

PUBLIC ACCOUNTS COMMITTEE

(1973-74)

(FIFTH LOK SABHA)

HUNDRED AND SEVENTH REPORT

[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 84th Report (Fifth Lok Sabha) on paragraph 71 of the Report of the Comptroller and Auditor General for the year 1969-70—Central Government (Civil) relating to Department of Co-operation.]



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OF THE PUBLIC ACCOUNTS COMMITTEE (1973-74)
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PUBLIC ACCOUNTS COMMITTEE
(1973-74)

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SECRETARIAT

Shri M. S. Sundaresan—*Deputy Secretary.*
Shri T. R. Krishnamachari—*Under Secretary.*

*Elected on 29-11-73 *Vice* Shri D.S. Afzalpurkar died.

INTRODUCTION

1, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Seventh Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 84th Report (Fifth Lok Sabha) on Paragraph 71 of the Report of the Comptroller and Auditor General for the year 1969-70—Central Government (Civil) relating to Department of Cooperation.

2. On the 26th May, 1973 an 'Action Taken' Sub-Committee was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

Shri H. N. Mukerjee—*Convener*

2. Shri Sunder Lal	}	<i>Members</i>
3. Shri Biswanarayan Shastri		
4. Shri M. Anandam		
5. Shri Nawal Kishore		
6. Shri H. M. Patel		

3. The Action Taken Sub-Committee of the Public Accounts Committee (1973-74) considered and adopted this Report at their sitting held on 19th February, 1974. The Report was finally adopted by the Public Accounts Committee on the 11th March, 1974.

4. For facility of reference the main conclusions|recommendations of the Committee had been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations|observations of the Committee is appended to the Report (Appendix).

5. The Committee placed on record their appreciation of the assistance rendered to them in this matter by the Comptroller and Auditor General of India.

NEW DELHI;

March 11, 1974.

Phalguna 20, 1895 (S).

JYOTIRMOY BOSU,

Chairman,

Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report deals with action taken by Government on the recommendations contained in the Eighty-fourth Report of the Public Accounts Committee (Fifth Lok Sabha) on Para 71 of the Report of the Comptroller & Auditor General for the year 1969-70—Central Government (Civil) relating to the Department of Cooperation (Ministry of Agriculture).

1.2. Replies to all the recommendations contained in the Report have been received from Government.

1.3. The Action Taken Notes on the recommendations|observations of the Committee contained in the Report have been categorised under the following heads:—

- (i) *Recommendations|observations that have been accepted by Government.*

S. Nos. 1-4, 6-8, 10-18, 20-21, 23, 25-26.

- (ii) *Recommendations|observations which the Committee do not like to pursue in the light of replies received from Government.*

S. No. 22.

- (iii) *Recommendations|observations replies to which have not been accepted by the Committee and which require reiteration.*

S. No. 9.

- (iv) *Recommendations|observations in respect of which Government have given interim replies.*

S. Nos. 5, 19, 24.

1.4. The Committee hope that the final replies in regard to those recommendations to which only interim replies have been furnished will be submitted to them within a month, after getting them vetted by Audit.

1.5. The Committee will now deal with the action taken by Government on some of the recommendations.

Evaluation of consumers cooperative Programme (Paragraph 1.37, S. No. 2)

1.6. In paragraphs 1.1 to 1.42 the Committee had reviewed the performance of consumer cooperatives in the country. Pointing out the need for a scientific appraisal of the working of these cooperatives, the Committee made the following observations in paragraph 1.37.

"The Committee would like the Ministry itself to make a scientific appraisal of the working of the consumer cooperatives in the country with a view to identify the drawbacks and to suggest remedial measures."

1.7. In a note dated 27th October, 1973, the Ministry of Agriculture (Department of Cooperation) have stated as follows:—

"As recommended, action has been initiated to undertake a scientific appraisal of the working of consumer cooperatives, apart from periodical reviews and studies that are continuously made by the Ministry as well as by the Consultancy and Promotional Cell of the National Cooperative Consumers' Federation."

1.8. The Committee would like to stress that the scientific appraisal of the working of consumer cooperatives initiated by the Ministry should be completed expeditiously and necessary steps taken to remedy the drawbacks. They would also await a report in this regard.

Need to increase sales turnover of consumer cooperatives (Paragraph 1.38—S. No. 3)

1.9. In paragraph 1.38 of the Report, the Committee made the following observation regarding poor retail sales turnover of consumer cooperatives in the country:—

"According to the figures furnished by the Ministry the total retail sales of consumer cooperatives during the year 1969-70 is estimated to be Rs. 250 crores. The Committee feel that this amount of sales turnover for the whole country is too meagre as compared with the total retail sales by the private traders, to have the desired impact on the retail prices."

1.10. In reply, the Ministry have stated in a note dated 27th October, 1973, submitted to the Committee as follows:—

“While the retail sales handled by consumer cooperatives are doubtless small as compared to the total retail sales by the private trade in the entire country, individual institutions have generally made an impact in the areas served by them. There is now a positive trend towards increase in sales turnover due to greater involvement of consumer co-operatives in the public distribution system, particularly in respect of articles like controlled cloth and levy sugar. In the Fifth Five Year Plan, consumer cooperatives are expected to attain a retail sale of Rs. 600 crores by the terminal year of the Fifth Plan, as against Rs. 300 crores expected to be achieved by the end of the Fourth Plan. With increase in sales turnover and diversification of business, as also projected increase in the number of consumer co-operative stores, during the Fifth Plan Period, consumer co-operatives are expected to be in a position to make a larger impact on the retail trade in the future.”

1.11. The Committee note that the consumer cooperatives are expected to attain an annual sale of Rs. 600 crores by the end of the Fifth Plan. The Committee take it that this projection is on the basis of 1969-70 prices. This target is possible of achievement only by qualitative strengthening of existing units and by diversification of business to cover the entire range of essential consumer goods. The Ministry must take suitable steps to ensure that the target is achieved.

Fulfilment of the conditions of the Centrally Sponsored Scheme—
(Paragraph 1.40—S. No. 5).

1.12. Commenting upon the need for constantly reviewing the fulfilment or otherwise of the conditions of the Centrally Sponsored Scheme and improving the system of collecting data from the States, the Committee made the following observation in paragraph 1.40:—

“The Centrally Sponsored Scheme was aimed at a pattern of assistance in respect of matching share capital, contribution, minimum membership to be eventually attained. The Committee have been informed that State Governments were responsible to ensure that the institutions assisted fulfilled the conditions laid down under the scheme. The Committee feel that the Ministry should

have kept under constant review the fulfilment or otherwise of the conditions with a view to taking necessary steps. Admittedly the system of collecting data from the States and their analysis calls for improvement."

1.13. In their reply dated 27th October, 1973, the Ministry have stated as under:—

"The position regarding overall growth of share capital, membership etc. in general has been kept under constant review by the Ministry. In respect of individual societies, the State Governments have been addressed again to make a review about the fulfilment of the terms and conditions in respect of individual institutions assisted under the Centrally Sponsored Scheme. A detailed review will be made after fuller data are received from the States in response to the Ministry's recent communication and analysed as recommended."

1.14. The Committee stress the importance of watching the fulfilment of terms and conditions by the institutions assisted under the Centrally Sponsored Scheme. They desire that the proposed, comprehensive review in this regard should be completed expeditiously and the results intimated to them.

Deterioration in the working of Primary Stores—Paragraph 1.53 (S.No. 8)

1.15. In paragraphs 1.43 to 1.55 of their Report, the Committee dealt with unsatisfactory functioning of primary stores and made the following observations in paragraph 1.53:—

"The Committee feel concerned to note that out of a total number of 13,134 primary societies, 4375 societies incurred losses to the extent of Rs. 150 lakhs during the year 1970-71 and 4121 societies made no profit/loss. It is discouraging that the number of primary societies making profits have decreased from 6709 in 1965-66 to 4638 in 1970-71, while the number of those incurring losses have increased from 2763 to 4375. The Committee were informed that according to the statistical statements prepared by the Reserve Bank of India over 4000 societies were dormant during the year 1969-70. In August, 1969 the Central Government recommended to the State Governments that a quick survey should be undertaken by the States to identify the viable or potentially viable units, so that they could be amalgamated with wholesale stores, if necessary, compulsorily, and the remaining

stores liquidated. The Committee have been informed that the surveys are still in progress in 10 States and yet to be undertaken in 4 States viz. Himachal Pradesh, Jammu & Kashmir, Nagaland and Meghalaya. As a result of the surveys in 6 States and 1 Union Territory, 181 primary stores and 2 wholesale stores have been placed under liquidation, 16 primaries reorganised, and 15 uneconomic branches of wholesale stores closed. The number of primary stores has been reduced from 13,950 in 1967-68 to about 13,134 in 1970-71. It has been stated that the progress is slow, due to the practical difficulties involved in the process of amalgamation/merger of primary stores with the central stores. Viable stores hesitate to merge with the institutions which have sustained losses. In the event of compulsory merger, members have to be paid their share capital, if demanded, which may not always be possible. The Committee desire that the survey in the remaining States should be completed expeditiously and 'difficulties in amalgamation/merger of uneconomic societies should be resolved in consultation with the State Governments."

1.16. In their reply dated the 27th October, 1973, the Ministry of Agriculture (Department of Cooperation) have stated:—

"The need for expeditious completion of the survey of the primary societies has been stressed on the State Governments. The State Governments have been asked to complete the survey and draw up a rational plan for the development of primary stores as early as possible. The matter will continue to be pursued with the State Governments, and efforts made to resolve the inherent problems involved."

1.17. The Committee note that the State Governments have been asked to complete the survey and draw up a rational plan for the development of Primary Stores as early as possible. The Committee hope that the Ministry will ensure that this is done within a period of 12 months.

Norms for sales turn-over of primary stores (Para 1.54—S. No. 9)

1.18. Commenting on the progressive decrease in the sales turn-over of the primary societies, the Committee made the following observations in paragraph 1.54 of the Report:—

"The Committee find that the sales turn-over of the primary societies has progressively come down from Rs. 195.38 crores in 1966-67 to Rs. 151.21 crores in 1970-71. The

reasons for this decline require to be gone into critically and measures devised to improve sales and reduce expenditure. It is significant that the percentage of cost of management to sales turn-over has increased from 2.99 per cent in 1965-66 to 4.23 per cent in 1969-70 mainly because of increase in the cost of management. It is also desirable to fix a norm for sales turnover which would make a primary store viable so that the performance of the stores may be reviewed on that basis periodically."

1.19. In a note dated 27th October, 1973, the ministry have stated as follows:—

"The reasons for decline in the sales turnover of primary societies, and the measures required for improvement of their sales turnover and economic viability, have been analysed by this Ministry from time to time in periodical reviews, and the position is summed up in the following observations, made by the Sub-Committee of the Central Advisory Committee on Consumer Cooperatives in its General Report, with which the Ministry are in agreement:

"(i) In general, the position of primaries is that they have been predominantly dealing in controlled commodities and foodgrains and relaxation of controls on foodgrains and sugar and their easy availability in the market, has led to fall in business. In any case, on account of the extremely low margins available on controlled commodities, the societies have been incurring losses. Where the size of sales turn-over has gone down, the societies have not been quick enough to diversify their business or reduce expenditure. A general contributory factor is inefficient management. If the primaries have to survive, they must diversify the range of their business, dealing more and more in non-controlled, general, consumer goods, and enlarge the size of the retail outlets. They could, with advantage, amalgamate among themselves, or merge with wholesale stores and function as their branches. In any case, they must forge a closer link with wholesale stores in the matter of purchases, so as to get the benefit of economical buying.

(ii) The Sub-Committee have, however, visited a number of primaries in almost all the States, which were working very successfully. It is the general observation of the Sub-Committee that primaries are doing well, where they serve compact areas, or have homogeneity in membership, and, consequently, enjoy member loyalty, as in the case of primaries in compact colonies or among industrial or other workers. There are primaries running excellent cloth and general merchandise shops or even drugs and medicines stores. This trend towards diversification of business and enlargement, as also modernisation, has to be encouraged."

2. As regards the suggestion for fixing a norm for sales turnover which would make a primary store viable, the position is that the sales turnover of a primary society can vary over a wide range, depending upon the area and the population served by a society, the location of the store and the range and variety of goods handled by it. The size of the sales turnover will also vary, depending upon the number of controlled and non-controlled commodities handled by it. Besides, the margins of profit also vary from one controlled commodity to another, and also as between controlled and non-controlled commodities. The basic general rule of viability that a consumer co-operative store has to observe is that, it must contain its expenditure within the income generated by its sales turnover. This is a basic principle of sound management, and all societies have to keep their working results constantly under review to ensure that their expenses do not exceed their income."

1.20. The Committee are in agreement with the view that the performance of the stores should be reviewed on the basis that they should contain their expenditure within the income generated by their sales turnover. The Committee accordingly desire that a review of the stores which are incurring losses should be carried out expeditiously and steps taken to ensure that their expenses do not exceed their income, as far as possible.

Need to reduce gross margin of stores (Paragraph 1.92—Sr. No. 15)

1.21. In paragraphs 1.79 to 1.94 of their 84th Report (Fifth Lok Sabha), the Committee dealt with the unsatisfactory working of Department Stores. Referring to the need for reducing gross margin

of the stores to a reasonable percentage, the Committee made the following observations in paragraph 1.92 of the Report:

"The Committee hope that with the effective implementation of the various remedial measures suggested by the Department, the stores would be able to not only show profit in their working but also reduce the gross margin to a reasonable percentage. The Committee find from the figures available with the Ministry that during 1968-69, 29 stores were having gross margin of 8 per cent or less, while 13 had margin above 8 per cent but less than 10 per cent and another 13 had margin of 10 per cent and above."

1.22. In a note dated 27th October, 1973, the Ministry of Agriculture (Department of Cooperation) have stated as follows:

"This Department agree with the view that the stores should not only earn profits in their working but should also reduce the gross margin to a reasonable percentage. By maintaining an attractive price level, the stores can have larger sales turnover, and can, thereby, be in a position to reduce gross margins. It will, however, be appreciated that, with rising costs and expenses, especially in the shape of benefits to be granted to employees including additional dearness allowance, bonus etc. the scope for reducing gross margins will be very narrow."

1.23. The Committee note that while the Department agree with their view that the Stores should reduce the gross margin to a reasonable percentage, they have stated that with rise in the costs and expenses especially in the shape of benefits to be granted to employees including additional dearness allowance etc., the scope for reducing gross margins will be very narrow. While this is true efforts should be made as far as possible to reduce establishment overheads without being unreasonable to the employees.

Non-utilisation of money advanced to State Governments for setting up stores (Paragraph 1.93, S. No. 16)

1.24. Regarding non-utilisation of the amount of Rs. 36.31 lakhs paid to State Governments prior to March, 1969 for setting up stores, the Committee had made the following observation in paragraph 1.93 :—

"The Committee have been informed that an amount of Rs. 36.31 lakhs paid to the State Governments for setting up

9 stores has neither been utilised nor refunded to the Central Government. The Committee desire that the matter should be vigorously pursued with the State Governments."

1.25. In their reply dated 27th October, 1973, the Ministry have stated as under:

"The matter is being pursued vigorously with the State Governments."

1.26. The Committee would like to know the final position regarding utilisation or refund of the amount of Rs. 36.31 lakhs paid to the State Governments for setting up 9 stores. As the amount was paid prior to March, 1969, it is not desirable to delay the settlement any longer. They should be told either to utilise or refund the amount.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

..

The Committee appreciate that in the wake of the national emergency in 1962, a centrally sponsored scheme for the establishment of consumer Cooperatives in urban areas was introduced for laudable purpose of ensuring equitable distribution of consumer goods at fair prices. The scheme was enlarged following devaluation. It was transferred to the State Sector in 1968-69 upto which year the entire outlay of Rs. 22.73 crores was borne by the Government of India. From 1969-70 central assistance to consumer cooperatives forms part of the block loans and grants to State Governments. The Committee find from the review of the working of the consumer cooperatives given in the Audit Report that some of the stores have not been functioning satisfactorily.

[S. No. 1 (Para 1.36) of Appendix to 84th Report.]

Action taken

The factual observations are noted. There are, however, several instances of consistently good performance and outstanding success by consumer cooperative stores in some parts of the country.

[Ministry of Agriculture (Department of Cooperation) O. M.-
No. G. 25012|1|73 GOP dated 27-10-1973]

Recommendation

..

The Committee would like the Ministry itself to make a scientific appraisal of the working of the consumer cooperatives in the country with a view to identify the drawbacks and to suggest remedial measures.

[S. No. 2 (Para 1.37) of Appendix to 84th Report.]

Action taken

As recommended, action has been initiated to undertake a scientific appraisal of the working of consumer cooperatives, apart from

periodical reviews and studies that are continuously made by the Ministry as well as by the Consultancy and promotional Cell of the National Cooperative Consumers' Federation.

[Ministry of Agriculture (Department of Cooperation) O. M. No. G. 25012/1/73. GOP dated 27-10-1973]

Recommendation

According to the figures furnished by the Ministry the total retail sales of consumer cooperatives during the year 1969-70 is estimated to be Rs. 250 crores. The Committee feel that this amount of sales turnover for the whole country is too meagre as compared with the total retail sales by the private traders, to have been desired impact on the retail prices.

[S. No. 3 (Para 1.38) of Appendix to 84th Report]

Action taken

While the retail sales handled by consumer cooperatives are doubtless small as compared to the total retail sales by the private trade in the entire country, individual institutions have generally made an impact in the areas served by them. There is now a positive trend towards increase in sales turnover due to greater involvement of consumer cooperatives in the public distribution system, particularly in respect of articles like controlled cloth and levy sugar. In the Fifth Five Year Plan, consumer cooperatives are expected to attain a retail sale of Rs. 600 crores by the terminal year of the Fifth Plan, as against Rs. 300 crores expected to be achieved by the end of the Fourth Plan. With increase in sales turnover and diversification of business, as also projected increase, is the number of consumer cooperative stores, during the Fifth Plan period, consumer cooperatives are expected to be in a position to make a larger impact on the retail trade in the future.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012/1/73. GOP dated 27-10-1973]

Recommendation

The consumer cooperative societies have made arrangements to get certain goods at the first point of distribution with some manufacturers. In case of other commodities the manufacturers have agreed to make supplies on terms applicable to their wholesalers/authorised dealers. The Committee feel that there is need to obtain more products at the first point of distribution in order to reduce the cost prices.

[S. No. 4 (Para 1.39) of Appendix to 84th Report]

Action taken

The Ministry agree with the recommendation of the Committee and are pursuing action, so that cooperatives could obtain more products from manufacturers as at the first point of distribution.

[Ministry of Agriculture (Department of Cooperation) O. M.-
No. G. 25012|1|73. GOP dated 27-10-1973]

Recommendation

The Sub-Committee on the Central Advisory Committee on consumer cooperatives in their report submitted in April, 1971 have pointed out that the State Governments were not giving the required priority to this programme. The total recommended outlay for the Fourth Plan comes to Rs. 808.55 lakhs as against the original recommendation exceeding Rs. 1156 lakhs. The actual outlay during the first three years of the Plan is of the order of only Rs. 325.46 lakhs. The actual outlays of some of the States, particularly Maharashtra and Kerala are very meagre and that of Bihar is also on the low side. The Committee also find that some States like Haryana, Punjab, Himachal Pradesh made no allocation at all during the years 1969-70 and 1970-71. The Committee desire that necessary steps should be taken to impress upon the States the need to accord requisite priority for providing assistance.

[S. No. 6 (Para 1.41) of Appendix to 84th Report]

Action taken

The need for according higher priority to the programme of consumer cooperatives, and making adequate provision for it in the State Plan outlays and budgets, has been repeatedly stressed on the State Governments. The Union Minister for Agriculture addressed a communication to all Chief Ministers on the 18th December, 1971, emphasising that the infrastructure of consumer cooperative should be strengthened and State Governments should make adequate provision in the Annual Plans and Budgets of the States, for providing financial assistance for the further development as well as rehabilitation of the consumer cooperatives. In respect of some of the States which had either not made any budget provision at all or those which had adequate budget provision, the matter was taken up individually with the concerned State Governments at higher levels. As a result, in these States comparatively larger outlays were provided for the years 1972-73 and 1973-74. This matter had also been repeatedly emphasised on the State Governments in the Annual Conferences of Registrars of Cooperative Societies, and State Cooperation Ministers.

[Ministry of Agriculture (Department of Cooperation) O.M. No.:
25012|2|73. GOP dated 27-10-1973]

Recommendation

The unitary system of organisation of cooperative societies as recommended by the Central Government has many advantages the chief of which are reduced overhead expenses and better coordination. The Committee learn that only Haryana, Punjab and Andhra Pradesh States have adopted this system. They desire that the Central Government should actively assist in and watch over the change to this system in the remaining States.

[S. No. 7 (Para 1.42) of Appendix to 84th Report]

Action taken

The importance of adopting the unitary system of organisation, instead of the federal pattern, has been emphasised on the State Governments. The Conference of Additional|Joint Registrars of Cooperative Societies (Consumers' Cooperatives) held in 1970, also recommended that there should be a determined shifting towards the unitary pattern of organisation in the interest of better administrative efficiency and viability. In pursuance of this approach, most of the States which had a federal pattern, have progressively adopted the mixed pattern, and wholesale|Central Stores are gradually developing and increasing their own retail outlets. Nearly one-third of the wholesale central stores have since set up department stores, and there is now greater appreciation of the unitary system; for this purpose, amendments to the bye-laws of the societies, wherever necessary are also being made. The attention of the State Governments is again being invited to this aspect, and, in the Fifth Five Year Plan, structural reorganisation on these lines is proposed to be further accelerated.

[Ministry of Agriculture (Department of Cooperation O. M. No. 25012|1|73. GOP dated 27-10-1973]

Recommendation

The Committee feel concerned to note that out of a total number of 13,134 primary societies, 4375 societies incurred losses to the extent of Rs. 150 lakhs during the year 1970-71 and 4121 societies made no profit|loss. It is discouraging that the number of primary societies making profits have decreased from 6709 in 1965-66 to 4638 in 1970-71, while the number of those incurring losses have increased from 2763 to 4375. The Committee were informed that according to the statistical statements prepared by the Reserve Bank of India over 4000 societies were dormant during the year 1969-70. In August, 1969 the Central Government recommended to the State Governments that a quick survey should be undertaken by the States to identify the

viable and potentially viable units, so that they could be amalgamated with wholesale stores, if necessary, compulsorily, and the remaining stores liquidated. The Committee have been informed that the surveys are still in progress in 10 States and yet to be undertaken in 4 States viz. Himachal Pradesh, Jammu & Kashmir, Nagaland and Meghalaya. As a result of the surveys in 6 States and 1 Union Territory, 181 primary stores and 2 wholesale stores have been placed under liquidation, 16 primaries reorganised, and 15 un-economic branches of wholesale stores closed. The number of primary stores has been reduced from 13,950 in 1967-68 to about 13,134 in 1970-71. It has been stated that the progress is slow, due to the practical difficulties involved in the process of amalgamation/merger of primary stores with the central stores. Viable stores hesitate to merge with the institutions which have sustained losses. In the event of compulsory merger, members have to be paid their share capital, if demanded, which may not always be possible. The Committee desire that the survey in the remaining States should be completed expeditiously and difficulties in amalgamation/merger of un-economic societies should be resolved in consultation with the State Governments.

[S. No. 8 (Para 1.53) of Appendix to 84th Report]

Action taken

The need for expeditious completion of the survey of the primary societies has been stressed on the State Governments. The State Governments have been asked to complete the surveys and draw up a rational plan for the development of primary stores as early as possible. The matter will continue to be pursued with the State Governments, and efforts made to resolve the inherent problems involved.

[Ministry of Agriculture (Department of Cooperation) O. M. No. G. 25012/1/73. GOP dated 27-10-1973]

Recommendation

In their 102nd Report (Fourth Lok Sabha), the Committee examined in some detail the working of the Central Government Employee's Consumer Cooperative Society Ltd., New Delhi, a primary society and made suggestions for improving its working. The Committee feel that working of primary societies in the country as a whole will improve if their suggestions are adopted for the working of these Societies.

[S. No. 10 (Para 1.55, of Appendix to 84th Report)]

Action taken

The recommendations of general applicability, made by the Public Accounts Committee in their 102nd Report are being circulated to all State Governments and Registrars of Cooperative Societies. These will also be considered in the Conference of Additional/Joint Registrars of Consumer Cooperatives to be held at New Delhi from 31st October to 2nd November, 1973.

[Ministry of Agriculture (Department of Cooperation) O.M. No. G.
25012/1/73. GOP dated 27-10-1973]

Recommendation

The Committee are dissatisfied with the working of the Central/Wholesale stores. The number of stores making profit has decreased from 246 in 1966-67 to 153 in 1970-71 while those incurring losses has increased from 98 in 1966-67 to 199 in 1970-71. During the year 1970-71 out of 365 stores 153 made a profit of Rs. 100.53 lakhs, 199 stores incurred loss of Rs. 314.75 lakhs and 13 stores made no profit or loss. The Committee note that the Sub-Committee of the Central Advisory Committee on Consumer Cooperatives which has gone into the working of cooperatives in five states have indentified the causes of un-economic working of stores as adverse price fluctuations, high overhead costs, injudicious purchases, non-recovery of dues from primaries, stock shortages, lack of experience, mis-management, and in some cases, mis-appropriations. During evidence the Committee were informed that "one of the largest factors causing losses to the wholesale stores is that the credit sales to the primaries are not repaid with the result that the parent body i.e. the wholesale store collapses." The Committee find that as on 30th June, 1970 the outstanding amount under credit sales to primary stores and other bodies amounted to Rs. 491.98 lakhs out of which an amount of Rs. 139.08 lakhs was over 12 months old. The Committee take a serious notice of the fact that a large number of primaries defaulted in repayment of their credits thereby jeopardising the viability of the wholesale stores on the one hand and utilising these interest free credits for making purchases from private traders on the other. These credits have thus, according to the Ministry, turned out to be a double-edged weapon against the wholesale stores. The Committee desire that effective measures should be taken in consultation with the State Governments to avoid delay in repayment of credits by the primary societies.

[S. No. 11 (Para 1.76) of Appendix to 84th Report]

Action taken

The measures recommended by the Sub-Committee of the Central Advisory Committee for improvement of the working of wholesale stores have been circulated to all State Governments and Registrars of Cooperative Societies for necessary action. The need for adoption of these measures of improvement has been stressed at successive Conferences of Registrars of Cooperative Societies and State Cooperation Ministers and also by means of reports of studies conducted by officers of this Ministry and of the Consultancy and Promotional Cell of the National Cooperative Consumers' Federation. As a result of these efforts, improvement has been noticed in the working of many Central/Wholesale Stores, apart from cases of consistently good performance and success. The working of consumer cooperative stores is also expected to improve as a result of their increasing involvement in the public distribution system for controlled commodities and other consumer goods. Besides, under a Central Sector Scheme introduced in December, 1971, department stores and other large retail units are being set up with Central assistance, on a project basis, and also observing sound principles of management, and business, accounting and operational procedures. These stores will serve as models to other consumer co-operative stores, which are expected to emulate their successful systems and procedures.

In regard to regulation of credit sales by wholesale stores, detailed recommendations were made by the Conference of Joint Registrars of Consumer Cooperatives, held in August, 1969, which are reproduced in Annexure-I. These recommendations are being circulated again to all State Governments and Registrars of Cooperative Societies.

[Ministry of Agriculture (Department of Cooperation O.M. No. G. 25012/1/73. GOP dated 27-10-1973)]

ANNEXURE—I

Extract from the proceedings of the Conference of Joint Registrars of consumer cooperatives, and Chief Executive Officer of State Federation of Consumer Cooperatives (August, 1969) Agenda Item 5 (d). -

"Regulation of credit sales by wholesale stores to affiliated primary and strengthening of their relationship.

It was noted that there was a wide-spread abuse on the part of primaries of the facility of credit sales provided to them by Central/wholesale stores, often resulting in accumulation of huge over-dues, which jeopardised the viability of central/wholesale stores concerned.

For regulating credit sales made by wholesale stores to their affiliated primaries, and for strengthening their mutual relationship, the following recommendations already made by the Conference of the Registrars of Cooperative Societies were noted for vigorous implementation:—

- (i) The primary stores should formulate their purchase and sales budgets in consultation with the Central/wholesale stores and should obtain all their requirements through the wholesale stores, as far as possible. The primaries should not be permitted to buy goods from the open market, unless the wholesale stores are not in a position to supply them to the primaries, in adequate quantities/at competitive prices.
- (ii) The wholesale stores should hold monthly meetings of the primary managers and utilise them for ironing out differences, for understanding their problems, and seeking their solution. Gradually, the wholesale store should be able to exercise financial supervision over the primary consumer stores.
- (iii) All cases of defaults in punctual repayment of credit extended by the wholesale stores should be referred to arbitration and the awards obtained should be executed through the appropriate machinery provided by law.
- (iv) The wholesale stores should supply goods on credit only to the viable primary stores, identified as such, and selected for further development. Such credit should not, however, be made available merely for distribution of supplies of controlled commodities and scarce goods but should cover the normal range of their goods.
- (v) If the amount involved in credit sales is not punctually repaid at the end of every month, penal interest should be charged on the balance.
- (vi) Inspecting officers of the cooperative departments of the States should, in the course of their visits and inspections, invariably check up the position of credit sales by central/wholesale stores to primaries. Exceeding the prescribed limit on the part of the wholesale stores and the default on the part of the primaries, in the matter of credit sales, should be treated as serious irregularities and necessary steps for prompt rectification should be taken.

Recommendation

The Committee desire that a continuous review may be made of

the implementation of the recommendations of the Sub-Committee of the Central Advisory Committee on consumer cooperatives for effecting improvement in the working of the stores and avoiding mal-practices etc., relating to injudicious purchases, mismanagement and misappropriation.

[S. No. 12 (Para 1.77) of Appendix to 84th Report].

Action taken

The recommendations made in this regard by the Sub-Committee of the Central Advisory Committee have been circulated to the State Governments and Registrars of Cooperative Societies. These recommendations, together with additional suggestions and recommendations on these matters are considered at the Annual Conferences of Registrars of Cooperative Societies and State Cooperation Ministers and also at the Conference of addl./Joint Registrars of Consumers' Cooperatives. Streamlining of the purchase system, improved management and accounting procedures, stricter inventory control, stock verification etc., are among the steps constantly highlighted during the discussions at various forums and in the recommendations and guidelines sent to State Government.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012/1/73. GOP dated 27-10-1973].

Recommendation

While the Members' share of the paid capital of the Central/Wholesale stores remained almost stagnant over the years 1966-67 to 1970-71, the Government's share has risen from Rs. 4.66 crores to Rs. 7.44 crores. This goes against the very spirit of cooperative movement. The Committee desire that conditions should be created wherein the stores would attract more members.

[S. No. 13 (Para 1.78) of Appendix to 84th Report].

Action taken

The sharp increase in Government's share capital contribution to Central/Wholesale stores during the years 1966-67 to 1970-71 is mainly due to the additional share capital contribution given for setting up department stores, which required a large financial outlay, and for which the stores could not be expected to collect matching share capital contribution from members. The need for enlarging membership and members' share capital contribution has been constantly emphasised on the State Governments and the consumer cooperative stores. The stores can attract more members by improving and enlarging the scope and efficiency of their services to the consumers.

and enhancing their general image. All efforts are being directed towards achieving these objectives.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012/1/73. GOP dated 27-10-1973].

Recommendation

The working of Department Stores presents a discouraging picture. During the year 1970-71 out of 107 stores, 46 made profit, 55 incurred loss and for the remaining 6 the information is not available. 2 Department stores were closed (one in 1967-68 and the other in 1969) on account of heavy losses and poor management. The losses in the working of the stores have been attributed to (a) heavy initial expenditure, (b) high rents of buildings in some cases, (c) heavy expenditure on establishment and other overheads (d) comparative inexperience on the part of management in running such large establishments, injudicious purchases, lack of proper inventory control, fixation of selling prices, etc., and (e) lower sales than expected, lack of proper system of regular and thorough stock verification, shortages in stock, pilferage by customers and employees, and faulty transactions in some cases. The Committee note that the Department of Cooperation have suggested various measures to improve the working of stores. The Committee suggest that the Department should effectively coordinate the implementation of these suggestions by the State Governments and the Wholesale/Department Stores.

[S. No. 14 (Para 1.91) of Appendix to 84th Report].

Action taken

The measures suggested by this Department for improvement in the working of department stores, together with additional suggestions and recommendations drawn up from time to time, are considered at the Conferences of Registrars of Cooperative Societies, State Ministers of Cooperation, and Addl./Joint Registrars of Consumers' Cooperatives, and also at Seminars and other forums. Besides, they are specially communicated to State Governments, by means of reports prepared on the basis of studies of individual institutions. Advice and guidance in this regard is also being made available by the Consultancy and Promotional Cell of the National Cooperative Consumers' Federation. Efforts will continue to be made to coordinate the implementation of these suggestions, as recommended.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012/1/73. GOP dated 27-10-1973].

Recommendation

The Committee hope that with the effective implementation of the various remedial measures suggested by the Department, the stores would be able to not only show profit in their working but also reduce the gross margin to a reasonable percentage. The Committee find from the figures available with the Ministry that during 1968-69, 29 stores were having gross margin of 8 per cent or less, while 13 had margin above 8 per cent but less than 10 per cent and another 13 had margin of 10 per cent and above.

[S. No. 15 (Para 1.92) of Appendix to 84th Report].

Action taken

This Department agree with the view that the stores should not only earn profits in their working but should also reduce the gross margin to a reasonable percentage. By maintaining an attractive price level, the stores can have larger sales turnover, and can, thereby, be in a position to reduce gross margins. It will, however, be appreciated that, with rising costs and expenses, especially in the shape of benefits to be granted to employees including additional dearness allowances, bonus etc., the scope for reducing gross margins will be very narrow.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012|1|73. GOP dated 27-10-1973].

Recommendation

The Committee have been informed that an amount of Rs. 36.31 lakhs paid to the State Governments for setting up 9 stores has neither been utilised nor refunded to the Central Government. The Committee desire that the matter should be vigorously pursued with the State Governments.

[S. No. 16 (Para 1.93) of Appendix to 84th Report]

Action taken

The matter is being pursued vigorously with the State Governments.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012|1|73. GOP dated 27-10-1973].

Recommendation

The Committee had an occasion to examine the working of a department store viz., Super Bazar, New Delhi in their 10th Report

(Fifth Lok Sabha). The Committee feel that the suggestions made in this Report can be useful in improving the working of other stores.

[S. No. 17 (Para 1.94) of Appendix to 84th Report].

Action taken

The suggestion of general applicability, contained in the 10th report of the Public Accounts Committee on the Super Bazar, New Delhi is being circulated to the State Governments and Registrars of Cooperative Societies. These will also be considered by the Conference of Additional/Joint Registrars of Consumers' Cooperative being held at New Delhi from 31st October to 2nd November, 1973.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012/1/73. GOP dated 27-10-1973].

Recommendation

The Committee note that during the year 1970-71, nine State Federations made a profit of Rs. 5.85 lakhs, two federations incurred a loss of Rs. 1.16 lakhs, while profit and loss figures for three federations are not available. The review of the federations conducted by the Ministry in September, 1970 showed that majority of them have yet to make a significant effort in their main function of bulk procurement of agriculture and other commodities for the benefit of the constituent wholesale stores. The Ministry of Cooperation have made certain important suggestions for improving and expanding the business and other activities of the State federations. But some of the State federations have yet to implement these suggestions. The Committee desire that the implementation of these suggestions by the remaining State federations should be pursued with the Federations and State Governments.

[S. No. 18 (Para 1.102) of Appendix to 84th Report].

Action taken

As regards the three Federations referred to by the Committee, in respect of which the profit and loss position for 1970-71 was not then available, the position is as follows. The Mysore Federation earned a profit of Rs. 1.25 lakhs; the Rajasthan Federation earned a profit of Rs. 0.22 lakhs; the Bihar Federation sustained a loss of Rs. 0.57 lakhs (excluding the financial results of the Departmental Store run by it which incurred a loss of Rs. 2.79 lakhs).

The Ministry agree that pooling and coordination of purchases at State Federation level is crucial to the working of consumer co-operatives. This has been impressed on all the State Federations by this

Ministry. The Conference of Addl./Joint Registrars of Cooperative Societies held in August, 1969, had spelt out in detail the mechanism of institutionalisation of purchases at various levels including the State Federations. The Ministry has recently introduced a Central Sector Scheme for the development of State Cooperative Consumers' Federations, under which margin money will be made available as share-capital to the State Federations through the State Governments. A basic objective of the scheme is to help the State Federations expand their wholesale business in the interest of their constituent consumer stores. The progress reported by the State Federations in this regard will be reviewed again in the Conference of Addl./Joint Registrars of Cooperative Societies and Chief Executive Officers of the State Federations to be held from 31st October to 2nd November, 1973.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012|1|73. GOP dated 27-10-1973].

Recommendation

The success of the cooperative movement in the States depends largely on the leadership provided by the State Cooperative Consumer Federations. In this context the Committee wish to emphasise that the federations should set up consultancy services soon. The matter requires to be actively pursued with the State Governments.

[S. No. 20 (Para 1.104) of Appendix to 84th Report].

Action taken

The State Governments have been requested to set up Consultancy and Promotional Cells in the State Consumer Cooperative Federations with adequate financial assistance from the respective State Plan Budgets. A recommendation to this effect was also made by the Conference of State Ministers of Cooperation held in January, 1973. The question of expediting the setting up of such Cells, so that they can maintain proper liaison with the Central Consultancy Organisation in the National Cooperative Consumers' Federation, benefit by their advice and guidance, and evolve suitable local norms and systems for the working of consumer cooperatives in the respective States, is being discussed in the Conference of Addl./Jt. Registrars and Chief Executive Officers of State Cooperative Consumers' Federations, to be held from 31st October to 2nd November, 1973. The matter will be pursued with the State Governments and the State Federations.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012|1|73. GOP dated 27-10-1973].

Recommendation

The Committee note that as a result of a detailed study of the working of the National Cooperative Consumer Federation undertaken by the Department of Cooperation, some far-reaching recommendations have been made for improving its working. The Committee desire that early action should be taken to implement these recommendations and the Committee informed about the progress made in this regard.

[S. No. 21 (Para 1.123) of Appendix to 84th Report].

Action taken

According to the report furnished by the National Cooperative Consumers' Federation, the recommendations made in the study note have been implemented by them substantially. The position in respect of the main recommendations, as reported by the Federation, is as follows:—

- (1) Purchases are generally made by the Field Officers under the supervision of the respective Branch Incharge. Purchases from private trade are not generally resorted to. Services of cooperative societies are availed of as commission agents. The requirements of the constituents in respect of agricultural commodities (e.g., pulses, whole and processed) are duly ascertained and kept in view for deciding purchases. Purchase targets are fixed taking into account the off-take in the preceding year. The procedure has been approved by the Executive Committee of the Federation.
- (2) Pricing in respect of each commodity is determined depending on the nature of goods and the role to be played by National Cooperative Consumers' Federation in its procurement and supplies. Active price policy is followed in respect of grocery items by charging prices a little lower than the prevailing market rates.
- (3) Purchase through Commission Agents is the system in vogue for import of dates in the Bombay market. However, certain varieties of dates are purchased from Iraqi Dates Organisation, an undertaking in Iraq having monopoly for export.
- (4) The Management of National Cooperative Consumers' Federation had, after due and detailed consideration, taken

a decision that confiscated goods can be sold both to members of the Board and employees of the N.C.C.F., as also to certain other categories such as Government officials, customs/excise staff. This is on the lines of the general practice obtaining in commercial organisations. The quantum of sales to the employees is restricted. Sales to the members of the Board are also of small amounts. Whereas in the case of members of the staff a discount of 10 per cent is allowed in respect of sale of confiscated goods, no such facility is offered to members of the Board of Directors. Goods are offered for sale to the employees, subject to limitations imposed from time to time with the approval of the Board of Directors. As sales to the members of the Board are nominal, it has not been considered necessary by the Federation to lay down any monetary limits.

- (5) Notices calling for quotations for sailing vessels have not elicited response. The Federation has been experiencing great difficulty in obtaining sailing vessels despite requests to the Director General of Shipping for assistance. Clearing agents are appointed after calling quotations.
- (6) With the nationalisation of General Insurance, the N.C.C.F. is utilising the services of nationalised Insurance Companies.
- (7) The suggestion for establishing own godowns and storage points have been noted by the Federation.
- (8) Shortages in the goods handled by the N.C.C.F. are negligible. These are considered for write-off by the Board of Directors after taking into account the norms fixed by the Central Warehousing Corporation and their own past experience.
- (9) Detailed instructions have been issued for the proper maintenance of cash book and for bank reconciliation. Cash books and other accounts are now being kept in a proper form in the Head Office and the branches of the Federation. The position of bank reconciliation is almost up-to-date. During reconciliation the items causing differences between bank balances and book balances are fully analysed.
- (10) Balances outstanding have been communicated by the Federation to the "sundry debtors" for obtaining their confirmation.

- (11) An Internal Audit Division has been set up in the Federation to supplement concurrent audit. Steps are also being taken to lay down accounts procedures.
- (12) A Branch Office of the Federation has been established at Gauhati for development of business in the States/Union Territories in the North-Eastern region of the country. The Calcutta Branch has been set up for development of business in West Bengal, Bihar and Orissa. This branch also takes steps to develop regular flow of supplies to the two consumer cooperative stores in the Andaman and Nicobar Islands. The volume of business handled by these branches has increased considerably. Business handled by the two branches during the years 1971-72 and 1972-73 is indicated below:

	1971-72	1972-73
Calcutta	Rs. 26.61 lakhs	Rs. 101.00 lakhs
Gauhati	Rs. 9.37 lakhs	Rs. 24.91 lakhs

Thus there is sufficient work-load for running both the branches. The volume of business has considerably increased after the distribution of controlled cloth through consumer cooperatives throughout the country was entrusted to the National Federation. Business in other consumer articles through the Federation's branches is also having an increasing trend.

- (13) Suitable stock levels are being prescribed in the case of grocery items, which are kept in stock for some time. Other items like controlled cloth, HMT watches, Soda Ash etc., are not held in stock, as they are despatched to the consignees immediately.
- (14) A Consultancy and Promotional Cell has already been set up in the National Federation for rendering technical guidance and assistance to consumer cooperatives. Arrangements have been finalised to obtain, under an ILO/SID Project, a team of foreign experts who will work for a limited period in the Cell with a view to enabling the Cell to render effective service in the matter of guidance to consumer cooperatives.
- (15) A beginning has since been made in regard to the adoption of management accounting. The operational results of the

Federation are worked out each quarter by compilation of trading accounts, profit and loss accounts and balance-sheets for the Federation as a whole and for its branches separately. The gross profit ratio and also the different cost ratios are worked out to assess operational efficiency. Sales and purchase budgets for each year are also being drawn up and performance watched every month with a view to taking timely corrective measures, where necessary.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012|1|73. GOP dated 27-10-1973].

Recommendation

The Government guaranteed loans amounting to Rs. 1,513.28 lakhs given by banks to 142 societies upto 4th August, 1970. Twenty-one societies out of these had incurred losses aggregating Rs. 114.47 lakhs during the three years ending 1968-69. While the Committee note that the Government have not incurred any loss so far on account of guarantees provided for loans and advances made to Consumer Cooperative Societies, the Committee hope that necessary caution is exercised at the time of providing guarantees for loans obtained by losing societies.

[S. No. 23 (Para 1.127) of Appendix to 84th Report].

Action taken

The Scheme of Central Government guarantee is being operated on a selective basis with emphasis on viability and growth potential of the societies and adoption by them of approved systems of management and improved techniques and procedures. The working results and financial position of the societies seeking guarantee are carefully scrutinised and guarantee is given only in favour of Societies which are viable and whose financial position is basically sound.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G. 25012|1|73. GOP dated 27-10-1973].

Recommendation

Consumer cooperatives have a vital role to play in ensuring equitable distribution of consumer goods at fair prices. However, the working of these cooperatives leaves much to be desired.

[S. No. 25 (Para 1.129) of Appendix to 84th Report].

Action taken

This Department is in full agreement with the view of the Public Accounts Committee that "consumer cooperatives have a vital role to play in ensuring equitable distribution of consumer goods at fair prices". Accordingly, this Department has persistently pressed other Departments of the Government of India and State Governments to ensure that consumer cooperatives in urban areas, and marketing and service cooperatives in rural areas, are fully involved in the public distribution of essential consumer goods, like foodgrains, pulses, sugar, edible oils, controlled cloth, kerosene and other consumer goods in short supply. This Department has also laid stress on diversification of their range of business by consumer cooperatives, so that they may gain a permanent place in the retail distributive trade and improve their economic viability, apart from playing a dominant role in the distribution of essential commodities.

As regards the working of consumer cooperatives, the shortcomings and the factors that have led to their unsatisfactory working have been thoroughly analysed in the reviews and reports that have been prepared by this Department from time to time, and detailed recommendations and guidelines for improvement in their working have been prepared and circulated to the State Governments, Registrars of Cooperative Societies, and consumer cooperative institutions concerned. As a result of these efforts and increasing involvement of consumer cooperatives in the public distribution system for essential commodities, a general improvement in their working is expected. It is, however, necessary for the State Governments to extend full administrative and financial support to consumer cooperatives on priority basis, the need for which is constantly stressed on the State Governments.

[Ministry of Agriculture (Deptt. of Cooperation) O.M. No. G.
25012/1/73. GOP dated 27-10-1973].

Recommendation

In view of the various inadequacies dealt with in this Report, the Committee feel that the Central Government with a full-fledged department of Cooperation under them have not contributed effectively towards the stabilisation of the consumer cooperative movement in the country. There has not been a meaningful review of the position from time to time. Admittedly the system of collecting necessary data from the States and their analysis calls for improvement. The Committee trust that the Ministry will assume a better

role of coordination and guide and bring about noticeable improvement in the coming years.

[S. No. 26 (Para 1.130) of Appendix to 84th Report]

Action taken

The existing country-wide structure of consumer cooperatives, consisting of about 14,000 primary societies and their branches, about 400 wholesale stores with over 2,000 branches, about 110 Cooperative Department Stores, 14 State Cooperative Consumers' Federations, and the National Cooperative Consumers' Federation, is the outcome of the planning and administrative and financial support of the Central Government, under the Centrally sponsored Schemes implemented during the years 1962-63 to 1968-69. The total retail sales of consumer cooperatives rose from about Rs. 40 crores in 1962-63 to about Rs. 240 crores in 1968-69. The accelerated programme for the development of consumer cooperatives undertaken in 1965-66 under the Centrally Sponsored Scheme, led to the growth of 14 State Federations and the National Federation in 1966-67, and setting up of 80 Cooperative Department Stores by 1968-69, together with wholesale/central stores covering most of the districts of the country with urban population of more than 50,000. Consumer Cooperatives have rendered valuable services to the people at the time when the economy of the country was under severe strain, namely, at the time of the Chinese aggression in 1962, the war with Pakistan in 1965, and the devaluation of the rupee in 1966. The speed and orderliness with which the country-wide structure was built up received commendation even from informed foreign observers.

2. In accordance with the decision of the National Development Council, the consumer cooperative programme was transferred to the State Plan Sector with effect from April 1969. The programme did not receive the administrative and financial support, and priority and attention, that it deserved from the State Governments. Progressive relaxation in controls over foodgrains and sugar also led to substantial reduction in their business. The Department of Co-operation of the Central Government, however, took every opportunity to stress upon the State Governments the need for according high priority to the consumer cooperative programme and making adequate provisions in the State Plans and budgets for greater support to this programme. Guidelines and norms for efficient running of consumer cooperatives at all levels were drawn up, together with detailed suggestions and recommendations for improvement in their working, so that they may attain economic viability and a high level operational efficiency. All means available to the Central Government were utilised in order to convey these suggestions and

recommendations to the State Governments, the Registrars of Co-operative Societies, the State Cooperative Consumer Federations, Wholesale/Central stores and other cooperatives. These included recommendations made repeatedly at Conferences of States Registrars of Co-operative Societies, State Cooperation Ministers, and Addl./Joint Registrars of Consumers' Cooperatives and Chief Executive Officers of State Consumer Cooperative Federations. The recommendations were also reiterated at various Seminars and other forums, and also at the Indian Cooperative Congress held in 1971. Every effort was, thus, made by the Department of Cooperation for the strengthening and stabilisation of the consumer cooperative movement, short of release of financial assistance to the needy institutions, which was not possible, as the programme was in the State Sector, and Central Government assistance was released in the form of block loans and grants, and not on a scheme-wise pattern.

3. Throughout their 84th report, the P.A.C., have emphasised the need for adoption and implementation of the various suggestions and recommendations made by this Ministry and by the Central Advisory Committee set up by this Ministry for improvement in the working of the various tiers of the consumer cooperative movement.

4. In order to supplement the efforts of the State Governments and to strengthen the programme, a new Central Sector Scheme for selective assistance to consumer cooperatives having growth and employment potential, was introduced in December, 1971. Under this scheme, financial assistance is provided by the Central Government, over and above the State Plan ceilings, to selected consumer cooperative stores, for the setting up of new cooperative department stores and other retail outlets, and expansion of existing stores, on a project basis. An essential feature of this scheme is that the selected stores are required to observe approved systems of business management, accounting and operational procedures. These stores are sought to be set up on model lines, and are intended to serve as a source of guidance and inspiration to other stores. A Consultancy Promotional Cell has been set up in the National Cooperative Consumers' Federation, with Central Government assistance and expert advice and guidance is being given by this Cell, free of charge, to State Cooperative Departments and Cooperative institutions in the matter of planning and working of consumer cooperative stores. Guidelines have been prepared for pooling and institutionalisation of purchases, standardisation of inventory, and revision of the accounting system.

5. Having noted the lack of adequate support from the State Governments to this programme, during the Fourth Plan period,

the working Group on Cooperation for the Fifth Plan has recommended that the bulk of the consumer cooperative programme during the Fifth Plan should be in the Centrally Sponsored Sector. If this recommendation is finally accepted, the Department of Cooperation of the Central Government will again be in a position, not only to provide policy direction and guidelines, but also financial support for the development and growth of the consumer cooperative movement on sound lines in the future.

6. As regards the collection of data from the States, the position is that detailed statistics relating to consumer cooperative stores, as also other types of cooperative societies, are collected by the Reserve Bank of India, through the State Registrars of Cooperative Societies for each cooperative year, and published in its 'Statistical statements relating to Cooperative Movement in India'. To avoid duplication of efforts, the Department of Cooperation coordinates its statistical requirements with the Reserve Bank of India. Copies of the returns furnished by the Registrars of Cooperative Societies are received in this Department also. The statements published by the Reserve Bank are further analysed by the Department of Cooperation for identifying areas of particular attention. In addition, monthly reports are also received directly from the wholesale stores. In respect of some items of immediate administrative utility, provisional data is obtained from the States well in advance of the Reserve Bank's statements.

7. Realising the need to cater to the changing requirements, this Department constituted a Review Committee in November 1972, for carrying out periodical assessment of the data needs, scrutiny of the Statistical forms, and review of the system of collection and analysis of the data. The first meeting of the Committee was held in May 1973, and the recommendations of the Committee, some of which relate to information on consumer cooperatives which was previously lacking, have been forwarded to the Reserve Bank of India for implementation. All necessary steps are thus being taken to see that the demands for statistical data for consumer cooperatives are properly met.

[Ministry of Agriculture (Department of Cooperation) O.M. No. G.
25012/1/73. GOP. Dated 27-10-1973].

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT LIKE TO PURSUE IN THE LIGHT OF REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Committee find that the findings of the inquiry held by the Joint Registrar in connection with certain complaints which were not accepted by the Sub-Committee of Board of Directors have been upheld by the Registrar of Cooperative Societies. The Committee desire that necessary action should be taken in the matter. The Committee, however, regret to observe that the Registrar took a long time of 16 months to give his comments on the findings of the enquiry. The Committee would like to be informed about the further action taken in the matter.

[S. No. 22 (Para 1.124) of Appendix to 84th Report.]

Action taken

The following sequence of events will clarify the position regarding the action taken by this Ministry on the findings of the enquiry held by the Joint Registrar of Cooperative Societies in connection with certain complaints against some aspects of the working of the National Cooperative Consumers' Federation:

- (i) In October-November, 1969, anonymous and pseudonymous complaints were received, making certain allegations against the working of the National Cooperative Consumers' Federation, and more particularly in regard to certain matters concerning personally the then General Manager.
- (ii) In December, 1968, at the instance of this Ministry, these complaints were enquired into by the Joint Registrar of Cooperative Societies, Delhi, who submitted his report on 24-1-1969.
- (iii) Simultaneously, the President of the Federation had also appointed a Committee of the Board of Directors of the Federation to enquire into these complaints and the

report of this Committee was forwarded to this Ministry on 25-1-1969. While the Joint Registrar considered that some of the complaints were justified, the President of the Federation, while forwarding the report of the Committee of the Board of Directors of the Federation to the Ministry stated that "much of the allegations have been found to be baseless and motivated."

- (iv) In June, 1969, a statement of the findings of the enquiry conducted by the Joint Registrar was forwarded by the Ministry to the President of the Federation, with the request that it may be circulated to the members of the Board of Directors, that a meeting of the Board may also be convened to discuss these issues, and that appropriate action, including fixation of responsibility in cases where irregularities were committed, may be taken.
- (v) The Board of Directors of the Federation desired to have the full text of the report of the Joint Registrar, which was supplied to them on 1st August, 1969. Thereafter, the Board of the Federation again appointed a Committee to examine the report of the Joint Registrar in detail. This Committee submitted its report dated 25th August, 1969; to the Board of Directors, who considered it at their meeting on 31-10-1969. The Board accepted the findings of the Committee and adopted it as their own report after incorporating certain amplifications and modifications. The Board was of the view that, the conduct of the General Manager, against whom allegations were made, had been above board.
- (vi) A copy of the report of the Board of Directors was sent by this Ministry to the Registrar of Cooperative Societies, Delhi, on 17-12-1969, with the request that, if he had any further comments on the matter, he may send them to the Ministry for further consideration by the Central Registrar and by this Ministry. No reply was received from the Registrar for about sixteen months.
- (vii) Meanwhile the A.G.C.R. had prepared an audit report on consumer cooperatives, including a para on the National Cooperative Consumers' Federation, in which mention was made about the anonymous complaints and the views of the Joint Registrar on some of those complaints. The

matter was re-examined in this Ministry and it was decided to inform the A.G.C.R. of the views of the Board of Directors on the subject. The A.G.C.R. was informed accordingly on 19/21-12-1970.

- (viii) With his letter dated 17-4-1971, the Registrar of Cooperative Societies, Delhi, sent some comments on the report of the Board of Directors. These comments were again referred to the President of the Federation, with the request that this Ministry may be informed of the views of the Federation on the points raised by Registrar. The President of the Federation replied on 1-5-1971, stating that he could not "go beyond an unanimous decision of the Board of Directors, already taken after due care. The Board closed the case after thorough examination."
- (ix) In the light of the reply received from the President of the Federation, the matter was re-examined in this Ministry. It was found that the Registrar had merely reiterated the views previously expressed by the Joint Registrar. The Registrar was informed on 10th December, 1971 that this Ministry considered that the findings of the Board of Directors had a sound basis and that it was not proposed to pursue the matter further.

It will be observed from the above that the findings of the enquiry of the Joint Registrar received the fullest attention, both of the Board of Directors of National Cooperative Consumers' Federation and of this Ministry. Under Cooperative Law, if any shortcoming is found in the working of a cooperative society, this has to be referred, in the first instance, to the management of the society for rectification and necessary action. The findings of the enquiry of the Joint Registrar, and the subsequent comments of the Registrar of Cooperative Societies were accordingly referred to the Board of Directors of the Federation. The matter was also thoroughly examined in this Ministry in the light of the view expressed and action taken by the Board of Directors of National Cooperative Consumers' Federation. The Ministry finally took the view that, in substance, the findings of the Board of Directors of the Federation had a sound basis. Besides, the previous General Manager, against whom allegations had been made, relinquished charge of his post and a new General Manager took over in his place, with effect from 9th June, 1971. Further, the Federation had taken various steps, as indicated in reply to para 1.123, to improve its functioning and strengthen its accounting system and financial procedures. In view of this, no further action was required to be taken in the matter.

Regarding the delay in getting a reply from the Registrar of Cooperative Societies, Delhi, the Chief Secretary, Delhi Administration, has been requested to issue suitable instructions to avoid such delays in future.

[Ministry of Agriculture (Department of Cooperation) O.M. No. G.
25012/1/73. GOP dated 27-10-1973].

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee find that the sales turnover of the primary societies has progressively come down from Rs. 195.38 crores in 1966-67 to Rs. 151.21 crores in 1970-71. The reasons for this decline require to be gone into critically and measures devised to improve sales and reduce expenditure. It is significant that the percentage of cost of management to sales turnover has increased from 2.99 per cent in 1965-66 to 4.23 per cent in 1969-70 mainly because of increase in the cost of management. It is also desirable to fix a norm for sales turnover which would make a primary store viable so that the performance of the stores may be reviewed on that basis periodically.

[S. No. 9 (Para 1.54) of Appendix to 84th Report]

Action taken

The reasons for decline in the sales turnover of primary societies, and the measures required for improvement of their sales turnover and economic viability, have been analysed by this Ministry from time to time in periodical reviews, and the position is summed up in the following observations, made by the Sub-Committee of the Central Advisory Committee on Consumer Cooperatives in its General Report, with which the Ministry are in agreement:

- “(i) In general, the position of primaries is that they have been predominantly dealing in controlled commodities and foodgrains and relaxation of controls on foodgrains and sugar and their easy availability in the market, has led to fall in business. In any case, on account of the extremely low margins available on controlled commodities, the societies have been incurring losses. Where the size of sales turnover has gone down, the societies have not been quick enough to diversify their business or reduce expenditure. A general contributory factor is inefficient management. If the primaries have to survive, they must diversify the range of their business, dealing more and more in non-

controlled, general, consumer goods, and enlarge the size of the retail outlets. They could, with advantage, amalgamate among themselves, or merge with wholesale stores and function as their branches. In any case, they must forge a closer link with wholesale stores in the matter of purchases, so as to get the benefit of economical buying.

- (ii) The Sub-Committee have, however, visited a number of primaries in almost all the States, which were working very successfully. It is the general observation of the Sub-Committee that primaries are doing well, where they serve compact areas, or have homogeneity in membership, and, consequently, enjoy member loyalty, as in the case of primaries in compact colonies or among industrial or other workers. There are primaries running excellent cloth and general merchandise stores. This trend towards diversification of business and enlargement, as also modernisation, has to be encouraged."

2. As regards the suggestion for fixing a norm for sales turnover which would make a primary store viable, the position is that the sales turnover of a primary society can vary over a wide range, depending upon the area and the population served by a society, the location of the store, and the range and variety of goods handled by it. The size of the sales turnover will also vary, depending upon the number of controlled and non-controlled commodities handled by it. Besides, the margins of profit also vary from one controlled commodity to another, and also as between controlled and non-controlled commodities. The basic general rule of viability that a consumer co-operative store has to observe is that, it must contain its expenditure within the income generated by its sales turnover. This is a basic principle of sound management, and all societies have to keep their working results constantly under review to ensure that their expenses do not exceed their income.

[Ministry of Agriculture (Department of Cooperation) O.M. No. G. 25012/1/73. GOP dated 27-10-1973]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE GIVEN INTERIM REPLIES

Recommendation

The Centrally Sponsored scheme was aimed at a pattern of assistance in respect of matching share capital, contribution, minimum membership to be eventually attained. The Committee have been informed that State Governments were responsible to ensure that the institutions assisted fulfilled the conditions laid down under the scheme. The Committee feel that the Ministry should have kept under constant review the fulfilment or otherwise of the conditions with a view to taking necessary steps. Admittedly the system of collecting data from the States and their analysis calls for improvement

[S. No. 5 (Para 1.40) of Appendix to 84th Report]

Action taken

The position regarding overall growth of share capital, membership etc. in general has been kept under constant review by the Ministry. In respect of individual societies, the State Governments have been addressed again to make a review about the fulfilment of the terms and conditions in respect of individual institutions assisted under the Centrally Sponsored Scheme. A detailed review will be made after fuller data are received from the States in response to the Ministry's recent communication and analysed as recommended.

[Ministry of Agriculture (Department of Cooperation) O.M. No. G. 25012/1/73. GOP dated 27-10-1973]

Recommendation

Much depends on the management of the stores. When management subsidies are given by Government the Committee see no reason why the management cannot be improved. The Committee note that some State Federations have taken action for setting up management cadre. The Committee desire that the matter should be pursued with the other federations.

[S. No. 19 (Para 1.105) of Appendix to 84th Report]

.. **Action taken**

Recognising the need of consumer cooperatives for competent trained personnel, the Conference of Addl./Joint Registrars of Co-operative Societies and Chief Executive Officers of State Federations, held in August, 1969, recommended the formation of staff cadres by the State Consumer Cooperative Federations. The State Governments and the State Federations were requested by the Ministry to take action to implement this recommendation. The progress reported so far is as follows:

- (i) The Mysore State Federation has set apart Rs. 25,000 for creation of a pool of officers.
- (ii) The Gujarat Federation has appointed a Committee for this purpose.
- (iii) The Punjab Federation has reported that a common cadre for consumer stores has been approved by the Registrar of Cooperative Societies, but Government assistance has not yet been received.
- (iv) The Uttar Pradesh Federation has reported that it is not possible to create managerial cadres since there is no provision in the State Cooperative Societies Act and Rules to require individual stores to appoint officers from the cadre.
- (v) The Madhya Pradesh and Tamil Nadu Federations have not created any managerial cadres.
- (vi) Information from the remaining Federations is awaited.

The progress and problems of the State Federations in creating managerial cadres are proposed to be reviewed and discussed in the Conference of Additional/Joint Registrars and Chief Executive Officers of the State Federations to be held from the 31st October to 2nd November, 1973.

[Ministry of Agriculture (Department of Cooperation) O.M. No. G. 25012/1/73. GOP dated 27-10-1973]

Recommendation

As the scheme has been transferred to the State Sector five years ago, the Committee would suggest that the desirability of discontinuing the guarantees given by the Central Government for the loans

advanced to the wholesale stores and State Federations and encouraging the State Governments to do so should be considered.

[S. No. 24 (Para 1.128) of Appendix to 84th Report]

Action taken

The State Governments have been requested to convey their considered views and comments in regard to taking over the responsibility for giving the requisite guarantee to the financing banks so as to enable the Consumer Cooperative Societies to continue to obtain working capital loans on reduced margins, even after the expiry of the present Central Government guarantee scheme on 31-3-1974. Final decision in the matter will be taken after obtaining the views and comments of the State Governments, which have been called for.

[Ministry of Agriculture (Department of Cooperation) O.M. No. G. 25012|1|73. GOP dated 27-10-1973]

NEW DELHI;

March, 11 1974.

Phalguna, 20, 1895 (Saka).

JYOTIRMOY BOSU,

Chairman,

Public Accounts Committee.

APPENDIX

Summary of Main Conclusions/Recommendations

S. No.	Para No. Ministry/Department concerned	Conclusions Recommendations
1	2 3	4
1	1.4 Ministry of Agriculture (Deptt. of Cooperation)	The Committee hope that the final replies in regard to those recommendations to which only interim replies have been furnished will be submitted to them within a month, after getting them vetted by Audit.
2	1.8 -do-	The Committee would like to stress that the Scientific appraisal of the working of consumer cooperatives initiated by the Ministry should be completed expeditiously and necessary steps taken to remedy the drawbacks. They would also await a report in the regard.
3	1 II -do-	The Committee note that the consumer cooperatives are expected to attain an annual sale of Rs. 600 crores by the end of the Fifth Plan. The Committee take it that this projection is on the basis of 1969-70 prices. This target is possible of achievement only by qualitative strengthening of existing units and by diversification of business to cover the entire range of essential consumer goods. The

Ministry must take suitable steps to ensure that the target is achieved.

4 1.14

-do-

The Committee stress the importance of watching the fulfilment of terms and conditions by the institutions assisted under the Centrally Sponsored Scheme. They desire that the proposed comprehensive review in this regard should be completed expeditiously and the results intimated to them.

5 1.17

-do-

The Committee note that the State Governments have been asked to complete the survey and draw up a rational plan for the development of Primary Stores as early as possible. The Committee hope that the Ministry will ensure that this is done within a period of 12 months.

6 1.20

-do-

The Committee are in agreement with the view that the performance of the stores should be reviewed on the basis that they should contain their expenditure within the income generated by their sales turnover. The Committee accordingly desire that a review of the stores which are incurring losses should be carried out expeditiously and steps taken to ensure that their expenses do not exceed their income as far as possible.

7 1.23

-do-

The Committee note that while the Department agree with their view that the Stores should reduce the gross margin to a reasonable percentage, they have stated that with rise in the costs and expenses especially in the shape of benefits to be granted to employees including additional dearness allowance etc., the scope for reducing gross

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2

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margins will be very narrow. While this is true efforts should be made as far as possible to reduce establishment overheads without being unreasonable to the employees.

8 1. 26

Ministry of Agriculture
(Dept. of Cooperation)

The Committee would like to know the final position regarding utilisation or refund of the amount of Rs. 36.31 lakhs paid to the State Governments for setting up 9 stores. As the amount was paid prior to March, 1969, it is not desirable to delay the settlement any longer. They should be told either to utilise or refund the amount.