

STATE CONSUMER COOPERATIVES: AN ENGINE OF ECONOMIC GROWTH (A CASE STUDY OF RAJASTHAN STATE COOPERATIVE CONSUMER FEDERATION LTD.)

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ABSTRACT

Cooperatives play pivotal role in the development of national economy as it helps in facilitating job creation, economic growth and social development of the country. They are acting as engine for economic growth of the nation and hence government recognized Cooperatives as a third economic sector apart from public and private sector. Cooperative consumer Society is a willful organization of consumers, which supply goods and services to consumer at reasonable prices and also protect them from the hands of middleman besides added consumer protection, it provides stability in prices. The present study has assessed the change in index of paid up capital of Rajasthan state cooperative consumer federation (RSCCF) from year 2002-03 to 2012-13. Paid up capital of RSCCF is provided both by Bhandars and Samitiyan and State government but the major share are provided by state government. Also an attempt is done in this paper to examine the change in number of members of RSCCF over the years. Further, considering net sales as one of the key performance indicator of RSCCF, the relation between net sales and paid up capital of RSCCF is analyzed, to evaluate the role of paid up capital in boosting the net sales. The paper concludes that RSCCF has great potential but it should enhance number of members and thereby the paid up capital will increase, which is the key driver to increase its sales.

KEYWORDS: *Bhandars and Samitiyan, RSCCF, State Cooperative Consumer Federation.*

Introduction

According to Professor S.B.Rao "Sehkari Upbhokta Bhandar is deliberately formed economic federation, organized by consumers in a democratic way to provide their domestic consumption related goods and services". Consumer cooperative is an organization formed on the principles of cooperatives and its objective is to provide its members (consumers), good quality products and services at reasonable prices, so that consumers can get rid of exploitation by intermediaries.

Rajasthan State Cooperative Consumer Federation Limited (RSCCF)

Rajasthan State Cooperative consumer Federation Limited (RSCCF) is a state level leading institution. It was established on 21st December 1957, to form and develop Upbhokta Bhandars, and to strengthen cooperative consumer movement. The registered office of the Federation is Nehru Sahakar Bhawan, district Jaipur.

Emergence of Cooperatives in Rajasthan

It is believed that, in Rajasthan, the work of Cooperative was started in 1904 in Bharatpur and Ding with establishment of agricultural banks. In 1904 cooperatives was inaugurated in Ajmer. First cooperative society was established in the Rajasthan state in 1905 at Bhinai in Ajmer. Thereafter a number of cooperatives were formed in estates of Bharatpur in 1912, Kota state in 1912, Bikaner in 1924, Alwar in 1934, Kishangarh in 1935, Jodhpur in 1938, Jaipur in 1944, Dhaulpur in 1947, Udaipur, Tonk,

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Pratapgarh, Shahpura etc. in 1949. In 1918, 362 cooperatives were formed. Cooperative laws were first formed in indigenous estates Bharatpur and Kota, but planned development of cooperatives could be possible only after independence. After independence cooperatives was developed at a faster rate. On 21 December 1957, Rajasthan State Cooperative Federation was established. In 1999-2000 different types of approx. 25251 cooperatives were working. About 85% rural farmer families have come under cooperatives.

Objectives and Functions of Cooperatives

Main objective of consumer cooperatives is to make available, quality goods at right prices to its members. Other objectives are:

Ñ Removal of Intermediaries

To render goods to consumers at fair price, removal of intermediaries is necessary. These intermediaries can be removed only with the help of cooperatives. Through Govt. control also, the inappropriate activities of these intermediaries can be checked. But the irregularities and drawbacks involved in this can only be eradicated through cooperative societies. Therefore the formation of these societies is indispensable.

Ñ To Check Monopoly of Product

The second objective of these societies is to check monopoly of producers of large scale, so that consumers can be protected from their monopolistic and restrictive behavior.

Ñ Balance between Demand and Supply

The main objective of cooperative consumer is to maintain balance between demand and supply. When consumers themselves distribute goods at cooperative level, then balance between demand and supply is automatically maintained. Even it helps to stabilize prices.

Ñ Increase in Purchasing Power of Consumers

Providing quality goods at reasonable prices will result in increasing purchasing power of consumers. They can purchase more goods with the same income.

Ñ Protection to Small Consumers

Sometimes small producers have to sell their products at less than cost, which results into loss rather than gain to them. Therefore only cooperative consumers can protect interest of small producers by fixing right prices.

Ñ To Control Unnecessary Business Practices

Businessmen often exploit consumers by practicing black marketing, provide contaminated products with less quantity and earn unreasonable profits. Cooperative consumer societies suppress these practices of businessmen by making availability of quality products at best price.

Ñ Stability in Prices

Businessmen unnecessary rise prices, that makes consumers condition pitiable. Upbhokta Bhandars help to eliminate intermediaries and thereby control prices. Cooperative consumer stock goods and whenever intermediaries raise prices, then cooperative consumers bring stock into the market and provide goods to consumers at fair price. It will automatically control prices. In this way cooperatives bring stability in prices.

After learning objectives of cooperative consumers, it becomes clear, that to control prices and to regularize distribution system, formation of cooperative consumer is mandatory.

Objective of the Study

Ñ To analyze change in number of members of Bhandars and Samitiyan over the years in RSCCF.

Ñ To analyze the trend of contribution of Bhandars and Samitiyan and state to the total paid up capital of RSCCF.

Ñ To examine if a significant relationship exist between net sales and paid up capital of RSCCF.

Research Methodology

The study is based on secondary data collected from different sources. Data is generated from annual reports of Rajasthan state Cooperative consumer federation. Various books, journals and relevant websites are consulted to make the study productive.

Literature Review

Dr. G. S. Kamat (2004) in his article "Cooperative consumers - Emerging Challenges" addresses the readers that the cooperative consumers have ample scope in the emerging retail business in India. In India retail markets are not well developed and are fragmented. They are also incompetent. The importance of retail trade in economic growth has been unnoticed. The author stressed on the huge potential which the cooperatives can profitably utilize in freshly building urban areas.

Thomas Paul Kattookaran (2004) in his article "Performance of Primary Consumers Cooperative Stores in Kerala: Some Financial Indicators" studied that the sales turnover of primary cooperative consumer societies in Kerala is quite small when compared to all India average. This low membership base and low sales turnover are reflected in the financial performance also. In order to make a comprehensive examination some financial parameters, like paid up share capital, purchases, sales turnover, gross profit, etc., were examined for a period of ten years from 1990-91 to 1999-2000.

Dr. K.N. Ramanujan (2005) in his article "Revitalisation of Cooperative consumers: Cooperative Consumers", in: The Maharashtra Cooperative quarterly "conveyed that the cooperative consumer sector provides basic necessities at reasonable prices and this help in controlling rising prices. To provide competitive and justified prices of consumer goods, these cooperatives operate at a very little margin. Therefore, they find it difficult to build up sound financial position over the years.

Dr. Y. Srinivasan (2002) in article "The Relevance of Cooperative consumers to Today's Consumer Problems" in: The Maharashtra Cooperative quarterly " writes that everyday consumers faces the problem of overpricing of goods at different levels of distribution. Consumers are further cheated by hoarding, short supply in weight and other unfair practices followed at different points of sale and distribution. Hence cooperative consumers can save consumers from exploitation but they also require reasonable profit, that will give them strength for further extension. Their contribution in socio-economic improvement, cannot be underestimated.

T.T. Adhikari (2000) in his article "The Present Status of Cooperative consumer Movement in India" writes that the Five Year Plans of the Government of India specified a well defined role for the cooperative consumers as an institutional mechanism for socio-economic activities, mainly in the rural areas. Therefore many Department stores were set up by the wholesale central stores in the country to provide extensive range of necessary consumer goods at one place at reasonable price. Over 1, 25,000 Fair Price Shops in the cooperative sector are operating in the commodities of daily use under the Public Distribution System of the Government of India. The author states that Indian government is actively supporting the cooperative movement in India.

Hypothesis Development:

Hypothesis 1

H₀₁: There is no significant change in membership of RSCCF

H_{a1}: There is significant change in membership of RSCCF.

Hypothesis 2

H₀₂: There is no significant change in paid up capital of RSCCF.

H_{a2}: There is significant change in paid up capital of RSCCF

Hypothesis 3

H₀₃: Total paid up capital is not significantly related to Total Net sales of RSCCF.

H_{a3}: Total paid up capital is significantly related to Total Net sales of RSCCF.

Results and Interpretation

Share Capital of RSCCF

There is no limit to authorized capital of federation. Capital of federation would be divided into 1000 Rupees share. To become member every Bhandar and kray vikray samiti have to deposit $\frac{1}{4}$ th of 20th part and $\frac{1}{4}$ th of 10th part respectively. Remaining amount to be deposited within 6 months in 3 equal installments. According to this, full amount must be deposited by members in 18 months. Kray vikray samiti have to deposit full amount at the time of submission of registration form. It is mandatory for Kray vikray sehkari samiti to purchase share capital having value 10,000. For nominal members, to get membership of federation, have to fill a request form and they are required to pay entrance fee of 1,000 Rupees only. Nominal members are not required to invest in share capital of federation.

Table 1: Membership and Paid up capital of RSCCF

(Figures in brackets shows percentage)

Year	Bhandar and Samitiyan		State Govt.		Total	
	No. of Members	Capital (In Lakhs)	No. of Members	Capital (In Lakhs)	Total Number of Members	Capital (In Lakhs)
2002-03	164 (99.39)	18.62 (6.04)	1(0.61)	289.81 (93.96)	165 (100)	308.43 (100)
2003-04	164 (99.39)	18.62 (6.04)	1 (0.61)	289.81 (93.96)	165 (100)	308.4 (100)
2004-05	164 (99.39)	18.84 (6.10)	1 (0.61)	289.81 (93.90)	165 (100)	308.6 (100)
2005-06	164 (99.39)	18.84 (6.10)	1 (0.61)	289.81 (93.90)	165 (100)	308.6 (100)
2006-07	171 (99.41)	21.43 (6.88)	1 (0.59)	289.81 (93.12)	172 (100)	311.2 (100)
2007-08	171 (99.41)	21.88 (7.01)	1 (0.59)	289.81 (92.91)	172 (100)	311.69 (100)
2008-09	180 (99.44)	22.48 (7.19)	1 (0.56)	289.81 (92.81)	181 (100)	312.2 (100)
2009-10	192 (99.48)	24.06 (7.66)	1 (0.52)	289.81 (92.34)	193 (100)	313.8 (100)
2010-11	192 (99.48)	26.77 (8.45)	1 (0.52)	289.81 (91.55)	193 (100)	316.5 (100)
2011-12	192 (99.48)	26.50 (8.37)	1 (0.52)	289.81 (91.63)	193 (100)	316.3 (100)
2012-13	195 (99.49)	26.86 (8.48)	1 (0.51)	289.81 (91.52)	196 (100)	316.6 (100)

Source: Annual reports of RSCCF Base Year (2002-03)

Total members of RSCCF were 165 in 2002-03, that increased to 196 in 2012-13. From the year 2002-03 to 2005-06, there was not any change in number of members of RSCCF. Number of members were stable at 165. But from 2006-07 onwards, the no. of members is increasing at high pace. This shows that the area of federation is getting wide. On analyzing Table 2, it is noticed that the number and percentage of Bhandars and Samitiyan is more but their share in paid up capital is very nominal.

The major share in paid up capital is of state. It is noticed that the share of state is fixed at Rs. 289.81. Only the share of BHANDARS AND SAMITIYAN is increasing. But in the year 2011-12, there was a drop in paid up capital of Bhandars and Samitiyan by the amount of Rs. 27,000. However in the year 2011-12, actually 113000 Rs was received as paid up capital from different institutions. In the year 2010-11 loan repayment amount of Rs.140000 was wrongly entered in paid up capital. In 2011-12 this mistake was rectified, which resulted into drop of capital by the difference amount Rs. (113000-140000).

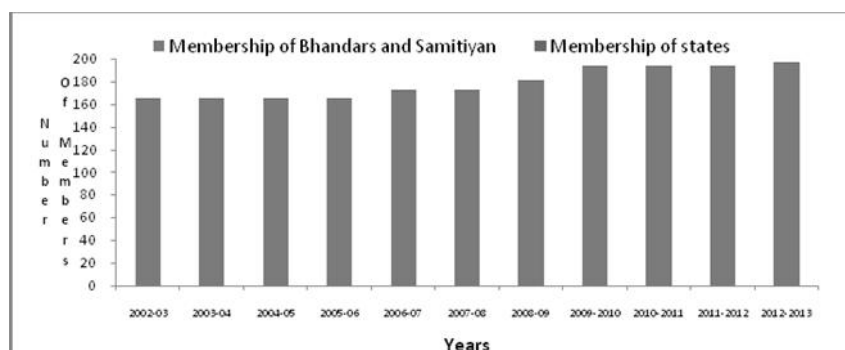
Figure 1: Membership of State in and a Bhandars and a Samitiyan in Total Paid capital

Table2: Percentage Change in Paid up Capital of RSCCF

(Figures in brackets shows percentage)

Year	Share Capital of Bhandar and Samitiyan	State Govt	Total Paid Up Capital (In Lakhs)	% Change in Total Paid Up Capital	Index= (Current Year/Base Year)*100
2002-03	18.62 (6.04)	289.81 (93.96)	308.43	-	100.00
2003-04	18.62 (6.04)	289.81 (93.96)	308.43	0.00	100.00
2004-05	18.84 (6.10)	289.81 (93.90)	308.65	0.07	100.07
2005-06	18.84 (6.10)	289.81 (93.90)	308.65	0.00	100.07
2006-07	21.43 (6.88)	289.81 (93.12)	311.24	0.83	100.91
2007-08	21.88 (7.01)	289.81 (92.91)	311.69	0.14	101.05
2008-09	22.48 (7.19)	289.81 (92.81)	312.29	0.19	101.25
2009-10	24.06 (7.66)	289.81 (92.34)	313.87	0.50	101.76
2010-11	26.77 (8.45)	289.81 (91.55)	316.58	0.86	102.60
2011-12	26.50 (8.37)	289.81 (91.63)	316..31	-(0.08)	102.50
2012-13	26.86 (8.48)	289.81 (91.52)	316..67	0.11	102.67

Source: Annual reports of RSCCF Base Year (2002-03)

According to Table-2, the total paid up capital of Confed was Rs.308.43 (lakhs), that increased to Rs.313.67 Rs. (lakhs) in the year 2012-13. On analyzing the data of past 11 years, it was found that the paid up capital of Confed is increasing continuously. Least yearly percentage change in paid up capital was (-0.08) in the year 2011-12 and highest was (0.86) in the year 2010-11. In this table, the index of paid up capital was calculated taking 2002-03 as base year. The index increased from 100 in year 2002-03 to 102.67 in the year 2012-13. On the basis of change in index of paid up capital, it can be said that its nature is to increase continuously but at slow pace.

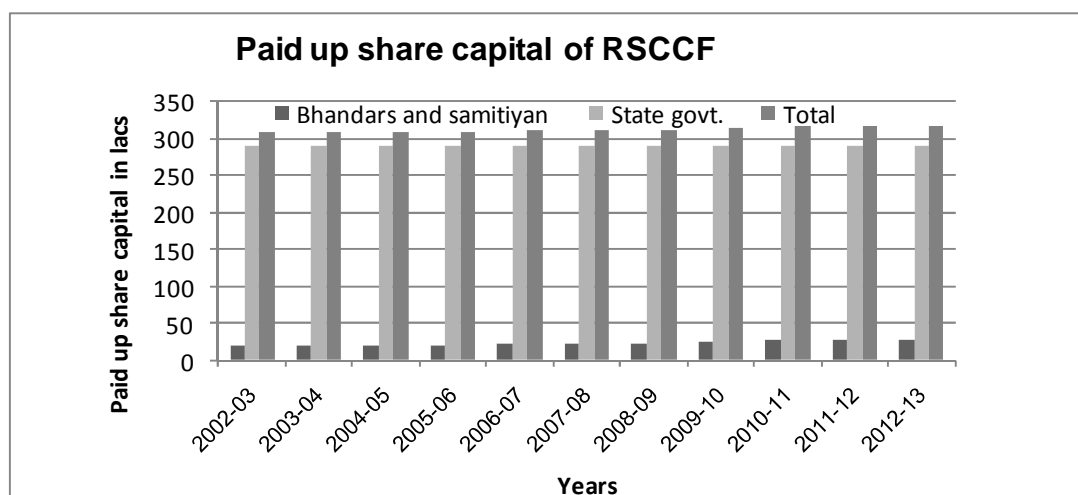
Figure2: Paid up Share Capital of RSCCF

Table 3: Total Paid up Capital and Net Sales

Year	Total Paid up Capital (In Lakhs)	Net Sales (in Lakhs)
2002-03	308.43	3606.24
2003-04	308.43	3084.98
2004-05	308.65	3527.78
2005-06	308.65	3783.53
2006-07	311.24	6210.23
2007-08	311.69	6133.96
2008-09	312.29	9952.15
2009-10	313.87	7838.56
2010-11	316.58	7594.90
2011-12	316..31	7452.81
2012-13	316..67	7320.60

Summary Output

	Column 1	Column 2
Column 1	1	
Column 2	0.774435	1

Regression Statistics

Multiple R	0.774435
R Square	0.59975
Adjusted R Square	0.555278
Standard Error	1501.417
Observations	11

ANOVA

	Df	SS	MS	F	Significance F
Regression	1	30400783	30400783	13.48596	0.005136
Residual	9	20288286	2254254		
Total	10	50689069			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-155471	43984.57	-3.53467	0.006367	-254971	-55971	-254971	-55971
X Variable 1	517.5606	140.9354	3.672324	0.005136	198.7424	836.3787	198.7424	836.3787

Interpretation

It is observed from Table 3 that net sales has shown increasing trend from 2002-03 to 2008-09. But thereafter net sales are declining. However, total paid up capital is continuously rising. To examine the relationship between net sales and total paid up capital, Pearson's correlation has been calculated. The correlation coefficient of total paid up capital and net sales is .77443, showing significant relationship between total net sales and share capital.

Additionally, the regression analysis confirms the causal relation between the two variables, as p value =0.005 which is less than 0.05, implies rejecting the null hypothesis (H₀:total paid up capital is not a driver of total net sales of RCCF). An adjusted R square value of 0.555278, implies that 55% of variability in total net sales is explained by paid up capital.

As the coefficients of paid up capital is coming out to be significant from the regression analysis, we can predict the impact on total net sales of a Rs 100000 change in paid up capital on total net sales using the following estimated equation:

Total net sales=-155471+517.5606(Total paid up capital)

Conclusion

RSCCF has untapped potential. Rajasthan government should make an effort for the future of cooperative consumers to exploit them to their best advantage. Cooperative consumers provide contribution to the socio-economic development of the economy and hence it is the need of the hour to make them commercially viable and sustainable organization. Rajasthan can be a role model for other states to promote such cooperative consumer federations for the growth and development of such states. The paper concludes that RSCCF has great potential but it should enhance number of members and thereby the paid up capital will increase, which is the key driver to increase its sales and hence State Cooperative Consumer Federation will act as engine of economic growth.

Limitations of the Study

- The data are shown just for the ten years ending 2012-13.
- The study is based on secondary data.
- Non monetary information is ignored as only monetary information is taken.

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