

P. A. C. No. 300

PUBLIC ACCOUNTS COMMITTEE
(1971-72)

(FIFTH LOK SABHA)

TENTH REPORT

SUPER BAZAR, NEW DELHI

[Paragraphs 76 of Audit Report (Civil), 1970]



LOK SABHA SECRETARIAT
NEW DELHI

July, 1971 / Sravana 1893 (Saka)

Price : Rs. 1.60 Paise

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PART II*

Minutes of the sittings of the Public Accounts Committee held on:—

30th July, 1970 (AN)

23rd July, 1971 (AN)

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PUBLIC ACCOUNTS COMMITTEE

(1971-72)

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SECRETARIAT

Shri Avtar Singh Rikhy—*Joint Secretary*

Shri B. B. Tewari—*Deputy Secretary*

Shri T. R. Krishnamachari—*Under Secretary*

*Since resigned from the Committee w. e. f. 17.6.71

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Tenth Report of the Public Accounts Committee (Fifth Lok Sabha) on Paragraph 76 of the Audit Report (Civil), 1970 relating to the Super Bazar, New Delhi.

2. The Appropriation Accounts (Civil), 1968-69 and Audit Report (Civil) 1970 were laid on the Table of the House on the 14th April, 1970.

3. The Committee (1970-71) examined the paragraph relating to the Super Bazar at their sitting held on the 30th July, 1970. Consequent on the dissolution of the Lok Sabha on 27th December, 1970, the Public Accounts Committee (1970-71) ceased to exist with effect from that date. The Committee of 1971-72 considered and finalised the Report at their sitting held on the 23rd July, 1971 based on the evidence taken and the further information furnished by the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Cooperation). The Minutes of the sittings from Part II* of the Report.

4. A statement containing summary of the main conclusions|Recommendations of the Committee is appended to this Report (Appendix IX). For facility of reference these have been printed in thick type in the body of the Report.

5. The Committee place on record their appreciation of the commendable work done by the Chairman and the Members of the Public Accounts Committee (1970-71) in taking evidence and obtaining information for this Report which could not be finalised by them because of the sudden dissolution of the Fourth Lok Sabha.

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

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7. The Committee would like to express their thanks to the officers of the Ministry of Agriculture (Department of Cooperation) and the Supar Bazar, New Delhi for the cooperation extended by them in giving information to the Committee.

NEW DELHI;
July 30, 1971,

Sravana 8, 1893 (Saka)

ERA SEZHIYAN
Chairman,

Public Accounts Committee.

I

INTRODUCTION

Audit Paragraph

The Super Bazar, New Delhi, was set up in July 1966 by Cooperative Store Ltd., Delhi (a newly established cooperative society) under a centrally sponsored scheme of setting up a chain of large departmental stores in principal cities for holding the price line. The share capital of Cooperative Store Ltd., on 30th June, 1969 was Rs. 33.45 lakhs, out of which Rs. 31.00 lakhs had been contributed by Government and the balance of Rs. 2.45 lakhs by about 3,900 individuals|associate members. Loans from Government on that day were Rs. 16.97 lakhs; and Rs. 6.10 lakhs had also been received as subsidies from Government for purchase of vehicles, furniture and fixtures and a managerial subsidy. In addition, overdrafts of Rs. 74.31 lakhs (against each credit limit of Rs. 80 lakhs) had been secured from the Syndicate Bank as on that date against hypothecation of goods and collateral guarantee given by Government to the extent of 25 per cent of overdrafts subject to certain conditions.

[Para No. 76—Page 97 of Audit Report (Civil), 1970.]

1.2. With a view to making an immediate impact on the rising trend of prices in the wake of devaluation, the Government of India formulated a scheme of setting up department stores in June, 1966 and in accordance with this scheme, the Cooperative Store Ltd., Delhi was registered on 20th June, 1966. The Cooperative Store Ltd. had since then set up the following three large department stores (Super Bazars—Apna Bazars) in Delhi:—

(a) Super Bazar at Connaught Circus . . .	15th July, 1966
(b) Apna Bazar at INA Colony . . .	29th Sept, 1966
(c) Apna Bazar at Patel Nagar . . .	5th June, 1967

1.3. The Managing Committee of the Society has been nominated by the Department of Cooperation, Ministry of Food and Agriculture under the powers vested in it under bye law No. 20(a) read

with bye law No. 5(c) of the Cooperative Stores Limited. The first Managing Committee was nominated in June, 1966 for a period of two years. After the expiry of two years period, the Managing Committee was reconstituted by the Government for a period of three years i.e. upto June, 1971. After this period the Managing Committee will have to be elected by the Members and the Government of India would have powers to nominate three representatives on the Committee.

II

SHARE CAPITAL

The share capital of the Society stood at Rs. 44.63 lakhs as on 30th June, 1970 of which a sum of Rs. 41.76 lakhs was contributed by Government of India as loan capital. The growth of share capital and the membership from year to year was as follows:—

(a) Share Capital

1966-67	1967-68	1968-69	As on 30-6-70
(Figures in Rupees)			
1,51,410	1,85,880	2,19,010	2,61,790
20,000	20,000	20,000	20,000
5,500	5,500	5,500	5,500
16,95,000	31,00,000	31,00,000	41,76,000

(b) Membership

2,107	3,056	3,896	4,164
1	1	1	1
2	2	2	2
1	1	1	1

2.2. The Society was to take adequate measures to build up its own share capital so as to be able to repay at least 50 per cent of the Government loan capital within 5 years and the balance 50 per cent in another 10 years. According to the latest Government orders, however, the repayment scheduled of Government share capital would be 1/10th every year, starting from sixth year. But progress in the enrolment of individual members has not been encouraging in spite of the fact that for sometime past special concession had been provided for the members in the shape of 2 per cent discount on their purchases from the Store, of certain items and instalment payment against share capital.

2.3. According to bye law No. 7(b) (ii) an individual member should hold a minimum of 5 shares and according to bye law 17(a)

the liability of members other than Government and Associate Members extends to ten times of the face value of their subscribed shares. The chartered accountants in their report on the audit of the accounts of the Society for the period ended 30th June, 1967 observed as under:

“On the basis of present trends, it is difficult to say whether the Cooperative Store will be able to build up sufficient share capital to meet the re-payment programme of Government loan capital.

The Managing Committee thinks that the clause relating to the minimum shareholding (5 shares) and the extension of liability to ten times the face value of the shares held, are serious impediments in broadening membership base and share capital, and have, at their meeting held on 28th March, 1968 decided to consult Government, and with their approval modify these clause.”

2.4. In their subsequent report on the audit of accounts for the period ended 30th June, 1969, the chartered accountants stated: “Efforts to remove this handicap (liability of individual members extending to 10 times of the face value of shares) have not yet been successful as any proposal in this direction will require the sanction of the General Body meeting and no meeting of the General Body has yet been called. In view of these the Management have not yet given thought to the question of how and when the repayment of the Government Share Capital should start.”

2.5. During evidence the General Manager of the Society stated that “the way in which the Super Bazar could build up its share capital base would be by enrolling more and more consumers as members. They are making endeavours in that direction but in the present financial position of the Super Bazar the individual members are not forthcoming in large numbers as they should, to enrol themselves as members.”

2.6. In a note regarding the future set-up of the Society and improvements proposed to be effected in its working furnished at the instance of the Committee, the Department of Cooperation *inter alia* stated as follows:

“The General Body of the Store will be called upon to resolve that the Managing Committee of the Store will continue to be nominated by the Government of India beyond the initial period of 5 years expiring in July, 1971, until

the Store is able to raise share capital by enrolling more members, so as to match Government's share capital contribution or until 50 per cent of Government's share capital is retired whichever is earlier. As a first step in this direction, the General Body should constitute a representative General Body, as provided in the bye-law of the Store, and a Resolution to the effect mentioned above should be obtained at the earliest possible. This will also serve to stress on the Store the need to broadbase its membership, strengthen its share capital base, and acquire a more truly cooperative character."

2.7. The Committee regret to note that the Cooperative Store Ltd., Delhi registered on 20th June 1966, has not been able to build up its share capital to any appreciable extent as yet. As on 30th June, 1970, the share capital of the society stood at Rs. 44.63 lakhs of which as much as Rs. 41.76 lakhs were contributed by Government of India as loan. An additional share capital contribution of Rs. 25 lakhs has also been sanctioned by Government during 1970-71 raising their contribution to 96 per cent. The Committee need hardly pointed out that if the Store is to become truly cooperative in character it should take immediate steps to broaden the base of its membership.

2.8. The Committee find that the liability of members other than Government and Associate Members extends to ten times the face value of their subscribed share and that this is one of the serious impediments in broadening membership base. The Committee would suggest that the feasibility of amending suitably the relevant bye law of the Society might be considered so as to attract more members. However, the Committee feel that unless the working results of the Store show improvement there are hardly any changes of significant increase in the share capital contribution by individual members.

2.9. The Government loan capital was to be repaid to the extent of 50 per cent within five years and the balance in another ten years. The repayment schedule has however been subsequently revised so as to allow of repayment of one-tenth of the loan every year commencing from sixth year. The Committee hope that with the expected improvement in the management of the Store and an effective membership drive the Store will be able to adhere to the revised repayment schedule.

III FINANCIAL POSITION

Commenting on the financial position of the Society, the Chartered Accountants in their Report on the audit of accounts for the period ended 30th June, 1969 had the following to say:

“We are comparing below, some of the important figures in the Balance Sheet of the Store for the past three years:

(Figures in lakhs of rupees)

	1966-67	1967-68	1968-69
(a) Equity Capital and Reserves	19.68	33.11	33.45
Accumulated losses and Deferred Revenues Expenditure	12.20	33.58	51.75
(b) Loans	16.45	19.20	17.09
Fixed assets—less depreciation	42.50	46.80	41.87
(c) Current liabilities :			
Bank Overdraft	74.23	66.36	82.05
Trade Creditors	23.63	23.35	27.01
Others	15.30	15.07	17.70
	113.16	104.78	126.76
Current Assets :			
Stock-in-trade including Misc. stores	83.81	66.35	7.46
Cash in Bank and in hand	1.27	1.36	1.47
Others	9.51	11.83	11.86
	94.59	79.59	83.59

The accumulated loss and deferred Revenue Expenditure exceed the Equity Capital and Reserves by Rs. 18.30 lakhs.

The fixed assets are more than the loans by Rs. 24.78 lakhs.

The Current Liabilities are more than the Current Assets by Rs. 43.17 lakhs.

The cumulative effect of the above has contributed to a difficult Ways & Means position for the Store.

3.2. The Government of India have so far provided financial assistance to the extent of Rs. 80.58 lakhs to the Cooperative Store Limited as detailed below:

(Rupees in lakhs)

Particulars	Assistance sanctioned 1966-68	Addl. Assistance sanctioned during 1969-70	Total
(a) Share Capital	31.00	10.76	41.76
(b) Loan for furniture & fittings	19.75	8.22	27.97
(c) Building at Patel Nagar	5.00	..	5.00
(d) Subsidy for furniture, fittings and Managerial subsidy	5.85	..	5.85
	61.60	18.98	80.58

3.3. The Store has repaid loan instalments amounting to Rs. 9.40 lakhs upto 31st March, 1970 including the building loan of Rs. 5 lakhs. The net Government loan assistance outstanding with the Store is Rs. 65.93 lakhs. In addition the Government of India have stood guarantee to the working capital accommodation of Rs. 80 lakhs obtained by the Store from the Syndicate Bank, New Delhi on hypothecation of goods. The cash credit limit for the said amount has been renewed for a period of one year which expired on 30th June, 1970.

3.4. The overdraft account of the Society is as under:

(Rupees in lakhs)

	1966-67	1967-68	1968-69	1969-70
Overdraft	74.23	66.36	82.05	63.63
Interest	3.20	5.58	5.15	5.16

3.5. The Department of Cooperation have intimated that the total losses incurred in 1969-70 have been provisionally assessed as Rs. 17.21 lakhs. The cumulative loss upto June, 1970 is of the order of about Rs. 66.41 lakhs. The entire share capital of Rs. 44.63 lakhs

has thus been wiped out. A Study Team which reviewed the working of the Society in April, 1970, pointed out in their report: "The colossal loss has made the position of the Super Bazar extremely delicate. Unless proper corrective measures are immediately initiated and acted upon vigorously and its capital position is strengthened its future appears to be in jeopardy."

3.6. It is seen from the Report of the Team of Officers mentioned elsewhere in this report that "Heavy investments were made on furniture, fixtures and construction of building (Patel Nagar). As against financial assistance of Rs. 39.75 lakhs (loans and subsidies) the Store invested funds to the extent of Rs. 55.87 lakhs—office equipment Rs. 24.92 lakhs, fixtures Rs. 6.74 lakhs, furniture Rs. 6.11 lakhs, miscellaneous items Rs 610 lakhs and building Rs 12 lakhs."

3.7. During evidence the Secretary, Department of Cooperation stated "the financial administration of the Super Bazar has become the responsibility of the Central Government because it is no longer a part of the Delhi State Plan. This is the suggestion made by the Delhi Administration and there is a reason for it. The position is that so far as the Union Territory of Delhi is concerned, anything that is within the Union Territory's Plan also figures in the concerned Ministry's Plan. It is in their Plan as well as in our Plan. Now, one suggestion that the Union Territory of Delhi have made is that from the current year onwards, any financial assistance that is given to the Super Bazar should be in the Central Sector..... The suggestion is under our consideration. Their budget gets inflated and things are shown out of proportion just because of one institution. So, the suggestion would merit our consideration."

3.8. A note regarding the financial assistance to the store as a central sector scheme furnished by the Department is reproduced at Appendix I. It envisages *inter alia* economy to the extent of Rs. 9.5 lakhs to be effected during 1970-71. From a press release dated the 6th February, 1971 it is seen that "Government of India have approved a Central Scheme for release of Additional financial assistance to the Cooperative Store Limited which runs the Super Bazars in New Delhi. An amount of Rs. 65 lakhs of which Rs. 40 lakhs will be a long term loan and Rs. 25 lakhs additional share capital contribution, is being released this year. Provision has also been made by Government for further financial assistance amounting to Rs. 11 lakhs during the rest of the Fourth Plan period for future development." The Press Release adds "The additional financial assistance being given by the Government of India will enable it to replenish its stocks and provide the essential range and variety of goods for sale to consumers, as also to liquidate its liabilities, which have arisen as a result of losses incurred during the first four years of its working."

3.9. A review of the financial position of the store reveals a disquieting picture. The cumulative loss of about Rs. 66.41 lakhs upto 30th June, 1970 has virtually wiped out the entire share capital of Rs. 44.63 lakhs. Further a sum of about Rs. 16 lakhs in excess of loans (other than loan capital) and subsidies received from Government is locked up in building, furniture and fittings. These have contributed to a precarious way and means position for the Store. In the succeeding sections of this Report the Committee have dealt with the reasons for the recurring losses and identified the areas of weakness of the Society. The Committee would like to emphasise that the Management of the Store should take appropriate corrective measures with a view to attaining economic viability before long.

3.10. Bereft of working capital, the store has been subsisting only on over-drafts which ranged from Rs. 66 lakhs to Rs. 82 lakhs during the years 1966-67 to 1969-70 with the attendant heavy interest liability. The Committee find that during 1970-71 Government have sanctioned a further assistance of Rs. 65 lakhs of which Rs. 40 lakhs will be long term loan and Rs. 25 lakhs additional share capital contribution. The Committee hope that with this liberal assistance the Store will rehabilitate itself soon and by prudent management of resources at least in future, will maintain adequate working capital which is essential for the survival of the Store.

3.11. The Committee find that the Store invested a sum of Rs. 55.87 lakhs on construction of building and providing furniture and fittings as against the loans and subsidies amounting to Rs. 39.75 lakhs only received from Government for the purpose. The Committee are at a loss to understand how the Store could incur considerable additional expenditure of capital nature without ensuring additional resources which partly accounted for the financial stringency of the institution. In the opinion of the Committee there was no semblance of any realistic and prudent planning in evidence for which the management should be held responsible.

IV

WORKING RESULTS

Audit paragraph

4.1. A broad analysis of the financial results of the trading activities of Super Bazar for the two years ending June, 1968 is given below:—

Year	Sales	Gross profit	Other receipts	Overhead expenses and other items	Loss
(In lakhs of Rupees)					
1966-67 . . .	458.13	36.51	2.65	46.17	7.01
1967-68 . . .	468.39	39.12	5.77	66.94	22.05
TOTAL . . .	926.52	75.63	8.42	113.11	29.0

4.2. In addition to the loss of Rs. 29.06 lakhs, loss of Rs. 0.73 lakhs was sustained in the running of a vegetable farm during 1966-67 and 1967-68. The accounts of Super Bazar for 1968-69 are not yet ready (December, 1969). The losses for that year are estimated (by the Super Bazar) to be Rs. 10.36 lakhs. The losses are reported to be mainly due to (i) employment of excess staff, (ii) injudicious purchase, (iii) heavy overdrafts (@ 8½ to 9 per cent interest) from bank, (iv) high incidence of pilferages and stock shortages (these were about Rs. 1.72 lakhs in 1966-67 and Rs. 14.51 lakhs in 1967-68) and (v) high rent for the building hired for the Connaught Circus branch (Rs. 5 lakhs per annum plus 1 per cent of gross sales turnover).

4.3. It would be seen from the following that actual performance of Super Bazar during 1967-68 was far below the business efficiency norms formulated by the Ministry in January 1968:—

Efficiency norm for

	Good performance	Fair performance	Unsatisfactory performance	Actual performance of Super Bazar.
Turnover of stocks	12-15 times	8-11 times	Less than 8 times	6.5 times
Sales per day per sq. ft. of selling space	Rs. 5 or more	Rs. 2.75 to Rs. 4.	Less than Rs. 2	Rs. 1.11
Sales per salesman per day	Rs. 300—Rs. 400 depending upon the nature of business activity.			Rs. 214.31
Pay roll expenses	3% of sales			6.2% of sales
Building rent	1% of sales			2.6% of sales
Other Overhead expenses	2% of sales			4.8% of sales

4.4. The Ministry Stated (December, 1969) that “the Super Bazar, New Delhi, is the first co-operative consumer department store set up in this country, and that was also done in a situation of extreme urgency, as a price stabilisation measure in the wake of devaluation of the rupee in June, 1966. No experience or precedent for an undertaking of this nature was available in the country at that time. The institution had only about 2 to 3 weeks to organise itself; heavy promotional expenditure had necessarily to be incurred and no immediate returns could be expected from that investment. Besides, as the imperative need was to make an impact on prices of consumer goods, the Super Bazar followed the “active price policy” which meant selling goods at slightly less than the market prices.The management of the Super Bazar has been making strenuous efforts to improve its working by augmenting its income, reducing shortages and pilferages, streamlining its administrative and accounting procedure and improving its business operations.”

[Paragraph 76—pages 98-99 of Audit Report (Civil), 1970]

4.5. A broad analysis of the results of the trading activities of the Store since its inception is given below:—

Year	Sales	Gross receipts	Other receipts	Overhead expenses and other items	Loss
(In lakhs of rupees)					
1966-67.	458.13	36.51	2.65	46.17	7.01**
1967-68.	468.39	39.12	5.77	66.94	22.05
1968-69.	387.77	37.31	8.90	65.48	19.27
1969-70.	335.79@	*	*	*	17.21

@Provisional

*Not available

**According to Chartered Accountants the losses were Rs. 9.98 lakhs, instead of Rs. 7.01 lakhs as shown in accounts.

4.6. In addition to the above losses, loss of Rs. 4.87 lakh was sustained in the running of a vegetable farm during 1966-67, 1967-68 and part of 1968-69.

4.7. The Chartered Accountants in their report on the audit of accounts for the period ended 30th June, 1967 stated: "The Managing Committee approved a proposal made at their meeting held on 20th July, 1966 to have decentralised system of accounting for each department, envisaging the preparation of Department-wise Profit and Loss Accounts and Balance Sheets and to serve as a better control over the delegation of powers to the Departmental Managers Preparation of operating Budgets for each Department with estimates of income and expenditure was also contemplated. However, the above measures could not be implemented and the maximum that could be done was to prepare separate Trading Accounts."

4.8. Explaining during evidence the reasons for the losses, the Secretary, Department of Cooperation deposed: "The causes of the recurring losses are several, but two stand out rather prominently. One is the considerable overstaffing from the start and this is really attributable to the Cooperative Department embarking upon a new organisation. It will be noticed that the Super Bazar started with a personnel of 1167 in August, 1966. It also took over a rather poor area to set up its own vegetable farm on which it spent money and kept staff and which could not run later on either directly or even on contract. The staff strength has been brought down to 891 but even this contains a cushion—a certain number of superfluous staff whom the Management finds it difficult to dispense with because of the Labour Laws. This is one reason.

4.9. Secondly, it has to be admitted that, due to lack of experience, there was a certain amount of mismanagement, and in the beginning the losses on account of damaged stock, pilferage and so on were also slightly high. It was not, however, unusually high and I have asked the Management to work out a separate break-up of these losses which contain three factors namely, the natural causes of drriage in processing agricultural materials like spices, dal, etc., certain breakages and also some pilferage. It does not have the separate figures now.

4.10. Thirdly, Sir, the rent for the main Super Bazar building, when compared to the rate in vogue in the Connaught Circus, is not on the high side but still, it works out to a considerable sum of money. It is Rs. 5 lakhs plus one per cent of the gross turnover. We have had an expert to go round and have a look and he has opined that this order of rent for a Cooperative Departmental Store was not viable. Incidentally, this building which is 1,33,000 square feet, has a lot of space which remains wasted—about 10,000 feet under the staircase and 10 to 15 thousand feet in the corners, Rotundas etc.—because it was obviously not designed for setting up shops. Improvisations had to be made and, therefore, by and large, the burden of rent on this Cooperative store is working out to a heavier sum than what can be afforded under the price structure which is proposed to be maintained.”

4.11. A comprehensive study of the working of the Super Bazar was undertaken by a team of 3 officers of the Department of Cooperation recently. Dealing with the reasons for the losses the team stated as follows:—

“Several factors have led to the uneconomic functioning of the Super Bazar. Some of the major reasons are the following:—

- (a) It was called upon to start a large department store on a special plan of urgency and had, therefore, to incur large promotional and developmental expenditure during the year. Moreover, being a pioneer in the field it had no pervious experience to draw upon.
- (b) Heavy investments were made on furniture, fixtures and construction of building (Patel Nagar). As against financial assistance of Rs. 39.75 lakhs (loans and subsidies) the Store invested funds to the extent of Rs. 55.87 lakhs—office equipment Rs. 24.92 lakhs, fixtures Rs. 6.74 lakhs, furniture Rs. 6.11 lakhs, miscellaneous

ites Rs. 6.10 lakhs and building Rs. 12 lakhs. For the building at Patel Nagar an investment of Rs. 12 lakhs was made against a loan of Rs. 5 lakhs sanctioned by Government. By such investments the liquidity position was affected leading to shortages in working capital for current business operations. The gap had to be filled up by increasing bank borrowings.

- (c) The Store took upon itself the task of running an agricultural farm which led to losses amounting to Rs. 2 lakhs. This project did not also help in the procurement of vegetables etc.
- (d) In addition to manual accounting, a machine accounting system was introduced in September, 1966 for data processing and maintenance of certain accounts. The system of machine accounting was, however, discontinued in July, 1969, when it was found that the system was not quite useful. This experiment resulted in an expenditure of about Rs. 6.42 lakhs during 1966-69.
- (e) For the building at Connaught Circus, the Store is paying a rent of Rs. 5 lakhs a year plus 1 per cent of the sales turnover to N. D. M. C. This works out to 2.9 per cent of the sales turnover as against the prescribed efficiency norm of 1 per cent on rent. The rent per year works out to about Rs. 9 lakhs. Similarly, the rent charged by the C.P.W.D. for the INA Market Rs. 3 lakhs per year is also high in relation to sales and works out to 3 per cent of the turnover.
- (f) The overhead expenses are very heavy when compared to the gross profit and have been rising from year to year. During 1966-67, against a gross profit of 7.97 per cent of sales, indirect expenses were 10.08 per cent. In the following year, while the gross profit improved to 8.35 per cent of the sales, the indirect expenses rose to 14.29 per cent of sales. The position deteriorated further during 1968-69 and as against a gross profit of 9.61 per cent of sales, the overhead expenses rose to 16.89 per cent of the turnover.

The major component of the overhead expenses has been establishment. The expenditure on this item has increased from 5.34 per cent of sales in 1966-67 to 6.14 per cent of sales in 1967-68 and 7.39 per cent of sales in

1968-69. This is likely to go up further during 1969-70, due to fall in the sales turnover, without a corresponding reduction in establishment expenses. The incidence of rent has also shown an upward rise due to fall in business. The rent cost which was 2.11 per cent of sales in 1966-67 increased to 2.64 per cent in 1967-68 and 3.07 per cent in 1968-69. Interest charges paid to the bank have also risen from 0.84 per cent of sales in 1966-67 to 1.61 per cent of sales during 1968-69. In quantitative terms, however, there has been a small reduction in the interest charges paid to the bank. The expenditure on miscellaneous items went up from 1.79 per cent of sales in 1966-67, to 4.09 per cent during 1967-68 and to 4.32 per cent of sales in 1968-69. Quantitatively speaking, there has, however, been a reduction under the miscellaneous expenditure by about Rs. 2.78 lakhs during 1968-69 as compared to the previous year.

- (g) There have been heavy shortages in stocks due to pilferages by employees and customers which have been estimated to be about 2.5 per cent of sales during 1967-68. The audit report for that period gives an estimate of Rs. 14 lakhs. There is said to be an improvement during 1968-69 and the shortages may not go beyond 1 per cent of the sales.
- (h) Lack of proper inventory control and faulty purchases resulting in the accumulation of slow moving and un-saleable stocks.
- (i) A proper and scientific system of maintaining accounts for a business of this type and magnitude has not been introduced especially for the receipt and issue of stock. No specific responsibility was fixed on salesmen for leakage and shortages and a proper system of internal checks and counter checks was not introduced.
- (j) There has been a fall in sales turnover due to fall in the prices of agricultural commodities, recession in trade and competition from the private merchants."

4.12. The Departments run by the Store and by private parties and institutions are shown in Appendix II. The important commodities sold by the min each department have been broadly indicated in Appendix III.

4.13. An Expert of International Labour Organisation who was called in to advise particularly on different management and business aspects involved in running of super market had *inter alia* the following to say in his report submitted in 1967:

“The tendency of the cooperative 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.

The expert has seen stores where 80 per cent of the available space was used up by departments which contributed only 20 per cent of the total sales volume. Unfortunately, such a situation is likely to perpetuate itself, as unsatisfactory turnover rate easily leads the manager to look around for additional new departments to attract customers.

In the first place each department store should certainly contain all the necessities of life: grains and pulses, fresh fruit and vegetables, packaged, canned and bottled foods, spices, cosmetics and washing soaps, textiles. After that the decision which departments to include in a department store must be based mainly on local conditions. If there are, for instance, already many well-run shoe stores in the community and in the vicinity of the store, it may be wiser not to go into shoes. Departments which by nature have a slow turnover rate, such as toys or electrical appliances, should always be investigated especially carefully before they are added. Often it is better to carry a few fast-moving staple items of a department than a full selection of the whole line. This principle is used in the American supermarkets which are basically food stores with the addition of only limited selections of non-food items. It may be that a similar limitation in departments and in the number of items carried in them, which would be less risky and costly, would yet satisfy the needs of the Indian customer.

It seems significant that the largest department stores with the highest number of departments show only medium to low sales per square foot, while the two top ranking ones are the very smallest stores. Sometimes an increase in total sales will result if a low-volume department is closed out and the space used for a high volume one. As a rule, any department which yields a daily sales average of less than Rs. 2 per square foot of sales area should be studied to see if it is worth continuing."

4.14. The Committee enquired about the Departments which accounted for bulk of the losses and those which made profit. In a note the Department of Cooperation intimated that "barring the footwear department which yielded a very small profit, all the other departments are running in loss" and that "according to the accounts for the period from 1-7-1969 to 31-12-69 bulk of the loss is contributed by the Groceries and Toiletries department."

4.15. The Committee are distressed to find that the Store has been incurring losses since its inception continuously over the past four cooperative years ended 30th June, 1970. The biggest loss of Rs. 22.05 lakhs was in 1967-68 which was only marginally brought down to Rs. 19.27 lakhs and about Rs. 17.21 lakhs during the subsequent years 1968-69 and 1969-70 respectively. The accumulated losses so far are about Rs. 66.41 lakhs. Apart from incurring deficits due to mismanagement, over-staffing, heavy pilferage and theft, high rent liability, injudicious purchases and decline in sales, burden of interest only overdrafts etc., the Store experimented unsuccessfully on mechanisation of accounts and started a vegetable farm both of which cost it heavily. The Committee notice a rather amateurish handling of the affairs of the Store. They trust that taking lessons from the past mistakes which largely arose out of either undue over-optimism or lack of sufficient expertise and control, the Store will plug the loopholes and improve the working results so that the accumulated losses could be wiped out as early as possible.

4.16. The Committee learn that the accounts are not maintained in such a way as to find out the profit or loss of each branch/department of the Store. In order to have adequate control by the management based on the individual profitability or otherwise of each department/branch, the Committee feel that appropriate system of accounts should be introduced forthwith.

4.17. The Committee do not think that the Store should aim at being a one-stop shopping centre for the entire range of goods rather

than supplying the essential consumer goods at reasonable prices. They, however, find that a number of new departments such as 'transistor', 'toys and sports goods', 'furniture' etc. have been added to the Store in addition to giving of contracts departments such as 'electric repair', 'optical', 'photography' etc.; but barring the 'footwear' department which yielded a very small profit all the other departments in the store are running in loss. The Committee would suggest that the departments which do not deal in essential commodities and on which considerable losses are incurred should be investigated to determine whether it is worthwhile continuing them. The results of such investigations and remedial action taken should be intimated to them.

V

IMPACT OF THE STORE ON RETAIL MARKET

During evidence the Secretary, Department of Corporation described the purpose of starting Department Stores in the following words:

“The purpose really was to make the consumer goods available at fair prices or holding the price line because after devaluation many consumer goods were going underground and there was a great deal of clamour on this score.”

5.2. Asked to state whether the purpose had been achieved the witness continued, “It would be really too much to claim that the rise of price has been arrested but the fact remains that in the extensive range of consumer goods, toilets, utensiles, groceries, fruits, vegetables, textiles, etc. which the Super Bazar started dealing in, the articles were made available at fair price without the element of profiteering. The success of the organisation can be rightly measured in the sense that it had a sobering effect on the general market sales, because the other shop keepers also started advertising that their goods would now be made available to the consumers at the Super Bazar rates.” The General Manager of the Store added “Super Bazar, Delhi and this applies to consumer cooperatives in general—they follow the ‘active price policy’ which means selling goods at slightly less than the market price.” He illustrated further, “One important category that we can straightaway mention in drugs and medicines. In that Department it will be found that almost in every item the prices are slightly less than the market price.” “About the other commodities we have to go in a little detail. Some of them are manufactured articles of which the retail prices are fixed by the manufacturers. But in the beginning when Super Bazar was started, it started to break this rule made by the manufacturers that goods should not be sold less than their specified prices. In a number of commodities the Super Bazar sold below the specified prices fixed by the manufactures. Even in the case of vanaspati, they sold at less than the prices prescribed by the manufacturers until the prices were statutorily controlled and fixed. Since the prices of most of the manufactured goods have been stabilised, there will not be many instances where they will be selling at less than price.

5.3. In the case of agricultural commodities, pulses and spices, with due regard to their quality and variety and having regard to the fact that they are cleaned and pre-packed the groceries sold in the super bazar are considered to be better bargain than what is generally available in the market."

5.4. The Committee pointed out that the prices of the store had actually gone up over the years. The Secretary, Department of Cooperation stated: "What can be done if the manufacturing costs have gone up and if supplies are made available at higher prices? These organisations follow an active price policy. They are not expected deliberately to incur large losses."

5.5. Explaining how the "Active Price Policy" is implemented the General Manager went on to say "In regard to goods sold in the Super Bazar they have got a Market Intelligence Unit and I may submit for your information that Super Bazar is selling as many as 50,000 items. The Market Intelligence Unit goes round and checks up the prices from week to week and more frequently. The only instances where some times Super Bazar prices are found to be a little higher are of those commodities which are subject to rapid price fluctuation. These are pulses and spices and some of these things. In the market the prices go on changing by a few paises day after day or from morning to evening and these prices are quoted in the papers and some times it is found that for a particular period—may be for a week, the prices of a particular commodity quoted in the papers for the market, were slightly less than what the Super Bazar was selling. But Super Bazar is alive to the need of adjusting their prices to the prevailing market rates subject to the quality and variety being comparable." The Market Survey report for the month of March, 1970 submitted by the Market Intelligence Unit as furnished by the Department is reproduced at Appendix IV.

5.6. The Secretary, Department Cooperation agreed with the Committee that the impact of the store was only marginal. He further said, "one could not really, possibly, claim more and particularly in a situation when the prices have stabilised a certain level, but the shopkeepers know that there is a Cooperative Department Store. Thus the purpose is really achived in an indirect way."

5.7. The Committtee wanted to know whether the A.I.R was still broadcasting the Super Bazar rates and market rates. The Committee were informed that it was stopped.

5.8. The Committee called for the retail prices of selected consumer goods during the months of June-July, 1970 from the store as well as the rates prevailing in Delhi Markets. The comparative position of prices of the store *vis-a-vis* those of the market in respect of a few commodities is given below:—

Name of the article	Unit	Price during week ended 5th June 1970		Week ending 19th June, 1970		Week ending 3rd July, 1970		Week ending 17th July, 1970	
		Super Bazar	Market rate	Super Bazar	Market rate	Super Bazar	Market rate	Super Bazar	Market rate
1	2	3	4	5	6	7	8	9	10
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Besan	Per Kg.	1.60	1.40	1.60	1.40	1.50	1.40	1.50	1.35 to 1.40.
2. Arhar Dal Desi	„	1.65/1.85	1.50	1.80/1.90	1.50	1.80/1.90	1.50	1.80/1.90	1.50 to 1.60.
3. „ Kanpuri	„	1.65/1.85	1.60 to 1.70.	1.80/1.90	1.60 to 1.70.	1.80/1.90	1.60 to 1.70.	1.80/1.90	1.70 to 1.80.
4. Moong whele		1.70/1.75	1.60 to 1.70.	1.70/1.75	1.60 to 1.70.	1.65/1.70	1.60 to 1.70.	1.65/1.70	1.60 to 1.70.
5. Moong dal with skin	„	1.70/1.80	1.60 to 1.70.	1.70/1.80	1.60 to 1.70.	1.70/1.80	1.60 to 1.70.	1.65/1.80	1.60 to 1.70.
6. Moong dal washed	„	1.75/1.90	1.70 to 1.80.	1.80/1.95	1.70 to 1.80.	1.80/1.95	1.70 to 1.80.	1.80/1.95	1.70 to 1.80.
7. Dal Malka Masoor	„	1.45/1.55	1.40 to 1.50.	1.45/1.55	1.40 to 1.50.	1.45/1.55	1.40 to 1.50.	1.45/1.55	1.40 to 1.50.
8. Cashew nuts	„	14 to 16	12 to 14	15/16	NA	15/16	NA	16/16.50	N.A.
9. Tamarind seeded	„	1.75	1.25 to 1.30.	1.75	1.30 to 1.50.	1.75	1.30 to 1.50.	1.75	1.30 to 1.50.
10. Chillies (whole)	„	7.50	7 to 7.50	8	7.00 to 7.50.	8	7.00 to 7.50.	8	6.75 to 7.50.

5.9. Asked whether the store maintained adequate stock of scarcity commodities, whenever there was scarcity, the General Manager stated: "Generally the Super Bazar endeavours to keep stocks, but situations cannot be ruled out when sometimes they do not get the quantity, they require." He added, "The recent development in this regard is that on account of the losses that they have incurred they are in financial difficulties and they are not always able to keep the required range and variety of goods." The Secretary, Department of Cooperation also deposed, "I believe, there is an arrangement with the manufacturers for reserving a certain percentage of their production for the consumer cooperative stores. This ranges from 10 to 30 per cent of whatever their production is. But one of the peculiar problems of the Delhi Super Bazar has been that of late shortage of finances has come in the way of adequate stocks".

5.10. The International Labour Organisation Expert had the following to state on 'prices and pricing policy' in his report :

"It seems to be the generally-accepted and followed policy in cooperative department stores as far as staples are concerned (and it is here that this policy is important) that inventory gains are not taken, in other words, that the retail price is not raised as long as stock is at hand which was bought at a lower price, even though cost and retail price have in the meantime gone up. In order to support the Government in their vital efforts to stem inflation this should remain the faithfully adhered to policy of all consumer cooperatives, although it may often be a great temptation to management to easier attain the gross margin necessary for covering expenses by taking some inventory gains (as all private business would as a matter of course)".

5.11. The Expert has also stated that "The centrally sponsored scheme of promoting consumer cooperatives 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".

5.12. Admittedly it was somewhat a tall claim that the department stores would hold the price line. An expert of the International Labour Organisation has also stated 'bluntly' that "this is an impossible thing to expect of them." The prices of consumer goods have

been going up due to increase in manufacturing costs. The Committee were, however, informed that the store was following an "active price policy" which meant selling goods at slightly less than the market prices. But they find from the fortnightly data collected in the months of June-July, 1970 that in the case of quite a few consumer goods the prices of the Store, far from being lower, were consistently higher than the market prices over a considerable period. The Committee would like to know the reasons for this phenomenon and whether such disparities which run counter to the *raison d'être* of the store, have been brought out in the weekly market surveys avowedly conducted to make necessary adjustments in the prices to relate them to prevailing market rates. The Committee find that paradoxically enough, the store instead of leading the market finds itself being led.

5.13. Apart from following an active price policy, the store can exert a healthy influence on the retail market in other two ways. By holding adequate stocks of scarcity goods, the Store can ensure a steady supply to bonafide consumers whenever there is scarcity outside. Studying the market conditions, the Store can also procure in bulk consumer goods from manufacturers and sell them at lower prices without taking 'inventory gain' when the procurement prices go up in the meantime. These will go a long way in stemming the artificial and hence avoidable increase in retail prices.

5.14. At the present shortage of finances has come in the way of sufficient stocks being maintained by the Store. The Committee hope that with the assistance sanctioned by Government recently, the Store will be in a position to ensure adequate stocks to supply goods at reasonable prices at all times as suggested in the foregoing paragraph if the store is to justify its existence.

VI PROCUREMENT

Audit Paragraph

Ministry's reply (December, 1969)

observation in the statutory auditor's Report

No definite purchase policy had been laid down by the management. The departmental managers were responsible for negotiation of purchase prices and making purchases for their respective departments. No records were available to show whether to secure most advantageous terms trade enquires were made by them from different parties before deciding upon the purchases.

6.2. While passing the suppliers' bills the accounts department did not check the claims but merely depended upon the certificates of their correctness recorded by the departmental managers. Apparently, the departmental managers also did not check the bills fully as in a number of cases the claims passed did not agree with the terms of business. In view of the defective procedure the chartered accountants could not check the purchase bills fully and thoroughly.

14,466 kgs. of walnuts purchased by Super Bazar in October 1967 (against its average annual sale of about 4,000 kgs.) were found to be sub-standard in quality. The loss on sale of walnuts (in the open market) was about Rs. 36,000.

Articles which are branded and those for which the Ministry has made arrangements with manufacturers (for supply at prices charged by them at the first point of distribution) are purchased by Super Bazar at the fixed/agreed rates. For purchasing agricultural commodities like pluses the prices prevailing in the market are kept in view to take advantage of the best possible rates. As the purchases have to be adapted to changing fashions and designs with an eye on "what will sell", there can be no fixed pattern of rigidity about purchases.

The invoices are checked for their arithmetical accuracy in the accounts department. Since last year that department has also been checking the rates in the invoices with the purchase orders placed on the suppliers.

Super Bazar has taken up the question of reimbursement of the loss with the supplier (National Co-operative Consumers, Federation) which is a sister co-operative organisation.

[Paragraph 76—pages 100-101 of Audit Report (Civil), 1970]

6.3. The Chartered Accounts in their Report on the audit of accounts for the period ended 30th June, 1969 commented on the purchase procedure in the following manner :

“We had mentioned in our two earlier annual reports about the absence of a purchase policy, detailed procedures, and the implementation of these, from day to day, and difficulties experienced in the audit of the Purchase Bills, in the absence of regular terms and conditions for purchases. This has continued during the year 1968-69 also and difficulties were experienced in the audit of the purchase bills, in the absence regular terms and conditions. As a matter of fact, we could not check the purchase bills effectively during the year under report. In some cases, certain terms and conditions had been noted down in a Register for some of the Departments, but the terms indicated in these registers, did not agree, in a number of cases, with those shown in the suppliers bills which were accepted by the Store. Instances had been pointed out by us to the Management.

The Management have stated that no new items are introduced in the store without the sanction of the General Manager, purchases are made after ascertaining the stock position and for minimum requirements and as far as possible the sources of purchase are the manufacturers or their agents and that market surveys are also undertaken with a view to comparing the prices of articles. We were, however, shown no records in regard to these. As purchases of the correct goods at the most economical rates are of primary consideration, we feel that the general policy should be laid down by the Managing Committee within which the General Manager could work; and lay down the detailed procedure. The procedure has to be such that all connected records are available to show that the purchases made are at competitive rates and that the rates agreed to with the suppliers are reflected in their bills.”

6.4. According to the observations of the Chartered Accountants reproduced in the audit paragraph there was failure to check the correctness of the suppliers bills as in a number of cases the claims

passed did not agree with the terms of business. The Committee were informed by the Department of Cooperation that the Accounts Department passed the bills on the strength of certificates of correctness of the Department Managers recorded on the bills with regard to terms and conditions of the supply. As regards the fixation of responsibility for the failure of Department Managers and the review of the bills to ascertain that no over-payments were made, the Department stated that the chartered accountants had not mentioned any specific case and that no action could be taken.

6.5. In a letter dated 30th April, 1970 written by the General Manager of the store to the Registrar of Cooperative Societies, Delhi Administration, a copy of which was furnished to the Committee, he had mentioned about the difficulty in bulk procurements from the manufacturers as follows :

“..... This affected our liquidity position adversely. Consequently our capacity to bargain with the buyers of the procurements, from manufacturers in bulk suffered. We had, therefore, to take recourse to purchases either from stockists or in some cases from commission agents. This matter has already been taken up for release of additional funds so that procurement of goods can be placed on a rational basis bringing the manufacturers and customers nearer by abolishing the middlemen.”

6.6. In a note explaining the procedure followed for purchases, submitted at the instance of the Committee, the Department of Cooperation have stated that “the Department Managers act as purchase officers and make purchases for all the branches, subject to the over-all control and direction of the General Manager, who is to be consulted whenever a new supplier or a new commodity is introduced. The Department Managers estimate their requirements, study the market and place orders for supply. The procedure for purchases varies from department to department and commodity to commodity. In the case of branded articles, the purchase policy reduces itself to simply estimating the requirements and placing orders on the manufacturers wholesalers/local agents. In certain cases like furniture the articles are obtained on ‘consignment basis’. As regards agricultural commodities of wide consumption like pulses, rice, wheat etc., the purchase staff visit the local markets and make the selection. These articles are, however, test checked for quality. The Super Maar keeps itself informed of the market intelligence surveys conducted by the Works Study Unit. The results of the

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survey are made available to the Department Managers. In addition, market surveys are also conducted personally by the Department Managers and the purchase staff. The prevailing market rates, as quoted in the local news papers are also kept in view.

6.7. As regards regulation of purchases in anticipation of prices trends, it has to be stated that in view of its tight financial position and other problems, the Super Bazar cannot afford to make purchases in large bulk or build up large stocks in anticipation of a price rise. Normal precautions and vigilance are, however, exercised."

6.8. The report on the study on the working of the Store conducted during April, 1970 contained the following observations on "Improvement in Procurement|purchase policy."

"The future success of the Super Bazar depends on the extent to which it is able to bring about improvements and revise its purchase procedures, practices and policies. This is highly essential as the market condition has undergone a change since the establishment of the Super Bazar. During the first two years the Super Bazar was able to make sizeable sales mainly due to its practice of buffer stocking in groceries and the 'active price policy' followed by it. Due to non-availability of funds and slump in the foodgrains business, the practice of buffer stocking has been abandoned and the store is making its purchases mainly from stockists|wholesale agents and local markets on a weekly|monthly basis. In order to achieve a higher rate of gross margin the mark-up has been increased in a number of commodities. For want of a liquid resources, the Super Bazar has been compelled in certain cases to make purchase of non-standard items mainly because such goods are available on short credits. This policy apart from damaging the image of the Super Bazar, has led to the locking up of resources. It is essential that steps may be taken to reorganise the purchase policies broadly on the following lines:

- (i) The performance of the officials in charge of purchases may be assessed with reference to their experience and performance. Officials who have not been able to deliver the goods and work with dynamism, may be changed.

Such officials may be substituted by new purchase Managers drawn from private and public sector undertakings and other agencies, who should be men of integrity.

- (ii) As far as possible purchases should be institutionalised. Assistance of the National Cooperative Consumers Federation may be obtained in the procurement of groceries and textiles. Standard and fast moving items may be entrusted to that organisation who should take full responsibility for timely supplies at cheaper prices on agreed margins. The NCCF may be able to maintain buffer stocks for sale in respect of rice, wheat, pulses and other commodities by procuring them at the harvest time. In case of losses, due to price fluctuations on buffer stocks, the NCCF can utilise the fund under the Inventory Losses Fund contributed by the Government of India. The NCCF may open a wholesale depot at Delhi for stocking and selling textiles to Super Bazar and other consumer cooperatives in Punjab, Haryana, Jammu and Kashmir and other areas. The Purchase Manager of the Super Bazar in charge of textiles should have a close link with the textiles manager of NCCF. The Super Bazar should also develop close business relationship with National Agricultural Cooperative Marketing Federation from which it could procure certain articles such as, onions and chillies which are not handled by NCCF. Similarly special arrangements may be evolved for procuring sugar from cooperative sugar factories in the adjoining areas and arranging for their sale on an agreed commission. It may be mentioned that the Coimbatore and Bangalore Department Stores, which are highly successful, have developed good business collaboration with marketing cooperatives.
- (iii) There should be a ban in dealing with non-standard items and certain collaboration guidelines should also be prescribed for this purpose.
- (iv) Special arrangements may be worked out with certain reputed manufacturers to secure higher percentage of margins and also to secure fast moving varieties at the appropriate time. For example, efforts may be made to

establish direct business links with handloom manufacturers in Coimbatore and other production centres. Purchases from local wholesalers should not be permitted except with the special permission of the General Manager.

- (v) For every purchasing department, a specific budget may be prescribed within which it should operate and show the prescribed stock turnover. As indicated earlier, the inventory for each and every item should be standardised and should not be allowed to expand except where sizeable sales are assured. New items should be introduced gradually."

6.9. According to Audit paragraph a purchase of 14,466 Kgs. of substandard quality of walnuts in October, 1967 against average annual sale of about 4,000 Kgs. resulted in a loss of about Rs. 36,000. Asked whether the quality was tested before taking delivery and whether any action was taken against persons responsible for the loss the Department of Cooperation in a note submitted to Committee intimated that "The quality of walnuts was inspected by a sample check of some bags, before delivery was taken. The Department Manager connected with the purchase has been warned. Negotiations are continuing with the NCCF for reimbursement of the loss."

6.10. It is needless for the Committee to point out that purchase is the most important operation on which depends the success of the store. The Committee are, however, constrained to observe that adequate planning and experience have not been brought to bear on this operation. Further, on the plea of lack of adequate liquid resources purchases are being made from stockists and wholesale commission agents. Non-standard items available on short credit are also procured. These have resulted in reduced sales margin and accumulation of slow moving unsaleable stock. The Committee hope that necessary improvements will be made early and the purchase policy and procedure rationalised as suggested by the Study Team which conducted a study of the working of the store in April, 1970. The highlights of the suggestions of the Team are—institutionalisation of purchases, ban on purchases of non-standard items from local market, preparation of a purchase budget, standardisation of inventory for each item relating it to sales etc.

6.11. The Committee find that the audit of purchase bills presented difficulties in the absence of regular terms and conditions of purchases in all cases for the third year in succession during 1968-69. The Chartered Accountants have reported that instances of discrepancies between the terms and conditions wherever available and those given in the supplier's bills checked by the Department Managers, have been pointed out to the management. The Government have, however, stated that specific instances have not been pointed out. The Committee wish that the matter should be sorted out with the auditors and a review made to ascertain whether any recoveries are due for non-compliance with the terms and conditions by the suppliers. Suitable action should also be taken for the ineffective check by the Department Managers.

6.12. The Committee are surprised to note that 14,466 Kgs. of sub-standard quality of walnuts which was in excess of 3 years' requirements was procured resulting in a loss of Rs. 36,000. The Committee are not able to appreciate how walnuts which are known to rancid with time, were purchased in such grossly excessive quantities. The Committee are informed that the Department Manager concerned has been warned. Apart from the adequacy of disciplinary action, the Committee would like to be informed of effective measures, if any, taken to obviate recurrence in purchase of such like goods.

7.4. The turnover in a few Departments at the Connaught Circus Branch during the years 1966-67 to 1968-69 were as follows:—

	1966-67	1967-68	1968-69
	(Amount in lakhs)		
Grocery and toilet	134.89	101.99	84.7
Textiles	91.26	49.00	36.03
Household	46.86	30.70	24.77
Handloom	24.21	16.70	15.04

7.5. In one of the reviews of sales of the Store conducted by the Department of Cooperation it has been stated, "Since the Super Bazar is operating on higher margins, perhaps the prices offered by the Super Bazar are not as competitive as they were in the previous years. It is desired to assess the impact of this change on the sales turnover of the Super Bazar. It is no doubt true that this would increase the profitability of the Store but anything which affects the sales turnover is not likely to yield substantial results in the long run."

7.6. A perusal of the reports of the Chartered Accountants shows that average mark up of the sales prices over the purchase prices was increased by the Super Bazar progressively over the years 1966-67 to 1968-69 contrary to the expected reduction as follows:—

	Average mark up	Expected mark up
1966-67	10%	10%
1967-68	12%	8%
1968-69	13.5%	—

7.7. Another aspect of the decline in sales as dealt with in the review of sales conducted by the Department of Cooperation is as follows:—

"It is observed that over the past 6 months the Super Bazar has taken various measures to reduce its stock levels. This factor may also have affected the sales. Apart from this, during the year 1967-68, Super Bazar had faced number of difficulties in procuring some of the fast moving articles from the suppliers. In certain cases the suppliers had held up the supplies as payments of the bills were

not made in time. Even today it has not been possible for Super Bazar to get supplies of Colgates, Panama cigarettes and so on. The news appearing in the paper about the excessive loss suffered by Super Bazar also created a certain amount of uncertainty in the minds of the suppliers.

The Super Bazar has all along been trading in commodities where it can fix its own retail price and has eventually been procuring supplies only from such manufacturers who do not object to this practice. In this process, the assortment of goods available in the Super Bazar does not include the popular brands which are in demand. To illustrate, the Super Bazar sold in the last month shirts worth about Rs. 1 lakh of the International Brand. They have not been able to sell their other Home Brand and other common unknown brands which are stocked by the Super Bazar.

In the month of March-April, 1968, the purchasing functions of the Store have been re-assigned to Managers of different Departments as some of the officers taken on deputation from the Cottage Industries Emporium had reverted back to their organisation. The function of purchasing goods for some of the departments was assigned to persons who did not have adequate knowledge about the new departments. Some of the articles in Household goods which are considered as fast moving articles have not been in stock with the Store for quite some time. Even the salesmen of the Store mentioned that some of the popular articles generally demanded by the customers are not available with them."

7.8. Dealing with salesmanship the review goes on to say "It is generally recognised that salesmanship is far from satisfactory in the Store. Effective measures have not been taken to improve the services to the customers. Selling techniques are not effectively utilised. Displays are lacking. Cleanliness is receiving relatively lesser attention than before. There is no specific job chart prepared for salesman."

7.9. Commenting on the lack of effective sales promotion in the store a note on the working of the Apna Bazar at Patel Nagar states:

"Apna Bazar, Patel Nagar is running into severe competition from the private traders in East Patel Nagar, West

Patel Nagar and other shopping areas in the neighbourhood. The shopkeepers advertise that they sell their goods at Super Bazar prices. The Traders' Association has also recently put out big posters on the Baisakhi Day indicating that they have decided to sell all goods cheaper than Super Bazar and have pleaded with the customsrs to give them a trial. Most of the shopkeepers have reduced their prices substantially and are willing to sell the goods at the Super Bazar prices. One of the shopkeepers said to me that he was selling every article at prices lower than the Super Bazar. He also said that the manufacturers have stopped supplies to Super Bazar as they have become bad paymasters. He further added that in order to cope up with the rush in the shop he has now increased the number of salesmen from 3 to 6. This is no doubt a healthy sign so far as the consumers are concerned, as they can bargain and get the goods cheaper but this has meant a considerable loss of business to the Super Bazar. As against the active propaganda and publicity of the private traders, nothing has been done by the Super Bazar to counteract this propoganda and give wide publicity to its assortment, prices etc. Non-availability of supplies has also driven the regular customers to the private traders. Adequate steps should be taken to give wide publicity to the prices in Super Bazar as well as to the commodities on sale."

7.10. Stressing on the need for coordination between purchasing and selling Departments the note further states "There should be greater coordination between the purchasers and the selling departments. The purchasers of the main Super Bazar should hold frequent meetings with the Supervisors of various sections to find out and understand the problems of the branches as also to decide the assortment of goods, etc." It adds: "The Store needs to follow an active merchandising policy. The Store must 'sell what the people want to buy' and not what it is able to secure on higher margins. In household goods department, there are a number of articles which have remained unsold for the last many months. In fact, there is no market for some of those goods. The section supervisors have prepared lists of articles which they consider are fast moving. But they have not been able to secure supplies of these goods from the main store even though considerable time has lapsed. In most of the counters, the saelsmen were of the view that the sales were low as they were not stocking articles demanded by the customers. In textiles, they did not have Binny products and Hafatal products. In

the Saree Section, there was very little assortment which can be considered as modern. The store has very limited varieties to attract the customers. In the readymade garment section the Store is selling four brands, one is Super Bazar, Ajit, soni and Metro. All these brands are unknown to customers and one cannot expect large sales. Similar is the position in regard to household goods, electrical appliances, cutlery etc. It is, therefore, suggested that the Store should make a survey of the brands that customers demand and stock popular brands. Even if they are not able to secure special discounts from some of the leading manufacturers, the normal margins which the Store would be able to get, would prove profitable. Once a certain volume of business is built up, it would be possible to pressurise the manufacturers for higher margins."

7.11. The Review contains the following suggestion in regard to change of working hours of the Apna Bazar in order to improve sales:

"The shopping hours of the Apna Bazar are from 11.00 a.m. to 7.30 p.m. The Store is heavily crowded at the commencement and at the time of the closure. A large number of people are seen at the time of the opening of the Store. There are few customers between 1.30 to 3.00 p.m. Therefore, it would be better to keep the Store open from 10.00 a.m. to 8.00 p.m. with two hours break for lunch. This is likely to increase the sales."

7.12. When the attention of the witness was drawn during evidence to the observations contained in the review reports, he stated that the deficiencies were brought to the notice of the management and the improvements have been effected. Asked as to why there had been a progressive decline in sales despite the improvements, the Secretary, Department of Cooperation said, "The drop in the turnover is in the main, due to two factors. The first is that the initial attraction of the Super Bazar no longer exists because the other shopkeepers—or rather, many of them—have started following the Super Bazar rates. It will be recalled that the Super Bazar was set up very hurriedly in the wake of devaluation when there was a public outcry about the customer goods going underground and prices being increased by the private shopkeepers out of all proportions. But now that the situation is somewhat normalised, people do not really find it so attractive to go to the Super Bazar. The second main factor has been that, due to the recurring losses, the Super Bazar has not been able to replenish its stocks as fast as it should and that, indeed, is the problem that we have now to grapple with in the reconstruction and rehabilitation of this organisation."

7.13. The Committee pointed out that at the beginning there was only one Super Bazar and subsequently more branches were opened and several new departments were added but the sales in 1968-69 were less than what it was in the first year (1966-67). The General Manager of the Store deposed: "That is in fact one of the important problems that the Super Bazar faces—namely that in the first year one single unit gave them almost as much turnover as all the units put together. That is very true and a variety of factors have come to play in this regard. One is that by and large the prices of a large number of consumer commodities have stabilised at reasonable rates and there have been no serious shortages or holdups in supplies except occasionally. From the consumer's point of view, when he can get his requirements, generally at the same rate in a nearby market, he does not consider it worth-while to go all the way to buy them from the Super Bazar. That is one reason.

7.14. The other reason is that the Super Bazar has not got sufficient funds to make quick replenishment of stocks especially of those articles which are popular and which are fast moving and, when the customer comes there and finds that one thing is available and the other is not available, he gets a feeling of disappointment or disgust, and that has been telling very heavily on the business of the Super Bazar."

.. 7.15. The shrinking sales figures speak eloquently of the performance of the Store. With the Super Bazar at Connaught Circus functioning for the whole year, Apna Bazar in INA Market for 9 months and Apna Bazar at Patel Nagar for less than a month, the sales during the year 1966-67 amounted to Rs. 458.13 lakhs which came down steeply to Rs. 335.79 lakhs in 1969-70 with all the units functioning for the whole year besides addition of a number of new departments and a whole-sale unit in the meantime. Unattractive prices, inadequate stock fast moving articles, poor salesmanship, absence of effective sales promotion are some of the factors that contributed to this steep decline. The Committee would like to strongly emphasise the need for taking immediate steps to launch a major sales offensive in order to pull the Store out of the morass. ..

7.16. Admittedly the prices of the store are not competitive any more. It is interesting to find that the average mark up of sale prices over the purchase prices has been increased by the Store progressively over the year 1966-67 to 1968-69 from 10 per cent to 13.5 per cent contrary to the expected reduction from 10 per cent to 8 per cent in 1967-68. This is self defeating as increased mark up is bound

to affect sales in the long run. The Committee wish that the impact of such increases on sales turnover should be studied and the optimum mark up determined for each commodity which will ensure good sales turnover consistent with reasonable gross profit.

7.17. It is obvious that the Store should sell what the people want to buy. For this purpose the Committee would suggest that a survey of buying habits and the changing consumer preferences should be undertaken periodically and an effective coordination should be maintained between the selling and purchase departments.

7.18. The need to improve salesmanship and sales promotion is clearly indicated. The Committee would also like to the feasibility of changing the working hour of the various branches of the Store to be examined with reference to the conditions of each locality to improve sales.

VIII

..

SALES THROUGH COMMISSION AGENTS

Audit Paragraph

The business at the three branches of the Super Bazar, viz., Connaught Circus, INA Colony and Patel Nagar, commenced in July, 1966, September, 1966 and June, 1967 respectively. While the business in groceries, textiles, general merchandise, stationery and books, confiscated goods etc. is done by Super Bazar direct, that in fruits and vegetables, frozen food, motor and scooter parts, dry-cleaning, tailoring, cafe and some other items is being done through contractors. The percentage of business through contractors varied between 3.48 per cent and 7.43 per cent during July, 1966 to June, 1969.

[Paragraph 76—page 97 of Audit Report (Civil), 1970].

8.2. The Departments in the Store run by Private contractors on commission basis are indicated in Appendix II. The Commission earned by the Store increased from Rs. 2.95 lakhs in 1967-68 to Rs. 6.33 lakhs in 1968-69 as more and more departments were let out on contract. The details of department-wise earnings in this regard are given in Appendix V.

8.3. The total selling space occupied by the Store itself and that occupied by private parties and institutions from time to time are given below:

	Connaught Circus Branch 15-7-66	Patel Nagar Branch 6-6-67	I. N. A. Branch 29-9-66
Total Space (Flr. Area) *	1,37,339 sq. ft.	41,400 sq. ft.	66-67 = 47,534 sq. ft. 67-68 = 37,958 sq. ft. 68-69 = 37,958 sq. ft. 69-70 = 37,958 sq. ft.
Space actually used by Super Bazar. .	66-67 = 1,07,200 sq. ft. 67-68 = 1,07,200 sq. ft. 68-69 = 94,850 sq. ft. 69-70 = 92,520 sq. ft.	66-67 = 41,400 sq. ft. 67-68 = 34,695 sq. ft. 68-69 = 34,695 sq. ft. 69-70 = 27,240 sq. ft.	66-67 = 47,534 sq. ft. 67-68 = 35,816 sq. ft. 68-69 = 32,586 sq. ft. 69-70 = 31,578 sq. ft.
Space used by Private Parties, Institutions	66-67 = 6,500 sq. ft. 67-68 = 6,500 sq. ft. 68-69 = 18,850 sq. ft. 69-70 = 21,180 sq. ft.	66-67 = Nil. 67-68 = 6,705 sq. ft. 68-69 = 6,705 sq. ft. 69-70 = 6,940 sq. ft.	66-67 = Nil. 67-68 = 2,142 sq. ft. 68-69 = 5,372 sq. ft. 69-70 = 6,380 sq. ft.

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*This includes 10,000 sq. ft. under stairs and 13,630 sq. ft. Rotundas and corners. Net area available 1,13,700 sq. ft.

8.4. It is seen from a "detailed note on the working of the Super Bazar, New Delhi" supplied by the Department of Cooperation that the sections which were run departmentally and were incurring heavy losses were handed over to contractors thereby securing a fixed commission on the basis of sales, subject to certain minimum. The note gave examples; "...the canteen in Connaught Circus, which was incurring a net loss of Rs. 150 per day is under the new management yielding a daily minimum income of Rs. 225 or 17 per cent of the sales, whichever is higher. Similarly, the farm, which was being run departmentally, in which the store was incurring a net loss of Rs. 1 lakh a year, has now been given on lease. Similarly, a number of other departments, such as vegetable and fruit, Banarsi Sarees, Meat and Fish are being run on commission basis yielding an assured income."

8.5. The Department of Cooperation subsequently informed the Committee that the Fruit and Vegetable Department was leased out to contractor on 4-11-66 after it had incurred a loss of Rs. 0.80 lakhs from July, 1966 to November, 1966.

8.6. During evidence when the Committee pointed out that year by year area let out to the private parties was increasing, the General Manager of the Store admitted "Leasing started in 1967-68 and it is true that in 1968-69 the sections run on lease basis were more than in 1967-68. In 1969-70 there will be a slight increase."

8.7. The Committee thereupon asked how did the Store justify creating middle agency when the idea was to enter the retail trade directly to reduce the prices. The witness deposed: "These sections are being run on commission or agency basis. Some of them were run directly under departmental management but they incurred losses. These are the cafeteria, fruit and vegetables and meat and fish sections. These are perishable commodities and Super Bazar found that they were unable to handle these economically but these are essential services which should be provided by the Cooperative Stores to the consumers, and, in the circumstances, these have been given on lease or commission or agency basis. Then there are specialised services for example, there is tailoring, dry cleaning, dental clinic and optical shop, hair dressing saloon, sari printing, watch repairing, motor car and scooter parts. It is not possible for Super Bazar to have all these services under departmental management."

8.8. To a question regarding reasonableness of prices charged by the contractors the witness replied: "In this regard Super Bazar has taken considerable care. In the first instance all business is

being carried out by the lessees on Super Bazar cash memo and in Super Bazar's name. Close check is exercised both on the price, quality and performance of these lessees." "The rates charged are approved by the General Manager and they are not permitted to charge higher rates."

8.9. Asked whether the contractors were incurring any losses the witness stated: "The advantage to the contractor is that he gets marginal profit out of it and the advantage to Super Bazar is that it does not have to make its own investment and it does not have to face the risk of loss in all these sections so that it gets an assured income and at the same time the consumer gets a variety of services, and that is really one main ground on which the Co-operative Department Stores can compete with the market. The consumer can get a large number of goods and services under one roof at reasonable prices. The Co-operative Department Stores can compete with the market if they are able to meet the bulk of the requirements of the consumer under one roof." It was further pleaded by a witness: "The basic proposition remains that with the given level of efficiency in any departmental organisation and motivation, under the departmental arrangement there would be risk of loss on perishable commodities. If the system of sale is changed over to 'personal basis' the position becomes different. This basic thing will have to be recognised."

8.10. The Committee wanted to know whether tenders were invited in all the contracts. The General Manager of the Store stated: "In the beginning they made these arrangements more by negotiation than by any open invitation of tenders. Recently, during the year 1969-70, it was decided that the market should be tested and quotations were invited from parties for almost all the sections and selections were made on that basis. If they found that better quotation was not available then the earlier contract has been renewed. I may mention that the contracts are only for one year in the first instance, and they are being renewed from year to year."

8.11. The note regarding additional financial assistance to the Store furnished by the Department contains the following suggestions:—

..

"Certain sections have been leased out to private parties on the basis of commission subject to a minimum amount. It is desirable to have costing of their rent and overheads done with reference to the space utilisation by them. The

Super Bazar should ensure that the minimum charges are not less than proportionate expenses and that on the leased sections there is no loss to the Store."

8.13. The space occupied by the private parties and the commission Department of Cooperation intimated to the Committee, "Only one Department viz. Khadi has been closed. In the initial stages sale of khadi was made in the Handloom Department. Later M/s khadi Gram Udyog Bhavan offered to run a branch of theirs in the Super Bazar on commission basis. As the commission earned was not sufficient to meet the overhead charges the arrangement was terminated and the branch was closed in March, 1970."

8.13. The space occupied by the private parties and the commission earned in each Branch of the store are given in the following table:

Year	Name of the Branch	Space occupied by private parties. (Sq. ft.)	Commission realised (Rs. in lakhs).
1967-68	Super Bazar at Connaught Circus	6,500	2.28
	Apna Bazar INA Market	2,142	0.49
	Apna Bazar in Patel Nagar	6,705	0.18
1968-69	Super Bazar at Connaught Circus	18,850	5.14
	Apna Bazar INA Market	5,372	0.82
	Apna Bazar in Patel Nagar	6,705	0.38

8.14. Gradually several departments of the Store are allowed to be run by private contractor on commission basis. There are as many as 23 departments run by private parties who occupy more than a sixth of the total selling space of the three units of the Store. The Commission realised on this account rose from Rs. 2.95 lakhs in 1967-68 to Rs. 6.33 lakhs in 1968-69. The Committee thus find that the Store not only makes its purchase through middlemen but also sells through middlemen.

8.15. The Committee were, however, informed that close check is exercised both on the price and quality of the goods sold or services rendered by the lessees. The Committee would like to stress that

there should be a strict control in this regard in the interest of consumers.

8.16. The Committee find that some of the departments run initially by the Store and on which losses were incurred such as 'canteen', 'fruit and vegetables', 'meat and fish', were let out on contract getting an assured income. It was pleaded before the committee that "the basic proposition remains that with the given level of efficiency in any departmental organisation and motivation under the departmental arrangement there would be risk of loss on perishable commodities" and "if the system of sale is changed over to 'personal basis' the position becomes different". The Committee would like the position in this regard in a few well organised department stores in the country to be examined and intimated to them. They would also like Government to examine as to what incentive should be given or improvement made under the present system so that the employees may acquire a stake in the success of such departments.

8.17. The Committee are not clear as to whether the commission realised from the contractors fully covered the proportionate expenditure on rent and other overheads incurred by the Store. During 1968-69, the commission realised in respect of Super Bazar at Connaught Circus was Rs. 5.14 lakhs for 18,850 sq. ft. of selling space occupied by private parties whereas the commission realised in respect of the Apna Bazars at INA Market and Patel Nagar was only Rs. 0.82 lakh and Rs. 0.38 lakh respectively for 5,372 sq. ft. and 6,705 sq. ft. of selling space occupied. It is thus obvious that the commission realised is not commensurate with the selling space occupied at least in the two Apna Bazars. The Committee would suggest that costing of expenses in respect of individual departments let out on contract should be done to determine whether any loss is incurred by the Store. After knowing the individual profitability thus it should be examined whether it is worthwhile continuing the contracts in respect of departments which do not pay as recommended by the Committee earlier in this report.

IX

OVERHEAD EXPENSES

The overhead expenses of the store during the years 1966-67 to 1968-69 were Rs. 46.17 lakhs, Rs. 66.94 lakhs and Rs. 65.48 lakhs. Two important components of overhead expenses *viz.* establishment expenditure and rent are discussed in the following sections of this chapter. The other overhead expenses as compared with sales during the years 1966-67 to 1968-69 were as follows:—

Year	Sales	Other overhead expenses	Percentage on sales
		(in lakhs of Rs.)	
1966-67	458.13	12.2	2.7%
1967-68	468.39	25.80	5.5%
1968-69	387.77	24.94	6.4%

9.2. The overhead expenses of the Store other than those relating to "salaries and wages" and "rent" jumped from 2.7 per cent of the sales turnover in 1966-67 to 5.5 per cent in 1967-68 and again rose to 6.4 per cent in 1968-69 as against the norm of 2 per cent formulated by the Ministry. The Committee would like to emphasise that there should be strict control over these expenses and for this purpose it is advisable to have norms prescribed for each component thereof. The Committee feel that there is ample scope for economy especially on 'administrative expenses' and 'interest'.

A. Establishment

9.3. A statement of staff employed category-wise and Branch-wise from year to year upto July 1970 as furnished by the Department of

Cooperation at the instance of the Committee is given at Appendix VI. An abstract is given below:—

Name of the Branch	Staff employed as in				
	August 1966	July 1967	July 1968	July 1969	July 1970
1. Connaught Circus .	NA	749	725	655@	614
2. INA Colony . .	NA	201	186	152	151
3. Patel Nagar . .	AA	134	155	134	117
4. Irwin Hospital . .	NA	..	..	..	9
	1167	1084	1066	941*	891

9.4. During evidence the Committee were informed: "In August 1966, when only the first unit (Super Bazar at Connaught Circus) had come up, while the second one was yet to be set up, the total strength of staff was at 1,167. Since then, after all the three units had been set up and the Fourth unit is very recently added in Irwin Hospital, it has been a continuous process of reduction in staff that has taken place. Recently, that is during 1969-70, as many as 70 employees have been retrenched. Now the number is 891 in July, 1970."

9.5. When the Committee pointed out the over-staffing at the time when only one unit started functioning the Secretary, Department of Cooperation said: "There is no getting away from the fact that the very great urgency which was attached to this Programme and the hurry in which this organisation was brought into being, led to a certain amount of over-optimism, over-staffing. Then the process of adjustment started. It was in fact realised that they will not be able to sustain even the present staff on the anticipated target." The Committee were further informed that even after reducing the staff to 891 there were still on the pay rolls about 75 persons who had been found to be surplus.

NA—Not available

*—Excludes 74 temporary staff.

@ and *— According to subsequent information the figures are 675 and 961 respectively.

9.6. The strength of the selling and non-selling staff (other than those engaged on repairs, maintenance and security) from year to year was as follows:—

Category of staff	No. of Staff				
	August 1966	July 1967	July 1968	July 1969	July 1970
Non-Selling	162	207	221	232	299
Selling	793	727	705	592	473

9.7. During evidence the Committee drew attention of the witness to the fact that there had been a progressive decline in the strength of selling staff and increase in the strength of non-selling staff. The Secretary, Department of Cooperation deposed: "This had also attracted our attention. The main things are that the selling staff is now doing different kinds of operations, processing, supervision and purchases. They are doing more or less identical jobs. Their classification has changed from selling to non-selling. Then, at one time they had a proposal to introduce mechanisation of accounts and some staff was recruited on that account. But it was found that this was not working properly and there was addition on account of the internal audit staff which they did not have earlier."

9.8. The Department of Cooperation subsequently furnished a statement showing reasons for increase in the strength of non-selling staff from time to time, which is reproduced below:—

"(a) Increase of non-selling staff from 162 in August, 1966 to 207 in July, 1967.

9.9. During the Machine Accounting Unit was introduced (September, 1966) and necessary technical staff for operating them had to be recruited. This period also witnessed the opening of the I.N.A. Branch in September, 1966, and the Patel Nagar Branch in June, 1967, which resulted in the recruitment of additional administrative staff.

(b) *Increase of non-selling staff from 207 in July, 1967 to 221 in July, 1968.*

9.10. During this period the Department Managers who were looking after both purchases and sales were re-designated as Purchase Managers and were divested of the selling functions. As a result of this, 14 officials were transferred from the sales counters to the Purchase Section. This accounts for the increase in the strength of non-sales personnel during this period.

(c) *Increase of non-selling staff from 221 in July, 1968 to 232 in July, 1969.*

9.11. The increase in staff during this period is explained by the formation of the Internal Audit Unit for manning which 11 persons were recruited. The Internal Unit was formed, among others, for undertaking spot checks to reduce pilferages.

(d) *Increase of non-selling staff from 232 in July, 1969 to 299 in July, 1970.*

9.12. This increase has been due to the transfer of 67 persons, engaged in the processing of the goods received, despatching them to the sales areas, etc., from the control of Department Managers to that of Manager, Central Stores, as a result of the decision of the management that the work should be done in the central stores. This resulted in their being classified as non-selling staff even though they continue to discharge the same functions as previously."

9.13. The expenditure incurred on establishment during each of the years 1966-67, 1967-68 and 1968-69 compared with sales turnover is as follows:—

	1966-67	1967-68	1968-69
	(Figures in lakhs of Rs.)		
(a) Total sales	458.13	468.39	387.73
(b) Expenditure on establishment	24.47	28.77	28.66
(c) Percentage of sales	5.34	6.14	7.39

9.14. Expenditure incurred on 75 surplus staff is of the order of Rs. 2.56 lakhs per annum as per the following details furnished by the Department of Cooperation:—

Category of Staff	No. of Surplus staff	Total amount (in rupees) (per month)
Office Assistants' Typists/Account Assistants/ Display Artist.	36	9,666.00
Supervisors' Security staff	8	3,004.00
Assistant Branch Manager/Administrative Officer	2	1,692.00
Assistant Administrative Officer	1	431.00
Peons' Helpers Cleaners	12	1,722.00
Cashiers / Jr. Supervisors	11	3,718.00
Drivers	2	517.00
Packers	3	559.50
	75	21,309.50

9.15. The Committee are distressed to note the thoughtless over-staffing of the Store. That the number of staff which was 1167 in August, 1966 with only the Super Bazar at Connaught Circus functioning could be progressively brought down to 891 in July, 1970 with the addition of two Apna Bazars besides a number of new departments, shows the extent of overstaffing at the beginning. It is interesting to note that even this reduced strength of 891 contains a surplus of 75 employees. The Committee would like Government to take very early steps to eliminate the surplus staff.

9.16. The Committee find that the strength of non-selling staff increased from 162 in August, 1966 to 299 in July, 1970 whereas there was reduction of selling staff from 793 to 473. It was explained as partly due to reclassification of posts. According to Audit paragraph the sales per salesman per day were Rs. 214.31 only as against the norm of Rs. 300 to 400 depending on the nature of business activity. As correct classification of personnel into selling and non-selling is necessary to apply the norm of sales, the Committee would suggest that it should be carefully examined and guiding criteria laid down to keep the non-selling staff to the minimum.

9.17. The wage bill of the Store increased from Rs. 24.74 lakhs in 1966-67 to Rs. 28.66 lakhs despite reduction in number of staff, due to rise in wages. The percentage of establishment expenditure on sales was as high as 7.39 per cent in 1968-69 compared to the norm of 3 per cent. The Committee would like Store to take suitable measures to rationalise further the strength of staff so that the sale per salesman comes upto the norm of Rs. 300—400 per man.

B. Rent

9.18. The Pant Market building at Connaught Circus constructed by the NDMC was taken on rent for running the Store on 26th June, 1966. For the INA Branch, shops constructed by the Government in that area were taken on rent from 13th August, 1966. The Patel Nagar Branch was accommodated in a building owned by the Store constructed on a piece of land taken on lease from the DDA.

9.19. The rate at which rent is paid by the Store for its three is given at *Appendix VII*.

(i) Connaught Circus	Rs. 5 lakhs per annum plus 1% of the gross sales to the N.D.M.C.
(ii) INA Branch	Rs. 25, 860 per month to the Director of Estate.
(iii) Patel Nagar Branch	A ground rent of Rs. 8,450 per month to the D.D.A.

9.20. A statement showing the amount of rent and commission paid upto 1968-69 as furnished by the Department of Cooperation is given at *Appendix VII*.

9.21. One of the reasons for the losses incurred by the Store was stated to be high rent for the building hired for the Connaught Circus Branch. The Committee called for the rate of rent paid by the Store for the buildings hired as compared with the prevailing market rate. The Department of Cooperation intimated that the prevailing market rate was not available. The net available area in the building occupied by the Store at Connaught Circus after excluding 10,000 sq. ft. under stairs and 13,630 sq. ft. Rotundas and

corners, is 1,13,700 sq. ft. The rate of rent and commission paid from year to year has been calculated and shown below :—

Year	Net Area sq. ft.	Rent and Commission paid (Rs. in lakhs)	Rent per sq. ft. per month (Rs.)
1966-67	1,13,700	8,31,130	0.61
1967-68	„	8,07,165	0.59
1968-69	„	7,62,390	0.56

9.22. During the evidence the Secretary, Department of Co-operation admitted that the rent for the main Super Bazar building when compared to the rate in vogue in Connaught Circus is not on the high side. Explaining how the building was not suitable the General Manager of the Store deposed : “It has been designed to serve as a market having a large number of small shops, but not to serve the requirements of a cooperative department store, which is run as a single unit. The rate of rent payable by the Super Bazar is Rs. 5 lakhs per annum, plus 1 per cent of gross sales, which is a very high figure.”

9.23. The Committee pointed out that obviously there was excess space than needed and asked why surplus space could not be surrendered. The witness replied : “The position is that the building has to be taken as a whole. If the Super Bazar had allowed other independent parties to get in, it would have interfered with their business. It would create problems of security.”

9.24. As regards the dispute between the NDMC and the Store the witness stated “The NDMC’s complaint is that the Super Bazar has not made payment of part of their dues, and that was because of the financial difficulties which were faced by the Super Bazar.” The total amount of rent and commission due to be paid upto July, 1970 was stated to be Rs. 1.9 lakhs.

9.25. The Committee have dealt with the surrender during 1967-68 of 76 out of 224 shops hired by the Store near INA Colony and the question of settlement of dues of the store in their 5th Report. (Fifth Lok Sabha). The area available and the area actual-

ly utilised by the Store (other than that used by Private parties/institutions) from year to year were as follows:—

	Area available sq. ft.	Area actually used by Store Sq. ft.
1966-67	47534	47534
1967-68	37958	35816
1968-69	„	32586
1969-70	„	31578

9.26. It is seen from the Study Report (1970) that in order to make full and optimum use of available space new lines of business were introduced in all the Branches through agents/private parties without additional financial investments over the years. The Report adds: "By a proper rationalisation of the selling area and correlating space to sales, it may be possible to release surplus space of about 60,000 sq. ft. in Connaught Circus and about 25,000 sq. ft. in Patel Nagar and about 5 to 6 thousand sq. ft. at INA Branch. It should be possible to take advantage of the surplus space to supplement the revenues. The surplus space may be given to private parties and nationalised institutions like bank, post offices etc., having dealings with the Super Bazar and related to consumer activities e.g., travel agency, so as to secure additional income. It may be possible to secure an additional income of about Rs. 1.50 to 2 lakhs by such arrangements."

9.27. As regards the building constructed by the Store at Patel Nagar the chartered accountants report for the period ending 30th June, 1967 contained the following observation :

"For the Patel Nagar Branch a building was constructed on land measuring 10,139 sq. yds. leased from the Delhi Development Authority. The lease was taken from 30th January, 1967, renewable on a year to year basis, at a rental of Rs. 8,450 per month. The lease will have to be surrendered when the D.D.A., puts up its permanent market. It is the expectation of the management that the construction of such permanent buildings would not be

completed earlier than 1973, and that until then the lease could be renewed. The D.D.A. has on 22nd February, 1968 issued a notice to the Cooperative Store Ltd., to surrender vacant possession of the land, but the latter have, *vide* their letter dated 25th February, 1968, requested for an extension of the lease for a further maximum period of 5 years. The management expects that this extension will be granted."

9.28. It is seen from the note on the working of Patel Nagar Branch supplied by the Department of Cooperation that the building cost about Rs. 15 lakhs. The Chartered Accountants expressed an opinion that in view of the fact that the lease was to be extended for maximum of 5 years only, the entire cost had to be written off over this period.

9.29. During evidence the Committee enquired how a building could be constructed involving huge expenditure on a land leased on a year to year basis. The General Manager of the Store explained the position. "The situation that has arisen had to be considered and it was considered in all its aspects from time to time. It is true that this land was given to the Super Bazar only for a temporary period and the understanding was that the Super Bazar will construct only a temporary building. But the management at that time decided to construct a *pucca* building and the Delhi Development Authority subsequently raised objection to this. They said that the land was required for their own development purposes and they wanted the super-structure to be removed. Then they came forward with the plea that it was a permanent structure and it should be allowed to continue. And there were also other possible alternative and it need not necessarily interfere with their development plans. The matter was considered and a suggestion was made that the Delhi Development Authority might adjust their plans in such a way that the Super Bazar may not be disturbed, in any case at this stage, and that, when they construct a marketing complex there, they might construct a building to which the Super Bazar could shift. It is only a question of mental adjustment as a suggestion was also made that the Delhi Development Authority might consider utilising the building for certain other purposes and that the building need not necessarily be demolished. But now, having regard to the fact that the Super Bazar is in acute financial difficulties this matter requires further consideration and we shall take it up with the Delhi Development Aut-

hority if they could leave the Super Bazar undisturbed in this very building because even their shifting at a later stage to the marketing complex and just virtually disposing of this building at a low price would mean a further loss to the Super Bazar."

9.30. Asked further about the attitude of the DDA in the matter the witness continued "The DDA took their stand as per original terms that it was only a temporary lease and that they should vacate the premises as and when the land was required to be acquired for development purposes. The Government will have to take a decision after discussion and consideration of this issue to see that the Super Bazar is saved from loss on this account.

9.31. The Chartered Accountants had pointed out a case of avoidable expenditure of Rs. 46,816 incurred on the construction of a temporary shed, in their report for the period ended 30th June, 1968 as follows :—

"In a vacant space in the Connaught Circus Branch, the Cooperative Store put up a temporary shed. We are informed that this was done after oral instructions of the appropriate authorities. But the NDMC objected to this, and it was subsequently agreed that :—

- (a) the shed will be handed over to the NDMC and will be their property, and
- (b) the Store will pay a monthly licence fee of Rs. 1,065 with effect from 16th September, 1966, for the period shed was in use.

The cost of the shed was Rs. 26,533 and the depreciated value in 1967-68 was Rs. 26,048. This expenditure has been transferred to Revenue in the Accounts of 1967-68. Apart from the expenditure on construction, the Cooperative Store had to incur expenses on account of licence fee from 16th September, 1966. The expenditure on this account booked in 1967-68 was Rs. 10,650 and that in the previous year Rs. 10,118 making a total of Rs. 20,768. The justification for constructing the temporary shed is not clear. There has, therefore, been an avoidable expenditure of Rs. 46,816 connected with this temporary construction."

9.32. According to Audit paragraph the rent liability of the Store works out to 2.6 per cent of sales as against the norm of 1 per cent. The Committee closely examined the plea of high rent liability in respect of the Super Zazar at Connaught Circus. The Store is paying to the N.D.M.C. for this building Rs. 5 lakhs per annum plus 1 per cent of the gross sales. Thus the rent will be invariably more than the norm of 1 per cent of the sales. Acceptance of the fixation of rent ab initio was, therefore, not well advised.

9.33. At the present level of sales in the Super Bazar at Connaught Circus, the rate of rent per sq. ft. per month works out to about 60 paise which in the Committee's opinion cannot be regarded as high considering the locality. The Committee, therefore, feel that the high rent liability which is of the order of Rs. 8 lakhs per annum is not entirely on account of high rate of rent but mainly due to surplus space occupied by the Store. It is seen from a study report (1970) that by a proper rationalisation of the selling space and correlating space of about 60,000 sq. ft. As it has been explained that surrender of a portion of the building and its occupation by independent parties would interfere with the business of the store and create problems of security, the Committee would suggest that the Store might consider vacating entirely two or more floors of the building for occupation by any related Government Department/Nationalised Institution in need of accommodation.

9.34. The Committee have dealt with the surrender during 1967-68 of 76 out of 224 shops hired by the Store near I.N.A. Colony and the question of settlement of dues of the Store. in their 5th Report (Fifth Lok Sabha). They find that after this surrender in the Apna Bazar, I.N.A. Market, the Store itself occupies a selling space of 31,578 sq. ft. in 1969-70 and the commission agents occupy 6380 sq. ft. According to the Study Report (1970) there is a scope for releasing further surplus space of 5 to 6 thousand sq. ft. in this unit of the Store. The Committee would like Government to release forthwith or put to economic use the surplus accommodation.

9.35. The Committee are surprised to find that the Store constructed a pucca building costing about Rs. 15 lakhs on a land taken on lease from the D.D.A. on a year to year basis. The D.D.A. have objected to this and wanted the super structure to be removed as the land was required for their own developmental purposes. The Committee were informed that the matter would be taken up with D.D.A. to allow the Store undisturbed in the building to save loss.

The Committee may be apprised of the outcome. Incidentally, the Committee find that the Store carries a surplus space of about 25,000 sq. ft. in this unit (Apna Bazar, Patel Nagar) too, the proposed utilisation of which may be intimated.

9.36. Yet another instance of unauthorised construction of a shed in a vacant space in the Connaught Circus Branch which had to be handed over to the N.D.M.C. involving avoidable expenditure of Rs. 46,816 has been reported by the Chartered Accountants. The necessity for this construction when the Store had already surplus accommodation and the action taken against the officials responsible may be reported to the Committee. The Committee hope that such acts of indiscretion will not be committed in future.

X

STOCK AND INVENTORY CONTROL

Audit Paragraph

*Observation in the statutory
auditors report*

*Ministry's reply
(December, 1969)*

10.1. Old, defective and damaged held by Super Bazar on 30th June 1968 was of the value of about Rs. 10 lakhs (excluding such stock in the grocery and toilet departments which had not yet been segregated).

The incidence of old, defective and damaged stock is less than 1 per cent of the total purchases. There has been some accumulation of slow moving stocks of textiles, ready-made garments and household articles. These stocks are being cleared by offering special discounts, converting cloth into readymade garments etc.

[Paragraph 76—page 101 of Audit Report (Civil), 1970].

10.2. The Chartered Accountants pointed out in their various reports that there was no proper stock accounts, no stock accounting in the selling areas at the branches for the third year in succession during 1968-69, no authorised price list for valuation of stores and no detail regarding old, damaged and broken items. They had also stated that such physical verification of stocks as had been conducted was ineffective to bring out the shortages in the absence of reliable book balances.

10.3. The closing stock as at the end of each of the years ended 30th June, 1969 as worked out by the auditors were as follows :

As on	Amount of stock (in lakhs of rupees)
30-6-67	82.71
30-6-68	62.52
30-8-69	69.69

10.4. The chartered accountants have also reported considerable over-stocking of certain goods for more than two months requirements.

10.5. The note on the working of the Apna Bazar, Patel Nagar furnished by the Department of Cooperation contains the following observations:

“The November 1967 supplies were sent to the Store by the heads of the various departments in the main Super Bazar. This led to heavy stocking of unsaleable articles. The procedure has since been modified and the managers of various sections furnish their indents to the Head Office once a week for groceries and once a month for other articles. No minimum and maximum level of stock has been prescribed. It is necessary to do so to avoid delays in procurement of supplies as also to prevent over-stocking.”

10.6. The Committee wanted to know the value of stock of over 1 year, 2 years and 3 years old. The Department furnished the following details and informed that “The list of stocks grouped and classi-

fied—indicated only the stocks lying in the central stores in Connaught Circus and other branches. Such stocks lying in the selling areas have not been identified.”

	Over one year	two years	More than two years
	(Figures in Rs.)		
Household	54,249	66,012	2,50,897
Imported watches	Nil	30,915	Nil
Handloom	425	14,372	Nil
Textile	Nil	11,417	Nil
Ready-made	7,958	7,604	Nil
Foot-wear	Nil	2,789	Nil
Grocery,	1,033	1,852	Nil
Toilet			
Uphar	Nil	151	Nil
Total	63,665	1,35,111	2,50,897

10.7. Asked about the quantity and value of old, defective and damaged stock lying with the store, the Department intimated, “It is regretted that the extent of defective and damaged stocks at the end of 1966-67 cannot be assessed as no complete records are available. As for 1967-68 there were old, obsolete, defective and damaged stocks to the extent of about Rs. 10 lakhs in the house-hold, ready-made and textiles departments which are reported to have been reduced to about Rs. 2.5 lakhs. The old, defective and damaged stocks in respect of the groceries and toiletries department have not been segregated as such stocks are to be replaced by the Suppliers. The break-up of the stocks as between old and defective and damaged stocks is not available. Details with regard to such stocks for 1968-69 are also not available.”

10.8. In response to a question, the Department of Cooperation have furnished the following note on the working of the damaged goods replacement cell :

“The Damaged Goods Replacement Cell started functioning effectively from December, 1968. Prior to this, replacement of damaged goods was not pursued systematically and

the Cell was set with the object of securing replacement of damaged goods promptly. The Cell is headed by a Supervisor and 3 Assistants, and, as on 30th June, 1970, the strength of the Cell stood included in that of the Groceries and Toiletries Department. Regular lists of damaged goods are prepared and sent to the suppliers for prompt replacement.

The total value of goods returned to the suppliers and replaced was Rs. 1,23,915 for the period from 1st January, 1969 to 30th June, 1970".

10.9. The stock shortages during the years 1966-67 to 1968-69 were as follows :—

Year	Amount in lakhs of rupees
1966-67	1.72
1967-68	14.50
1968-69	5.61

10.10. The Department of Cooperation intimated in writing that "The Super Bazar had estimated the stock shortages to be Rs. 1.72 lakhs for 1966-67. The correctness of this figure could not, however, be certified by the Audit, as stock accounts were not systematically maintained. The Auditor has worked out the shortages for 1967-68 to be Rs. 14.60 lakhs. Similarly for 1968-69, the shortages have been worked out to be Rs. 5.61 lakhs. It is regretted that the stock shortages for 1969-70 have not been arrived at, as the cooperative year has just closed on 30th June, 1970. It is, however, stated that the shortages indicated above include loss caused by driage, leakage and spillage, handling and wastage in processing of agricultural commodities and breakage of fragile items like crockery and cutlery."

10.11. During evidence the Committee wanted to know the extent of pilferages and theft and the action taken against the persons responsible. The Secretary, Department of Cooperation stated: "..... this Rs. 20 lakhs are not all pilferages. They are on account of several factors. This covers the difference between the stocks obtained and the stocks which were sold, so that several factors have come in—the natural factors, the cleaning, the breakages and the pilferage. I am sorry despite our best efforts over the last

several days we have not been able to get the exact figures on account of pilferage." The General Manager of the store added, "Regarding shop-lifting normally we catch 40 to 50 people every month. Earlier when we started this drive in October, 1968 we used to give the case to police. Then we found that a lot of time of the staff got consumed in going to the court to give evidence and ultimately we could not even prove whether actually the goods belonged to Super Bazar. The Magistrate said how could you prove that this had been stolen from the Super Bazar because there was no indication on the goods that it belonged to Super Bazar. Later on, we fixed a separate room where we note the name and address of the offender and fine him upto five times the amount for which he had cheated us." The Committee enquired how the store could impose fine without due process of law the witness replied, "That is not so. It is a deterrent check."

10.12. Subsequently the Department of Cooperation intimated the total number of cases of shoplifting detected during the cooperative year 1968-69 and 1969-70 and the amount of fine realised, as follows :—

"Total No. of persons detected for shop-lifting		Fine realised
172	1968 upto June, 1968	Rs. 666.12
413	1968-69	Rs. 1,501.7
317	1969-70	Rs. 368.08

Note:—For the Calendar year 1969 the number of cases detected was 607, and the amount of fine realised was Rs. 2,964.19"

10.13. Asked about the pilferage by the staff, the General Manager stated "There have been large scale rumours about the pilferages by staff also but we have not been able to work out the exact amounts. We feel that it has become marginal and that it has gone down very much." The Committee then drew attention of the witness to the following cases of misappropriations of stocks reported by the Chartered Accountants in their report for the year ended 30th June, 1968 :

1. A charge-sheet was issued to a Supervisor of I.N.A. Branch in regard to a shortage of blades amounting to

Rs. 4.137/34 p. The enquiry officer having found the Supervisor guilty of the charges, the Supervisor was dismissed from service on 9th September, 1968.

2. An employee was charge-sheeted for non-delivery of goods of the value of Rs. 1,571/40 p taken on transfer from the Central Stores Connaught Circus to INA Branch on issue Control No. 1388 dated 24th November, 1967. The employee has since resigned and the resignation also accepted. The finalisation of the charges is still pending.
3. On 22nd May, 1969 while making over charge of a counter at INA Branch, a shortage of Rs. 671/54 was reported. The employee concerned has since resigned and the resignation has been accepted. Final action by the Management in regard to the shortage is awaited.
4. The reason for the acceptance of the resignation before the enquiry was completed is not on record. In our opinion the absence of rules and procedure has been mainly responsible for the Administration not being able to take an effective action. Normally, when such cases arise the Management takes the opportunity of examining the loopholes which facilitated the misappropriation, and lay down rules to avoid recurrence of such cases. Action on these lines does not seem to have been taken."

The witness stated "the employees have left service. Whether it was misappropriation or something else, the General Manager has not been able to take effective action for various reasons, and in fact it is a difficult situation." Asked as to how the resignations were accepted without going into the cases of misappropriation he said, "The shortage or the liability has been established as a result of departmental action but the affected men have gone away. How to effect recovery is the question. By keeping them on, if the recovery had been possible, they could have thought of it."

10.14. The Committee drew pointed attention to the case of non-delivery of goods worth Rs. 1571/40 p by an employee. The witness stated, "This case relates to the period November, 1967. The enquiry had been taken in hand. Evidence was being collected but they could not come to the stage where a firm view could be taken by the Enquiry Officer that the charge is established strongly

enough to take action." To a question the Secretary Department of Cooperation replied, "The new General Manager says that this matter was disposed of during the regime of the previous Managing Committee. Whether the view taken was right or wrong is very difficult to say. *Prima facie* it does appear that there was a good case for action." The Committee were informed that perhaps the management has been thinking "on the lines of having peace" with the staff. The Committee were further informed that there was initially resistance from the employees to introduce even a liability register to be signed by each employee.

10.15. At the instance of the Committee the Department of Cooperation furnished a statement showing the details of cases of pilferages/shortages for which staff were held responsible and the amount recovered, which is reproduced in Appendix VII. As regards the measures to check pilferages, the Department intimated, "The Super Bazar has taken several measures for reducing pilferages. A Deputy Superintendent of Police has been appointed to exercise constant vigilance. He has been provided with a squad of detectives taken on deputation from the Police Department. The maintenance of stock accounts has been improved considerably, with the result that the extent of shortages has been steadily declining. The stock shortages formed about 3.12 per cent of sales during 1967-68, but came down sharply to 1.45 per cent during 1968-69."

10.16. Pointing out the low percentage of leakages etc. in the self-service department introduced in the Apna Bazar, Patel Nagar the note on the review of the unit commended the extension of self service in the following words :

"Self-service department which handled grocery and a few lines of toilet and washing materials though it occupies a space of 7.504 sq. ft. i.e., 23 per cent of the area, it accounts for nearly 55 per cent of the aggregate sales in the area. It is interesting to note that the expenses on salaries as percentage to sales was 0.77 per cent in the self-service section while it was 3.84 per cent in the service sections. The lower cost on staff and low percentage of leakages, etc., bring out the fact that it would be more economical to operate some departments on self-service than service departments on self-service than service departments pro-

vided suitable arrangements such as cash registers etc., are made.”

10.17. Asked whether there was any proposal to extend self-servicing system the Department of Cooperation intimated,

“The self-service system, which was initially introduced for groceries and detergents, was subsequently extended to include face powder and cosmetics in larger packs. In May, 1970 syrups, juices and other tinned and canned food products have been brought into the self service system, and also a larger number of toilet requisites. There is no immediate proposal to extend the self-service system but the possibilities will be kept in view.”

10.18. The Committee regret to find that the maintenance of quantity and value accounts of stock has been neglected badly. The Chartered Accountants have been drawing attention to this vital deficiency in their successive reports on the audit accounts of the Store. The Committee hope that necessary action will be taken forthwith to improve the stock accounting.

10.19. The Committee find that there has been considerable overstocking of certain goods. Old stock in selling areas has not been identified. The Committee wish that in addition to improving stock accounts minimum and maximum reordering levels should be prescribed so as to have effective inventory control.

10.20. The Committee are concerned to find that there has been no systematic segregation of old, defective and damaged stock lying with the store as well as in selling areas. This is all the more important in the case of groceries and toiletries departments as these are to be replaced by the suppliers. The Committee, however, find that such stocks to the extent of about Rs. 10 lakhs in the household readymade and textile departments have been reduced to Rs. 2.5 lakhs and that the damaged goods replacement cell which started functioning with effect from December, 1968 is pursuing the replacement of stocks wherever necessary. The Committee trust there will be better control in future.

10.21. The store has been facing the menace of shortages aggregating about Rs. 22 lakhs during 1966-67 to 1968-69 which account for more than two-fifth of the losses incurred by the Store during these years. The Committee do not think that the correct position of

shortages has been ascertained in the absence of reliable stock accounts over these years. The Committee wish that norm should be fixed on realistic basis for driage, leakage, spillage etc. and that surprise check of stock together with stricter security measures undertaken to provide for deterrent effect on pilferages. The Store should also analyse pilferages department-wise and ensure a tightened control in specific departments where pilferage are more.

10.22. The Committee are not happy over the present arrangement for dealing with cases of shop lifting. At present the alleged offenders are fined by the Store upto five times the value of the goods. The Committee were informed that a sum of Rs. 5,775 has been collected as fine upto 1969-70 in respect of 992 cases. The Committee do not approve of imposing fines without due process of law.

10.23. The Chartered Accountants have brought out in their reports various cases of mis-appropriation of stores by the employees. In some cases resignation to persons have been accepted without finalising disciplinary proceedings. The Committee do not appreciate any leniency being shown towards delinquent officials and they are of the view that no true trade unionism will stand in the way of checking pilferage and misappropriations. There are as many as 21 checking pilferages/shortages for which staff were held responsible. The Committee hope that these cases will be pursued vigorously with a view to recovering the amounts and finalising disciplinary action. The Store should also consider obtaining sufficient security from the staff handling stores.

10.24. As the shortages/pilferages are stated to be lower in the self service department which also accounts for low cost of staff, the system to cover more departments might be considered by the Store. system to cover more departments might be considered by the Store.

XI

(A) ACCOUNTS AND INTERNAL RUDIT

Audit paragraph

Ministry's reply (December 1969)

Observations in the statutory auditors' reports

11.1. Maintenance of accounts was not systematic. Adjustment of routine transactions such as monthly purchases and sales were made at irregular intervals. Sometimes necessary subsidiary books were not maintained. Postings in the general ledgers were incomplete and did not give a complete idea of the nature of transactions. Reconciliation between the subsidiary books (where maintained) and the ledgers was not done regularly.

11.2. Balance under 'credit sales' on 30th June 1968 was Rs. 25.78 lakhs. There was no proper system of booking credit sales and pursuing recoveries from the parties. Debits and credits were not linked which contributed to wrong debits and credits being afforded to the parties.

11.3. The balance under 'Sundry debtors' on 30th June, 1968 was Rs. 4.90 lakhs, out of which Rs. 0.75 lakh was considered as doubtful debit.

As the Super Bazar was set up in a great hurry, there was no time for laying down detailed procedure and practices for compilation of accounts. The staff employed was not always of the requisite calibre. This led to arrears in compilation of accounts. However, the arrears were subsequently pulled up.

The debits and credits are being reconciled.

Efforts are being made to recover the amount from the party (Indian Cooperative Union.)

[Paragraphs 76—Page 101 of Audit Report (Civi, 1970)]

11.4. In their Report on the audit of accounts for the year ended 30th June 1968 the Chartered Accountants observed that the maintenance of accounts was not systematic. In the subsequent report they pointed out as follows:—

“There has been no marked improvement in the system of maintenance of accounts of the Co-operative Store during 1968-69. The following are some of the defects:—

- (i) Reconciliation of transactions between:
 - (a) the Head Office and the Departments.
 - (b) the Control Accounts in the General Ledger of the Department and the subsidiary books of that department was not regularly carried out.
- (ii) Reconciliation has not been carried out between the Stores returned to suppliers as per Stores issue Control Register and the actual debits raised against the suppliers for such returned stores.
- (iii) The books of accounts were not posted regularly, and balanced every month, or every quarter.
- (iv) The outstandings in the various accounts like
 - (a) Sundry Debtors, (b) Advances, and (c) Sundry Creditors have not been fully reviewed, to establish how far the balances are current.
 - (v) Posting of the transactions is not done concurrently.
 - (vi) Assets Registers have not been maintained in a complete manner, in the three Branches. We are informed by the Management that steps have since been taken to maintain the Registers.
- (vii) Accounts of empties are not being kept properly and the manner of their disposal, not yet streamlined.
- (viii) Confirmation of balances in respect of sundry creditors and sundry debtors have not been asked for and obtained, except in the case of Sundry creditors of some of the departments.
- (ix) No quarterly Trial Balances were prepared.

- (x) Accounts have not been maintained Branchwise, to facilitate the preparation of Branch-wise forking results, as expenditure of a common nature are not being distributed and 'Transfers' not accounted in the Financial Books.
- (xi) Similarly, accounts have not been prepared department-wise also, for want of distribution of common items, by each department.

The Management have explained that, but for the fact that most of the accounts maintained by the Machine Accounting Unit contained mistakes and had to be re-written during the year under report, there would have been an improvement in the state of accounts."

11.5. The Committee desired to know the steps taken to improve the maintenance of accounts. The Department of Cooperation in a note submitted to the Committee explained: "During the years 1966-67 and 1967-68, the accounts of Super Bazar remained in arrears and postings in the various books of account were not up-to-date. The main reason for this was that, whereas the trading activities started in the middle of July, 1966, the bulk of the staff was in position only in August-September 1966, and the accounting procedures were also drawn up in a hurry at a time when the organisation was growing both in the number of branches and departments run by it and lines of business undertaken by it. There was no internal audit section which was formed only in September 1968. During 1968-69, the Managing Committee decided to maintain certain books of accounts mechanically. The experiment, however, did not prove successful. The entire position was reviewed in the beginning of the year 1969-70, and in order to improve the maintenance of accounts, it was decided to discard machine accounting and rely wholly on the conventional manual system. The various procedures, which had been prescribed from time to time, were re-examined and were found adequate. Stress was laid on their proper observance. This has resulted in improvement.

11.6. The Accounts Section has been further streamlined in 1969-70; the work has been allocated on more rational lines and job specialisation has been introduced. It is hoped that all the arrears in the compilation of accounts will be pulled up by the end of this year. It is also hoped to introduce the system of half yearly compilation of profit and loss account for the organisation as a whole and for its several departments.

11.7. "The Super Bazar also proposes to introduce improvements in the maintenance of stock accounts, quarterly inspection of stock and preparation of data for the management. This aspect of accounting will be taken in hand during 1971."

11.8. During evidence the Committee drew attention of the witness to a statement in the Chartered Accountants report for the year ended 30th June, 1969 that in the absence of proper stock accounts it had not been possible for them to ascertain the actual stock shortages. The General Manager of the Store stated: "Stock accounts were not available in the manner in which the auditors had desired them to be". The Committee wanted to know why proper maintenance of stock accounts could not be ensured even after 4 years of functioning of the store. The witness said, "That is a subject on which a great deal of thought is being given and with effect from 1969-70 some further changes in the manner of maintaining stock accounts have been introduced." The Secretary, Department of Cooperation added. "One of the noticeable weaknesses was lack of internal audit system and the work was entrusted to chartered accountants. One should have thought that, while embarking on an organisation like this, a proper internal audit organisation would be built along with accounts staff. But it is only—I guess—in the last two years, since September, 1968 that this internal audit organisation has been brought into existence."

11.9. The following are some of the other important deficiencies in the maintenance of Accounts as pointed out by the chartered accountants:—

(i) *Sales*

11.10. "The total of the sales represents the total cash deposits against Cash Sales and the value of credit sales. Normally, it should represent total of the Gross Cash Sales and Credit Sales, irrespective of what the cash collections are."

(ii) *Cash deposits*

11.11. "Comparison of cash deposits with cash collection establishing the shortages, getting this accepted by the Departments concerned, and most important of all, getting the short deposits made good, are all matters which should be examined practically from day to day as delays will create difficulties later on. We have been emphasising this aspect in the past. Nevertheless, the position has still to

improve. In this connection, we would mention a particular case in the Textiles Department where a Cashier made short deposits of substantial amounts, practically on every day in the month, for a continuous period of three months from April to June 1967 as shown below:

Month	Short Deposit	Maximum short deposit in a day
	Rs.	Rs.
April, '67	597.59	54.51
May, '67	764.59	130.19
June, '67	589.99	149.65

The Cashier concerned has since left service and the dues remain un-recoverd."

11.12. "We do not find that systematic action is taken to regularise the short deposits of cash, which is intimated to the departments after check of the cash tally sheets."

11.13. During evidence the Committee enquired whether security deposit was obtained from those who were dealing with cash. The General Manager of the Store stated: "That was not done by the management in the beginning. Security was not taken from the employees, except half a month's salary which is a very small amount. Insurance has been taken for the staff as a whole but certain formalities have to be fulfilled. In fact Insurance Companies insist on court proceedings or investigations to be done by the police. This problem is there. In fact the management of Super Bazar are now concentrating on prevention rather than cure and that has already borne fruit.

11.14. These cases are likely to be not so strong as to be taken to the court of law. The Departmental enquiry fixes responsibility on the employee. To fix it in the court of law would be difficult. Now they have the internal audit system—frequent checks, surprise checks. A Deputy Superintendent of Police in plain clothes keeps an eye on these people. Where there is a shortage they keep a particular eye and where the employee is suspected of being dishonest, for some fault or default, the General Manager has been taking disciplinary action and turning him out. They have been taking such deterrent steps rather than going to the court of law."

11.15. Asked about the short deposit of cash referred by the Chartered Accounts the witness deposed "About the short deposit of cash collections, there are cases where they can fix the responsibility that such and such person was responsible for it etc. Wherever they have been able to fix the responsibility, they have made the recoveries. And there are cases where they have not been able to decide where to fix the responsibility, and those cases are pending. If the details are required, they can be sent."

11.16. The Department of Cooperation subsequently furnished the following statement showing short deposits of cash collection up to 30-6-70 and the amount recovered year-wise as required by the Committee:

Year	Shortage	Recovery
1966-67	14,994.56*	6,971.58
1967-68	7,559.34	9,519.07
1968-69	7,658.92	7,177.67
1969-70	6,996.40	5,352.87
	37,209.22**	29,021.19

11.17. The following suggestions are included in the Study Report (1970) on the working of the Store:

- (i) The accounting procedures and systems have been improved to some extent in the last two years. There has, however, been considerable delay in the finalisation of accounts for the year 1968-69 which has become available only in April, 1970. This delay did not offer an opportunity for the management to devise suitable remedial action in time. It is suggested that the financial results of the store may be compiled once a quarter and a proforma balance sheet drawn up. Efforts may be made to compile the accounts of the two branches at INA and Patel Nagar separately from the cooperative year 1970-71.
- (ii) The store should introduce a system of management reporting the chief ingredients of which may be (a) compilation of monthly financial results (b) compilation of cost rates like gross profit to sales and indirect expenses to sales which may be further broken up into (i) pay roll

*and**—According to Audit the figures should be respectively Rs. 23,577.07 and Rs. 45,777.73.

expenses to sales (ii) interest charges to sales, (iii) rent and (iv) miscellaneous expenses to sales, (a) purchase budget and sales budget may be compiled every year against which performance should be compared every month. There should also be a half yearly review on the basis of which necessary revision may be carried out."

11.18. One more area of weakness of the store is Accounting. The Committee are at a loss to understand how even after four years of functioning of the Store the accounts have not been put on scientific basis. The arrears in the compilation of accounts are yet to be pulled up. It is surprising to find that the Internal Audit Unit was formed only in September, 1968. The Committee hope that the deficiencies in the accounting system will be attended to with well-defined targets so that it may become an effective management tool for plugging the loopholes in the organisation before long.

11.19. The Committee take a serious view of the absence of prompt action to regularise short deposits of cash. Out of shortages amounting to Rs. 37,209 (Rs. 45,792 according to Audit) a sum of Rs. 29,021 has been recovered upto 30th June, 1970. The Committee wish that stringent action is taken against persons responsible. Adequate security should be obtained in future from staff handling cash.

(B) MACHINE ACCOUNTING

Audit paragraph

11.20. In addition to manual accounting, the management introduced from September 1966 a machine accounting system in Super Bazar. The machines which were hired from a company were installed during September 1966 to February 1967. In November 1967 the work study department of Super Bazar observed that the machines had remained unutilised to the extent of 19 per cent to 100 per cent; and that, due to this reason and the fact that the operational efficiency of the machines had not reached the required standard, there had been a continuing need to maintain a parallel manual accounting system at an estimated cost of Rs. 2.30 lakhs per annum. The data produced by the machines upto June 1968, which differed widely from that collected under the manual system, were not utilised by the Super Bazar.

11.21. From July 1968 the management decided to switch over to complete mechanisation of accounts. Preparation of bank reconciliation statements and maintenance of central stores accounts and ledgers were, however, continued to be done manually as this work would not be done on the machines. Statements of sales tax, rebate on sales etc., were also continued to be prepared manually as well

as on machine. Having realised that "the machine accounting system, which could be useful only with a large turnover and transactions, would not be fully utilised (in Super Bazar)" the management abandoned this system in July, 1969 and reverted to the manual system. The data produced by the machines during 1968-69 are now being recast manually (December 1969).

11.22. Expenditure on the machine accounting system during 1966-69 was Rs. 6.42 lakhs.

[Paragraph 76—Pages 101-102 of Audit Report (Civil), 1970].

11.23. The Committee referred to the introduction of machine accounting and its discontinuance subsequently resulting in an avoidable expenditure of Rs. 6.42 lakhs and enquired about the views of the Chief Accounts Officer of the Store on hiring the machines. In a note the Department of Cooperation stated that "the Chief Accounts Officer objected to the introduction of the machine accounting system as in his view, the work of the Store could be handled through conventional methods. He was also of the opinion that the machines might not prove useful for maintenance of accounts."

11.24. The Committee also enquired the reasons due to which the operational efficiency of the machines did not reach the required standard. The Department in a note stated that "The introduction of machine accounting was followed by a period of experimentation in the matter of codification of items and accounting heads. Experiments were made with both the block system and the decimal system and it was ultimately decided to introduce the latter. During this period of experimentation, the operational efficiency of the machines did not naturally reach the required standard. Moreover, depending upon the scope of operation of machines from time to time, the card designs had also to be changed from time to time. It was only in April, 1968 that codification and card designs were finally established. The machine accounting system, however, could not meet with success owing to lack of proper feeding by inexperienced personnel who were not always of the desired calibre. The Sales of the organisation also registered a fall in 1968-69, and the financial position of the Store deteriorated. In the interest of economy and to avoid duplication it was decided by the Managing Committee at its meeting held on 16th April, 1969 to give up the system."

11.25. When asked about the present position of these machines, the Department stated in their note that "the machines which had been obtained on hire were returned to M/s ICL Private Ltd., in August/September, 1969, after completion of the work in hand."

11.26. The Committee note that the unsuccessful experimentation with the mechanisation of accounts cost the Store Rs. 6.42 lakhs. They would like to know how the scheme was embarked upon despite the objection of the Chief Accounts Officer and without ensuring adequate number of experienced personnel to operate the machines.

XII

MISCELLANEOUS

A. Payment of Fee to the Architects

Audit Paragraph

Audit of the accounts of the Super Bazar is vested in the Registrar, Co-operative Societies, Delhi, who appoints chartered accountants for this purpose. The following are some of the points brought out in the chartered accountants' (statutory auditors') reports on the accounts of the Super Bazar for the years 1966-67 and 1967-68:—

Observations in the statutory auditors' reports

Ministry's reply (December 1969)

(a) for re-modelling the interior of rented buildings at Connaught Circus (cost Rs. 14.54 lakhs) and INA Colony (cost Rs. 7.22 lakhs) and designing and supervision of construction works for the Patel Nagar branch (cost Rs. 13.74 lakhs), the management appointed a firm of architects on a fee of 10 per cent of the cost of remodeling works and 8 per cent of that of construction works. (The total claim of the architects was Rs. 3.32 lakhs including fees of about Rs. 0.85 lakh on purchases through them of steel racks, air coolers, refrigerators, steel hangers, steel gates, chain pulley blocks etc.).

The racks etc., were designed by the architects for each counter involving preparation of drawings, layouts and estimates, calling of tenders, supervision of construction, passing of bills and certification of payments. It had also to be seen that the racks etc. merged with the general display and colour scheme of the buildings. The architects have now agreed (January 1970) to forgo fee to the extent of Rs. 32,568.

(b) For re-modelling works at the Connaught Circus and INA Colony no detailed estimates were

The Super bazar had to be set up at a very short notice and calling of tenders would

prepared either by the architects or by the management. The architects awarded the works to a firm of contractors without inviting tenders. The mere understanding between the architects and the contractors was that the latter would carry out the works on the same terms and conditions on which they had carried out similar works for the Central Cottage Industries Emporium, New Delhi, in June 1966. The volume of work executed in Super Bazar was about 7 to 12 times more than that in the Emporium. The rates for extra items of work not mentioned in the agreement with the Emporium were fixed by the architects. (Payments to the contractors were made by Super Bazar on the architects' certificates of correctness of the claims without independently verifying the reasonableness of the rates fixed by them.

have meant considerable delay in starting it.

[Paragraph 76—Pages 99-100 of Audit Report (Civil), 1970].

12.2. During evidence, the Committee drew attention of the witness to the mention in the Audit Paragraph that for remodelling the interior of rented buildings at Connaught Circus (cost Rs 14.54 lakhs) and INA Colony (cost Rs. 7.22 lakhs) and designing and supervision of construction works for the Patel Nagar Branch (cost Rs. 13.74 lakhs) the management appointed a firm of Architects on a fee of 10 per cent of the cost of remodelling works and 8 per cent of that of construction works and wanted to know the steps taken to ensure that the fee charged by the architect was reasonable. The witness replied: The position is that this architect had done this work earlier for the Central Cottage Industries Emporium. The Chairman of Super Bazar at that time and the General Manager and some of the senior officers were associated with the Central Cottage Industries Emporium and knew this Architect and so they entrusted

this work to him at the same rate. And they were satisfied with the performance of the Architect. They thought that the rates were reasonable. One thing that has to be considered in this connection is that, when the Connaught Circus Super Bazar was to be set up that was done within a period of about two weeks. The Managing Committee itself was constituted on the 29th June, 1966 and the Super Bazar started functioning on the 15th July, 1966. If the idea was that they should have made detailed comparisons or invited tenders or conducted negotiations etc., the limit alone militated against that. In this situation, there was no alternative possible except to get hold of a known party on whom one could rely and ask him to do the work."

12.3. The Committee drew attention of the witness to the fact that the work involved in Super Bazar was 7 to 12 times more than that in the Emporium and that there were items which were not executed in the Emporium. The witness stated "The only point that can be urged is that they had to work within a certain time limit."

12.4. The Committee then pointed out that the rates prescribed for designing and supervision of construction by the CPWD were much lower. The witness continued: "This matter was later considered by the Managing Committee. This was referred to the Chairman of the Institute of Architects, who wrote back by saying that the rates of the architect were reasonable, and hence, the Super Bazar Management agreed that for this type of job the rates quoted by the Architect were reasonable." He added that, "So far as we, in the Cooperation Department, are concerned, at the moment, we do not have with us the CPWD schedule of rates."

12.5. In a note submitted at the instance of the Committee the Department of Cooperation stated that: "The date of opening of the Super Bazar was fixed as the 15th July, 1966, for the Connaught Circus Branch and the possession of the Pant Super Market Building, in which it is housed, was given to the Super Bazar management only on the 26th June, 1966. Similarly, the INA Market building was handed over only on the 10th August, 1966, and that branch was opened on the 29th September, 1966. The land at Patel Nagar was allotted by D.D.A. on 30-1-1967, and the Super Bazar Branch there opened after construction of the building on 8.6.67. There was thus no time to call tenders for these jobs. The work was entrusted to a firm of architects who had executed similar works in the Central Cottage Industries Emporium, on the same terms and conditions so far as the remodelling work was concerned. The work of designing and construction was also entrusted to the same firm."

12.6. The Committee then referred to the payment of Rs. 0.85 lakh to the Architect for the purchases of standard items like steel racks, refrigerators, steel cabinets, etc. and asked whether the rates of the payment were reasonable. The witness stated that these payments were "in accordance with the terms agreed with the Architect. When the audit raised this objection, the General Manager negotiated with the architect and persuaded him to forego....." When the Committee asked whether there was any written agreement with the architect the Secretary, Department of Cooperation replied; "The position seems to be that here was no written agreement. This was on the basis of verbal understanding, justification for which was excessive hurry....."

12.7. The Committee were further informed that the architects agreed that the racks which were to be put were not ready made racks and that it was difficult to check up the position at that late stage. The Government had no hold over the Architect as the payments had been made. The Department of Cooperation subsequently intimated to the Committee that "Steel racks were procured in components like angles, shelves, tees, and brackets, nuts, and bolts, shoes and straps, and assembled by the contractors as per design of the architect to suit the requirements of the various counters. These were procured from (i) The Bombay Company (Private) Ltd., Delhi and (ii). The allwyn Metal Works Ltd. Hyderabad."

12.8. The Committee find that for re-modelling the interior of rented buildings at Connaught Circus (cost Rs. 14.54 lakhs) and I.N.A. Colony (cost Rs. 7.22 lakhs) and designing and supervision of construction works for the Patel Nagar branch (cost Rs. 13.74 lakhs), the management appointed a firm of architects on a fee of 10 per cent of the cost of re-modelling works and 8 per cent of that of construction works. The total claim of the architects was for Rs. 3.32 lakhs of which they had agreed to forego fee to the extent of Rs. 32,568. There was no written agreement with the architects. The Committee consider the rates of fee paid to the architects to be excessive. While the Committee appreciate that there was no time to call for tenders in view of the extreme urgency with which the work had to be attended to, they do not find any reason why the management did not attempt to check up the reasonableness of the rates in consultation with the CPWD.

12.9. For re-modelling works at the Connaught Circus and INA Colony no detailed estimates were prepared either by the architects or by the management. The architects awarded the works to a firm

of contractors without inviting tenders on the understanding that the latter would carry out the works on the same terms and conditions on which they had carried out similar works for the Central Cottage Industries Emporium, New Delhi, although the volume of work executed in the Store was about 7 to 12 times more than that in the Emporium. The Committee also note that the rates for extra items of work not mentioned in the agreement with the Emporium were fixed by the architects. The Committee do not think that it was correct to allow the architects to fix the rates for the work when their fee depended on the cost of the work. In their opinion the management did not serve the financial interest of the Store in entering into such an arrangement with the architects which is sought to be justified on the grounds of urgency.

B. Sale of Advertisement space

Audit paragraph

12.10. Against the estimated income of Rs. 12.08 lakhs per annum on sale of advertisement space (wall panels and show windows), the actual income, according to annual accounts for 1966-67 and 1967-68, was Rs. 0.31 lakh and Rs. 0.79 lakh respectively. [Paragraph 76—page 102 of Audit Report (Civil), 1970].

12.11. According to the audit para the rental income on sale of advertisement space (wall panels and show windows) was Rs. 0.31 lakh in 1966-67 and Rs. 0.79 lakh in 1967-68 as against the estimated income of Rs. 12 lakhs per annum. The Department of Cooperation informed the Committee as follows:—

“No firm of advertisers has been engaged and work of publicity is being done by the Publicity Manager, who is an employee of the Super Bazar.”

“The actual revenue from advertisements etc., including hoardings and souvenir during 1969-70 was about Rs. 2.5 lakhs.

As regards Cinema publicity, there is a slight difference. Apart from securing advertisements directly, the Super Bazar gets proposals from a firm named the “Cine Publicity Cell”. This arrangement has been made with effect from 1.1.1969. This firm had assured a net income of Rs. 3,570 per month for inside and outside publicity. Subsequently, however, they pressed for revision of the minimum guaranteed amount to Rs. 1,785 per month for inside publicity, and for outside publicity, on the basis of actuals less 15 per cent commission. This was agreed to.”

12.12. The Chartered Accountants have stated in their report for the year 30th June, 1969:

"In the initial stages, there was very little sale of advertisement space. Particulars are also not available about the terms and conditions on which the space was sold for advertisement purposes, particularly for the period prior to October, 1968. It has, therefore, not been possible to verify whether all the amounts due on this account were fully recovered."

12.13. According to the Audit paragraph the rental income of sale of advertisement space (wall panel and show windows) was Rs. 0.31 lakh in 1966-67, Rs. 0.79 lakh in 1967-68 as against the estimated income of Rs. 12 lakhs per annum. This has subsequently risen to Rs. 2.5 lakhs in 1969-70. The Committee would like the procedure in this regard to be streamlined and the revenue augmented.

XIII

CONCLUSION

13.1. In the wake of devaluation, the Government of India formulated a scheme for the promotion of consumer co-operative department stores in large urban areas in order to make a tangible impact on the distributive trade and to arrest trend of rising prices. The Super Bazar at New Delhi is a pioneer among all the cooperative department stores in the country. The Committee would like to record that the concept of Super Bazars is a laudable one. They have a vital role to play in the stabilisation of prices of consumer articles in the interest of the common consumer. The Committee have no doubt that if organised and conducted with prudence, vigilance and imagination the Super Bazars can become commercially viable institutions of great service to the community.

13.2. The New Delhi Super Bazar was opened about five years ago with great enthusiasm and high hopes. There is no denying the fact that the Super Bazar did make an impact on prices of consumer goods in the beginning. However, after reviewing the working of the Store over the past four years, the Committee cannot resist a feeling that the difficulties now being faced by the Store are the result of gross overstaffing, lack of realistic and prudent planning and mismanagement during the formative period.

13.3. While the role of the Super Bazar is generally recognised and appreciated, the question that often exercises the public mind is its continuing losses and unimaginative operation. In the earlier chapters of this Report, the Committee have tried to focus attention on the various drawbacks and shortcomings observed by them in the working of the Super Bazar and have made suggestions for their correction. They hope that Government would take appropriate remedial measures for improvement of operations including rationalisation of staff strength and strict action against the persons responsible for mismanagement and other specific lapses.

13.4. As pointed out in an earlier portion of this Report, there is urgent need for transforming the Super Bazar which at present is a Government sponsored and financed organisation into a genuine

cooperative which will be supported, financed and managed by the elected representatives of the voluntary members. It should be the constant endeavour of the Super Bazar to increasingly win the confidence of the consumers through keener and more efficient salesmanship and service. The Store is expected to make best possible use of the additional financial assistance recently given by the Government and function as a viable unit. It should endeavour to become a watchword for guaranteed quality of goods at most competitive prices. It should in fact provide the 'best buy' in the town. In short, the Super Bazar should aim at becoming a model store for quality of goods, reasonableness of prices, prompt, efficient and courteous service, awed by unscrupulous traders eager to exploit the shortages-real or artificial of consumer goods and as a source of inspiration to similar cooperative consumer stores in the country.

NEW DELHI;
July 30, 1971.
Shravana 8, 1893 (Saka)

ERA SEZHIYAN.
Chairman,
Public Accounts Committee.

APPENDIX I

(Para 3.8 of chapter III)

Additional financial assistance to the Cooperative Store Ltd. (Super Bazar), New Delhi, as a Central Sector Scheme—

At the present level of its operations and set up, the annual expenditure of the Store exceeds its income by about Rs. 20 lakhs. Its level of sales during the year 1969-70 is expected to be about Rs. 3.36 crores, as against Rs. 3.87 crores in 1968-69, Rs. 4.68 crores in 1967-68 and Rs. 4.58 crores in 1966-67. The future plan of action cannot realistically be based on anticipation of a phenomenal rise in its sales turn-over and other income. The immediate objective of the institution should be to attain viability on a sales turn-over and income that can justifiably be expected on the basis of its performance during the four years of its existence, granted good management and business efficiency.

2. On this basis the Store may base its programme on an anticipated turn-over of Rs. 4.5 crores for 1970-71, which should be capable of achievement, with the adoption of vigorous sales promotion measures and addition to its inventory with the financial assistance proposed to be given. It should be able to achieve a gross profit of 10 per cent on sales, as against 9.6 per cent in 1968-69. This will yield a gross profit of Rs. 45 lakhs. Income from miscellaneous sources including commission from leased sections, advertisements, etc. reached the level of Rs. 8.89 lakhs in 1968-69, and it may be expected to come upto at least Rs. 10 lakhs per annum. The total income of the Store per annum would, thus, be about Rs. 55 lakhs. Its total expenditure, which was about Rs. 65.5 lakhs in 1968-69, is expected to touch the level of about Rs. 70 lakhs in 1970-71, after allowing, for normal increments, provision of Provident Fund and other obligatory benefits to the staff. There will thus still be a clear gap of about Rs. 15 lakhs which has to be bridged.

3. The Store has drawn up schemes for economy in expenditure to the following extent:—

(a) Economy in Establishment, (by reduction in staff strength)	Rs. 3.8 lakhs
(b) Economy in miscellaneous expenditure (e.g. maintenance and repairs, paper stationery, etc.)	Rs. 3.0 lakhs
	<u>Rs. 6.8 lakhs</u>

(These schemes are already under implementation, and, as first step, 62 temporary employees have been retrenched during May-June, 1970.)

It is considered that there is scope for larger economy, not only under establishment and miscellaneous heads, but also in interest charges, as it should be possible to reduce the level of bank borrowing with the financial assistance now proposed to be given.

Economics to the following extent should be effected during 1970-71.

	(Rs. in lakhs)
Establishment	4.00
Miscellaneous	4.20
Bank interest	1.30
	<u>9.50</u>

There is no scope at present for economy in the element of rent.

4. Part of the gap between income and expenditure is to be covered by fuller utilisation of the surplus space available at all the three units, Connaught Circus, Patel Nagar and I.N.A. of the Super Bazar. In Patel Nagar, it has already been found possible to accommodate all the selling sections in about half of the available accommodation. By reduction of size and re-arrangement of counters, a similar saving in space can be achieved at the other two units. The surplus space, thus obtained should be utilised to the best advantage of the Store, by entering into collaboration arrangements for sale of goods and services, and for starting activities which have some association

with the objectives of the Store. It should be possible to earn an additional income of Rs. 6 lakhs through this source during 1970-71.

5. Thus, measures of economy should bring about a saving of about Rs. 9.5 lakhs per annum and utilisation of surplus space yield an additional income of Rs. 6 lakhs, thereby not only bridging the gap of Rs. 15 lakhs between income and expenditure, but also yielding a surplus of Rs. 0.50 lakhs for the year 1970-71. The position will, at a glance, be as follows:—

Income

	(Rs. in lakhs)
Sale turn-over : Rs. 450.00	
Gross Profit: 10%	
<i>Amount of gross profit :</i>	45.00
<i>Miscellaneous income:</i>	
(commission from leased sections, advertisements, etc.)	10.00
<i>Income from utilisation of surplus space:</i>	6.00
Total	61.00
	13.55% to sales

Expenditure

	(Rs. in lakhs)
Expenditure at current level, with normal increase:	70.00
Proposed economies:	
Establishment: 4.00	
Miscellaneous: 4.20	
Bank interest: 1.30	
9.50	9.50
Anticipated expenditure	60.50
	: 13.44%
Net profit:	00.50
	00.11 to sales.

6. In 1971-72, the store should be able to achieve a minimum sales-turn-over of Rs. 5 crores, with the same level of investment and overall expenditure, and should earn a profit of Rs. 5 lakhs. This trend should continue and improve in subsequent years, with the financial assistance now proposed to be given and adoption of other measures for improvement proposed in this note.

7. In order to produce the working results outlined above, it is essential that the Store should be able to liquidate its liabilities, which have arisen as a result of recurring losses, establish normal business relationship and credit with manufacturers and suppliers, have the required margin money for obtaining bank credit for working capital, and maintain the requisite stock level. For this purpose the Store will require additional financial assistance from Government.

8. In order to obtain viability and improve its business and economy all round, the Store should adopt accounting and operational procedures to attain a maximum degree of efficiency, including, in particular, a system of *regular stock verification, fixation of responsibility for shortages and prompt recovery thereof*, inventory management and vigorous salesmanship. Stock verification should be done at the end of each quarter, or one third of all the Sections should be verified every month, so that by the end of the quarter the stocks of all the sections would have been physically verified. Proforma accounts should be prepared and submitted to the Management and Government every quarter.

9. In order to safeguard Government's interest, and provide for closer association of Government with its working it is proposed to require the Store to enter into the following arrangements:—

- (i) The General Body of the Store will be called upon to resolve that the Managing Committee of the Store will continue to be nominated by the Government of India beyond the initial period of 5 years expiring in July, 1971, until the Store is able to raise share capital, by enrolling more members, so as to match Government's share capital contribution, or until 50 per cent of Government's share capital is retired, whichever is earlier. As a first step in this direction, the General Body should constitute a representative General Body, as provided in the bye-laws of the Store, and a Resolution to the effect mentioned above should be obtained at the earliest possible. This will also serve to stress on the Store the need to broad-base its membership, strengthen its share capital base, and acquire a more truly cooperative character.

- (ii) Until the condition at (i) above is fulfilled, incumbents of supervisory posts in the Store, such as those of General Manager, Deputy General Manager, Finance Manager, Assistant General Manager, Purchase Manager, Sales Manager, and Accounts Officer, by whatever other designation they are known, shall be appointed or removed from their posts only with the prior approval of the Government of India.
- (iii) The Store will provide all facilities to persons nominated by the Government of India to inspect its accounts and examine its working, and any directions given by the Government of India on the basis of such inspection and examination, or otherwise, relating to any of its fields of working, including administration, accounts, financial and business operations and procedures, shall be promptly implemented and carried out by the Management of the Store.

10. With a view to improving the Store's viability, the following further suggestions will be communicated to them:—

- (a) Certain sections have been leased out to private parties on the basis of commission subject to a minimum amount. It is desirable to have costing of their rent and overheads done with reference to the space utilisation by them. The Super Bazar should ensure that the minimum charges are not less than proportionate expenses and that on the leased sections there is no loss to the Store.
- (b) The pilferages and shortages are stated to have been reduced from the previous level of 3.5 per cent to 1 per cent during 1969-70. There is, however, still room for bettering the performance and the Super Bazar should analyse pilferages section-wise and ensure a tightened control in specific sections.
- (c) As and when the cooperative store opens additional retail centres, it should be ensured that the existing staff is diverted to these, centres and no fresh recruitment is made.
- (d) The Super Bazar should review the purchase and plug the loopholes.

11. While releasing financial assistance to the Store, the necessary bonds and undertakings will be obtained from them, covering, *inter-alia*, the points mentioned in para 9 above, subject to vetting by the Ministry of Law.

APPENDIX II

(Para 4.12 of Chapter IV)

Opening dates of Branches and Departments

Departments run by the Super Bazar	Connaught Circus 15-7-66	I.N.A. Branch 29-9-66	Patel Nagar Branch 6-6-67
Groceries & Toiletries	15-7-66	29-9-66	6-6-67
Textiles	"	"	"
Handloom & Khadi*	"	"	"
Household	"	"	"
Books & stationery	"	"	"
Cafeteria (Own)*	"	"	"
Fruit & Vegetables (Own)	"	"	"
Drug & Medicine	"	11-1-67	21-11-67
Transistor (Household)	21-1-67	21-1-67	6-6-67
Toys and Sports goods	22-8-66	29-9-66	"
Readymade Garments	26-10-66	26-10-66	"
Footwear	29-7-67	1-7-67	16-10-67
Furniture	4-5-68	30-11-68	1-9-68
Imported goods (H H)	25-9-68	27-10-68	25-3-68
Fish*, Eggs, Bread & Butter	24-12-66	2-67	"
<i>(b) Concessionaire Depts.</i>			
Khadi*	10-67	3-10-68	23-10-68
Cafeteria*	10-68	10-68	10-68
Fruit & Vegetables*	10-67	10-67	15-2-68
Meat & Fish*	24-12-66	2-67	22-7-67
Dry Cleaning	4-4-68	4-4-68	4-4-68
Softy Ice Cream	29-5-68	29-5-68	29-5-68
Tailoring	23-12-68	—	—
Watch Repair	7-12-58	—	—

*The departments were initially run by the Super Bazar but subsequently leased out on commission basis.

Departments run by the Super Bazar	Connaught Circus 15-7-66	I.N.A. Branch 29-9-66	Patel Nagar Branch 6-6-67
Sweets (Cafe)	10-10-68	—	—
HMV records	10-1-69	—	—
Scooter parts	15-1-69	—	—
Motor parts	19-2-69	8-9-69	—
Electric Repair	5-8-69	—	—
Opticals	29-1-69	3-9-69	—
Dental	2-2-69	..	..
Coffee House	19-2-69	..	..
Photography	23-2-69	..	..
Saree Printing	15-3-69	16-3-69	..
Hair Dressing	19-10-69	19-10-69	..
Kashmir Corner (HL) . . . . .	„	..	..
Dhodha Sweets	10-12-69	..	..
Camy Watch	17-9-70	..	..
Magazines	18-5-70	..	..

APPENDIX III

(Para 4.12 of Chapter IV)

Departmentwise Group of Items

Sl. No.	Department	Groups
1	2	3
<i>Part 'A' Departments run by the Super Bazar</i>		
1	Groceries	Pulses, Spices—Whole & Ground, Edible Oils, Vegetable Ghee, Pure Ghee, Tea & Coffee, Dry Fruit, Baby Food, Confectionary, Jams & Squashes, Cigarettes & Match Box, Detergents, Washing Shops & Powders.
2	Toiletries	Cosmetics--Gents & Ladies, Toilet Soaps, Tooth Paste & Brushes, Blades.
3	Drugs	Drugs & Medicines.
4	Textiles Gents	Poplin & Patta, Shirting-Cotton, Terecot, Terene, Suiting-Cotton, Terecot, Terene, Long cloth, Drills, Mill Towels & Bed sheets—Tapestry, Woollen suiting.
5	Textiles Ladies	Cotton Fashion cloth—Plain, Print Silk, & Terene cloth, Silk Sarees, Cotton Sarees.
6	Handloom	Shirting—Cotton & Silk Sarees, Towels, Bed sheets & covers, tapestry, Durrees & Khes, Rajai & Cushions, Uphar (Gift section), Kashmir Corner.
7	Books & Stationery	General Books, Text Books, Technical Books, Children Books, Stationery.
8	Toys	Educational toys, Mechanical toys, Plastic toys, Dolls Puppets, Musical Instruments, Cycles & Prams cycle, & Scooter Tyres & Tubes, Sports goods.
9	Footwear	Gents, Ladies & Children shoes, sandals and chappals, Travel Accessories, socks, shoe polish and brush, Umbrellas.
10	Readymade Gents	Garments—Terene shirts, Bush shirts, Zee shirts, Cotton shirts, Bush shirts, Zee shirts, Night wear—Kurta, Pajama, Pants, Hosiery—Cotton & Woollen, Handkerchief, Socks, Ties, Cuff Links, Belts, Boys' wear.
11	Readymade Ladies	Garments—Ladies' wear—Kurta, Pajama, Gowns, Nightwear; Hosiery—Cotton & Woollen; Socks, Handkerchief, Baby suits, Children wear; Mosquito Nets, Artificial Jewellery, stitching Accessories—Thread, Buttons, etc., combs, mirrors, Knitting wool.
12	Household	Electrical goods, torches, cells, clocks, films, plastic goods, crockery & glassware, cutlery flasks, stainless steel, brass, aluminium and white metal utensils, grinders, pressure cookers, stoves, other miscellaneous items, transistors and radios, imported goods.

1	2	3
13	Eggs, Bread & Butter .	
14	Furniture . . .	Steel, aluminium & wooden furniture, Carpets cushions, pillows, refrigerators, fans, sewing machines, coolers, electric lamps & shades, framed pictures & drawings.
<i>Part 'B' Concessionaire Departments</i>		
1	Fruit & Vegetable . .	Fruits, vegetables, fruit juices.
2	Meat and fish . . .	Meat and fish Confectionary Popcorn Softy ice cream Dhodha sweets.
3	Cafeteria . . .	Hot and cold drinks Batables Lu-7ch, sweets.
4	Coffee House	
5	Banarasi Sarees	
6	Scooter parts	
7	Motor parts	
8	HMV records	
9	Hindi books	
10	Magazines	
11	Photography & photographic goods	
12	Camy watches	
<i>Part 'C'—Services</i>		
1	Tailoring	
2	Saree printing	
3	Watch repair	
4	Electrical and electronics repairs	
5	Dental	
6	Opticals	
7	Hair dressing	
8	Dry cleaning.	

APPENDIX IV
(Para 5.5 of Chapter V)
SUPER BAZAR

THE COOPERATIVE STORE LTD.,
CONNAUGHT CIRCUS, NEW DELHI

Market Survey report for the month of March '70,,

Department & Item	Ajmal Khan	Pahar Ganj	Khari Baoli	Subzi Mandi!	Connaught Place	Super Bazar
<i>Groceries and Toiles:</i>						
Dal Moong Washed	1.70	1.65	1.60	1.70	1.70	1.65
Dal Moong Whole	1.60	1.50	1.50	1.50	1.60	1.55
Dal Moong Chilka	1.60	1.50	1.50	1.50	1.60	1.50
Dal Urd Washed	1.60	1.50	1.50	1.50	1.60	1.55
Dal Urd Whole	1.50	1.40	1.40	1.40	1.50	1.40
Dal Urd Chilka	1.60	1.50	1.50	1.50	1.60	1.45
Dal Arhar Kanpuri	1.60	1.60	1.50	1.60	1.60	1.60
Gram Black	1.45	1.40	1.50	1.40	1.50	1.35
Massor Black	1.45	1.30	1.30	1.30	1.45	1.25
Massor Red	1.50	1.40	1.40	1.40	1.50	1.40
Rajma Chitra]	1.60	1.50	1.50	1.50	1.60	1.45
Kabli Gram	3.00	3.00	3.00	3.00	3.00	2.80
Soyabin	2.25	2.00	2.00	2.00	2.25	1.80

Red Chillies Whole	9.00	8.50	8.50	8.50	9.00	8.40
Dhania Whole	5.00	4.50	4.50	4.50	5.00	4.50
Jeera White	7.00	6.50	6.00	6.50	7.00	6.00
Sonf	6.50	6.00	6.00	6.00	6.50	6.00
Dalda 4 Kg.	23.32	23.32	23.32	23.32	23.32	23.30
Rath 4 Kg.	23.00	23.00	23.00	23.00	23.00	23.00
Mustard Oil Kanodia █	5.50	5.50	5.50	5.60	5.65	5.40
Lux/Lifebuoy/Hammam	0.65	0.65	0.65	0.65	0.65	0.64
Pear Soap	1.40	1.25	1.25	1.25	1.50	1.25
Surf Eco.	4.25	4.25	4.25	4.25	4.25	4.25
Det extra large	5.70	5.70	5.70	5.70	5.85	5.65
Moti soap No. 255 P.Kg	2.10	2.10	2.10	2.10	2.15	2.05
Signal Eco. size	3.75	3.75	3.75	3.75	3.75	3.70
Forhans Eco. size	3.50	3.50	3.50	3.50	3.50	3.45
Binaca green eco.	3.50	3.50	3.50	3.50	3.50	3.45
Brooke Bond Red label 500 gms.	5.65	5.60	5.60	5.60	5.65	5.60
Lipton yellow lable 500 gms.	5.65	5.60	5.60	5.60	5.65	5.60
Nescafe Coffee 50 gms. Tin	3.85	3.80	3.80	3.80	3.80	3.85
Bon Coffee 50 gms. Tin	3.25	3.15	3.15	3.15	3.25	3.15
Mixed fruit 'dippy' Jam	4.00	4.00	4.00	4.00	4.00	3.80

Department & Item	Ajmal Khan	Pahar Ganj	Khari baoli	Sabai Mandi	Connaught Place	Super Bazar
Hema Peas	2.50	2.50	2.50	2.50	2.50	2.40
Kissan's Orange Squash	4.50	4.50	4.50	4.50	4.50	4.40
Tamato Ketchup Spencer	2.30	2.30	2.30	2.30	2.30	2.20
Ponds cold cream (med.)	2.95	2.90	2.90	2.90	2.95	2.65
Loma Hair Oil (m)	5.50	5.40	5.40	5.40	4.50	4.40
Powder Talcum Himalaya	4.50	4.25	4.25	4.25	4.50	4.00
Tata Shampoo big	4.60	4.60	4.60	4.60	4.60	4.60
Erasmic Blade	0.75	0.75	0.75	0.75	0.75	0.75
Alert Blade	0.65	0.65	0.65	0.65	0.65	0.65
Swiss Blade	0.60	0.60	0.60	0.60	0.60	0.60
Amul baby food 500 gms.	5.50	5.50	5.50	5.50	5.50	5.35
Lever baby food 900 gms.	11.50	11.40	11.40	11.50	11.50	11.30
Ovaltine 450 gms.	7.35	7.25	7.25	7.25	7.30	7.25
Oster Milk 900 gms.	11.65	11.50	11.50	11.50	11.65	11.50
<i>House Hold section:</i>						
Puri Box Steel 12"	35.00	35.00	35.00	35.00	35.00	30.70
Tiffon Box 8x4, 26 Gaz.	56.00	56.00	56.00	56.00	56.00	51.30
Tempo Cooker 5.50 Lt.	110.25	110.25	110.25	110.25	110.25	104.75
Hawkins Cooker 12 lt.	236.50	236.50	236.50	236.50	236.50	236.50

Singer Cooker 5.75 lt.	119.90	119.90	110.90	119.90	119.90	115.50
Hammer Master Flask 4 lt.	43.50	43.50	43.50	43.50	43.50	42.78
Eagle Flask 2 lt.	18.50	18.50	18.50	18.50	18.50	177.44

Chandni chowk

Sil Bucket 17 Lt.	9.00				9.00	9.00
Sil Bucket 18 lt.	10.00				10.00	10.00
Sil Bucket 13 lt.	8.00				8.00	7.65
Bright Bucket 16 Lt.	11.50				12.00	11.50
Bright Bucket 15 Lt.	11.00				11.00	10.95
Bright Bucket 12 Lt.	9.00				9.00	8.65
Bright Container Set	19.60				19.50	18.95
Shakti Lamon Set	9.50				9.50	9.20
Shakti Water zug	6.00				6.00	5.50
Poiner Litter Bix	21.00				21.00	20.70
Golden plastic Lamon squeezer	1.40				1.75	1.55
Shakti dust pan	1.50				1.50	1.40
Shakti Water Bottle I	4.75				4.25	4.00
Shakti Water Bottle II	4.00				4.00	3.75
Shakti Water Bottle III	3.25				3.25	3.10
Shakti Slada Set	9.25				9.25	9.20
Sil Office paper Tray	4.75				5.00	4.75

Department & Item	Ajmal Khan Road	Chandni Chowk	Super Basar
Bright Butter Dish	2.50	2.75	2.50
Yini multipurpose water Bottle	2.50	2.75	2.50
Tido Home Basket	5.25	5.50	5.20
Ice Tray Policool	2.75	3.00	2.75
Poli Ice Cube	0.25	0.40	0.15
Bright Lamon Set	6.50	7.00	6.25
Bright Plates Full	2.00	2.50	1.85
Bright Plates Med.	1.50	1.75	1.45
Bright Plates Qur	1.00	1.25	1.00
Bright Mugs Big	1.75	2.00	1.65
Bright Mugs small	1.00	1.25	0.90
Bright Bread Box Med.	4.50	4.75	4.30
Bright Bread Box Big	6.25	6.50	6.25
	Connaught Place		
<i>Dry Cleaning section:</i>			
Coat	2.50 to 3.00	2.50 to 3.00	2.00
Pants	1.50 to 2.00	1.50 to 2.00	1.50
Suit (Woollen & Tereline)	4.00 to 5.50	4.00 to 5.50	3.50
Ladies Coat (Half)	3.00 to 4.00	3.00 to 4.00	3.00

Sweater half	1.50	2.00	1.50
Cardigan	2.00	2.50	2.00
Over Coat	5.00	5.00	4.50
Tereline shirt	1.25 to 1.50	1.50	1.50
Tericot shirt	1.25 to 1.50	1.50	1.50
Cotton shirt	0.50	0.75	0.60
Saree plain	2.00	2.50	2.00
Shawl	2.50	3.00	2.50
Ladies Coat (Full)	4.00 to 5.00	4.00 to 5.00	3.50

Toys Section

Chest expander 'Vampire' with 4 springs.		13.00	13.00	11.25
Do. 'Vampire' with 3 springs		11.00	11.00	9.20
Do. 'Vampire' with 2 springs		9.50	9.50	8.05
Badminton climax racket with steel handle		13.00	13.00	11.00
Badminton 'Vampire' racket with steel handle big		25.00	25.00	23.00
Maxmay badminton with wooden handle		15.25	16.00	13.75
Volley ball 'Delux' laceless No. 5		20.50	21.00	19.00
Tanis ball 'Exclusive'		3.50	3.50	2.70

Department & Item	Chandni Chowk	Connaught Place	Super Bazar	
Football 'Vampire Delux' No. 5	24.00	24.00	23.00	
Tennisball 'Beatal'	0.75	0.75	0.60	
Tennisball 'Vanila'	2.50	2.50	2.10	
Cricket ball 'Vampire' 5 1/2 oz.	7.00	7.00	6.65	
Hockey ball 'Vampire' 5 1/2 oz.	7.00	7.00	6.65	
Hockey ball 'Brig'	6.00	6.00	5.50	
<i>Drugs Section</i>				
	<i>Unit</i>			
Glycodin	1 x 70 ml	2.40	2.40	2.30
Glycodin	1 x 170 ml	4.30	4.35	4.25
Boroleni	1 x 20 gms.	1.35	1.35	1.30
Vimagra	1 x 10 tab.	1.20	1.25	1.20
Vicks Cough Drops	1 x 18 tab.	1.00	1.10	1.00
Glaxo baby food	450 gms.	6.30	6.40	6.30
Amul baby food	500 gms.	5.45	5.45	5.35
Protinules	225 gms.	8.25	8.25	8.15
Protinex	225 gms.	10.25	10.25	10.15
Sulrefs	1 x 10 tab.	1.00	1.00	0.90
Triredisoe H.	1 x 5 ml.	6.75	6.75	6.65

Becosules	1 x 20 cap.	9.25	9.25	9.00
Dettol	1 x 55 ml.	1.40	1.40	1.30
Austrin	1 x 15 cap.	10.00	10.00	9.80
Burnol	1 x 25 gms.	1.50	1.50	1.46
Triredisol H	1 x 5 ml.	11.65	11.65	11.50
Benadarye expect	1 x 114 ml.	5.50	5.50	5.40

Scooter Parts Section

M.A.U. Imported Nings for L.I. Lambretta			Darya Ganj	
Vespa G. L. I. Piston Genuine Complete Unit			5.75	4.50
Air Filter L.I. Fitted with Imported paper			34.00	32.00
Piston with pin lock (Burkey) L.I.L.D. Piaggio P.L.I.			5.00	4.50
Vespa Rubber Matting Top finest quality			17.00	16.00
Bag Hanger L.I.G. Vespa			7.00	6.50
Vespa kick starter with Rubber 'G' Nut Bolt, New Model 1964-69			2.75	2.50
Vespa Silencer Box			11.00	10.00
Seat Cover set Vespa with Pillow			13.50	13.00
Spark plug 'Mico'			21.00	20.00
			4.00	3.95

Department & Item	Ajmal Khan	Pahar Ganj	Khari Baoli	Subzi Mandi]	Connaught Place	Super Bazar
<i>Stationery Section</i>				Ajmal Khan	Connaught Place	
Register leather binding 2 qr. . . .				3·25	3·50	3·10
Register leather binding 3 qr. . . .				4·00	4·25	3·90
Register leather binding 4 qr. . . .				4·75	5·00	4·60
Register leather binding 5 qr. . . .				5·50	5·75	5·40
Register leather binding 6 qr. . . .				7·26	6·50	6·20
Register leather binding 7 qr. . . .				7·00	7·25	7·00
Tags File with cloth lining P. doz. . . .				3·25	3·50	3·00
File Index (Guide)				3·00	3·50	3·25
Jain Index File				2·25	2·50	2·50
Dak Pad				4·75	4·75	4·75
Rough copy 320 pages P. doz.				8·00	8·50	8·40
Bal point rifle Plastic P. doz.				2·25	2·50	2·40
Nalanda Sliding Scale				32·50	35·00	33·00
Aristo Sliding Scale				155·00	160·00	158·00
<i>R. M. G. Section</i>			Chandni Chowk			
Prince R. N. S. Intslock 32"			4·10	4·25	4·25	4·10
" " " 34"			4·40	4·55	4·55	4·40
" " " 36"			4·65	4·80	4·80	4·65

”	”	”	38”	.	.	4.90	4.95	4.95	4.90
”	”	”	40”	.	.	5.25	5.40	5.40	5.20
Prince R. N.	Instlock		32”	.	.	3.30	3.50	3.50	3.30
Do.			34”	.	.	3.55	3.75	3.75	3.5.
Do.			36”	.	.	3.85	4.00	4.00	3.85
Do.			38”	.	.	4.10	4.25	4.25	4.10
Do.			40”	.	.	4.40	4.65	4.65	4.40

APPENDIX V

(Para 8.2 of Chapter VIII)

(Commission Charged from Private Parties)

Name of Deptt.	Connaught Circus.	I.N.A. Branch	1967-68 Patel Nagar Branch	Irwin Hospital Branch	Connaught Circus	I.N.A. Branch	1968-69 Patel Nagar Branch	Irwin Hospital Branch
1	2	3	4	5	6	7	8	9
	(In Rupees)				(In Rupees)			
Ready Made Garments II	1,951.81	..	..	..	6,596.88	..	..	..
Hair Dressing . . . . .	..	..	..	..	..	..	..	..
Footwear . . . . .	..	..	..	..	273.44	..	..	..
Electronics . . . . .	..	..	..	..	..	..	..	..
Textiles (Ladies) . . . . .	..	..	..	..	51,819.10	..	..	..
Textiles (Gents) . . . . .	..	..	..	..	5,339.69	..	..	..
Banarsi Sarees . . . . .	..	..	..	..	..	..	..	..
Fruits & Vegetables	77,972.13	..	..	..	1,02,189.92	..	..	..
Magazines . . . . .	..	..	..	..	..	..	..	..
House Hold	3,532.00	..	..	..	6,086.63	..	..	..
Frozen Food	23,374.55	..	..	..	83,581.69	..	..	..
Tailoring . . . . .	..	..	..	..	..	..	..	..

Motor Parts	..	..	..	..	2,748.59	..	..	..
Opticals.	..	..	..	..	5,699.40	..	..	..
Evening News	..	..	..	..	..	..	..	..
Dental	..	..	..	..	1,226.23	..	..	..
Watch Repairing	..	..	..	..	..	..	..	..
Scooter	..	..	..	..	3,012.62	..	..	..
Records	..	..	..	..	..	..	..	..
Lotteries	..	..	..	..	6,771.08	..	..	..
Camy Watch	..	..	..	..	..	..	..	..
Coffee House	..	..	..	..	2,579.55	..	..	..
Khadi	1,02,446.01	..	..	..	79,249.95	..	..	..
Cafe	3,656.92	..	..	..	72,105.18	..	..	..
Books & Stationery	9,487.51	..	..	..	13,539.04	..	..	..
Handloom	..	..	..	..	..	..	..	..
Furniture	5,764.94	..	..	..	68,780.94	..	..	..
Saree Printing	..	..	..	..	..	..	..	..
Groceries & Toilet	..	..	..	..	2,078.97	..	..	..
I. N. A. Branch (Deptt. wise not readily available)	..	48,612.46	..	..	..	81,870.58	..	..
Patel Nagar Branch (Deptt. wise not readily available)	..	..	18,204.64	..	..	..	37,803.56	..
TOTAL	2,28,185.87	48,612.46	18,204.64	..	5,13,678.90	81,870.58	58,803.56	..

1	2	3	4	5	6	7	8	9
	2,28,185.87				5,13,678.90			
	47,612.46				81,870.58			
	<u>18,204.64</u>				<u>37,803.56</u>			
	2,95,002.97				6,33,353.04			

NOTE : The statement excludes service charges recovered from the Syndicate Bank in Connaught Circus, Patel Nagar and I.N.A. Branches.

APPENDIX VI

(Para 9.3 of Chapter IX)

Statement of Staff employed

	August 1966	July 1967			July 1968				
		Total	Connaught Circus	INA Branch	Patel Nagar Branch	Total	Connaught Circus	INA Branch	Patel Nagar Branch
Total Staff	1167	1084	749	201	134	1066	725	186	155
Non selling	162	207	159	36	12	221	167	35	19
Selling	793	727	499	126	102	705	485	114	106
Repair, Maintenance, Security	212	150	91	39	20	140	73	37	30
Total Staff was	1167		Total Staff	1084		Total Staff	1066		

	Total	July 1969			Total	July 1970			
		Connaught Circus	INA Branch	Patel Nagar Branch		Connaught Circus	INA Branch	Patel Nagar Branch	Irwin Hospital
Total Staff	961	655	152	134	891	614	151	117	9
Non selling	232	186	24	22	299	236	32	30	1
Selling	592	419	93	80	473	312	89	65	7
Repair, Maintenance, Security. . .	127	50	35	32	119	66	30	22	1
	Total	Regular Staff:				Total Staff :	891		
		Temporary Staff	961						
			74						
			<u>1035</u>						

APPENDIX VII

(Para 9.20 of Chapter IX)

Statement showing the Amount of Rent and Commission Paid upto 30-6-69.

Branch.	1966-67		Total	1967-68		Total	1968-69		Total
	Rent	Commission		Rent	Commission		Rent	Commission	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Connaught Circus	4,61,875	3,69,255	8,31,130	5,08,850	2,98,315	8,07,165	5,00,000	2,62,390	7,62,390
I. N. A.	2,55,552	..	2,55,552	3,10,428	..	3,10,428	3,10,320	..	3,10,320
Godown Shakti Nagar	42,795	..	4,27,95	18,237	..	18,237	13,279	..	13,279
Patel Nagar Ground rent.	37,843	..	37,843	1,01,400	..	1,01,400	1,01,400	..	1,01,400
TOTAL :	7,98,065	3,69,255	11,67,320	9,38,915	2,98,315	12,37,230	9,24,559	2,62,390	11,87,389
Transferred to deferred Revenue Expr.			1,99,160						
TOTAL :			9,68,160			12,37,230			11,87,389
Amount as per Balance Sheet.			9,68,160			12,37,230			11,87,389

APPENDIX VIII

(Para 10.15 of Chapter X)

Statement of shortages detected and recovery made.

S.No.	Name of Employee.	Amount of shortage	Shortage recovered	Amount to be recovered	Remarks.
1	2	3	4	5	6
1.	Mr. —	2822·16	Nil.	2822·16	Case registered with police: dropped for lack of evidence, no longer in service. Security of Rs. 276·15 withheld.
2.	Miss. —	972·66	..	672·66	Rs. 347·55 payable to her withheld. Resigned. No more in service.
3.	Mrs. —	260·17	..	260·17	Service terminated. Rs. 121·35 security withheld. Account not settled.
4.	Mr. —	174·32	..	174·32	Service terminated. Security of Rs. 1731·49 withheld.
5.	Mr. —	416·91	416·91	..	..
6.	Mr. —	102·90	..	102·90	Service terminated.
7.	Mr. —	1974·60	..	1974·60	Rs. 119·18 being security deposit withheld. Action being taken to recover the balance.
8.	Mr. —	4219·84	..	4219·84	Services terminated. Rs. 121·87 security deposit withheld.
9.	Mr. —	410·00	..	410·00	Service terminated.
10.	Mr. —	604·40	450·00	154·40	Recovery being made in monthly instalments.

11.	Mr. —	726·31	414·00	312·31	Do.
12.	Mr. —	1298·47	911·75	386·42	Do.
13.	Mr. —	1298·47	1298·47	..	..
14.	Mrs. —	1298·47	..	1298·47	Security of Rs. 141. 24 withheld. Action being taken to recover the balance.
15.	Mr. —	988·03	50·00	938·03	Recovery being made in monthly instalments.
16.	Mr. —	988·03	50·00	938·03	Do.
17.	Mrs. —	988·03	50·00	938·03	Do.
18.	Mr. —	988·03	50·00	938·03	Do.
19.	Mr. —	988·03	988·03	..	..
20.	Mr. —	4994·62	..	4994·62	Case pending with Court.
21.	Mr. —	290·00	..	290·00	Do
22.	Mr. —	1032·80	..	1032·80	Security of Rs. 67 withheld. Action being taken to recover shortages.
23.	Mr. —	1565·54	..	1565·54	Recovery ordered in monthly instalments.
24.	Mr. —	1565·54	..	1565·54	Do.
25.	Mr. —	1565·54	..	1565·54	Do.
26.	Mr. —	567·80	..	567·80	Recovery being made.

APPENDIX VIII

Summary of main Conclusions|Recommendations

Sl. No.	Para No. of Report	Ministry/Dept. Concerned	Conclusions/Recommendations
1	2	3	4
1.	2.7	Ministry of Agriculture, (Deptt. of Co-operation)	The Committee regret to note that the Cooperative Store Ltd., Delhi registered on 20th June 1966, has not been able to build up its own share capital to any appreciable extent as yet. As on 30th June, 1970, the share capital of the society stood at Rs. 44.63 lakhs of which as much as Rs. 41.76 lakhs were contributed by Government of India as loan. An additional share capital contribution of Rs. 25 lakhs has also been sanctioned by Government during 1970-71 raising their contribution to 96 per cent. The Committee need hardly point out that if the store is to become truly cooperative in character it should take immediate steps to broaden the base of its membership.
2.	2.8	Do.	The Committee find that the liability of members other than Government and Associate Members extends to ten times the face value of their subscribed share and that this is one of the serious impediments in broadening membership base. The Committee would suggest that the feasibility of amending suitably the relevant bye law of the Society might be considered so as to attract more members.

However, the Committee feel that unless the working results of the store show improvement there are hardly any chances of significant increase in the share capital contribution by individual members.

3. 2.9 Do.

The Government loan capital was to be repaid to the extent of 50 per cent within five years and the balance in another ten years. The repayment schedule has however been subsequently revised so as to allow of repayment of one-tenth of the loan every year commencing from sixth year. The Committee hope that with the expected improvement in the management of the store and an effective membership drive the store will be able to adhere to the revised repayment schedule.

4. 3.9 Do.

A review of the financial position of the store reveals a disquieting picture. The cumulative loss of about Rs. 66.41 lakhs upto 30th June, 1970 has virtually wiped out the entire share capital of Rs. 44.35 lakhs. Further a sum of about Rs. 16 lakhs in excess of loans (other than loan capital) and subsidies received from Government is locked up in building, furniture and fittings—these have contributed to a precarious ways and means position for the store. In the succeeding sections of this Report the Committee have dealt with the reasons for the recurring losses and identified the areas of weakness of the Society. The Committee would like to emphasise that the Management of the Store should take appropriate corrective measures with a view to attaining economic viability before long.

1	2	3	4
5.	3.10	Ministry of Agriculture (Deptt. of Co-operation)	Bereft of working capital, the store has been subsisting only on over-drafts which ranged from Rs. 66 lakhs to Rs. 82 lakhs during the years 1966-67 to 1969-70 with the attendant heavy interest liability. The Committee find that during 1970-71 Government have sanctioned a further assistance of Rs. 65 lakhs of which Rs. 40 lakhs will be long term loan and Rs. 25 lakhs additional share capital contribution. The Committee hope that with this liberal assistance the Store will rehabilitate itself soon and by prudent management of resources at lease in future, will maintain adequate working capital which is essential for the survival of the Store.
6.	3.11	Do.	The Committee find that the Store invested a sum of Rs. 55.87 lakhs on construction of building and providing furniture and fittings as against the loans and subsidies amounting to Rs. 39.75 lakhs only received from Government for the purpose. The Committee are at a loss to understand how the store could incur considerable additional expenditure of capital nature without ensuring additional resources which partly accounted for the financial stringency of the institution. In the opinion of the Committee there was no semblance of any realistic and prudent planning in evidence for which the management should be held responsible.
7.	4.15	Do.	The Committee are distressed to find that the store has been

incurring losses since its inception continuously over the past four cooperative years ended 30th June, 1970. The biggest loss of Rs. 22.05 lakhs was in 1967-68 which was only marginally brought down to Rs. 19.27 lakhs and about Rs. 17.21 lakhs during the subsequent years 1968-69 and 1969-70 respectively. The accumulated losses so far are about Rs. 66.41 lakhs. Apart from incurring deficits due to mismanagement, over-staffing, heavy pilferage and theft, high rent liability, injudicious purchases and decline in sales, burden of interest only overdrafts etc., the store experimented unsuccessfully on mechanisation of accounts and started a vegetable farm both of which cost it heavily. The Committee notice a rather amateurish handling of the affairs of the store. They trust that taking lessons from the past mistakes which largely arose out of either undue over-optimism or lack of sufficient expertise and control, the store will plug the loopholes and improve the working results so that the accumulated losses could be wiped out as early as possible.

- | | | | |
|----|------|-----|---|
| 8. | 4-16 | Do. | The Committee learn that the accounts are not maintained in such a way as to find out the profit or loss of each branch/department of the store. In order to have adequate control by the management based on the individual profitability or otherwise of each department/branch, the Committee feel that appropriate system of accounts should be introduced forthwith. |
| 9. | 4-17 | Do. | The Committee do not think that the store should aim at being a one-stop shopping centre for the entire range of goods rather than supplying the essential consumer goods at reasonable prices. |
-

They, however, find that a number of new departments such as 'transistor', 'toys and sports goods', 'furniture' etc. have been added to the store in addition to giving on contracts departments such as 'electric repair', 'optical', 'photography' etc.; but barring the 'footwear' department which yielded a very small profit all the other departments in the store are running in loss. The Committee would suggest that the departments which do not deal in essential commodities and on which considerable losses are incurred should be investigated to determine whether it is worthwhile continuing them. The results of such investigations and remedial action taken should be intimated to them.

10.

5.12 Ministry of Agriculture
(Deptt. of Co-operation)

Admittedly it was somewhat a tall claim that the department stores would hold the price line. An expert of the International Labour Organisation has also stated 'bluntly' that "this is an impossible thing to expect of them." The prices of consumer goods have been going up due to increase in manufacturing costs. The Committee were, however, informed that the store was following an "active price policy" which meant selling goods at slightly less than the market prices. But they find from the fortnightly data collected in the months of June-July, 1970 that in the case of quite a few consumer goods the price of the store, far from being lower, were consistently higher than the market prices over a considerable period. The Committee would like to know the reasons for this phenomenon

and whether such disparities which run counter to the *raison d'être* of the store, have been brought out in the weekly market surveys avowedly conducted to make necessary adjustments in the prices to relate them to prevailing market rates. The Committee find that paradoxically enough, the store instead of leading the market finds itself being led.

11. 5.13 Do.

Apart from following an active price policy, the store can exert a healthy influence on the retail market in other two ways. By holding adequate stocks of scarcity goods, the store can ensure a steady supply to *bona fide* consumers wherever there is scarcity outside. Studying the market conditions, the store can also procure in bulk consumer goods from manufacturers and sell them at lower prices without taking 'inventory gain' when the procurement prices go up in the meantime. These will go a long way in stemming the artificial and hence avoidable increase in retail prices.

115

12. 5.14 Do.

At the present shortage of finances has come in the way of sufficient stocks being maintained by the store. The Committee hope that with the assistance sanctioned by Government recently, the store will be in a position to ensure adequate stocks to supply goods at reasonable prices at all times as suggested in the foregoing paragraph if the store is to justify its existence.

13. 6.10 Do.

It is needless for the Committee to point out that purchase is the most important operation on which depends the success of the

store. The Committee are, however, constrained to observe that adequate planning and experience have not been brought to bear on this operation. Further, on the plea of lack of adequate liquid resources purchases are being made from stockists and wholesale commission agents. Non-standard items available on short credit are also procured. These have resulted in reduced sales margin and accumulation of slow moving unsaleable stock. The Committee hope that necessary improvements will be made early and the purchase policy and procedure rationalised as suggested by the Study Team which conducted a study of the working of the store in April, 1970. The highlights of the suggestions of the Team are—institutionalisation of purchases, ban on purchases of non-standard items from local market, preparation of a purchase budget, standardisation of inventory for each item relating it to sales etc.

14.

6.11

Ministry of Agriculture
(Deptt. of Co-operation)

The Committee find that the audit of purchase bills presented difficulties in the absence of regular terms and conditions of purchases in all cases for the third year in succession during 1968-69. The Chartered Accountants have reported that instances of discrepancies between the terms and conditions wherever available and those given in the supplier's bills checked by the Department Managers, have been pointed out to the management. The Government have, however, stated that specific instances have not been pointed

out. The Committee wish that the matter should be sorted out with the auditors and a review made to ascertain whether any recoveries are due for non-compliance with the terms and conditions by the suppliers. Suitable action should also be taken for the ineffective check by the Department Managers.

15. 6.12 Do.

The Committee are surprised to note that 14,460 Kgs. of sub-standard quality of walnuts which was in excess of 3 years' requirements was procured resulting in a loss of Rs. 36,000. The Committee are not able to appreciate how walnuts which are known to become rancid with time, were purchased in such grossly excessive quantities. The Committee are informed that the Department Manager concerned has been warned. Apart from the adequacy of disciplinary action, the Committee would like to be informed of effective measures, if any, taken to obviate recurrency in purchase of such like goods.

16. 7.15 Do.

The shrinking sales figures speak eloquently of the performance of the store. With the Super Bazar at Connaught Circus functioning for the whole year, Apana Bazar in INA Market for 9 months and Apana Bazar at Patel Nagar for less than a month, the sales during the year 1966-67 amounted to Rs. 458.13 lakhs which came down steeply to Rs. 335.79 lakhs in 1969-70 with all the units functioning for the whole year besides addition of a number of new departments

and a whole-sale unit in the meantime. Unattractive prices, inadequate stock of fast moving articles, poor salesmanship, absence of effective sales promotion are some of the factors that contributed to this steep decline. The Committee would like to strongly emphasise the need for taking immediate steps to launch a major sales offensive in order to pull the store out of the morass.

17. 7-16 Ministry of Agriculture (Deptt. of Cooperation) Admittedly the prices of the store are not Competitive any more. It is interesting to find that the average mark up of sale prices over the purchase prices has been increased by the store progressively over the year 1966-67 to 1968-69 from 10 per cent to 13.5 per cent contrary to the expected reduction from 10 per cent to 8 per cent in 1967-68. This is self defeating as increased mark up is bound to affect sales in the long run. The Committee wish that the impact of such increases on sales turnover should be studied and the optimum mark up determined for each commodity which will ensure good sales turnover consistent with reasonable gross profit.
18. 7-17 Do. It is obvious that the store should sell what the people want to buy. For this purpose the Committee would suggest that a survey of buying habits and the changing consumer preferences should be undertaken periodically and an effective coordination should be maintained between the selling and purchase departments,

19. 7.18 Do. The need to improve salesmanship and sales promotion is clearly indicated. The Committee would also like the feasibility of changing the working hour of the various branches of the store to be examined with reference to the conditions of each locality to improve sales.
20. 8.14 Do. Gradually several departments of the store are allowed to be run by private contractor on commission basis. There are as many as 23 departments run by private parties who occupy more than a sixth of the total selling space of the three units of the store. The commission realised on this account rose from Rs. 2.95 lakhs in 1967-68 to Rs. 6.33 lakhs in 1968-69. The Committee thus find that the store not only makes its purchase through middlemen but also sells through middlemen.
21. 8.15 Do. The Committee were, however, informed that close check is exercised both on the price and quality of the goods sold or services rendered by the lessees. The Committee would like to stress that there should be a strict control in this regard in the interest of consumers.
22. 8.16 Do. The Committee find that some of the departments run initially by the store and on which losses were incurred such as 'canteen', 'fruit and vegetables', 'meat and fish', were let out on contract getting an assured income. It was pleaded before the committee that "the basic proposition remains that with the given level of efficiency

in any departmental organisation and motivation under the departmental arrangement there would be risk of loss on perishable commodities" and "if the system of sale is changed over to 'personal basis' the position becomes different". The Committee would like the position in this regard in a few well organised department stores in the country to be examined and intimated to them. They would also like Government to examine as to what incentive should be given or improvement made under the present system so that the employees may acquire a stake in the success of such departments.

23.

8.17

Ministry of Agriculture (Deptt. of Cooperation) The Committee are not clear as to whether the commission realised from the contractors fully covered the proportionate expenditure on rent and other overheads incurred by the store. During 1968-69, the commission realised in respect of Super Bazar at Connaught Circus was Rs. 5.14 lakhs for 18,850 sq. ft. of selling space occupied by private parties whereas the commission realised in respect of the Apna Bazars at INA Market and Patel Nagar was only Rs. 0.82 lakh and Rs. 0.38 lakh respectively for 5,372 sq. ft. and 6,705 sq. ft. of selling space occupied. It is thus obvious that the commission realised is not commensurate with the selling space occupied at least in the two Apna Bazars. The Committee would suggest that costing of expenses in respect of individual departments let out on contract should be done to determine whether any loss is incurred by the store. After knowing the individual profitability

thus it should be examined whether it is worthwhile continuing the contracts in respect of departments which do not pay as recommended by the Committee earlier in this report.

24. 9.2 Do.

The overhead expenses of the store other than those relating to "salaries and wages" and "rent" jumped from 2.7 per cent of the sales turnover in 1966-67 to 5.5 per cent in 1967-68 and again rose to 6.4 per cent in 1968-69 as against the norm of 2 per cent formulated by the Ministry. The Committee would like to emphasise that there should be strict control over these expenses and for this purpose it is advisable to have norms prescribed for each component thereof. The Committee feel that there is ample scope for economy especially on 'administrative expenses' and 'interest'.

25. 9.15 Do.

The Committee are distressed to note the thoughtless overstaffing of the store. That the number of staff which was 1167 in August, 1966 with only the Super Bazar at Connaught Circus functioning could be progressively brought down to 891 in July, 1970 with the addition of two Apna Bazars besides a number of new departments, shows the extent of overstaffing at the beginning. It is interesting to note that even this reduced strength of 891 contains a surplus of 75 employees. The Committee would like the Government to extend every assistance to the stores so that the surplus staff could be gainfully utilised in some other suitable organisation thus reducing the financial burden on the store.

1	2	3	4
26.	9.16	Ministry of Agriculture (Deptt. of Cooperation)	The Committee find that the strength of non-selling staff increased from 162 in August, 1966 to 299 in July, 1970 whereas there was reduction of selling staff from 793 to 473. It was explained as partly due to reclassification of posts. According to Audit para the sales per salesman per day were Rs. 214.31 only as against the norm of Rs. 300 to 400 depending on the nature of business activity. As correct classification of personnel into selling and non-selling is necessary to apply the norm of sales, the Committee would suggest that it should be carefully examined in consultation with Audit.
27.	9.17	Do.	The wage bill of the store increased from Rs. 24.47 lakhs in 1966-67 to Rs. 28.66 lakhs despite reduction in number of staff, due to rise in wages. The percentage of establishment expenditure on sales was as high as 7.39 per cent in 1968-69 compared to the norm of 3 per cent. The Committee would like stores to take suitable measures to rationalise further the strength of staff so that the sale of per salesman comes upto the norm of Rs. 300—400 per man.
28.	9.32	Do.	According to Audit para the rent liability of the store works out to 2.6 per cent of sales as against the norm of 1 per cent. The Committee closely examined the plea of high rent liability in respect of the Super Bazar at Cornaught Circus. The store is paying to the N.D.M.C. for this building Rs. 5 lakhs per annum plus 1 per cent of

the gross sales. Thus the rent will be invariably more than the norm of 1 per cent of the sales. Acceptance of the fixation of rent *ab initio* was, therefore, not well advised

29. 9.33

Do.

At the present level of sales in the Super Bazar at Connaught Circus, the rate of rent per sq. ft. per month works out to about 60 paise which in the Committee's opinion cannot be regarded as high considering the locality. The Committee, therefore, feel that the high rent liability which is of the order of Rs. 8 lakhs per annum is not entirely on account of high rate of rent but mainly due to surplus space occupied by the store. It is seen from a study report (1970) that by a proper rationalisation of the selling space and correlating space to sales it may be possible to release surplus space of about 60,000 sq. ft. As it has been explained that surrender of a portion of the building and its occupation by independent parties would interfere with the business of the store and create problems of security, the Committee would suggest that the store might consider vacating entirely one or two floors of the building for occupation by any related Government Department|Nationalised Institution in need of accommodation.

30. 9.34

Do.

The Committee have dealt with the surrender during 1967-68 of 76 out of 224 shops hired by the store near I.N.A. Colony and the question of settlement of dues of the store in their 5th Report (Fifth Lok Sabha). They find that after this surrender in the Apna Bazar, I.N.A. Market, the store itself occupies a selling space of

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31,578 sq. ft. in 1969-70 and the commission agents occupy 6380 sq. ft. According to the study Report (1970) there is a scope for releasing further surplus space of 5 to 6 thousand sq. ft. in this unit of the store. The Committee would like Government to release forthwith or put to economic use the surplus accommodation.

31.

9-35

Ministry of Agriculture
(Deptt. of Cooperation)

The Committee are surprised to find that the store constructed a pucca building costing about Rs. 15 lakhs on a land taken on lease from the D.D.A. on a year to year basis. The D.D.A. have objected to this and wanted the super structure to be removed as the land was required for their own developmental purposes. The Committee were informed that the matter would be taken up with D.D.A. to allow the Store undisturbed in the building to save loss. The Committee may be apprised of the outcome. Incidentally, the Committee find that the Store carries a surplus space of about 25,000 sq. ft. in this unit (Apna Bazar, Patel Nagar) too, the proposed utilisation of which may be intimated.

124

32.

9-36

Do.

Yet another instance of unauthorised construction of a shed in a vacant space in the Connaught Circus Branch which had to be handed over to the N.D.M.C. involving avoidable expenditure of Rs. 46,816 has been reported by the Chartered Accountants. The necessity for this construction when the store had already surplus

accommodation and the action taken against the officials responsible may be reported to the Committee. The Committee hope that such acts of indiscretion will not be committed in future.

33. 10-18 Do. The Committee regret to find that the maintenance of quantity and value accounts of stock has been neglected badly. The Chartered Accountants have been drawing attention to this vital deficiency in their successive reports on the audit accounts of the store. The Committee hope that necessary action will be taken forthwith to improve the stock accounting.
34. 10-19 Do. The Committee find that there has been considerable overstocking of certain goods. Old stock in selling areas has not been identified. The Committee wish that in addition to improving stock accounts minimum and maximum reordering levels should be prescribed so as to have effective inventory control.
35. 10-20 Do. The Committee are concerned to find that there has been no systematic segregation of old, defective and damaged stock lying with the stores as well as in selling areas. This is all the more important in the case of groceries and toiletries departments as these are to be replaced by the suppliers. The Committee, however, find that such stocks to the extent of about Rs. 10 lakhs in the household readymade and textile departments have been reduced to Rs. 2.5 lakhs and that the damaged goods replacement cell which started functioning with effect from December, 1968 is pursuing the replacement of stocks wherever necessary. The Committee trust there will be better control in future.

36. 10-21 Ministry of Agriculture (Deptt. of Cooperations) The store has been facing the menace of shortages aggregating about Rs. 21 lakhs during 1966-67 to 1968-69 which account for more than two-fifth of the losses incurred by the store during these years. The Committee do not think that the correct position of shortages has been ascertained in the absence of reliable stock accounts over these years. The Committee wish that norm should be fixed on realistic basis for driage, leakage, spillage etc. and that surprise check of stock together with stricter security measures undertaken to provide for deterrant effect on pilferages. The store should also analyse pilferages department-wise and ensure a tightened control in specific departments where pilferages are more.
37. 10-22 Do The Committee are not happy over the present arrangement for dealing with cases of shop lifting. At present the alleged offenders are fined by the store upto five times the value of the goods. The Committee were informed that a sum of Rs. 5,775 has been collected as fine upto 1969-70 in respect of 902 cases. The Committee do not approve of imposing fines without due process of law.
38. 10-23 Do The Chartered Accountants have brought out in their reports various cases of mis-appropriation of stores by the employees. In some cases resignation of persons have been accepted without finalising disciplinary proceedings. The Committee do not appreciate any

leniency being shown towards delinquent officials and they are of the view that no true trade unionism will stand in the way of checking pilferages and misappropriations. There are as many as 26 cases of pilferages/shortages for which staff were held responsible. The Committee hope that these cases will be pursued vigorously with a view to recovering the amounts and finalising disciplinary action. The store should also consider obtaining sufficient security from the staff handling store.

39. 10.24 Do.

As the shortages/pilferages are stated to be lower in the self service department which also accounts for low cost of staff, the Committee suggest that the possibility of extension of the self service system to cover more departments might be considered by the store.

40. 11.18 Do.

One more area of weakness of the store is Accounting. The Committee are at a loss to understand how even after four years of functioning of the Store the accounts have not been put on scientific basis. The arrears in the compilation of accounts are yet to be pulled up. It is surprising to find that the Internal Audit Unit was formed only in September, 1968. The Committee hope that the deficiencies in the accounting system will be attended to with well-defined targets so that it may become an effective management tool for plugging the loopholes in the organisation before long.

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41. 11.19 Do.

The Committee take a serious view of the absence of prompt action to regularise short deposits of cash. Out of shortages amounting to Rs. 37,209, a sum of Rs. 29,021 has been recovered upto 30th

1	2	3	4
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June, 1970. The Committee wish that stringent action is taken against persons responsible. Adequate security should be obtained in future from staff handling cash.

42. 11.26 Ministry of Agriculture
(Deptt. of Cooperations)

The Committee note that the unsuccessful experimentation with the machenisation of accounts cost the Store Rs. 6.42 lakhs. They would like to know how the scheme was embarked upon despite the objection of the Chief Accounts Officer and without ensuring adequate number of experienced personnel to operate the machines.

43. 12.8 Do,

The Committee find that for re-modelling the interior of rented buildings at Connaught Circus (cost Rs. 14.54 lakhs) and I.N.A. Colony (cost Rs. 7.22 lakhs) and designing and supervision of construction works for the Patel Nagar branch (cost Rs. 13.74 lakhs), the management appointed a firm of architects on a fee of 10 per cent of the cost of re-modelling works and 8 per cent of that of construction works. The total claim of the architects was for Rs. 3.32 lakhs of which they had agreed to forego fee to the extent of Rs. 32,568. There was no written agreement with the architects. The Committee consider the rates of fee paid to the architects to be excessive. While the Committee appreciate that there was no time to call for tenders in view of the extreme urgency with which the work had to be attended to, they do not find any reason why the management did not attempt to check up the reasonableness of the rates in consultation with the CPWD.

44. 12.9

Do.

For re-modelling works at the Connaught Circus and INA Colony no detailed estimates were prepared either by the architects or by the management. The architects awarded the works to a firm of contractors without inviting tenders on the understanding that the latter would carry out the works on the same terms and conditions on which they had carried out similar works for the Central Cottage Industries Emporium, New Delhi, although the volume of work executed in the store was about 7 to 12 times more than that in the Emporium. The Committee also note that the rates for extra items of work not mentioned in the agreement with the Emporium were fixed by the architects. The Committee do not think that it was correct to allow the architects to fix the rates for the work when their fee depended on the cost of the work. In their opinion the management did not serve the financial interest of the Store in entering into such an arrangement with the architects which is sought to be justified on the grounds of urgency.

129

45. 12.13

Do.

According to the Audit para the rental income on sale of advertisement space (wall panel and show windows) was Rs. 0.31 lakh in 1966-67, Rs. 0.79 lakh in 1967-68 as against the estimated income of Rs. 12 lakhs per annum. This has subsequently risen to Rs. 2.5 lakhs in 1969-70. The Committee would like the procedure in this regard to be streamlined and the revenue augmented.

46 13.1

Min. of Agriculture
(Deptt. of Cooperation)

In the wake of devaluation, the Government of India formulated a scheme for the promotion of consumer co-operative department stores in large urban areas in order to make a tangible impact on the distributive trade and to arrest trend of rising prices. The Super Bazar at New Delhi is a pioneer among all the cooperative department stores in the country. The Committee would like to record that the concept of Super Bazars is a laudable one. They have a vital role to play in the stabilisation of prices of consumer articles in the interest of the common consumer. The Committee have no doubt that if organised and conducted with prudence, vigilance and imagination the Super Bazars can become commercially viable institutions of great service to the community.

47 13.2

The New Delhi Super Bazar was opened about five years ago with great enthusiasm and high hopes. There is no denying the fact that the Super Bazar did make an impact on prices of consumer goods in the beginning. However, after reviewing the working of the Store over the past four years, the Committee cannot resist a feeling that the difficulties now being faced by the Store are the result of gross overstaffing, lack of realistic and prudent planning and mismanagement during the formative period.

While the role of the Super Bazar is generally recognised and appreciated, the question that often exercises the public mind

48 13.3

-do-

is its continuing losses and unimaginative operation. In the earlier chapters of this Report, the Committee have tried to focus attention on the various drawbacks and shortcomings observed by them in the working of the Super Bazar and have made suggestions for their correction. They hope that Government would take appropriate remedial measures for improvement of operations including rationalisation of staff strength and strict action against the persons responsible for mismanagement and other specific lapses.

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As pointed out in an earlier portion of this Report, there is urgent need for transforming the Super Bazar which at present is a Government sponsored and financed organisation into a genuine cooperative which will be supported, financed and managed by the elected representatives of the voluntary members. It should be the constant endeavour of the Super Bazar to increasingly win the confidence of the consumers through keener and more efficient salesmanship and service. The Store is expected to make best possible use of the additional financial assistance recently given by the Government and function as a viable unit. It should endeavour to become a watchword for guaranteed quality of goods at most competitive prices. It should in fact provide the 'best buy' in the town. In short, the Super Bazar should aim at becoming a

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model store for quality of goods, reasonableness of prices, prompt, efficient and courteous service, awed by unscrupulous traders eager to exploit the shortages-real or artificial of consumer goods and as a source of inspiration to similar cooperative consumer stores in the country.

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Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
	DELHI				
24.	Jain Book Agency, Connaught Place, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	74
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	-	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	7	35.	The United Book Agency 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	81
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	75
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20		MANIPUR	
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chanda Singh News Agent, Ramlal Paul High School Annex, Imphal.	77
31.	Bahree Brothers, 188 Lal-petrai Market, Delhi-6.	27		AGENTS IN FOREIGN COUNTRIES	
32.	Jayana Book Depot, Charparwala Kuan, Karol Bagh, New Delhi.	66	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.-2.	59

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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL
MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.
