks in the main godown and in some of the stores and shops, conducted during 1964-65 and 1965-66, disclosed net shortages of Rs. 0.55 lakh and Rs. 1.20 lakhs respectively. Physical verification of stores during 1966-67 was completed in July, 1967 but the results are still being worked out. (February, 1969).

In one case a sum of Rs. 13,279 representing excess in a selling centre had been set off against a net shortage of stores valuing Rs. 14,800 in the main godown although the main godown and selling centre were located at different places; and the balance of Rs. 1,581 has been written off.

The above excesses and shortages, as explained to the Board of Directors in February, 1967, were due mainly to (i) short receipt of goods in stores than those shown in the store issue notes kept in the main godowns, (ii) defective working of weighing machines in the stores, (iii) employment of certain persons of doubtful integrity and (iv) non-verification of stores at the time of taking over by the various incumbents of stores.

1.7 During July, 1965 to November, 1968, the Society submitted claims for Rs. 1.14 lakhs to an insurance company against fidelity policies of the persons responsible for the shortages but Rs. 456 only have been recovered so far (June, 1968).

In one case where a Purchase Officer (who was responsible for a shortage of stores valuing Rs. 14,509) absconded from 5th January, 1965, a fidelity bond for Rs. 5,000 had been obtained in his name from an insurance company with effect from 27th December, 1964. The claim for the loss subsequently lodged with the insurance company was rejected on the ground that the loss had occurred prior to the taking up of the fidelity bond.

Thirteen cases of thefts (Rs. 31,000) were reported to police during 1966 to 1968. Of these, seven were filed by the police for want of evidence.

1.8 During 1963-64 and 1964-65 Government paid to the Society five loans aggregating Rs. 30 lakhs, out of which Rs. 6 lakhs were repaid by the Society in July, 1964. Out of the balance, Rs. 12 lakhs were repayable within three months of the dates of draws and the remaining Rs. 12 lakhs within five years. The Society could not repay Rs. 12 lakhs during the stipulated period of three months ; on its request, Government, extended the period of repayment upto five years.

Rs. 8 lakhs (alongwith interest of Rs. 1.08 lakhs) fell due for repayment between July, 1966 and September, 1967 but the Society did not repay the amount. In view of the Society's unsatisfactory financial position, the Ministry of Home Affairs had requested the Ministry of Finance in Sept. 1966 to revise the terms and conditions of the loans in such a way that each loan would be repayable within 20 years in five annual equated instalments commencing from the beginning of the 16th year of the drawal of the loan. The Ministry of Finance did not agree to that proposal. The Ministry, however, agreed to postpone recovery of loans on two occasions, once in January, 1967 and again in July 1968 for one year each time. The recoveries will now fall due in 1969.

1.9 *Miscellaneous* : (i) During 1963-64 carpentry work of providing fixtures to certain buildings was got done through a private contractor at a cost of Rs. 2 lakhs. No measurement books for the work done by the contractor were maintained.

(ii) Cash amounting to Rs. 17,465 was stolen from various stores during 1965-66. No recovery has been effected so far from the insurance company with which the cash safe was insured (February, 1969).

[Paragraph No. 112, Audit Report (Civil) 1969].

Financial Results of the Working of the Society

1.10 The Central Government Employees Consumer Co-operative Society Ltd., was registered on 30th April, 1963 under the Bombay Co-operative Act, 1925 as extended to the Union Territory of Delhi. According to information furnished to the Committee, "it was promoted in pursuance of a decision taken by the Union Cabinet on the recommendations of the Staff Welfare Review Committee and the Second Pay Commission."

1.11 The total share capital of the Society as on 31st March, 1969 and the assistance given by Government to the Society by way of share capital contribution, loans and subsidies are indicated in the following statement furnished by Government to the Committee :

"Total share capital on 31-3-1969	Rs. 8,88,945
<i>Government contribution on 31-3-1969 towards :</i>	
(i) Share capital	Rs. 4,66,644
(ii) Loan	Rs. 24,00,000
(iii) Subsidy in reimbursement of pay and allowances of Superior Staff (received and receivable) since inception upto 31-3-1969	Rs. 6,47,873*

*It has been stated that the amount of subsidy claimed by the Society for the period upto 31st March, 1969 was 6,47,873 (provisional) whereas the sum actually paid is Rs. 6,24,525.09.

In addition, a sum of Rs. 8,84,614 was obtained as cash credit from the State Bank of India against a Collateral Guarantee given by Government."

1.12 The Committee note from the data furnished by Government that the loans given by Government carried a rate of interest of 4 1/2% per annum and that similar loans from the State Bank would have carried an interest of 8% per annum. The Committee asked for full particulars of loans given and arrears in repayment. They were apprised of the following position :

"The Society was granted three loans amounting to Rs. 12 lakhs between July, 1963 and January, 1964 and two other loans of the value of Rs. 12 lakhs in June, 1964. Another loan of Rs. 6 lakhs was granted in September, 1964. Out of the loan of Rs. 12 lakhs given in June, 1964, the Society repaid Rs. 6 lakhs in July, 1964.

"All these loans, except the one of Rs. 6 lakhs given in June, 1964, and the other of Rs. 6 lakhs given in September, 1964, were repayable in a period of five years. The loans of Rs. 6 lakhs given in June and September, 1964, were repayable in a period of three months, but subsequently, the period of repayment of these loans also was extended to 5 years. In view, however, of the unsatisfactory financial position of the Society, which had been incurring losses in the recent years, the Society did not find it possible to repay the loan instalments as and when they became due at the end of three years. Repayment of the loan instalments was, therefore, postponed in consultation with the Ministry of Finance from time to time. These loans are now repayable on different dates beginning on 14-6-1969 and ending on 29-1-1970. But as the Society will not be able to repay the loans, further extension of time by one year in each case has been agreed to.

"The Society has been paying interest on all these loans regularly by the due dates. The latest instalment of interest on the loan which was due on 14-6-1969 was paid on 11-6-1969. Thus, no amount of interest is overdue for recovery."

1.13. The Committee wanted to know the reasons that weighed with Government in giving substantial financial support to the Society by way of share capital, loan etc. The Secretary, Ministry of Home Affairs stated that "the Society was meant entirely to promote the interests of Government servants. The Government's participation in the share capital was a token of their identification with the interests of Government servants. The loans which the Government subsequently gave to the Society were required for carrying on the operations of the Society. If a large number of Government servants had become members, say, 100,000 Government servants as against 40,000 Government servants who had become Members, then the share capital would have become large and the position would have been different."

1.14 The Committee were given to understand that the majority of the stores of the Society "were functioning in Government buildings and godowns allotted to the Society." The Society had at one stage 32 stores but 11 of these were closed down between January, 1968 and November, 1968. The details of accommodation hired for the remaining stores and godowns are indicated in a statement furnished by Government to the

Committee which is reproduced at Appendix I. The following is the overall position as brought out in the statement.

- (i) Total No. of premises occupied by 22 (37,074 sq. ft.) stores and godown.
- (ii) No. of premises obtained from Gov- 19 (33,422 sq. ft.)
vernment on nominal rent of Re. 1/-
per month/quarter
- (iii) No. of premises hired from N.D.M.C. 2 (334 sq. ft.) (one @ Rs. 588/-
and rent therefor p.m. and other @ Rs. 525.50
p.m.)
- (iv) No. hired from private parties and rent 1 (312 sq. ft.) @ Rs. 200/- p.m.
paid therefor
- (v) Total area under occupation by stores 37,174 sq. ft.
and godown
- (vi) Area obtained from Government on 33,422 sq. ft.
nominal rent

1.15 The Committee enquired about the financial results of the working of the Society. The information furnished to them on this point is tabulated below :

1963-64	1964-65	1965-66	1966-67	1967-68
(in lakhs of rupees)				
1.30 (profit)	0.61* (profit)	1.35* (loss)	7.52 ^① (loss)	4.37 £ (loss)

1.16 The Committee are not at all happy about the way the affairs of the Central Government Employees Consumer Co-operative Society have been managed. The Society, which was started in 1963-64, has been running at a loss since 1965-66, the cumulative losses upto January, 1968 amounting to over Rs. 11 lakhs. The losses have completely wiped out the Society's share capital amounting to Rs. 8.89 lakhs, which includes Government's contribution of Rs. 4.67 lakhs, and forced the Society to subsist on borrowed funds derived mainly from Government. To keep the Society going, Government have been obliged to give a moratorium on outstanding loans amounting to Rs. 24 lakhs.

1.17 What the Committee find hard to comprehend is that the Society's affairs have come to this pass despite substantial concessions extended to them

*According to information furnished by Government to the Committee, "in their report on the accounts of the Society for 1965-66, the statutory auditors pointed out certain accounting irregularities, which not only affected the working results of the year, but also of the audited accounts of the previous year. The financial results of both these years were therefore recast by the Auditors." The figures of losses for these years will therefore differ from those shown in the Audited accounts.

① Revised accounts for 1966-67 prepared and yet to be audited. The figures of loss according to the revised accounts is Rs. 7.36 lakhs.

£ Upto January 1968. Information furnished by Audit.

by Government. Apart from share capital support amounting to more than 50% of the Society's share capital, Government have subsidised the expenditure on the staff of the Society to the tune of Rs. 6.47 lakhs over a period of six years. The loans given to the Society by Government have carried a concessional rate of interest of 4½% against the commercial rate of 8%, while accommodation for the stores, except in respect of 3 out of 22 premises, has been provided at a concessional rate of rent of Re. 1 per month quarter.

1.18. The Committee cannot resist the conclusion that the affairs of the Society were grossly mis-managed in spite of there being three layers of high level executive authority, i.e. the Board of Directors, the Board of Administration and the Managing Director. The findings in the later sections of this report will show that branches were opened by the Society at random in various places with very little effort by the management either to keep tab of their functioning or organise their sales operations on sound and businesslike lines. Margins available in various trading activities were wiped out by bad 'house-keeping'. Purchases of stores were made most haphazardly and, in the absence of a proper system of inventory control, there was heavy accumulation of unsaleable stocks. The situation was aggravated by "large scale pilferages" by employees, which the management were unable to control. The Society also had to bear the burden of "a large body of staff" who were "grossly under-utilised, inadequately employed and . . . in fact had nothing worthwhile to do."

1.19 The Committee have serious doubts whether circumstanced as it is now, the Society can survive, except on terms which will involve a substantial liability for Government. In view of this position, the Committee would like Government seriously to consider whether any worthwhile purpose would be achieved by allowing the Society to continue.

Reasons for Losses

(a) *Uneconomic Stores*

1.20. The Committee were given to understand that the Department of Cooperation had formulated certain norms for gauging the efficiency of co-operative departmental stores. One of these norms is 'Sales per man day' which has been expressed in the following terms:

"Sales of Rs. 400/- per day per Salesman in the Food and Grocery departments and sales of Rs. 300/- per day per Salesman in other departments should be considered satisfactory. Lower sales per Man-day should be considered as unsatisfactory performance."

1.21. A Study Team of the Department of Co-operation which evaluated the working of the Society in 1968 on the basis of this norms drew attention to "the absence of basic information like the purchase price of goods, details of the value of goods sold." The Study Team pointed out that all the 27 branches then operating were "running in loss" and further that "not a single branch comes up to the standard. There are five branches where the sales range between Rs. 200/- to Rs. 300/- and there are seven branches where they range between Rs. 150/- to Rs. 200/-. The sales are less than Rs. 150/- in fifteen branches."

1.22. The Committee drew attention to the large scale operations of the Society and enquired whether the plan of opening branches was phased out properly. The Secretary (Services), Ministry of Home affairs stated

"It was really apprehended that too rapid an expansion might mean great difficulties in future, but the fact was that the need at that time was very emergent. As you will recall, in 1963-64, foodgrains were not easily available; they had become scarce. Prices had gone up and it was on that account that pressures were brought that co-operative stores should be opened as quickly as possible. In order to meet that, we started opening stores. Even then they were not opened in great haste. We had only 7 stores in 1963; we opened another 12 stores in 1964; we opened another 11 stores in 1965. It was, to a certain extent, phased out. Even then, the magnitude of the task, the inexperience of the staff employed, etc., did contribute to the difficulties."

1.23 The Committee observe that the Study Team of the Department of Co-operation found that retail stores were opened by the Society "without consideration whether they could function as viable and efficient units". "In fact", the Study Team added, "there does not appear to be a rational pattern in the location of the branches. Except six branches which are located in markets, the remaining are situated in residential localities depending mainly on the custom of the colonies."

1.24 The Committee also observe from the information furnished to them that the question of operation of uneconomic branches came up before the Board of Administration and Board of Directors at several stages as under :

- (i) In the meeting of April 1966, the Board of Directors was informed that out of 32 stores the average sales of 15 stores were such that they were "uneconomical". These branches had been "opened on the constant pressure from the Welfare Associations in the colonies concerned without taking into account their effect on the economics of the Society". The Board was also informed that "the Society would not be in a position to bear this cumulative loss without corresponding subsidy from Government." The Board, however, did not approve the proposal of asking for subsidy. However, as desired by the Board, two stores, where sales were poor were closed down.
- (ii) In February 1967, the Board of Directors decided that "a thorough study of the stores which were uneconomical should be conducted and the possibility of closing down some of them should be examined."
- (iii) In February 1968, the Board was informed that, due to poor sales, 5 stores which were "uneconomic" were closed. It was also decided that an independent agency might investigate the reasons for losses of the Society in all its aspects.

A special investigation was accordingly undertaken by a Study Team of the Department of Co-operation.

1.25. The Committee asked for data about stores closed down from time to time. The information furnished by Government is at Appendix II. It is seen therefrom that 11 stores were closed down on various dates between January, 1968 and November, 1968.

1.26. A major reason for the losses sustained by the Society was the fact that none of its branches was able to achieve the prescribed norm for sales. This situation arose because, as pointed out by a Study Team which examined the working of the Society, retail stores were opened by the Society "without consideration whether they could function as viable and efficient units." It is regrettable that the management of the Society opened branches without carrying out any market surveys or assessing the demand in the locality of their proposed operations. Nor did the management show sufficient alertness after it came to their notice in April, 1966 that as many as 15 out of 32 stores of the Society were "uneconomical". It took over ten months for them there after—February, 1967—to decide that "a thorough study" of the situation should be made and another year to two—January to November, 1968—to close down 11 of the uneconomical stores.

It thus appears that the Board of Directors neither set up standards of performance for the management nor reviewed their working periodically so as to guide them or take corrective action.

(b) Sales Operations

1.27. According to the data furnished to the Committee, the following were the principal trading activities of the society :

Departments	Percentage of total sales
	(1966-67)
Rationed goods	42%
Grocery	33%
Consumer and customs confiscated goods	15%
Textiles	8%
Footwear	1%

1.28. The Committee asked for data about the working of individual departments of the Society since 1963-64 when the society was started. The following position in this respect is indicated in the Board proceedings, copies of which were furnished by Government.

Profit/Loss in Department.

Year	Total		Grocery	Ration	Consumer goods	Textiles	Foot-wear & others
	Profit (+)	Loss (-)					
	(in lakhs of rupees)						
1963-64	(+1.31	(+)0.69	—	(+)0.31	(+)0.18	(+)0.17	
1964-65	(+)0.63*	(+)0.40	—	(+)0.17	(+)0.13	(-)0.07	
1965-66	(-)1.36*	(-)0.49	(-)0.05	(-)0.37	(-)0.37	(-)0.08	
1966-67	(-)7.52	(-)2.30	(-)0.54	(-)2.93	(-)1.29	(-)0.46	

*Differs from relevant figures given earlier in the report due to rounding etc.

1.29. The Committee observe that an ILO expert on Co-operative Departmental Stores who was called in to advise the Government on matters relating to the operation of co-operative departmental stores found on a review of the working of co-operative departmental stores in the country that the following "average margins" were available in various departments of trading activity, "average margin" being the difference between retail price and cost price expressed on a percentage of retail price :

Percent		Percent		Percent	
Grains and Pulses	3	Household goods Crockery, Glass Electricals, Plastics, Stainless Steel etc.	Overall Average 10	Shoes, Leather Goods	10—15
Fresh Fruits and Vegetables	3—15			Cafeteria	12—20
Packaged and Canned Foods	5—7			Statfr city	15—20
Cosmetics and Soaps	6			Textiles	10—18
Drugs and Medicizns.	5—10				
		Whole Store :	6—10		

The expert stated that "the margin will be influenced by good or bad homekeeping (spoilage, spillage, shrinkage, inventory control etc.) and general good or bad supervision (employees, dishonesty, customer pilferage etc.)" The expert also warned: "It is clear from these figures that the co-operative department stores will need very capable and alert management in order not to lose money but come out with some net earnings at the end of the year. It is for this reason that the expert must warn against the attitude frequently found on his visits that co-operatives should never make a profit that they should sell everything at a very low margin. If the Indian Co-operatives want to become true co-operatives who finance their own business, build up working capital and reserves from net earnings, and to be able to pay a patronage refund, they must make some margins somewhere. It is good and important to sell the staple necessities as low as possible, but it is also

† "Report to the Government of India on the development of Consumer Co-operation"
—R. Schufert.

important to try to improve on margins in the higher margin departments." The expert added: "The centrally-sponsored scheme of promoting consumer co-operatives had as its main purpose that they should hold prices down. The expert feels that it must be bluntly stated that this is an impossible thing to expect of them. The reasons for India's inflation (that is what generally and continually rising prices are) cannot be examined here, but they are certainly beyond the narrow reach and feeble economic influence of consumer co-operatives. The prices they charge for the goods they sell are determined by their costs to them and if costs go up selling prices must necessarily follow."

1.30. Commenting on the general tendency of the co-operative departmental stores to spread out their resources on a number of sales activities the expert made the following observations:

"The tendency of the co-operative department stores has been to offer their customers as wide a selection of departments as possible, to establish themselves as one-stop shopping facilities for the whole range of consumer needs. This basically sound intention can, however, easily lead to serious difficulties if departments are opened which have a slow turnover and yet require heavy investment in inventory. The more departments, the larger the risks of unwise selection in buying, of overstocking, of tying down valuable capital in unprofitable investments, with the end result of slow turnover and low net margins."

1.31. The Study Team of the Department of Co-operation which examined the working of the Society found the bulk of the sales (75%) to be accounted for by "low margin goods like groceries (including rationed commodities). The Society is likely to be faced with a severe crisis when the controls are withdrawn. In view of this and to become a self-financing institution, it has to expand the sales with accent on goods with a relatively high margin of profit."

1.32. The Study Team further stated that the Society "seems to be labouring under the misapprehension that as it was established primarily as a welfare measure, it should not earn any profits and should, therefore, sell goods at a very low margin. If the institution wants to become truly cooperative in character and finance its own business, it has to build up working capital and reserves from net earnings, for which it has to make margins somewhere. While it is important to sell the staple necessities as low as possible, it is necessary to improve on margins in the higher margin departments."

1.33. The Study Team also reported that "no price fixation register is being maintained to ensure that all components of cost are taken into account while fixing the selling price."

1.34. The Committee drew attention to the observation in the Audit paragraph that trading in rationed commodities was started despite a clear indication that this would entail a loss. The Secretary (Services), explaining the position in this regard, stated:

"This decision was taken by the Board of Directors. At that time there was a great deal of clamour. We had been dealing in large quanti-

ties of foodgrains earlier. It was felt that provision of essential commodities like wheat, rice and sugar was one of the services that the store must continue to render to Government employees. It was as a part of that welfare measure that we thought that it would be necessary to do this. The second aspect was that either we continue with the rationed articles or discontinue dealing in foodgrains. Foodgrains had been the mainstay of the store's working in the past. If we discontinued dealing in foodgrains we would have had to close down a number of stores and also face the problem of retrenchment immediately."

"The second main reason that weighed with the Board of Directors was this. If we discontinued the sale of these rationed articles and people went to other places for them, then the groceries which they bought from us would also be bought by them elsewhere. It was felt that it might be possible to cover this loss by the sale of other articles, and therefore, it would be worthwhile even at the risk of suffering a small loss, which we must try to minimise, to continue with the sale of rationed articles so that the other things would continue to be sold."

1.35. The Committee enquired whether any attempt was made to keep tab of the losses on this account. The witness stated : "We had a plan of action which did not work out, that is why we decided later to close them (trading in rationed commodities) down."

1.36. According to the information furnished to the Committee, when rationing was introduced, "it was expected that this would give to the dealer a profit of about Rs. 500/- per month. It was, however, considered that the conditions applicable in the case of a private dealer, who would be himself working and, when necessary, utilise the services of family members, would not hold good in the case of the Society since it would have to incur expenditure on the supervisory staff as well as on the wages of the employees. There would, therefore, be practically no profit made by the Society under the rationing scheme. On the other hand, the Society might incur some loss." The Board was at one stage informed that the loss on this account "would be quite considerable" and requested to consider whether the Government be approached for granting subsidy equivalent to the amount of loss sustained by the Society for undertaking rationing as a Welfare Measure. The Board did not favour the idea of subsidy and suggested that steps be taken to reduce the loss by increasing sales and reducing overheads. The efforts made in this direction were not, however, successful and the loss for the period 8-12-1965 (date of introduction of rationing) to 30-6-66 worked out to be Rs. 93,600/- i.e., about Rs. 13,500/- per month. The matter was discussed in the Board of Administration meeting on 16-12-66 and they desired the Board of Directors may be approached to consider the desirability of closing down the sale of rationed commodities from some or all the stores. The Board decided in February, 1967 that the question of discontinuing the sale of rationed stores from certain stores might be examined."

1.37. The Committee cannot help feeling that the sales operations of the Society were organised without regard to sound business techniques. About 75% of the Society's sales were in 'low-margin' goods like groceries and ratio-

tioned commodities, which could hardly have been expected to keep the Society going as a viable unit. Even departments capable of yielding higher margins like textiles, footwear etc., ran into losses. The data given at page 9 of this report would indicate that there was a progressive deterioration in the performance of these departments from 1964-65 onwards. The inference, therefore, has to be that these departments were organised and run in complete ignorance of demand conditions and consumer preferences. Later in this report, the Committee have referred to the glut in the Textile Department, which at one stage accumulated goods worth Rs. 16 lakhs. The report of the Study Team of the Department of Co-operation which examined the working of the Society gives other instances of 'heavy stock' and 'slow-moving items' in departments like footwear and crockery. All this could not have occurred had these departments been organised to cater to consumer's requirements.

One other point brought out in the report of the Study Team deserves mention. The Study Team reported that "no price fixation register is being maintained to ensure that all components of cost are taken into account while fixing the selling price". In its absence, the Society was hardly in a position to assess the impact of its sales policy on its finances.

(c) *Purchase and Inventory Management.*

1.38. The Committee enquired on what lines the purchases of the stores were organised. The Secretary (Services) replied: "The society had four purchase officers but usually the orders of the Managing Director were taken for purchase. I must admit that there was really no proper effective system of finding out as to what was required and to what extent purchases should be made Purchases were largely guided by the experience of the Managing Director and his anticipation of the demand and of previous sales."

1.39. The Committee wanted to know whether purchases were made by tenders. The witness, explaining the position said : "For different things different purchase procedures are followed. For example, in the case of textiles co-operatives are entitled to get about 10 per cent of the production of mills at ex-mill rates and we also were getting them at the same rate; so, there was no particular need for calling for tenders. It only depended upon what quality we needed, which mill produced it and which were fast selling items and we purchased the goods from that mill at ex-mill rates."

1.40. The Committee observe from the data furnished to them that an Inspecting Audit Team gave the following findings on the purchases made by the Society :

"The grocery, which accounted for bulk of the trading activity of the Society during 1963 to 1967, was purchased from wholesale markets by purchasing officers, who were given huge advances. A comparison of the price paid by these Purchasing Officers with the then prevailing wholesale market prices, reported in various publications and market reports indicated that large quantities were purchased at higher than market rates. The non-existence of purchase order books signed by the Purchase Officer and the Seller of commodities combined with the fact that the society relied solely upon the Purchasing Officer's statement of prices paid, prepared by him on his return to Headquarter from procurement missions and the non-existence of independent checks resulted in non-detection of the type of irregularities pointed out and indirect financial

loss to the Society The abnormally high cost paid for goods purchased for the Grocery Section will have considerable bearing on the ultimate profits."

1.41. A perusal of items at S. No. 12, 17 to 20, 34, 38, 44, 48 to 52 and 56 in Appendix III will indicate that bulk purchases were made outside Delhi when the commodities could be procured in Delhi market at appreciably lower rates. This indicates lack of purchase planning. It is pertinent to point out that the Society had on its staff a Market Intelligence Officer.

1.42. The Committee enquired what was the generally recognised norm to measure efficiency of management of inventories in co-operative departmental stores. They were informed that the Department of Co-operation had formulated certain norms for 'inventory turnover'. 'Inventory turnover ratio' according to the ILO expert, is a "widely used control figure for comparing sales to investment in stock" and is obtained by dividing yearly sales by the average inventory or stock holding. The norms for inventory turnover ratio fixed are :

"Fruits and vegetables	100 times
Grains and pulses (under conditions of controls & rationing)	70 times
Packed and canned food and other groceries	20 times
Textiles	4 times
Readymade garments	6
Other departments	3 to 6 times"

"For the store as a whole, however, the following inventory ratio may be considered as the norm :

Good performance	12 to 15 times of the capital employed in inventory.
Fair performance	8 to 11 times of the capital employed in the inventory.
Unsatisfactory performance	Less than 8 times of the capital employed in the inventory."

1.43. The Committee asked for detailed information about the average turnover of stocks in the various departments of the Stores. This has been furnished and appears at Appendix IV to this report. From that data, the following position emerges :

- (i) Against the turnover of 6 times, which is the norm for Textiles, the actual turnover in the Textile Division ranged from 0.64 to 2.72 between 1963-64 and 1967-68, there being a progressive deterioration in the position.
- (ii) For grains, pulses etc., sold under rationing, the average turnover of stocks was 29.28 in 1966-67 and 34.77 in 1967-68 against the norm of 70.

- (iii) In respect of groceries, the turnover ranged from 7.43 to 5.23 between 1963-64 and 1967-68 against the norm of 20.
- (iv) In respect of all departments except footwear and rationing, the average turnover of stocks deteriorated from 1965-66 onwards progressively.

The overall position as given in the Audit Inspection Report was that the actual turnover was "1 to 6 times" against the norm of "12 to 15 times" and that the grading on this basis should be "unsatisfactory".

1.44. The Study Team of the Department of Co-operation gave the following findings on this aspect of the working of the Store :

"There is no scientific and rational system of inventory control in the society now. No floor and ceiling limits have been prescribed for holding stocks in the godowns with reference to sales turnover, nature of the commodities and the time taken for procurement. In its absence purchases have been made without proper assessment of needs. The haphazard purchases have resulted in shortages of some goods and overstocking of some others. A part at least of the heavy accumulation of textiles of about Rs. 10 lakhs must be attributed to buying in excess of requirements. There has also been no attempt for relating purchases and inventories to sales targets and of comparing the performance with the targets with a view to identifying the factors causing shortfalls. The issue of stores from the godowns to the branches is being made purely on demands made and not on the basis of proper study of sales and stock in hand."

1.45. The Committee drew the attention of the witness to the report of the Chartered Accountants that "shortages have been disclosed in the stock taking as on 30th December, 1966 and 30th June, 1967 done by a professional firm of Chartered Accountants, but that the figure of shortages is not known and responsibility for the same remains to be fixed." The witness replied "The responsibility had been fixed in a large number of cases. This is a process where we have to go through the procedure of finding out firstly the total losses item-wise obtained after the physical verification, and then we must find out how much has been lost from each store, and who are the people responsible. Then they are to be asked to explain whether they can explain with reference to the records or the missing vouchers the discrepancies between the physical verification and the book balances and then on receipt of their explanation, the responsibility is fixed. The responsibility, I understand, has been fixed in a large number of cases, but there are a few cases where it is now in the process of being fixed."

1.46. The Committee observe from the information furnished to them that Audit Inspection reported the following shortages due to physical verification :

"1963-64 :

Physical verification of stocks conducted at the close of the half year ending 31-12-63 revealed total shortages valued at Rs. 79,718. The results of the annual physical verification conducted on 30-6-64 were not made available to audit. The perusal of the relevant confidential file No. 4.49/-63-COOP(Accts) showed that no action whatsoever was taken for the recovery or the write off of these losses. The losses do not seem to have been reported to be Board of Directors.

“1964-65 :

1.47. The following shortages were reported to the Board of Directors in their meeting held on the 26th October, 1965 :—

	Gross shortages	Excess	Handling loss @ 1% of total sales	Net shortage
	Rs.	Rs.	Rs.	Rs.
Main Godowns	1,73,985·55	1,67,408·20	20,547·29	6,577·35
Branch Stores	1,10,110·48	24,410·94		65,152·32
				<u>71,792·67”</u>

“1965-66 :

The shortages reported to the Board of Directors in their meeting held on the 13th February, 1967 were as under :

	Gross Shortages	Excess	Net shortages
	Rs.	Rs.	Rs.
Main godown and Branch Stores	2,23,207·08	64,911·36	1,58,209·72”

The Administration and Board of Directors took the following action, gleaned from information furnished to the Committee :

- (i) At their meeting held in February, 1967, the Board expressed “concern” about the shortages discovered on physical verification and directed that “loopholes” should be plugged and employees found responsible “severely” dealt with.
- (ii) It was considered “that one of the important reasons for the losses was large scale pilferage from the stores by the employees, which it was difficult to detect in time because of the unsatisfactory maintenance of the Stock Registers by the employees. The work of maintenance of the Stock Registers was, therefore, centralised and entrusted to a firm of Chartered Accountants from 1-7-67. Subsequently, however, it was found that this arrangement also had not worked satisfactorily because the employees of the stores did not co-operate and send the daily and monthly materialsales and cash summaries to the Chartered Accountants in time. This arrangement was, therefore, discontinued and kardex system introduced in the different stores and godowns for the maintenance of stock records.”
- (iii) In February, 1968, the Board was informed that “a system of perpetual Inventory Control was proposed to be introduced after the stock registers up to the period 31-1-1968 had been completed. Upto-date summaries for the period had been supplied to the

Chartered Accountants and the ledgers might be completed in about a fortnight. The actual stock position would then be known and the financial situation assessed. If summaries continued to be furnished promptly, shortages could be assessed within a few days and immediate action taken to recover them and to deal with the miscreants .”

1.48. The Study Team of the Department of Co-operation made the following observations about the maintenance of stock registers and physical verification of stocks :

“The stock accounts of branches are being maintained in the head office by . . . a firm of Chartered Accountants, on a monthly remuneration of Rs. 2,750/- for each branch commodity-wise. The stock registers are posted by them from the store issue notes sent by the three godowns which indicate the quantities of stores supplied to each branch and the goods sales summary prepared daily by each branch. This system suffers from the following defects :

- (i) The goods sale summaries are seldom received in time. The stock registers are, therefore, invariably in arrears.
- (ii) As these registers are being maintained in head office and are also in arrears, they do not help the branches in regulating their indents for stores by providing information of ground balances.
- (iii) Although this work was entrusted to the Chartered Accountant from 1-7-67 till now the opening balances on 1-7-67 which should be the balance on count on 30-7-67 have not been brought forward.
- (iv) In the absence of up-to-date information of book balances, the half-yearly verifications of stocks now being conducted have been of no use whatsoever and consequently responsibility for shortages could not be fixed. The Co-operative Year has come to a close on 30-6-67, but till now the extent of shortages have not been assessed and responsibility fixed.”

1.49. The Committee wanted to know the value of old and left-over stocks at the end of April, 1969, which the Society may have to dispose of through clearance sale. They were informed that “as no physical verification was conducted at the end of April, 1969, nor any separate accounts of old and left-over stocks are maintained, the value of such stocks on that date cannot be ascertained. However, it is estimated that about 60% of the stocks will have to be disposed of by clearance sale.” The Committee drew the attention of the witness about the following position regarding old and damaged goods brought out in the Study Team’s Report :

“There are damaged stocks and slow moving stores lying both in the godowns and the branches for very long periods and there has been no sustained and systematic effort to locate and segregate them and take action for their quick disposal. This has further resulted in the locking up of capital and incurring of expenses on overheads . . . There are heavy stocks in textiles (Rs. 10 lakhs), confiscated goods (Rs. 1.13 lakhs) and footwear (Rs. 1 lakh). A visit to the branches revealed that the goods were not of standard mills and there was no proper assortment of varieties which could provide good selection.”

1.50. The witness explained the position as under :

“What happened was that some of the goods remained unsold in the case of textiles as well as in the case of confiscated goods. In the case of textiles, we wanted only those items which would have a quick sale. But if we wanted them at ex-mill rate, the mills insisted that we cannot have only superfine and fine qualities and that we must have a reasonable proportion of medium and coarse qualities also. Some of these items were not quickly saleable.”

1.51. In reply to a question, asking for informat on about damaged goods, the witness stated : “The damaged goods were largely the grocery items, particularly spices, etc. because of long storage when they had remained unsold. It was also due to strike for about a month and these things could not be attended to and that is how they got damaged.” The Committee asked for further data about the damage to goods due to the strike of the employees which has been furnished as under :

“The Society started functioning from July, 1963. During the period of over 6 years of its working, the employees resorted to major strikes on the following occasions :

Period	No. of days
10-7-66 to 21-7-66	12
6-9-67 to 3-10-67	28
8-8-68 to 14-8-68	7

1.52. No assessment was made about the extent of damage that might have occurred to the goods lying in the stores during the strikes from time to time. The following quantities of Atta, Maida and Suji which were removed in damaged condition after the strike of 28 days from 6-9-67 to 3-10-67 may be said to have been damaged by lying unattended and in unhealthy condition :

	Quantity (kilos)	Value at Cost Price	
		Rs.	P.
Atta	2,381.000	2,002.43	
Maida	17.400	18.46	
Suji	717.700	849.64	
TOTAL		2,870.53	

1.53. From the information given to the Committee, they get a very depressing picture of the purchase and stores operations of the Society. An Inspecting Audit Team found in 1968 that, during the period 1963 to 1967, “large quantities” of grocery, which constituted the bulk of the Society’s trading activities, were purchased at rates “higher than the market rates” and sometimes they were purchased from outside Delhi when they were available locally at lower rates. The team also drew attention to “the lack of purchase planning”, the “non-existence of purchase order books” and the absence of any independent check on the purchase transactions of the Society. The Study Team of the Department of Co-operation pointed out in 1968 that there was “no scientific or rational system of inventory control in the Society.”

Goods purchased were not of standard quality and "there was no proper assortment of varieties which could provide good selection." There were "no floor and ceiling limits" for stocks with the result that purchases were made haphazardly, without relation to any sales targets. "The haphazard purchases" they added, "have resulted in shortages of some goods and overstocking of some others." The Team specifically drew attention to "heavy stocks in textiles (Rs. 10 lakhs), confiscated goods (Rs. 1.13 lakhs) and footwear (Rs. 1 lakh). The overall situation that now faces the Society is that "about 60 percent of the stocks will have to be disposed by clearance sale." This is bound to entail substantial losses.

1.54. How slowly the stocks moved would be evident from the data given at pages 13 and 14 of this report. In the Textile Department, the turnover of stocks ranged from 0.64 to 2.72 against the norm of 6 prescribed as the guideline for co-operative departmental stores. In grains and pulses, it varied from 29.28 to 34.77 against the norm of 70, while in groceries, the highest turnover achieved was 7.43 against the norm of 20. In respect of all the major departments, the average turnover of stocks in fact deteriorated progressively from 1965-66. The representative of the Ministry of Home Affairs admitted during evidence that "there was really no proper effective system of finding out what was required and to what extent purchases should be made."

1.55. An aggravating factor in the situation was the absence of any intelligible system of stores accounts. The formation furnished to the Committee would indicate that these were in a chaotic state. Even after the work was entrusted to a firm of Chartered Accountants with effect from July, 1967 on a remuneration of Rs. 2,750 per month, the position did not materially improve due to lack of co-operation from the employees and the Society had at no time up-to-date information about book and ground balance of stock. In the absence of co-operation from the employees, the services of the Chartered Accountants had to be dispensed with in the end. Any physical verification that the Society conducted could not, in the absence of up-to-date stock registers have been anything but perfunctory, but even these perfunctory stock-taking threw up 'nef' shortages amounting to Rs. 79,700 in 1963-64, Rs. 71,800 in 1964-65, and Rs. 1.59 lakhs in 1965-66. The Committee note from the information given to them during evidence that while "responsibility has been fixed in a large number of cases", the process is yet continuing. They would like to know the final outcome in due course.

(d) Over head expenses of the Society.

1.56. The Committee enquired what norms had been prescribed in respect of expenditure to be incurred by co-operative departmental stores. Government have stated in a note that "expenditure on various items in the departmental stores should be within ratios suggested below."

"Pay roll expenses, including wages, salaries and other fringe benefits,	3% of total sales
Rent for buildings	1% of total sales
Other expenses including water, electricity, taxes, interest on borrowings etc.	2% of total sales."

1.57. The Committee asked for data about the overheads of the Society in relation to its sales year-wise. The information furnished by Government on this point is tabulated below :

Year	Total sales	Overheads	% of over-heads to sales
	(in lakhs)	fees)	
1963-64	52.32	3.72	7.12
1964-65	99.71	8.46	8.48
1965-66	135.87	12.80	9.42
1966-67	131.26	13.88	9.82
1967-68	107.07	13.02	12.16
	(provisional)	(provisional)	(provisional)

1.58. The Committee note that the question of scaling down expenditure on certain categories of staff was considered by the Board of Directors at a meeting held in February, 1967, when they directed that "immediate steps should be taken to assess the actual requirements of (subordinate) staff and to discharge surplus hands." The Board also expressed the view that monthly review of staff position was "desirable" to ensure that the staff strength was related to the turnover. In February, 1968, the Board was informed that the strength of staff "has been reduced from 394 to 375."

1.59. The Study Team of the Department of Co-operation pointed out in 1968 that the expenses of the Society are "quite high" in relation to its "gross margin of 2.4%." Commenting on the high pay-roll and other expenses, they stated that "the need for maximum economy in expenditure becomes inescapable if the Society were to survive and come on the black side of the ledger. They added: "The total number of staff on the rolls including key personnel is about 375. During the course of the study the team found that there was a large body of staff both in the head office and the branches which was grossly under-utilised, inadequately employed and who, in fact, had nothing worthwhile to do. The crying need is a comprehensive survey of the existing pattern of staffing in the entire organisation to weed out unnecessary jobs and inefficient employees and this requires a very careful job analysis. The problem has been aggravated by lack of constant supervision and gross indiscipline, which are ultimately reflected in high pay roll figures, overstaffing and unsatisfactory employee attitude towards customers."

1.60. The Committee asked for a statement showing the number of posts in the Society. The information furnished by Government is at Appendix V. The Committee observe therefrom :

- (i) that the Society with a complement of 21 stores (as against 27, which were in existence when the Study Team reviewed the position with a staff strength of 375). has 326 staff members; and
- (ii) that the strength of the subordinate staff (excluding General Manager, Chief and Deputy Chief Accountants, Personnel Officer and Purchase executives) works out to 320.

1.61. The Committee note that very little efforts were made by the management to limit and control the overhead expenses of the Society. The guidelines laid down by the Department of Co-operation provide for 6% margin on sales to cover overhead expenses of co-operative departmental stores, including pay-roll expenses, rent and other miscellaneous items. However, notwithstanding the management's exhortations for economy and ample rent-free facilities enjoyed by the Society, its overhead expenses increased over the years. The overheads, which constituted 7.12% of the sales in 1963-64, when the Society was started, rose to 12.16% in 1967-68. The Study Team of the Department of Co-operation reported in 1968 that overhead expenses were "quite high" in relation to the gross margin of 2.4%. In a very eloquent description of the state of affairs in this regard, they pointed out that the Society had "a large body of staff both in the head office and branches which was grossly under-utilised, inadequately employed, and in fact, had nothing worthwhile to do." The data given in Appendix V to this report would appear to suggest that the position has not been substantially remedied since. They would like the position in this regard to be reviewed.

(e) *Pilferages, Thefts etc.*

1.62. The Committee were informed that "one of the important reasons" for the losses of the Society was "the large scale pilferage from the stores..." The position in this respect was brought to the notice of the Board of Directors in February, 1968, after an inspection of the Society's accounts by Audit, in the following terms :

"Approximately 100 persons were involved in the cases of shortages of Rs. 71,180 - in 1964-65 and Rs. 1,58,296 - in 1965-66. Recovery cases relating to 1964-65 in respect of 10 stores have been finalised involving a sum of Rs. 42,764 -. The rest (9) are in the process of finalisation. Similarly, in respect of 1965-66, recovery cases of 20 stores involving a sum of Rs. 54,994 - have been finalised and the rest (14) are in the process of finalisation. Orders for recovery from the persons concerned have been issued in 25 cases.

The total number of claims lodged with the Insurance Co. against fidelity guarantee is 38 involving a sum of Rs 98, 000 -."

The Board then directed that "the legal position might be examined and suitable action taken to dispense with the services of unreliable employees. In July, 1968, the Board were informed that "suitable action is being taken on this count."

1.63 During evidence, the Secretary (Services) informed the Committee that the system of stores accounts which was followed by the Society made it possible for the stores "to evade responsibility" for pilferages and thefts. In reply to a question asking for further elucidation of this point, Government have submitted a note which reads as under :

"When the Society started functioning in 1963, a system of maintaining stock registers in the stores was introduced. This was, however, not found satisfactory and the Society switched over to the 'Liability System' in 1964. Under this system goods issued to the Stores were acknowledged by the Stores Incharges on Store Issue Notes. The value of these goods was entered in the Liability Register maintained for each store. After deducting the value of goods sold, daily liability of the store could be readily ascertained. This system, however, had some inherent defects, the importance of which was that if the goods were sold at a rate higher than the one at which these were valued in the Liability

Register, goods of the value of the difference between the two could be appropriated or pilfered by the Store Incharge. As this system did not prove satisfactory, the management reverted to the stock register system from July, 1966. These stock registers were maintained at the Stores from the daily sale summaries etc. From July, 1967 it was centralised and the Stock Registers were posted at Head Office from the Sale Summaries received from Stores. Since January, 1969, stock cards are maintained at each store so that better control could be exercised by frequent physical on-the-spot checks both by the Store Incharges as well as by the Supervisory staff at Head Office."

1.64 The Committee drew attention to the observations in the Audit paragraph about a case of the absconding purchase officer who was found responsible for a shortage of Rs. 14,509 and enquired why the fidelity bond taken in that case could not be enforced. The Secretary (Services) explained that the policy was not "taken in time." In reply to a question whether responsibility in the matter had been fixed, the Secretary, Ministry of Home Affairs stated :

"After getting to know the facts, we started making inquiries as to whether responsibility had been fixed. During the relevant period there were two General Managers involved. One, I discovered to my disappointment, had left the country and gone and settled down in Canada and the other gentleman has left this world ; he is dead. That was what happened.

"But many of these things were not known to us. I would like to submit that though there was a Board of Directors, there was a Board of Administration and we had a managing Director and a General Manager selected with some care and very often a person who has been a public servant for many many years. It was not possible for the Board of Directors to go into details. We went into general questions of policy, gave directions etc. but we could not personally scrutinise the accounts that came to us. You are entitled to take the view that we should have done more, but I have just stated to you what actually happened."

The Committee pointed out that, apart from the foregoing cases, Audit had commented on other claims involving a sum of Rs. 1.14 lakhs filed against an Insurance Company between July, 1965 and November, 1968 on account of shortages caused by employees. Recovery made so far however amounted only to Rs. 456. The Secretary (Services), explaining the position, said :

"We have not settled this matter yet ; this matter is still under correspondence, and we have asked them to take this matter to arbitration for which there is a clause in the fidelity bond itself."

1.65 The Committee also drew attention to the comments of Audit about loss of case amounting to Rs. 17,465 in 1965-66. They were informed that the case had been reported to the police and a claim also filed against the Insurance Company. Asked to indicate the position in respect of 13 other cases of theft involving Rs. 31,000 commented upon in the Audit paragraph, the witness stated that out of 13 cases, reported to police, only 1 ended in

conviction. In a detailed statement which has been furnished subsequently to the Committee, the following position has been indicated :

(i) No. of cases of theft/pilferage reported to police in 1966/1968	13
(ii) No. 'filed' by the police	3
(iii) No. 'filed untraced' by police	3
(iv) No. 'cancelled' as no useful clue was found	1
(v) No. 'filed' by police where civil liability is under examination	1
(vi) No. being 'pursued' or further investigated	2
(vii) No. where police could establish no cognizable offence	1
(viii) No. which ended in conviction	1
(ix) No. in which trial is in progress	1

1.66. The Committee are distressed to learn that there were "large scale pilferages from the stores" since 1964-65. Deterrent action could not be taken, because, as admitted by the representative of the Ministry of Home Affairs the system of stores accounting made it possible for the delinquents "to evade responsibility". The data given in this and earlier sections of the report would indicate that the management apparently experimented with different systems of accounting from 1964 onwards, till in January, 1969 they decided that "better control" could be achieved by instituting a system of maintaining stock cards in each store.

1.67. Even cases of thefts and pilferages reported to the police were also not followed up by maintaining active liaison with the police. Otherwise it is difficult to explain why only 1 out of 13 cases reported between 1966-1968 ended in conviction.

1.68. There was also apparently some slackness on the part of the Society in taking insurance cover against pilferages by employees and enforcing claims which arose on the policies. In one case, where a Purchase Officer was held responsible for a shortage of Rs. 14,509, the policy taken from the employee could not be enforced as it was "not taken in time", while in a number of other cases involving claims aggregating Rs. 14 lakhs, filed with an Insurance Company between July, 1965 and November, 1968, "the matter is still under correspondence." Such extensive pilfering by the employees over the years not only highlights laxity of control by the management but also points to their failure in their primary duty to recruit proper personnel after verifying their character and antecedents.

(f) *Management and Supervision of Society*

1.69. Taking up the question of supervision and administration of the Society, the Committee drew attention to the report of the Chartered Accountants on the accounts for 1966-67 that the Society was fined for using sub-standard weights. The Secretary (Services) stated that the Society was using a very weighing machines which "were not serviced". It was as a result of this that the Society "was hauled up". When the Committee pointed out that this happened not once but twice, the witness stated that "all this happened at the same time. But cases of different stores came up

on different dates, the punishments were given at different times, but the incidents related to the same time."

1.70. The Committee also observe from copies of Board proceedings supplied to them that certain samples of atta taken by the Delhi Corporation Authorities from two stores on 31st May and 2nd June, 1966 "were found to be adulterated". The adulteration was, however, attributed to the mills from whom the supply was received and Delhi Administration requested on this basis to withdraw the cases pending in court.

The Committee wanted to know the position in regard to the membership of the Society. From copies of Board proceedings, it is gleaned that from June, 1966 onwards there were "heavy withdrawals from membership." The Board of Directors which reviewed the position "expressed their concern about this and directed that the salesmanship of the employees, which was far from satisfactory, should be improved to minimise withdrawals." An Audit Team which inspected the Society's accounts referred to "a large number of applications for withdrawals pending with the Society." The Study Team of the Department of Co-operation, after reviewing this position in 1968, drew attention to this matter and stated that "the recent decline in membership is a clear indicator that the Society is losing the confidence of the members."

1.71. The Committee enquired about the control exercised by Government over the working of the Society. They were informed that for the first five years the affairs of the Society were supervised by a Board of Directors comprising senior officers of Government. There was also a Board of Administration and a Chairman nominated by Government, with the Chief Welfare Officer functioning as the Managing Director. The powers of these Boards and the Managing Director were regulated by the bye-laws of the Society. Following the recommendations of the Study Team which commented on the presence of "as many as three layers of executive authority above the General Manager", the Board of Administration and the post of Managing Director were abolished in August, 1968. The Board of Administration was, however, "recently revived."

1.72. The Committee note that the ILO expert who had reviewed the working of co-operative departmental stores had drawn attention to unsatisfactory features of the existing practice of "management by committees". He stated that this system "is making the job of the manager not only more difficult, but also regularly unattractive and in the long run, outright impossible." He added: "The consequences of such a system are extremely harmful: utter confusion about authority, delay in arrival of supplies, delay in arrival of supplies delay in pricing of arrived merchandise, . . . and break-down of employee morale are only some of the more devastating effects." The Committee enquired how in spite of the existence of a Board with highly qualified and experienced men the affairs of the Society had come to this pass. The Secretary, Ministry of Home Affairs replied,

"You are entitled to find fault with the Board of Directors of which I happen to be a member for some years at least. But I should explain that the Board of Directors met two or three times in a year to consider general matters. Below the Board there was the Board of Administration appointed by the Board of Directors. This Board of Administration

had fairly experienced officers known for integrity and dedication to public interests. Then there was the Managing Director or the General Manager. It is true that the Board did rely on the Board of Administration a great deal and also on the Managing Director who had been selected because he enjoyed a reputation for integrity and efficiency. In a situation like this, you have to trust the people. We did trust them and if things did not go well, I admit my share of the blame for having relied on these people”.

1.73. In reply to another question, the Secretary, Ministry of Home Affairs added “Supervision was exceedingly difficult. For the 30 to 40 stores which were functioning, it was very difficult to get a number of people who could supervise them effectively and honestly. I must confess that in this situation the supervision was not adequate. There was a great deal of pilferage. This may not have happened if we had better men to run the affairs. But the fact is that for these 30 or 40 stores, people were recruited from the ordinary employment market, whose credentials were not fully known ; they were not given very high salaries. Certainly we tried to give them some incentive by giving some kind of bonus if the sales went beyond a particular level. That did not work. I am afraid we have faced very serious difficulties because proper supervision was not possible. It was not possible to prevent pilferage and it was not possible to imbue a large number of people who were not engaged in the sales organisation with the kind of feeling of identification with the undertaking which a private trade has.”

1.74. Two instances mentioned in this section of the report bear testimony to the quality of supervision exercised over the working of the Society. The Society was fined twice in 1966-67 for using sub-standard weights, while certain samples of atta taken from two stores in the same year were found on testing by municipal authorities to be adulterated. Subsequent investigation into these cases no doubt threw up extenuating circumstances, but the fact remains that there was lack of vigilant supervision on the floor and at the departmental level.

1.75. The Committee cannot help feeling that the Society was saddled with a top heavy administration, with very little supervision at the ground level. The resulting situation was one of apoplexy at the Centre and anaemia at the extremities. The Society had as many as three layers of executive authority at the top, with a Board of Directors, a Board of Administration and a Managing Director. Both the Study Team as well as an ILO expert, who was called in to advise Government on the organisation of co-operative departmental stores, had called attention to the harmful consequences of this system of “management by committees”. The situation, however, still remains to be remedied as far as this Society is concerned. How ineffective the management were would be evident from the admission before the Committee by the representative of the Ministry of Home Affairs that supervision was “exceedingly difficult”, “no-adequate” and did not succeed in imbuing a large number of people “with the kind of feeling of identification with the undertaking which a private trade has”.

Future of the Society.

1.76. The Committee drew attention to the unsatisfactory position of the Society and enquired what prospects there were of the Society being able to carry on. The Secretary (Services) replied :

"We have probably gone chest deep. Our head is still above water. We are not yet sure whether we can still survive if the measures we now propose to take are implemented. If we deal in high margin goods, we will probably be able to salvage something of what has been lost. But, for this we have no resources to buy and rotate. At present, we want to cut down the ration depots and fair price shops which have been perpetually losing concerns."

1.77. The Committee pointed out that a team of Joint Secretaries who had reported to the Board of Directors in February, 1968, had made the following observations :

"The present picture of the societies' working holds out little hope of any significant improvement in financial results in the near future. It appears to us that there is a complete crisis of confidence and it is unlikely that even the remedial measures suggested by the Department of Co-operation will be effective enough to make the final position of the society viable in the near future. However, we feel that the recommendations may be given a trial for a period of one year."

The Secretary (Services), explaining the position stated : "One year is coming now to an end. We are re-examining the position and we will take a decision on the basis of how it has fared. While I would not disagree with the Committee of Joint Secretaries for this, I think there is still a possibility that the Store may survive and continue to serve."

The Secretary, Ministry of Home Affairs added :

"I will say that we would look at the problem of the society with an open mind. I may say, Sir, respectfully that this Society is taking quite a lot of our time and we have a definite feeling of frustration. I have myself been feeling that perhaps with the same outlay of energy elsewhere I would have done something more useful. Some of my colleagues have better experience than myself. I can only try to do my best."

1.78. The Committee enquired whether in view of the experience of the working of the Society, it was not necessary to ensure that public money was not wasted. The Secretary, Ministry of Home Affairs, replying said : "It is true there has been a lot of wastage of public money Certainly it is my duty to advise Government not to do any such thing."

1.79. The Committee pointed out that Super Bazar and Apna Bazar had now been organised and asked whether the Society need in this changed context continue. The Secretary (Services) stated :

"Super Bazar and Apna Bazar are restricted to some localities. There are other large areas where population of Government servants is concentrated where we can perhaps still continue to serve"

1.80. The Committee have earlier in this report drawn attention to the extremely unsatisfactory position of the Society's finances. The Society has depleted its share capital and has been able to subsist only because of large-scale assistance provided by Government on very generous terms. The representative of the Ministry of Home Affairs admitted during evidence that the Society could "probably" be salvaged if it deals in high margin goods, "but for this we have no resources

to buy and rotate". With its past record, it is a matter for serious doubt whether the Society can be kept going as a viable unit, even after its activities are overhauled. The Committee note that Government themselves share some of the Committee's apprehensions in the matter and that they are taking stock of the position now. The Society has now been gradually shedding its work in rationed commodities to cut its losses and thus given up any pretensions to welfare activities. Moreover, another co-operative organisation i.e. Super Bazar has since been established to cater to the residual requirements which the Society is intended to meet. In the circumstances, the Committee would like Government seriously to consider whether any worthwhile objective would be secured by allowing the Society to continue and whether further losses to Government could not be cut by winding up the Society.

1.81. Earlier in this report, the Committee have drawn attention to several unsatisfactory features of the working of the Society in the matter of operation of branches, organisation of purchase and sales activities, inventory control and accounting and supervision. These and other matters should form the subject-matter of a comprehensive investigation by Government, with a view to identifying lapses that occurred and fixing responsibility therefor.

1.82. The working of the Society should also serve as an object lesson to Government for the future. Co-operative departmental societies can succeed only if they are organised and run on business principles and follow principles of commercial management. If any overall supervision over the societies at Governmental level is called for, such supervision should appropriately be entrusted to the Department which possesses the requisite expertise, i.e., the Department of Co-operation. In organising and running these societies, the following points need to be borne in mind —

- (a) They should not proliferate into a number of branches organised as "one-stop shopping facilities for the whole range of consumer needs".
- (b) A judicious selection should be made of items to be sold, with emphasis on high-margin goods.
- (c) Close and constant watch should be kept on overheads which, if unchecked could erode into available margins, which are already low.
- (d) Maximum and minimum levels of stocks should be prescribed in order to prevent over or under buying.
- (e) There should be a properly organised system of purchases, based on reliable commercial intelligence and adequate expertise, a check on incoming material as regards quantity and quality and a prompt and effective system of stores accounting to keep a watch on inventories.
- (f) There should be a system of concurrent accounting and effective internal audit for detection as well as deterrence of mistakes and frauds.
- (g) A well defined budget should be prepared for setting up standards of performance.

- (h) There should be an experienced and alert management with a clear chart of responsibilities, who would be capable of inspiring confidence and enthusiasm and ensuring effective supervision at the floor and departmental level. This requires that management should be entrusted to men of integrity and proven experience in the line.

NEW DELHI;
February, 1970

Magha, 29 1891 (Saka)

ATAL BIHARI VAJPAYEE,
Chairman
Public Accounts Committee

APPENDIX I

[Vide Para 1.14 of Report]

*Details of Accommodation hired for Stores and
Godowns by the Central Government employees
Consumer Co-operative Society
Limited, New Delhi.*

S. No.	Name of the Store	Area	Rent per month	Remarks
<i>Government. Hired accommodation.</i>				
1.	Naraina Godown . . .	S. ft. 8188	Rs. 1-00	Upto 31-10-66. Question of payment of rent for the subsequent period is under correspondence with the F.C.I.
2.	Raisina Road Market. (Shops) (Godown)	4908 874		No bill received. for rent so far.
3.	A Block Store (Godown)	1864 2037	1-00	
4.	Yojna Bhavan Store	484	1-00	
5.	Gole Market Store Qr. No. 11, 12 and 13 Diaz Sq.	2700	1-00	for each quarter.
6.	Dev Nagar Store, Qr. No. E-297.	924	1-00	
7.	Mall Road Store Post & Telegraphs, Audit & Accounts Building.	1396	1-00	
8.	R.K. Puram II Store, Shop No. 19, 20 and show window No. 34.	325 45	1-00	
9.	R.K. Puram IV Store, shop Nos. 20, 21, 22, 23, 24, 25 & show window Nos. 32-A, 33, 34 and 35.	911 145	1-00	for each shop.

S. No.	Name of the Store	Area	Rent per month	Remarks
10.	R. K. Puram I Store. Shop No. 19 & 20 Show window No. 34	230 34		for each shop.
11.	R. K. Puram West Store.	713		No. bill received. for rent so far.
12.	Moti Bagh I Store, Qr. No. B-85 & 87.	893	1.00	for each quarter.
13.	Nauroji Nagar Store, F-99, 105 .	1176	1.00	for each quarter.
14.	Sarojini Nagar II Store, B-245.	480	1.00	
15.	Sarojini Nagar III Store, Qr. No. H-638 and H-634.	960	1.00	for each quarter.
16.	Andrews Ganj Store, No. 9, & 11.	1093	1.00	for each quarter.
17.	Pandara Road Store, Qr. No. D-II/321.	1670	1.00	
18.	Kasturba Nagar Store, Qr. No. 441, 445, 448 and 487.	1093	1.00	for each quarter.
19.	Moti Bagh South Store, Shop No. S-152, New Municipal Market, N.D.M.C. (Hired) Accommoda- tion.	279	1.00	
20.	Netaji Nagar Store Shop No. 68, 69 & 71.	1769	588.05	rent p.m. for 3 shops.
21.	Laxmibai Nagar Store, 62, 63 & 64 shops.	1571	525.50	rent p.m. for 3 shops.
<i>Private Hired accommodation.</i>				
22.	Tilak Nagar Store, Shop No. 44, New Market.	312	200.00	

APPENDIX II

(Vide Para 1.25 of Report)

Central Government Employees
Consumer Co-operative Society
Limited, New Delhi

Store opened/closed since July, 1967 (1967-68)

S. No.	Name of the Store	Date of closing
1.	R. K. Puram Sector-III Shop No. 19.	6-1-1968
2.	A.G.C.R. Building, Ground Floor.	7-1-1968
3.	Hindustan Insecticide Ltd. C-90 H.L. Ltd. Colony, Near Najaf Garh Road.	10-1-1968
4.	Patiala House Ministry of Health.	24-1-1968
5.	Kotla Road Store, 9-D, Kotla Road.	24-1-1968
6.	Gandhi Nagar Store, 559/D-2, Nataji Na- gar Street.	29-5-1968
7.	National Physical Labo- ratory, E-7, Type- IV.	1-6-1968
8.	Sarojini Nagar-I Store, XY-21, 23.	31-10-1968
9.	Srinivaspuri Store,	20-10-1968
10.	Kidwai Nagar Store, Qr. No. C-355, 357.	14-11-1968
11.	Lodi Colony Store, B- 17/908	14-11-1968.

Note : No new Store has been opened since 1967-68(July, 1967).

Min. of Home Affairs O.M. No. 52/25/69-A.G.I. dt. 30-8-69).

APPENDIX III

(vide Para 1.41 of Report)

(Bulk Purchases of Grocery by the Society)

S. No.	Date of Purchase	Commodity	Rate of purchase	Quantity purchased	Source from which purchased	Remarks : (Source Rate-Market) 'A' Denotes price quoted in Index number of wholesale price in Indus (Revised series) issued by the office of the Economic Adviser, M/O Industry and Labour 'B' Price quoted in the monthly Market News Bulletin, Directorate of Marketing, Deptt. of Agriculture, Govt. of Punjab. 'C' Price collected by the Dte. of Agriculture Marketing, Delhi Administraton. 'D' Price displayed in the Hindustan Times, New Delhi.
1	2	3	4	5	6	7
1.	24-7-63	Dal Arhar	95.27 Qtls	1305.500 Qtls	Kunj Lal, Kundan Lal Jain, Naya Bazar, Delhi.	A-Rs. 68/-(Delhi)

1	2	3	4	5	6	7	
2.	2-8-63	Rice Basmati quality	Ist	109.86	190 Kattas	Mam Ram Chuni Lal, Naya Bazar	} D-Rs. 91.10 to 99/- (Delhi)
3.	2-8-63	Rice Basmati II quality		100.48	200 Kattas	-do-	
4.	8-7-65	Dal Gram		77.33	2206 Kg.	Raghunath Sahai, Gir-dhari Lal, Lal Kuan, Delhi.	D-Rs. 71.00 (Delhi)
5.	7-8-64	Dal Gram		78.50	60B's	Sunder Das, Amrit Lal, Delhi	D-Rs. 77.70 (Delhi)
6.	3-8-64	Malika Dal		106.75	48B's	Kanshi Ram, Kundan Lal, Delhi	D-Rs. 86/- to 87/- (Delhi) Rs. 85/- (Hapur).
7.	3-9-64	Malika Dal		105.00	155 B's	Gurgan Mal, Behari Lal and Kunj Lal Kundan Lal Jain, Delhi.	D-Rs. 83/- to 86/- (Delhi)
8.	22-10-64	Gram Kala		105.00	20 B's	Kunj Lal Kundan Lal, Delhi.	D-Rs. 89.76 to 91.10 (Delhi)
9.	31-8-64	Rice Basmati quality.	Ist	120.50	347 Kattas	Chuni Lal, Mssaddi Lal, Delhi	D-Rs. 91/- to Rs. 107.50 (Delhi) C-Rs. 70/- to Rs. 99/- (Delhi).
10.	10-9-64	-do-		117.23	260 "	Sri Chand Mangri Mal Jain (Delhi).	D-Rs. 70 to 99/- (Delhi) D-Rs. 94 to 107.50 (Delhi)
11.	20-8-64	Wheat		51.95 } 53.15 }	3870 B's	Karam Chand, Behari Lal, Moga Mandi, Ferozepore.	B-Rs. 48.50 to Rs.50 (Moga) D-Rs. 52.25 to 53.50 (Delhi)

12.	4-10-64	Wheat		60.38	1716B/s	-do-	A-Rs. 57 (Moga Farm) B-Rs. 53.50 to 56.50 (Moga) D-Rs. 56.70 to Rs. 58 (Delhi)
13.	20-4-64	Rice	Basmati Ist. quality	115.22	6498 Kg.	Kanshi Ram Kundan Lal, Delhi	D-Rs. 93.78 t Rs. 104/- (Delhi)
14.	6-6-64		-do-	122.58	21838 400 Kg.	Mam Raj Chuni Lal, Delhi	D-Rs. 91 to 113 (New Delhi) & Rs. 107 to Rs. 128/- (old) Delhi.
15.	6-6-64	Rice	Sela	81.72	26362.200 Kg.	Chuni Lal, Mussadi Lal, Delhi	C-Rs. 80.38 (Delhi)
16.	2-3-64	Arhar Dal		104.00	80 B/s	Kunj Lal Kundan Lal, Delhi	A-Rs. 88 (Delhi) D-Rs. 76 (Delhi)
17.	27-4-64	Arhar Dal		97.12	189 B/s	Rati Ram Kapoor Chand, Agra.	D-Rs. 71-Rs. 82 (Delhi) Rs. 69.66 to Rs. 70.- (Hapur) Rs. 75.92 to Rs. 80.38 superior quality.
18.	"		-do-	95.78	150 "	Ganga Ram Rati Ram Agra	
19.	"		-do-	97.12	411 "	-do-	
20.	"		-do-	95.11	94 "	Goyal Dal & Flour Mill, Agra	
				97.12	86 "		
21.	24-2-64	Dal Gram		65.00	100 B/s	Sundar Das, Amrit Lal, Delhi	D-Rs. 62- (Delhi)

1	2	3	4	5	6	7
22.	26-2-64	Black Gram	60.00 59.28	30 B/s	Fateh Chand, Jai Dev, Delhi	A-Rs. 55.60 (Delhi)
23.	9-10-63	Dal Arhar	87.94	80 "	Vinod Kumar, Delhi	D-Rs 85.74 (Hapur)
24.	21-10-64	Lal Mirch II qua- lity.	281.00	30 "	Vijay Co. Gadodia Mar- ket, Delhi	D-Rs. 255 to Rs. 268/- (Delhi)
25.	31-8-64	Lal Mirch I qua- lity.	236.00	30 "	Pooran Chand, Laxmi Chand, Delhi	D-Rs. 220/- to Rs. 230/- (Delhi)
26.	14-11-64	-do-	255.00	30 "	Vijay Company, Delhi	D-Rs. 241 to Rs. 254.50 (Delhi)
27.	10-10-64	Kali Mirch	423.00	20 Kattas	Radhey Sham, Shyam Lal, Delhi	D-Rs. 391 to Rs. 407/- (Delhi)
28.	13-1-65	Kali Mirch	536.00	14 Kattas	Radhey Sham, Shyam Lal, Delhi	D-Rs. 482 to Rs. 509 (Delhi)
29.	3-8-64	Zeera White	410.00	30 "	-do-	D-Rs. 335 to Rs. 415 (Delhi)
30.	19-10-64	-do-	400.00	20 "	-do-	D-Rs. 321 to Rs. 415 (Delhi)
31.	13-3-65	-do-	380.00	10 "	-do-	D-Rs. 260 to Rs. 350 (Delhi)
32.	6-6-64	Rice Basmati No. 1	122.53	599 "	Mam Raj Chuni Lal, Delhi	C-Rs. 117.89 (Delhi) D-Rs. 91 to Rs. 113 (Delhi)
33.	25-5-65	Dal Arhar	94.50	52535.000 Qtls.	Ganga Ram, Rati Ram, Agra	A-Rs. 85 (Delhi) D-Rs. 85 (Hapur)

34.	6-6-64	Rice Sela	81·72	600 Kattas	Chuni Lal, Mussadi Lal, Delhi	C-Rs. 80·38
35.	17-4-65	Masoor Pahari	88·00	5027·600 qtls	Prabhu Dayal, Dawarke Das, Delhi	D-Rs. 69·50 to Rs. 87 (Delhi)
36.	19-3-65	Malka Red	180·00	3853·600 "	Gugan Mal, Behari Lal, Delhi	A-Rs. 98·77 (Delhi) D-Rs. 89 (Delhi)
37.	13-5-65	Malka Red	103·00	2884·000 "	Bhajan Lal, Kundan Lal, Delhi	D-Rs. 92·50 (Hapur)
38.	16-11-64	Moong Sabat	93·43	2615·69 "	Dangar Mal, Sham Shanker Suraj Garh.	A-Rs. 91 (Hissar)
39.	13-11-64	Rice Basmati I quality	96·50 107·20	32518 "	Mamraj Chuni Lal, Delhi	C-Rs. 93·78 (Delhi)
40.	"	Rice Begmi	61·62	125 Kattas	Asa Ram, Mukand Lal, Delhi	C-Rs. 58·98 (Delhi)
41.	15-1-65	Wheat	71·00	79·48 qtls.	Makhan Lal, Sush Kumar, Delhi	C-Dara Rs. 64 Farm Rs. 68 Special Farm Rs. 70 (Delhi)
42.	16-1-65	-do-	72·00	347·95 "	Mam Raj, Chuni Lal, Delhi	C-Dara Rs. 62 Farm Rs. 69 Special Farm Rs. 71 (Delhi)
43.	20-1-65	-do-	72·00	47·11 "	-do-	C-Dara Rs. 60 Farm Rs. 68 Special Farm Rs.70 D-Dara Rs. 67 Farm Rs. 70·71 (Delhi)
44.	28-8-65	Rice Basmati	88·75	142 "	Lachman Das, Kali Ram, Kurukshetra Karnal.	C-Rs. 60·-(Karnal).
45.	4-1-67	Moong Sabat	127·50	50 B's	Ramji Lal. Om Paskash, Delhi	A-Rs.116 (Hissar)

1	2	3	4	5	6	7
46.	7-12-66	Moong Sabat	125.00	30 B/S	Ram Gopal, Paras Ram, Delhi	A-Rs. 114 (Hissar)
47.	22-11-66	-do-	130.00	13 "	Kanshi Ram, Kundan Lal, Delhi	A-Rs. 110 (Hissar)
48.	23-1-67	Moong Dhuli	145.00	100 "	Dangar Mal, Sham Sunder Dall Mal, Suraj Garh (Rajasthan)	D-Rs. 130-138 (Delhi)
49.	24-1-67	-do-	145.00	105 "	-do-	-do-
50.	5-3-67	Arhar Dal	118.50	200 "	Ganga Ram, Ratti Ram Dall Mill, Agra	Delhi D-Rs.105-120
51.	3-3-67 11-3-67	Kali Mirch	481.00	1600 Kg. (40 Kattas)	Jai Ram Singh, Amrit Sar Sarangat Singh	D-Rs. 405-420 (Delhi) Delhi
52.	11-1-67	-do-	475.00	25 B/s	-do-	D-Rs. (Delhi) 400-460
53.	22-4-67	Dal Moong	160.00	50 B/s	Jai Bharat Dall Mill, Delhi	D-Rs. (Delhi) 145-155
54.	9-5-67	Urd Sabat	181.00	44 B/s	Mam Raj, Mussadi Lal, Delhi.	D-Rs. (Delhi) 130-168
55.	11-5-67	Malka	147.00	50 B's	Kanshi Ram, Kundan Lal, Delhi	D-Rs. (Delhi) 135-145
56.	3-12-66 5-12-66	Urd Sabat	142.50 143.00	435 B/s	Ram Bhaj. Mal Ram Ni-vastan Ratlam (M.P)	D-Rs. (Delhi) 112-137

[Ref. Min. of Home Affairs O. M. No. 52 25 69/AG I dt. 30-8-69]

APPENDIX IV

[Vide Para 1.43 of Report]

Statement showing the results of trading in the individual departments.

Year	Sales	Gross Profit (+) Loss (—)	% of gross profit on sales	Article held average stock	Gross profit on average stock.	Turn-over of average stock.
<i>I CONSUMER</i>		<i>(Including Cycle & Cycle tyres.)</i>				
1963-64 . .	₹7,91,613	(+) 39,376	4.97	4,15,653	9.47	
1964-65 . .	11,96,713	(+) 62,754	5.24	4,42,941	14.16	1.90
1965-66 . .	18,52,047	(+) 1,61,021	8.69	5,72,088	28.14	2.70
1966-67 . .	18,90,756	(+) 85,213	4.50	6,00,947	16.14	3.23
1967-68 . .	13,56,182	(—) 3,065	(—) .22	₹ 4,92,464	.62	3.12
(Provisional)						2.75

Year	Sales	Gross Profit(+) Loss (-)	% of Gross pro- fit on sales.	Article held (average stock)	Gross profit on average stock.	Turn over of average stock
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II. TEXTILES.

1963-64 . . .	6,27,259	54,492	8.65	2,30,370	23.66	2.72
1964-65 . . .	9,54,758	1,37,292	14.37	3,95,425	34.72	2.41
1965-66 . . .	11,23,270	1,26,992	11.30	7,93,001	16.01	1.41
1966-67 . . .	10,01,078	49,856	4.98	11,03,596	4.51	.90
1967-68 . . .	6,68,829	42,934	6.41	10,42,453	4.12	.64
(Provisional)						

III. CONFISCATED

1963-64 . . .	2,16,622	81,653	37.69	1,66,631	49.00	1.30
1964-65 . . .	5,33,808	1,45,753	27.30	2,23,632	65.17	2.38
1965-66 . . .	4,69,028	73,445	15.68	2,28,293	32.21	2.05
1966-67 . . .	1,38,291	28,466	20.58	1,41,640	20.10	.98
1967-68 . . .	1,63,216	3,18,731	11.47	92,332	20.28	1.71
(Provisional)						

IV. (FOOTWEAR (Including rain coat & umbrella)

1963-64 . . .	69,066	22,190	32·18	1,10,4·1	20·09	62
1964-65 . . .	74,367	287	·52	1,05,891	·36	·70
1965-66 . . .	1,15,524	(—)1,361	(—)1·17	1,21,428	1·12	·95
1966-67 . . .	1,58,346	(—)44,150	(—)27·88	1,24,688	35·40	1·27
1967-68 . . . (Provisional)	1,46,797	16,713	11·39	1,01,270	16·50	1·44

V. Grocery including Canteen Counter & Miscellaneous.

1963-64 . . .	35,27,170	(+)2,31,175	6·58%	6,73,549	34·32	5·23
1964-65 . . .	72,11,324	(+)4,93,644	·6·84%	15,90,748	43·60	1·27
1965-66 . . . (including Ration).	1,00,26,815	(+)4,41,126	4·39%	13,31,933	33·11	7·43 39
1966-67 . . .	44,34,970	(+)1,80,584	4·07%	7,19,368	25·10	6·16
1967-68 . . . (provisional)	31,95,317	(—) 28,302	·88	5,25,585	5·38	6·06

VI. Ration

1966-67 . . .	55,02,180	45,359	·82	1,87,934	24·13	29·28
1967-68 . . . (Provisional)	51,50,623	1,45,612	2·82	1,48,102	98·31	34·77

[Ref. Min. of Home Affairs O.M. No. 52/25/69/AG I dt. 30-8-69]

APENDIX V

(Vide PARA 1.60 OF REPORT)

Central Government Employees Consumer Cooperative Society Limited, New Delhi.

Statement showing the number of posts with the designation and scale of pay sanctioned for the Society.

S. No.	Total number of Sections/ Stores as on 1-8-69	Number of posts with designation		Pay Scales	Remarks
1	2	3		4	5
1		Managers	3	Rs. 230-10-270-EB-15-330	
2		Incharges	32	Rs. 170-10-210-EB-10-250 Rs. 30 as Inchargeship allowance.	
3	21 stores	Cashier	28 +leave reserve 3	Rs. 130-5-160-EB-8-200 + Rs. 20 as handling allowance.	
4		Jr. Salesman	45	Rs. 120-6-150-EB-71-165	
5		Helpers	70 leave reserve 7	Rs. 95-3-110-EB-5-130	
1		Head Clerks	3	Rs. 230-10-270-EB-15-330	
2		Sr. Clerks	5	Rs. 170-10-210-EB-10-250	
3		Clerks	7	Rs. 130-5-160-EB-8-200	

4		Record Sorter-cum-peon	1	Rs. 95-2-115
5	Administrative Wing	Despatch Peon	1	Rs. 95-2-115
6		Peon	1	Rs. 95-2-115
7	(Ad. I, II, III)	Carpenter	1	Rs. 120-5-150-EB-7½-165
8		Gestetner Operator	1	Rs. 95-3-110-EB-5-130
9		Helper	1	Rs. 95-3-110-EB-5-130
10		Caretaker	1	Rs. 170-10-210-EB-10-250
1		Dy. Chief Accountant	3	Rs. 400-400-450-30-600-EB-35-775
2		Assistant Accountant	7	Rs. 230-10-270-EB-15-330
3	Accounts Wing at H.O.	Cashier (Head)	1	Rs. 230-10-270-EB-15-330
4		Accounts Clerk	29	Rs. 170-10-210-EB-10-250
5		Typist Steno-typist I	1	Rs. 170-10-210-EB-10-250
6		L.D.C.	15	Rs. 130-5-160-EB-8-200
7		Computers	2	Rs. 130-5-160-EB-8-200 + Rs. 20/- as machine allowance.
8		Cashier (Head Office)	2	Rs. 170-10-210-EB-10-250
9		Peons	5	Rs. 95-2-115
1	General Manager	General Manager	1	Rs. 1600-100-1800
2		Steno-typist	1	Rs. 170-10-210-EB-10-250
3		Peon	1	Rs. 95-2-115

1	2	3	4	5
1	Chief Accountant	Chief Accountant	1	Rs. 700-40-1100-50; 2-1250
1	Personnel Officer	Personnel Officer	1	Rs. 900-50-1250
				Previous scale of pay was Rs. 500-30-650-EB-830-EB-35-900-50-1000.
2		Steno-typist	1	Rs. 170-10-210-EB-10-250
3		Peon	1	Rs. 95-2-115
1	<i>Purchase & Sales Executive (Grocery, Rationing & Consumer)</i>	P. & S.E. (GRC)	1	Rs. 400-400-450-30-600-EB-35-775
2		Accounts Clerks	2	Rs. 170-10-210-EB-10-250
3		Clerk	1	Rs. 130-5-160-EB-8-200
4		Helper	1	Rs. 95-3-110-EB-5-130
1	<i>Purchase & Sales Executive (Confiscated and foot-wear)</i>	P. & S.E. (TCF)	1	Rs. 400-400-450-30-600-EB-35-775
2		Accounts Clerk	1	Rs. 170-10-210-EB-10-250
3		Helper	1	Rs. 95-3-110-EB-5-130
1	<i>Senior Store Keeper (T.C.F.)</i>	S.S.K. (T.C.F.)	1	Rs. 325-15-475-EB-20-575
2		Clerk	1	Rs. 130-5-160-EB-8-200
3		Store Keeper	1	Rs. 170-10-210-EB-10-250
4		Drivers	1	Rs. 130-5-160-EB-8-200
5		Palldar	1	Rs. 120-3-135

1	S.S.K. (C)	S.S.K. (C)	1	Rs. 325-15-475-EB-20-575
2		Clerks	3	Rs. 130-5-160-EB-8-200
3		Helper	1	Rs. 95-3-110-EB-5-130
4		Driver	1	Rs. 130-5-160-EB-8-200
5		Palledars	2	Rs. 120-3-135
1	Senior Store Keeper (G)	S.S.K. (G)	1	Rs. 325-15-475-EB-20-575
2		Asstt. Accountant	1	Rs. 230-10-270-EB-15-330
3		Accounts Clerk	1	Rs. 170-10-210-EB-10-250
4		Clerks	2	Rs. 130-5-160-EB-8-200
5		Palledars	9	Rs. 120-3-135
6		Drivers	3	Rs. 130-5-160-EB-8-200
	Head office (Misc.)			
1		Staff Car Drivers	2	Rs. 130-5-160-EB-8-200
2		Despatch Rider	1	Rs. 130-5-160-EB-8-200
3		Chowkidars	2	Rs. 95-2-115
4		Sweeper	1	Rs. 95-2-115

☐ [Ref. Min. of Home Affairs O.M. No. 52/25/69/ACI dated 30-8-69.]

APPENDIX VI

Summary of Main Conclusions/Recommendations

Sl. No.	Para No. of Report	Ministry/Department Concerned	Conclusions/Recommendations
1	2	3	4
1	1-16	Home Affairs	The Committee are not at all happy about the way the affairs of the Central Government Employees Consumer Co-operative Society have been managed. The Society, which was started in 1963-64, has been running at a loss since 1965-66, the cumulative losses upto January, 1968 amounting to over Rs. 11 lakhs. The losses have completely wiped out the Society's share capital amounting to Rs. 8.89 lakhs, which includes Government's contribution of Rs. 4.67 lakhs, and forced the Society to subsist on borrowed funds derived mainly from Government. To keep the Society going, Government have been obliged to give a moratorium on outstanding loans amounting to Rs. 24 lakhs.
2	1-17	—Do—	What the Committee find hard to comprehend is that the Society's affairs have come to this pass despite substantial concessions extended to them by Government. Apart from

share capital support amounting to more than 50% of the Society's share capital. Government have subsidised the expenditure on the staff of the Society to the tune of Rs. 6.47 lakhs over a period of six years. The loans given to the Society by Government have carried a concessional rate of interest of 4½% against the commercial rate of 8%, while accommodation for the stores, except in respect of 3 out of 22 premises, has been provided at a concessional rate of rent of Re 1/- per month/quarter.

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Home Affairs

The Committee cannot resist the conclusion that the affairs of the Society were grossly mis-managed in spite of there being three layers of high level executive authority, i.e., the Board of Directors, the Board of Administration and the Managing Director. The findings in the later sections of this report will show that branches were opened by the Society at random in various places with very little effort by the management either to keep tab of their functioning or organise their sales operations on sound and businesslike lines. Margins available in various trading activities were wiped out by bad 'house-keeping'. Purchases of stores were made most haphazardly and, in the absence of a proper system of inventory control, there was heavy accumulation of unsaleable stocks. The situation was aggravated by "large scale pilferages" by employees, which the management were unable to control. The Society also had to bear the burden of "a large body of staff" who were "grossly under-utilised, inadequately employed and...in fact had nothing worthwhile to do."

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—Do—

The Committee have serious doubts whether circumstanced as it is now, the Society can survive, except on terms which will involve a substantial liability for Government. In view

Sl. No.	Para No. of Report	Ministry/Department Concerned	Conclusions/Recommendations
1	2	3	4

of this position, the Committee would like Government seriously to consider whether any worthwhile purpose would be achieved by allowing the Society to continue.

5. 1-26 Home Affairs

A major reason for the losses sustained by the Society was the fact that none of its branches was able to achieve the prescribed norm for sales. This situation arose because, as pointed out by a Study Team which examined the working of the Society, retail stores were opened by the Society "without consideration whether they could function as viable and efficient units." It is regrettable that the management of the Society opened branches without carrying out any market surveys or assessing the demand in the locality of their proposed operations. Nor did the management show sufficient alertness after it came to their notice in April, 1966 that as many as 15 out of 32 stores of the Society were "uneconomical". It took over ten months for them thereafter—February, 1967—to decide that "a thorough study" of the situation should be made and another year to two—January to November, 1968—to close down 11 of the uneconomical stores.

It thus appears that the Board of Directors neither set up standards of performance for the management nor reviewed their working periodically so as to guide them or take corrective action.

The Committee cannot help feeling that the sales operations of the Society were organised without regard to sound business techniques. About 75% of the Society's sales were in 'low-margin' goods like groceries and rationed commodities, which could hardly have been expected to keep the Society going as a viable unit. Even departments capable of yielding higher margins like textiles, footwear etc., ran into losses. The data given at page 9 of this report would indicate that there was a progressive deterioration in the performance of these departments from 1964-65 onwards. The inference, therefore, has to be that these departments were organised and run in complete ignorance of demand conditions and consumer preferences. Later in this report, the Committee have referred to the glut in the Textile Department, which at one stage accumulated goods worth Rs.10 lakhs. The report of the Study Team of the Department of Co-operation which examined the working of the Society gives other instance of 'heavy stock' and 'slow-moving items' in departments like footwear and crockery. All this could not have occurred had these departments been organised to cater to consumer's requirements.

One other point brought out in the report of the Study Team deserves mention. The Study Team reported that "no price fixation register is being maintained to ensure that all components of cost are taken into account while fixing the selling price". In its absence, the Society was hardly in a position to assess the impact of its sales policy on its finances.

From the information given to the Committee, they get a very depressing picture of the purchase and stores operations of the Society. An Inspecting Audit Team found in 1968 that,

Sl. No.	Para No. of Report	Ministry/Department Concerned	Conclusions/Recommendations
1	2	3	4

during the period 1953 to 1967, "large quantities" of grocery, which constituted the bulk of the Society's trading activities, were purchased at rates "higher than the market rates" and sometimes they were purchased from outside Delhi when they were available locally at lower rates. The Team also drew attention to "the lack of purchase planning", the "non-existence of purchase order books" and the absence of any independent check on the purchase transactions of the Society. The Study Team of the Department of Co-operation pointed out in 1968 that there was "no scientific or rational system of inventory control in the Society". Goods purchased were not of standard quality and "there was no proper assortment of varieties which could provide good selection." There were "no floor and ceiling limits" for stocks with the result that purchases were made haphazardly, without relation to any sales targets. "The haphazard purchases", they added, "have resulted in shortages of some goods and over-stocking of some others." The Team specifically drew attention to "heavy stocks in textiles (Rs. 10 lakhs), confiscated goods (Rs. 1.13 lakhs) and footwear (Rs. 1 lakh). The overall situation that now faces the Society is that "about 60% of the stocks will have to be disposed by clearance sale." This is bound to entail substantial losses.

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Home Affairs

How slowly the stocks moved would be evident from the data given at page 13 and 14 of this report. In the Textile Department, the turnover of stocks ranged from 0.64 to 2.72 against the

norm of 6 prescribed as the guideline for co-operative departmental stores. In grains and pulses, it varied from 29.28 to 34.77 against the norm of 70, while in groceries, the highest turnover achieved was 7.43 against the norm of 20. In respect of all the major departments, the average turnover of stocks in fact deteriorated progressively from 1965-66. The representative of the Ministry of Home Affairs admitted during evidence that "there was really no proper effective system of finding out what was required and to what extent purchases should be made."

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Home Affairs

An aggravating factor in the situation was the absence of an intelligible system of stores accounts. The information furnished to the Committee would indicate that these were in a chaotic state. Even after the work was entrusted to a firm of Chartered Accountants with effect from July, 1967 on a remuneration of Rs. 2,750 per month, the position did not materially improve due to lack of co-operation from the employees and the Society had at no time upto date information about book and ground balances of stock. In the absence of cooperation from the employees, the services of the Chartered Accountants had to be dispensed with in the end. Any physical verification that the Society conducted could not, in the absence of upto date stock registers have been anything but perfunctory, but even these perfunctory stock-takings threw up 'net' shortages amounting to Rs. 79,700 in 1963-64, Rs. 71,800 in 1964-65 and Rs. 1.58 lakhs in 1965-66. The Committee note from the information given to them during evidence that while "responsibility has been fixed in a large number of cases", the process is yet continuing. They would like to know the final outcome in due course.

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Home Affairs

The Committee note that very little efforts were made by the management to limit and control the overhead expenses of the Society. The guidelines laid down by the Department of Co-operation provide for 6% margin on sales to cover overhead expenses of co-operative departmental stores, including pay-roll expenses, rent and other miscellaneous items. However, notwithstanding the management's exhortations for economy and ample rent-free facilities enjoyed by the Society, its overhead expenses increased over the years. The overheads, which constituted 7.12% of the sales in 1963-64, when the Society was started, rose to 12.16% in 1967-68. The Study Team of the Department of Co-operation reported in 1968 that overhead expenses were "quite high" in relation to the gross margin of 2.4%. In a very eloquent description of the state of affairs in this regard, they pointed out that the Society had "a large body of staff both in the head office and branches which was grossly under-utilised, inadequately employed. . . . any . . . in fact, had nothing worthwhile to do." The data given in Appendix V to this report would appear to suggest that the position has not been substantially remedied since. They would like the position in this regard to be received.

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Home Affairs

The Committee are distressed to learn that there were "large scale pilferages from the stores" since 1964-65. Deterrent action could not be taken, because, as admitted by the representative of the Ministry of Home Affairs, the system of stores accounting made it possible for the delinquents "to evade responsibility". The data given in this and earlier sections of the report would

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indicate that the management apparently experimented with different systems of accounting from 1964 onwards, till in January, 1969 they decided that "better control" could be achieved by instituting a system of maintaining stock cards in each store.

Even cases of thefts and pilferages reported to the police were also not followed up by maintaining active liaison with the police. Otherwise it is difficult to explain why only 1 out of 13 cases reported between 1966/1968 ended in conviction.

13 1.68

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There was also apparently some slackness on the part of the Society in taking insurance cover against pilferages by employees and enforcing claims which arose on the policies. In one case where a Purchase Officer was held responsible for a shortage of Rs. 14,509, the policy taken from the employee could not be enforced as it was "not taken in time", while in a number of other cases involving claims aggregating Rs. 1.14 lakhs, filed with an Insurance Company between July, 1965 and November, 1968, "the matter is still under correspondence." Such extensive pilfering by the employees over the years not only highlights laxity of control by the management but also points to their failure in their primary duty to recruit proper personnel after verifying their character and antecedents.

14 1.74

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Two instances mentioned in this section of the report bear testimony to the quality of supervision exercised over the working of the Society. The Society was fined twice in 1966-67 for using sub-standard weights, while certain samples of atta taken from two stores in the same year were found on testing by municipal authorities to be adulterated. Subsequent investigation into these cases no doubt threw up extenuating circumstances, but the fact remains that there was lack of vigilant supervision on the floor and at the departmental level.

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Home Affairs

The Committee cannot help feeling that the Society was saddled with a top heavy administration, with very little supervision at the ground level. The resulting situation was one of apoplexy at the Centre and anaemia at the extremities. The Society had as many as three layers of executive authorities at the top, with a Board of Directors, a Board of Administration and a Managing Director. Both the Study Team as well as an ILO expert, who was called in to advise Government on the organisation of co-operative departmental stores, had called attention to the harmful consequences of this system of "management by committees". The situation, however, still remains to be remedied as far as this Society is concerned. How ineffective the management were would be evident from the admission before the Committee by the representative of the Ministry of Home Affairs that supervision was "exceedingly difficult". "not adequate" and did not succeed in imbuing a large number of people "with the kind of feeling of identification with the undertaking which a private trade has."

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The Committee have earlier in this report drawn attention to the extremely unsatisfactory position of the Society's finances. The Society has depleted its share capital and has been able to subsist only because of large-scale assistance provided by Government on very generous terms. The representative of Ministry of Home Affairs admitted during evidence that the Society could "probably" be salvaged if it deals in high margin goods, "but for this, we have no resources to buy and rotate." With its past record, it is a matter for serious doubt whether the Society can be kept going as a viable unit, even after its

activities are overhauled. The Committee note that Government themselves share some of the Committee's apprehensions in the matter and that they are taking stock of the position now. The Society has now been gradually shedding its work in rationed commodities to cut its losses and thus given up any pretensions to welfare activities. Moreover, other co-operative organisations like Super Bazar and Apna Bazar have since been established to cater to the residual requirements which the Society is intended to meet. In the circumstances, the Committee would like Government seriously to consider whether any worthwhile objective would be secured by allowing the Society to continue and whether further losses to Government could not be cut by winding up the Society.

17 1.81 —Do—

Earlier in this report, the Committee have drawn attention to several unsatisfactory features of the working of the Society in the matter of operation of branches, organisation of purchase and sales activities, inventory control and accounting and supervision. These and other matters should form the subject-matter of a comprehensive investigation by Government, with a view to identifying lapses that occurred and fixing responsibility therefor.

18 1.82 —Do—

The working of the Society should also serve as an object lesson to Government for the future. Co-operative departmental societies can succeed only if they are organised and run on business principles and follow principles of commercial management. If any overall supervision over the societies at Governmental level is called for, such supervision should appropriately be entrusted to the Department which possesses the requisite expertise, i.e., the Department of Co-operation. In organising

