CHAPTER VIII

NEW HORIZONS

Synopsis: Potentiality of the cooperative form of organisation as an effective instrument of socio-economic advance against the backdrop of the past experiences of growth and weaknesses, and in the light of the recent trends and events like (1) nationalisation of commercial banks, (2) nationalisation of cotton trade, (3) proposed nationalisation of sugar factories, and (4) state intervention in trading.

The cooperative movement like many other movements of socio-economic reform, has its origin in the dissatisfaction with the capitalistic form of socio-economic organisation. Like many of these movements cooperation is not conceived only as a form of economic organisation: its wider basis, indeed, is socio-political. Unlike many of these reform movements, however, not all cooperative thinkers have necessarily thought in terms of a complete reorganisation of the socio-economic system, though the socio-philosophical compulsion has apparently been too great for most to avoid such a formulation. And unlike socialism and communism, whose economic rationale has been well worked out both in terms of the classical marxist theory as also in terms of the neo-classical economic theory, cooperation has not received such systematic attention from its advocates. The ultimate formulations have mostly been in terms of its socio-political contents and moral objectives."

The fact that cooperation, unlike socialism, for example,


2. Ibid., p.13.
was not conceived in terms of a complete social transformation made for one basic difference. While, till 1917, there was only a socialist movement with no socialist society in existence, the cooperative movement started with the establishment of concrete cooperative institutions, and whether the cooperative commonwealth finally emerges or not, the establishment of the cooperative institutions in the various sectors of the national economics has gone apace over the decades. The operation of these institutions has necessitated the formulation of the principles and rules for organisation and management of cooperatives.

In the foregoing Chapters, an attempt has been made to study some of the facets of cooperative organisation and management in the State. The cooperators in the State have some reason to feel satisfied for their achievements — qualitatively, for their pioneering efforts and notable successes in some sectors of the movement and, quantitatively, for the numerical growth. The success achieved by them in certain sectors of the movement has had a spiral upswing in the others. But with the increasing population and its problems, and against several odds and challenges, the movement must acquire further strength and vitality to carry out its responsibilities successfully in our planned economy. The pattern of Indian economy is a mixed one, where private and public sectors are functioning side by side. Between these two extremes, cooperative

3. Ibid., p.13.
sector acts as a balancing one.

The cooperative movement in Gujarat State is over 65 years old. In pre-Independence era, the movement was largely officially inspired and government-supported. Naturally, it did not gain roots as people's movement. After Independence some worthwhile efforts were made to develop them and they have indeed made spectacular progress in various fields during the Five Year Plans. Again, a number of experiments have gone on being made to find out a suitable structure for the cooperatives. The small-sized single purpose society grew into a multipurpose society, which then evolved in a large-sized one, and finally took the shape of the service cooperative at the village level. The movement witnessed the growth, within its structure, of large-sized modern and rationalised complexes like processing units, spinning mills, sugar factories, milk unions and dairies, fertilizers and super bazaars. The cooperative organisations still have to catch the imagination of the masses by showing their relative superiority and efficiency in different fields of production and distribution.

A rapidly growing cooperative sector has become a vital factor in the economy of the State. By the end of June, 1968, the number of cooperatives, their members and their working capital had amounted to 19,376, 36.35 lakhs and Rs. 440.56 crores respectively. The average per society membership that was 148 and working that was Rs. 1,09,782 in 1960-61, had
increased to 188 and Rs. 2,27,374 respectively in 1967-68.

Tables VIII.1 and VIII.2 present a synoptical sketch of the rapid strides made by the cooperative movement in Gujarat since 1950-51 and vis-a-vis our country and a few other leading states.

Table VIII.1
Comparison of different facets of the working of Agricultural Credit Societies as on 30-6-1969

<table>
<thead>
<tr>
<th>Particulars (Averages)</th>
<th>All</th>
<th>Gujarat</th>
<th>Maharashtra</th>
<th>Punjab</th>
<th>Madras</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Society -</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Share capital</td>
<td>9,973</td>
<td>24,315</td>
<td>21,642</td>
<td>8,796</td>
<td>17,841</td>
</tr>
<tr>
<td>ii) Owned funds</td>
<td>12,825</td>
<td>32,398</td>
<td>25,728</td>
<td>10,659</td>
<td>25,843</td>
</tr>
<tr>
<td>iii) Deposits</td>
<td>3,328</td>
<td>4,833</td>
<td>1,928</td>
<td>13,580</td>
<td>4,837</td>
</tr>
<tr>
<td>iv) Loans and Advances</td>
<td>32,202</td>
<td>74,934</td>
<td>56,552</td>
<td>30,361</td>
<td>57,873</td>
</tr>
<tr>
<td>v) Loans outstanding</td>
<td>36,883</td>
<td>83,510</td>
<td>63,400</td>
<td>40,858</td>
<td>71,945</td>
</tr>
<tr>
<td>vi) Working capital</td>
<td>48,415</td>
<td>1,12,164</td>
<td>84,208</td>
<td>54,601</td>
<td>88,558</td>
</tr>
<tr>
<td>vii) % of Loans overdue to Loans outstanding</td>
<td>34.59</td>
<td>24.47</td>
<td>39.02</td>
<td>26.43</td>
<td>28.67</td>
</tr>
<tr>
<td>Per Member -</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Share capital</td>
<td>57</td>
<td>166</td>
<td>142</td>
<td>66</td>
<td>41</td>
</tr>
<tr>
<td>ii) Deposits</td>
<td>19</td>
<td>33</td>
<td>13</td>
<td>102</td>
<td>11</td>
</tr>
<tr>
<td>Loans outstanding per borrowing members</td>
<td>558</td>
<td>1,119</td>
<td>961</td>
<td>397</td>
<td>382</td>
</tr>
<tr>
<td>% of borrowing members to total members</td>
<td>38.1</td>
<td>51.06</td>
<td>43.82</td>
<td>77.72</td>
<td>26.46</td>
</tr>
</tbody>
</table>

Table VIII.\textsuperscript{5-6}  
Progress of Agricultural Credit Societies in Gujarat

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Primary Agricultural societies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Societies</td>
<td>No.</td>
<td>2,751</td>
<td>4,596</td>
<td>7,441</td>
<td>8,557</td>
<td>8,711</td>
</tr>
<tr>
<td>ii) Membership</td>
<td>Lakhs</td>
<td>2.02</td>
<td>3.95</td>
<td>8.53</td>
<td>11.40</td>
<td>12.73</td>
</tr>
<tr>
<td>iii) Agricultural Population covered</td>
<td>%</td>
<td></td>
<td></td>
<td>38.06</td>
<td>51.00</td>
<td>58.00</td>
</tr>
<tr>
<td>iv) Rural Population covered</td>
<td>%</td>
<td></td>
<td></td>
<td>27.80</td>
<td>33.20</td>
<td>35.20</td>
</tr>
<tr>
<td>II. Agricultural Credit:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Short and medium term</td>
<td>Rs. in crores</td>
<td>1.57</td>
<td>5.76</td>
<td>23.59</td>
<td>46.78</td>
<td>65.26</td>
</tr>
<tr>
<td>ii) Long term</td>
<td></td>
<td></td>
<td></td>
<td>4.6</td>
<td>5.24</td>
<td>15.00</td>
</tr>
</tbody>
</table>

The provision of credit facilities for agricultural production formed the main plank of the cooperative development programmes. The objective of covering all villages by primary credit societies has been almost fully attained. About 51\% of the agricultural population was covered by the end of the Third Five Year Plan and this percentage had risen to

---

to about 58 at the end of 1968-69.

Despite the growth, there have been factors which have inhibited and retarded the optimum growth of the cooperative movement in the State. Uneconomic holdings, poverty of farmers, their indebtedness, illiteracy, the lack of business experience, small lot production, the lack of storage facilities, price-fluctuations, the ineffectiveness of regulated markets, exploitation by moneylenders and middlemen are among the many facets of the problem that call for an integrated plan of action through legislative and extra-legislative measures. Piece-meal and patchy steps will not deliver the goods. Thus, for instance, relieving the agriculturist of his accumulated burden of debt and making the credit necessary for current needs available at reasonable rates of interest will not greatly benefit him unless when his income is raised or his expenditure is reduced on a continuing basis. The former will mean effective steps for the consolidation of his holdings, improvement of land by irrigation, fertilisers, better seeds, etc., for the more profitable disposal of products through cooperative marketing and processing societies, etc.. The reduction of expenditure would touch the systems of landholding and land revenue assessment, the availability of required supplies as well as credit regularly at reasonable rates and the reduction of unnecessary expenditure on social ceremonies by a slow but sure process of perform in public opinion.
The artisan, the industrial and the agricultural labourer, too, needs fair remuneration for his labour. This problem complicates the task of the cooperative movement and emphasizes the necessity for careful study of the situation and calls for a concerted action.

Political neutrality is considered to be the main fulcrum of the cooperative movement. But politics has entered its portals particularly in elections. Many people either belong to or sympathise with one or the other political parties. But it would be good for cooperative movement if the politicians who enter its fold keep aside their political bias and propensities while they act as office-bearers of cooperatives.

The lack of interest on the part of members is the foremost cause of the failure of many of the cooperatives. Sometime general meetings are postponed due to the lack of quorum required to make deliberations valid according to the bye-laws of the society. Since fourteen days' notice is generally given for a general meeting the absence of members is reflective of the lack of interest in the activities of the society. The members of the managing and other committees, too, do not attend meetings either because the particular committee is inactive or because they have no faith in the committee. When politically or otherwise powerful personalities hold office in the committees, the members do not come forward openly to express their own views or, in case of
necessity to oust them from office. Though secret ballot is the rule in societies, undesirables find their way into the committees by various manoeuvres and the lack of correct leadership to outshadow such unscrupulous leaders hinders the progress of cooperative activity.

The appointment of friends and relatives of committee members to various jobs in the society, unnecessary interference by the committee members in the management, shielding the dishonest employees when they are caught— are all common abuses resorted to in societies. Similarly, honorary appointments are being misused in practice through making a living on travelling and subsistence claims, apart from unauthorised income-earnings.

A member will take interest in his society and do whatever possible to prevent mismanagement if he is fully enlightened on the financial position of the society and is alive to the work undertaken and is hopeful of the benefits which are to be derived. To keep the members informed of the working of the society, the books of accounts -- which should be available for inspection at convenient times -- have to be properly maintained. Further, the accounts have to be audited in time and the audit report has to be read and explained at the general meeting. This is rarely being done. Many societies are not audited or have their audits delayed due to lack of staff, large volume of business, delay in writing up the books of accounts, loss of books, and many
other reasons. This results in or shields mismanagement and misappropriation of funds.

Misappropriation of funds and exploitation of illiterate members need punishment proportionate to the gravity of the crime. Criminal cases arising out of mismanagement of cooperatives are handled by police officers who have very little knowledge of the working of societies and their intricate accounting system. A scheme needs to be thought of where a cadre of persons with accounting expertise and knowledge of criminal law is created for investigations and action.

The lack of knowledge of the basic policies and the working of the cooperative movement and of proper coordination between various departments of the Government is another basic weakness. Despite clear enunciation of government policy and promote the cooperative sector, various departments and ministries of the Government act with mental reservations in implementing this policy. This is one of the reasons why the housing, irrigation, forest, marketing, industrial and consumer cooperatives, though quite in number, have not been able to make a significant headway. How can the labour and construction cooperatives succeed unless the Public Works Departments and Developmental Departments patronise them? Similarly, the cooperative consumer societies cannot succeed unless the Civil Supplies Departments extend all possible facilities to them in procuring their essential requirements.
It is very essential to have well trained and efficient personnel for management of cooperatives. The personnel must have not only technical knowledge of managing different types of societies but also must be in a position to devote all their time and energy in the cause of the cooperative movement. The scales of salaries, common cadres, promotions, etc., should be relatively attractive and no undue premium should be put upon low salaries and honorary services.

People who are to organise or to manage have to do so, spending their own time and energy. People who are sincere and efficient workers are in short supply. Hence, to a few it becomes a burden, if not a drag, to find time for the organisation or management of cooperatives. Those who are rich and efficient are at times unscrupulous and want to take advantage of cooperatives to serve their own purpose, especially when the cooperatives are going to compete with their own business. Therefore, the basic problems are to bring together interested and enthusiastic persons who would be members and to gather together a band of selfless workers to work for the cooperatives, and to see tactfully at the same time that unscrupulous and unreliable persons do not get an entry in the cooperatives or at least in their management.

The peculiarities of the cooperative structure — and more especially the system of democratic control — and the fact that customers and owners of the business are the same persons may be a source of weakness as well as strength. A
democratic movement with ethical content tends to bring good men to the top but not necessarily able men, nor men with a flair for business. Moreover the weakened popular morale has been claimed as one of the handicaps of the cooperative movement. Members' disloyalty has weakened the cooperative organisations. Where the cooperative spirit is lacking and self-interest is believed to prompt buying or selling outside the society to which one's loyalty is due, this represents a failure of education in cooperative principles and possibilities. If members lack loyalty to their societies or are incompetent they may be discontinued. There have, however, been not a few cases of wilful default by members, of negligence and irresponsibility on the part of managing committees, and even of embezzlement of funds. The embezzlement cases are the more serious in that they involve in many cases those better-educated and, hence, more blameworthy than ignorant villagers or industrial workers.

The cooperative movement in Gujarat, as in the other States, has not so far attracted in its fold any considerable number of landless and other labourers, women and the educated youth of the State. As against 2,378 cooperatives comprising 1,01,483 members in India, there are 51 women's cooperatives in Gujarat with a membership of only 5,617, while memberships of women in other cooperatives is meagre. Attempts have to be made to organise more societies for women and to encourage women to become members of consumers' stores and
service cooperatives. Happily, the efforts of the Gujarat State Cooperative Union are now directed to this end. It has been organising cooperative seminars for representatives of women's organisations in the State. Active measures should also be taken to bring the weaker sections of the community, particularly persons of the scheduled castes and tribes, under the banner of cooperatives.

On the side of cooperative distribution, elimination of the middleman is not the main aim. The problem is to level up the standard of both production and consumption. Consequently, education of the producers and the consumers is the foremost task to be undertaken for awakening them and preparing them for cooperation. As many economic activities are taken up by the cooperatives, greater attention will have to be paid to the arrangements for training in cooperative business management at all levels. More wholesale and primary stores will have to be organised and the primary societies in the villages will have to increase their turnover considerably for a large number of rural people who are yet to receive its benefits.

If cooperation is to be self-sufficient, inter-cooperative relations at all levels will have to be planned out and built up so as (i) to bring the producers and consumers as near as possible and (ii) to add mutually to capital formation within the movement. The cooperative movement in Gujarat, with its fund of accumulated experience in some of
its sectors, has all the opportunities to undertake marketing, processing and distribution activities on a large scale and on a permanent basis under an established planned economy with its definite objective of democratic socialism. With completion of the major and minor irrigation and hydro-electric projects, the petro-chemicals, fertilizers, green revolution in agriculture, and small scale industries, the development of more regulated markets and warehousing facilities in the years to come, cooperative activities will have to be rapidly extended and new forms of cooperative organisations will have to be evolved.

Though the cooperative sector accounts for only a fraction of the total economy in the State or the country, it does have its healthy socio-economic impact on the other sectors. Thus, for instance, a cooperative credit society introduces discipline amongst the moneylenders. Similarly, the marketing societies, by adopting healthy marketing practices, and consumers' stores, by adopting consumer-oriented pricing policies, act as pressure groups on the neighbouring sectors of the economy.

The internal growth and the expansion of the movement into new channels suggest fresh lines of development and present new difficulties concurrently. The utility of the movement increases with early effort made to adjust its machinery and methods to popular needs. But efficiency of management and control does not keep pace with the extension
of the cooperative activities. Great care has, therefore, to be taken in the process of development to prevent the movement from going off the rails of sound principles. The problems can be solved by (i) effective propaganda and public education, (ii) strengthening the various limbs of the cooperative organism with a view to ensure their efficient functioning, (iii) integrating the various functions in such a way as may assist one another, form a compact whole and prevent duplication and waste, (iv) training the members in the correct principles and practice of cooperation, (v) the recruitment of efficient staff for management and supervision, (vi) the inculcation in the minds of all concerned the importance of absolute impartiality, honesty and promptness in cooperative dealings, (vii) providing for a democratic and internal but strict control over the working of the different agencies of the self-governing organism, (viii) maintaining the independence of the movement, the state being expected to encourage and help it, without interfering with or controlling it, and (ix) extending the scope of the activities of the movement in order that they may benefit a growing number of people, bring within their scope varied classes of the population and cover a larger field of social life.

Cooperation has to be a people's movement. Late Pandit Jawaharlal Nehru, Prime Minister of India had said: "Cooperation

is not governmental control. Nothing can be more fatal than government control over the movement, which is the embrace of death. If it is governmental control, good or bad, it is not cooperation, whatever else it may be. I dislike the association of government in cooperation except as an agency helping it by way of funds, etc." We have yet 'miles to go' to realise his dream.

Though cooperatives are still a long way off their goal of occupying a balancing, not to speak of a dominant role in all spheres of our economic activity, the progress achieved by them during the last decade in laying down the foundations of an integrated structure of cooperative development is quite significant. In the planned era, there has been a pivotal shift both in the planning and the implementation of schemes directed to help the weaker sections and the agriculturists. The contribution of cooperatives in the supply of rural credit has, during the last 15 years, increased from 3% to about 30%. However, even then, the flow of credit from cooperatives was found too short of demand and a feeling captivated the political authorities at the Centre that cooperatives had not adequately fulfilled the needs of the rural economy and some other class of institutions should be projected for agricultural financing. This, it was felt, was to be possible through nationalisation of the 14 top Indian scheduled commercial banks.

1. Nationalisation of Commercial Banks

It was done by an ordinance, promulgated on 9 July, 1969, by the Government of India. These banks had 74% of the total deposits of all the Indian scheduled banks. One of the objectives of nationalisation was the provision of adequate credit for agriculture. It was argued -- and with a good deal of substance in it -- that the existing institutional credit agencies and sources of supply of funds were not adequate to meet the growing requirements of the task of accomplishing agrarian revolution. It is in recent years that Indian agriculture has been making rapid progress under IADP, HYVP, etc. Unless adequate and timely credit is forthcoming, the green revolution which has begun to sweep through the countryside may be aborted. The view is that the cooperative financial institutions cannot shoulder this massive responsibility since the credit requirements are immense.

The short-term credit requirements of the farmers are estimated to be Rs. 1550 crores in 1973-74. The cooperatives are expected to provide Rs. 650 to 750 crores against this. The gap of Rs. 800-900 crores of short-term credit will have to be met by the commercial banks. The requirement of medium and long term credit during the Fourth Plan period is estimated at Rs. 1650 crores. This finance is to be provided by cooperative Banks (Rs. 150 crores), Land Development Banks (Rs. 700 crores), Agricultural Refinace Corporation (Rs. 225 crores), Agro-Industries Corporations (Rs. 160 crores) and

Therefore, agricultural financing by commercial banks to the cultivators/farmers has now come to be accorded a high priority officially. Commercial banks have now been specifically asked to participate actively and get themselves directly involved in rural credit business. Accordingly, they have to accept this responsibility despite the complexity, uncertainty and risk involved in the undertaking and the limitations imposed on them by the size of their resources, organisational capacity, inexperience in rural financing, etc. Now, the commercial banks would prefer to lend only to such farmers as are carrying on agriculture as a commercial venture, in as much as a farmer-borrower who is pursuing agriculture as a profitable business proposition alone can satisfy the sound banking canons of productivity, techno-economic feasibility, financial viability and operational efficiency of the farming enterprise. A proposal for a farm loan which fails to pass the foregoing crucial tests will be a bad lending risk. Amongst the farmers, commercial banks would pick and choose those farmer-borrowers that are progressive, innovating, technically competent, striving to obtain higher yields per hectare by adopting modern farm technology and are within the radius of direct supervision by their lending offices.
Proposals for long-term or medium-term credit fall usually within the domain of land development banks and had previously been their near-monopoly. Commercial banks had, by investing in the latter's debentures, already lent a great indirect financial assistance. Since the nationalisation, the latter themselves have started competing with them through direct loan-operations.

Although agriculture constitutes the base and backbone of the rural economy, to promote steady and balanced rural development it is essential not only to build up and expand the required infrastructure of marketing the agricultural produce comprising adequate transport, storing, warehousing and processing facilities but also to develop subsidiary occupations like poultry farming and dairy farming and to promote the establishment of agro-based rural industries. The commercial banks have started entering this erstwhile domain of cooperative banking.

In cooperatives, one has to become a member by subscribing to the share capital of a society. The amount of loan is provided in instalments in cash or in kind in the form of seeds, fertilizers, etc. while the commercial banks give loans without any bank share subscription and the entire loan is given at a time in hard cash. As a result the members of the cooperatives are tempted to leave their credit societies or be dormant members. The middlemen or brokers have staged a come-back to help the nationalised banks to attain their
set targets. On one hand, funds get disbursed hap-hazardly; on the other, corruption and bribery have penetrated in rural credit. The cooperative credit structure has received a severe blow. In course of time, the cooperatives would find it extremely difficult to hold their own against the competition offered by the commercial banks with their superior organisation and managerial-cum-financial might. These banks would take away the progressive agriculturists within their fold from the field of the cooperatives particularly because the credit needs of such farmers, who would be mostly drawn from the big and middle-class owner-cultivators, cannot be fully met by the cooperatives with their legacy of restrictive lending practices and procedures. The result can be disastrous, in a way. The gravity of the riddle of overdues has gone on rising in the relationship of the central cooperative banks with the primary credit cooperatives. The overdues, which constituted 8.7% of the total loans in 1949-50, went upto 24.9% in 1966-67 and had further moved up to about 30% in 1968-69. With the nationalised commercial banks snatching away the sounder sector of the erstwhile client-borrowers of the cooperatives, this percentage of the overdues may shoot up to 80% to 100% in the near future and the development may mean a death-knell to the rural cooperative credit movement that has taken over 65 years to build up. It is

certainly possible that the district central cooperative banks may lose the 'A' and 'B' class societies for financing purposes and ultimately the weak societies may remain with them, overdues may increase and the audit class of these societies may further go down. Thus, in course of time, the entire structure of the cooperative credit may become inefficient and unsuccessful.

This leads us to the consideration of the question of measures to be taken to eliminate/reduce the competition between the commercial banks and the cooperatives. A code of conduct will have to be evolved. The operational fields and area should be fixed for both types of institutions. The interest rates, crop-loan rates and limits, duration of loan, etc. should be kept uniform for both the institutions to avoid unhealthy competition. This is not a one-time, one-stage or one-level task. Formation of coordination and consultative committees at all levels, more particularly at the district level, and setting up of credit information centres with the Central Financing Agency at the district level so as to minimise the incidence of overlapping and the risks of over lending become essential. Both these banks have certain advantages in certain spheres on account of the differences in their respective organisational set-up and experience. Unless when they utilise them for the common goal of development of agriculture and village industries, much harm rather than good would be in store for the nation.
in the changed circumstances. The onus lies on the nationalised commercial banks which will have to honour the code of conduct sincerely and withstand the temptations of easy targets - reaching at the cost of cooperative credit institutions. On the other hand, the old notions are fading fast and new challenges are being thrown up in the socio-economic structure of the country. If credit-cooperatives do not make genuine efforts to swim along with the stream of current events, they may fall into a deep isolation, which may even erode their existence in future. If the multi-agency move for the supply of rural/agricultural credit has come to stay, the cooperators cannot but have to resort to fresh thinking - however unpallatable the 'fait accompli' be.

2. Nationalisation of Cotton Trade

It was at its plenary session in Bombay that the ruling congress group had passed a resolution that the wholesale trade of major agricultural commodities should be brought within the fold of the public sector. This drastic measure, it was alleged, was necessary to ensure economic and remunerative prices to the producer who, it was suggested, needed to be saved from the clutches of the middlemen. The nationalisation of cotton trade was proposed for realising this major objective.

The take-over of cotton trade by the public sector and the canalisation of cotton imports through the state agency, Cotton Corporation of India, threatened to put out of employment
no less than 3,00,000 persons in the country who had special-
ised in this trade. The traders' fear that the monopoly 
procurement of cotton in the public sector would enhance 
the marketing costs was on the basis of the experience of 
similar public sector trading in other commodities. 12 (The 
state trading in foodstuffs alone had resulted in losses of 
Rs. 93.28 crores, Rs. 93.69 crores and Rs. 18.90 crores in 
possessed neither the expertise nor the administrative machi-
nery to take on the heavy responsibility. Traditionally, 
the cotton trade was in the hands of three agencies, the 
cooperative societies, the private businessmen, and the 
National Textile Corporation which together handled about 
50 lakh bales of cotton annually. The cotton societies pooled, 
ginned and manufactured pressed bales from cotton(Kapas) of 
the growers and/or producer members and sold them to the 
cotton mills for the latter. The other two agencies pur-
chased through auctions in open markets. On account of these 
three competitive agencies, the farmers got competitive prices 
for their produce.

The nationalisation of cotton trade would result in 
monopoly procurement of cotton by the Government, including 
the unilateral fixation of prices. Consequently, the cotton 
growers' cooperatives would be hard hit. They might either 
get abolished or might have to be satisfied to work temporarily

as agents of the government. The price fixation might be in the interest of neither the growers nor the consuming mills. Even if higher prices were allowed, there would not be a proper gauge to evaluate the price policy in the absence of competition. There is a possibility that only minimum prices would be given to the cotton growers.

20% of the cotton textile mills in the country are localised in Gujarat which is also a major cotton-growing region. 52% of the cooperative cotton ginning and pressing societies in the country in 1967-68 were functioning in Gujarat. (Vide: Table VIII.3).

Table VIII.3
Cotton Ginning and Pressing Societies as on 30-6-1968

<table>
<thead>
<tr>
<th>State/Territory</th>
<th>No. of socie-</th>
<th>No. of Members</th>
<th>Working Capital (Rs.'00,000)</th>
<th>No. of Pressed cotton bales</th>
<th>Value of sales (Rs.'00,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gujarat</td>
<td>85</td>
<td>54,320</td>
<td>620</td>
<td>444714</td>
<td>2191</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>66</td>
<td>50,797</td>
<td>294</td>
<td>105804</td>
<td>77</td>
</tr>
<tr>
<td>Other States</td>
<td>13</td>
<td>2,735</td>
<td>69</td>
<td>32633</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>164</td>
<td>1,07,852</td>
<td>983</td>
<td>588151</td>
<td>2287</td>
</tr>
</tbody>
</table>

The cotton cooperatives have made sizeable progress since their beginnings in 1930s. By 30-6-1968, the State Government had contributed Rs. 99.89 lakhs towards their share capital. The societies had a working capital of Rs. 9.83 crores and sold bales worth Rs. 22.87 crores. The question has, thus,

arisen: What purpose has then been intended to be served by nationalisation when the cotton cooperatives were looking after the interests of the growers? Actually, the farmers will have to sell their produce at the rates fixed by the government and the existence of their cooperatives may mostly— if not completely— become redundant. Again, the present production of cotton is around 58 lakh bales. It is targeted at 80 lakh bales in 1973-74 by the Planning Commission. To achieve this target, the production of cotton per acre would need to be increased. Moreover, during 1969-70, the import of long staple cotton amounted to Rs. 100 crores. The only way to reduce costly imports is to raise indigenous production by providing additional agricultural finance and facilities to the growers through the cooperatives.

It seems that the co-existence of the erstwhile three distinct groups of the private traders, the cooperative and the cotton corporation (if a monopoly was not created by the government) was the best market structurisation to eliminate the malpractices of the market functionaries and to exert at least a triangular pull to help the free market economy function most efficaciously. The resultant price-structures would have served the best interests of various constituents of the community. If the basic socio-economic framework of rural India was not to be allowed to be torpedoed by

extremist tendencies, such a reconciliation was the only rational solution of the cotton trade, without disturbing the smooth functioning of the cooperative cotton societies.

Any way, it is a wise step that the Government of India has very recently sanctioned a scheme for Maharashtra State, allowing the Maharashtra State Cooperative Marketing Federation to collect cotton from the producers who can sell their pressed bales to the federation directly or through societies. It is expected that producers will have an additional income of Rs. 150 to Rs. 300 per bale. The ill-effect of nationalisation can be averted if the state marketing societies in other States are allowed to do so in the same manner.

3. Nationalisation of Sugar factories

Unlike the problem of the nationalisation of commercial banks, that of the nationalisation of sugar factories is a recent one. It has been initiated in Uttar Pradesh. Sooner or later it will penetrate the other states in India and have its repercussions. It is necessary to review the past synoptically to appreciate this.

The social and economic life of millions of cane-growers is inter-twined with cane cultivation, which constitutes their main source of income. A remunerative cane price or otherwise will make or mar their lives. Thus, in

turn, will inject a chain of reaction in the rural economy as a whole. An assured reasonable return to canegrowers is also in complete consonance with the concept of socialism advocated by the Government.

Each year the Central Government fixes a statutory price for sugarcane under the Sugarcane (Control) Order, 1966. It is based on the production of cane and on the recovery of sugar. This generates uncertainties amongst canegrowers and sugar factories.

Since 1967-68, the statutory prices for sugarcane payable to producers has been fixed at Rs. 7.37 per quintal linked to a recovery of 9.4% or less, with an increase of 5.36 paise per quintal for every 0.1% increase in recovery above 9.4%. This price does not provide any incentive to farmers to maintain or expand the area under cane cultivation, so indispensable for the stability and growth of the sugar industry. Therefore, sugarcane acreage fluctuates and ultimately affects sugar production.

In December, 1968, the Union Minister of Food, Agriculture, Community Development and Cooperation called upon sugar factories in the country to pay Rs. 10/- per quintal to canegrowers, even though the statutory minimum price fixed was Rs. 7.37 per quintal. The cooperative sugar

17. Ibid., p.134.
industry promptly responded and paid Rs. 10 and more per quintal of sugarcane to growers. It was queer that the statutory price of Rs. 7.37 per quintal was continued even in the year 1969-70.)

The cane cultivators' organisations were also responsible to a considerable extent in transforming the socio-economic conditions in their respective areas of operations. Experience showed that once a cooperative sugar factory had started operating successfully, the economic life of the entire surrounding areas began changing rapidly. Within a few years there was a complete change in the farmers' attitude towards agricultural operations and in their social and economic conditions. 18

The Sugar Cooperatives have played a valuable role in the growth of the sugar industry in our country, though they had to cross many hurdles like the depression caused by overproduction and accumulation of stocks at the beginning. These units have evolved an efficient organisational structure which has won admiration from all corners.

After forming the base at the primary level, the cooperative sugar factories are federated into the State Federation. These, in turn, get affiliated to the Federation at the All-India level. The pyramidal structure which has thus been evolved has given the industry the needed voice to get

the best out of the organisational set-up.

In a relatively short time they have carved out for themselves a pride of place in the sugar industry. Not only do they account for more than a third of the total sugar production in the country, but also are they responsible for achieving the highest recovery in the industry. The cooperative sugar factory at Karad (Maharashtra) recorded a recovery of 12.16% during the crushing season in 1969, which was the highest in the country. 19 Such higher sugar recovery had been mainly due to the basic fact that these factories are growers' organisations and are deeply interested in helping growers in all ways. Table VIII.4 shows the share of cooperative factories in the sugar industry in India.

The Table clearly goes to show that the cooperatives had been playing an increasingly active role in crushing sugarcane, in the average recovery percentage, in sugar production and in the duration of the crushing season in relation to the global picture of the industry.

In India, the number of sugarcane supply societies were 4,386 in 1967-68. Of these, over 99.5% were in Bihar and Uttar Pradesh. The primary sugar cane supply societies in U.P. and Bihar marketed cane worth Rs. 37.52 crores and Rs. 4.36 crores respectively. Hence, the argument about the exploitation in prices, weight, delivery, etc. could not hold good as far as these societies were concerned. Similarly,

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coope-</td>
<td>Coope-</td>
<td>Coope-</td>
<td>Coope-</td>
</tr>
<tr>
<td></td>
<td>rati-</td>
<td>rati-</td>
<td>rati-</td>
<td>rati-</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>ves</td>
<td>ves</td>
<td>ves</td>
<td>ves</td>
</tr>
<tr>
<td>No. of sugar factories in opera-</td>
<td>30</td>
<td>174</td>
<td>55</td>
<td>200</td>
</tr>
<tr>
<td>tion</td>
<td></td>
<td></td>
<td></td>
<td>57</td>
</tr>
<tr>
<td>Duration of crushing (in no. of</td>
<td>154</td>
<td>166</td>
<td>111</td>
<td>96</td>
</tr>
<tr>
<td>days)</td>
<td></td>
<td></td>
<td></td>
<td>109</td>
</tr>
<tr>
<td>Sugarcane crushed by sugar fac-</td>
<td>41,54</td>
<td>3,10,21</td>
<td>61,51</td>
<td>2,16,37</td>
</tr>
<tr>
<td>tories (in '000 tonnes)</td>
<td></td>
<td></td>
<td></td>
<td>61,68</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,26,38</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,20,27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N.A.</td>
</tr>
<tr>
<td>Average sugar recovery(%) of cane</td>
<td>10.47</td>
<td>9.74</td>
<td>10.82</td>
<td>9.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9.92</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9.47</td>
</tr>
<tr>
<td>Sugar production (in '000 tonne-</td>
<td>4,44</td>
<td>30,21</td>
<td>6,65</td>
<td>21,51</td>
</tr>
<tr>
<td>s)</td>
<td></td>
<td></td>
<td></td>
<td>6,79</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22,48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12,05</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>35,30</td>
</tr>
</tbody>
</table>

During the First, Second and Third Five Year Plans, against the targeted production of 18,30 and 35 lakhs tonnes of sugar, the production was 18.20, 30.29 and 35.92 lakhs tonnes respectively. In the Fourth plan it is estimated that it will be 48.65 lakh tonnes i.e. 27% over the Third Plan period figure. Hence, when the industry had exceeded the targets, there was no reason to disturb the established business and,

particularly the cooperative sector through the scare of nationalisation.

In 1967-68, the total share capital of the cooperative sugar factories had amounted to Rs. 37.70 crores, out of which the government's contribution was of Rs. 14.45 crores. Of the Rs. 700.96 crores of loans and advances, the government had provided Rs. 4.20 crores, the State Bank of India, Rs. 7.03 crores, the Commercial banks, Rs. 1.14 crores, the Industrial Finance Corporation of India, Rs. 27.35 crores, the Industrial Development Bank, Rs. 1.48 crores, and the Life Insurance Corporation of India, Rs. 0.8 crores. Thus, when the cooperative sector has been developing on the right lines, with the help of government, there is no justification to nationalise the sugar industry.

Indeed, the record of progress achieved so far has generated hope that, after all, the cooperative experiment was worth the trouble and the cost; for, the quantum of production in the cooperative sugar factories had increased from 4.44 lakh tonnes in 1960-61 to 12.05 lakh tonnes in 1968-69 and it constituted about 40% of the total sugar production in the country. The cooperative sector has also contributed notably to the export effort, supplying raw sugar to the tune of 1.40 lakh tonnes annually on an average. Moreover, unlike the private sector factories, as the


22. Ibid., p. 62.
cooperative sugar mills have been processing the produce of the canegrowers -- who constituted 91% of the total membership, no complication is going to arise in the supply of cane for crushing. Also, the emergence of sugar cooperative factories -- that have helped factories develop agro-industrial complexes in the rural areas -- have infused new confidence in the stature to the cultivators that they are all owners of big undertakings. And, although they have to operate primarily as commercial units and improve their managerial and technical efficiency, they are expected to discharge some other important functions in the process of rural reconstruction. The step of nationalisation will, therefore, be a retrograde one. Yes, few cooperative sugar factories also had become sick. But they could be rehabilitated by the State Government coming forward with a positive scheme of assistance, including their related to the liability on account of interest on block loans, and in regard to repayment of the principal and the instalments. The Industrial Finance Corporation and other financing agencies, too, could grant moratoria and reschedule the repayment of loans in deserving cases. But nationalisation is no solution. Even Dr. D.R. Gadgil, Deputy Chairman of the Planning Commission, had stated that he was not in favour of nationalization of the sugar industry during the Fourth Plan period as the resources of the country were limited and could not be spared for such a programme.23

Nationalisation would impose heavy strains on government's financial and administrative resources. It would mean only substituting bureaucracy for private ownership. In a nationalised set-up, the canegrowers would have no direct interest in the processing plants which would not function as integrated units with their organisations and which would be managed by bureaucrats. The fear was rightly expressed: "The moment the sugar factories are nationalised there will be no justification for the existence of cooperative sugar factories and they have to be wound up. This will lead to political unemployment for many. In fact cooperatives form the bedrock for political stability."24

4. State Intervention in Trading

After Independence, many projects in India were undertaken by the government in the public sector. Most of them have incurred losses almost every year.25 The reasons generally attributed have been surplus staff, low efficiency, high cost of production and high prices curbing the demand for their manufacturers. Similar have been the results of State Trading. "The idea of State Trading was mooted in the context of keeping a firm check on the prices of essential articles of universal consumption so that deficit financing and developmental expenditure would not unduly disturb the cost of living. Soaring prices of foodgrains generated by adverse weather conditions and consequent low production,


hoarding and deficit financing or by whatever cause contribute to the increase in the cost of living index with consequent demand for higher wages, thus exhibiting the familiar symptoms of an inflationary, spiral-cum-vicious circle wages, chasing prices. Along with this is the desire to stabilise the prices of foodgrains and insulation of market forces exercising an undue influence on supply and demand through hoarding, cornering, black-marketing and profiteering." 26

In India, controls on commodity movements, prices, rationing, quotas, etc. have been in operation since the Second World War, though there had been some interruptions in terms of their removal for short periods. After Independence, the acceptance of the policy of mixed economy resulted in the penetration of public corporations in numerous fields including the one of trading. The State Trading Corporation of India and the Food Corporation of India are the two with which we are concerned here. They have privileges for (a) the collection of compulsory and graded levy, expressed as a portion of surplus, from each producer, (b) the enjoyment by the Government of the first right of purchase of any excess over the levy quota, if available for sale, (c) the enforcement of a strict control over the movements of the produce, and (d) control of distribution.

Such action can have serious repercussions on the functioning of cooperative marketing from time to time. Where all marketable surpluses of a commodity are compulsorily collected, cooperative marketing for it, becomes redundant if that commodity has been the major one sustaining it, it may mean a complete disaster for it financially and functionally. In fact, Government entry through monopoly purchasing aims at stabilising a price at a pegged level so that the interests of both the producers and the consumers are equitably protected, as far as possible, against the manipulations of market intermediaries. But the zonal system has boosted prices by creating artificial shortages through the sealing of the free channels of inter-state trade. As the minimum and the maximum prices are fixed, black-market prices beyond the ceilings become the order of the day particularly when the levy system is also in force.

All these steps of government result in the working of cooperatives only as its agents. Insofar as Gujarat is concerned, the groundnuts were purchased in large quantities through cooperatives for the purpose of exporting groundnut to foreign countries. Similarly, since 1964, bananas are purchased from growers through cooperatives in selected areas in Gujarat for their export.

Apart from the disadvantages inflicted upon the cooperatives,

even the consumers are not getting the foodgrains at cheaper rates on account of state intervention in trading. The officials are inexperienced and inefficient. There are high rates of wastages, spoilage, etc. Hence the government has to incur severe losses in trading in foodgrains and artificially high prices prevail to cover high costs. Again, the government intends to fix minimum prices in such a way as may benefit the producers. But there is no barometer to fix such prices which frequently become disincentives. Shortages occur and hoarding of foodgrains by businessmen takes place. This has frequently resulted in the gain of better prices only to the capitalist farmers and the wholesale traders.

The foregoing pages show that if progressive nationalisation of different fields of economic endeavour is the policy of the government, it will cause a grave impact on the cooperative movement which may get uprooted in a few years' time or continue totteringly and/or much more dependently on Government. As observed earlier, in the days of Mahatma Gandhi and Pandit Jawaharial Nehru, a Cooperative Commonwealth was declared to be the goal of Indian social and economic policy. It was a commonwealth in which private and public sectors were to co-exist with a cooperative sector and there was to be the largest measures of cooperation amongst them. Outside India, the renowned cooperators — Charles Gide and Earnest Poisson of France, T.W. Mercer
England, G.W. Russell in Ireland, J.B. Warbasse of the U.S.A. and Gevaret Keen of Canada — have also advocated that as much of the economies as possible in all countries shall be brought within the ambit of cooperation. Much to our regret we find here that the concept remained anomalous in the past and has now started facing the beginnings of annihilation through the series of measures of nationalisation in important fields of the economy. Wither cooperative commonwealth?

Perhaps realism requires that the cooperators must lower their sights and remain content — at least for the time-being — with a successful demonstration of the cooperative form of organisation in at least a few sectors of economic activity.28

But there should be no frustration nor negativism. Accepted that there are no possibilities of the introduction of a cooperative system embracing the entire economy either through the spread-effect of cooperative development in single sector or from the fostering of inter-cooperatives relationship. Therefore, cooperative enterprises in any sector would have to survive and grow for years to come in an economy of different kind, may it be controlled competitive capitalism or state capitalism or planned socialism or anything else. The main condition for survival in such a situation would then be the maintenance of highest level

of efficiency by the cooperative organisations concerned. This would call for stringent measures including integrations of all sorts, nationalisation of operations, management by competent executives and, above all, the acceptance of the profit-service criterion. Let it be plainly said that the age of philosophising, philanthropising and emotions-chastising is gone. It is now the actualities and realities of the fast-changing socio-politico-economic scenes that have to be the Polar Star for the neo-cooperators. The veterans may perhaps be excused for seesawing in reflex-bound traditionalism. For the second and the third lines in command that are coming up, it shall be a purposive dynamism that must be the raison d'etre of cooperativisation. Then only will the poorest, the lowliest, the weakest and the meanest will feel enthused to enter the fold and usher in a New Cooperative Order in Bharat that is "Our India".

*****