Chapter I

Introduction
Introduction

In the world, the leading sugarcane producing countries are Brazil, India, Australia, Thailand, China and Cuba. Sugar is extracted from two different raw materials, sugarcane and beet.¹ Both produce identical refined sugar. Sugarcane is grown in semi-tropical regions and accounts for around two-thirds of world production. Beet is grown in temperate climates and accounts for the balance one third of world production. The Russian Federation, Ukraine and Europe account for around 80 per-cent of total beet sugar production. In fact, the production of sugarcane and beet are affected by the international trade agreements and domestic price supports.

India is among the largest producers of sugar in the world and ranks as the largest growing global market for the product. India has 20% of the total sugar mills in the world and accounts for about 15% of the global production. India has maintained its position as the 2nd largest sugar producing country in the world.

Sugarcane is an important commercial crop in the country occupying about 4.36 Million hectares with an annual sugarcane production of 281.6 million tons which is 3.0% of the total cultivated area. It is one of the most important cash crops, contributing about 7.5% of the gross value of agricultural production in the country. About 50 Million farmers’ livelihood and equal number of agricultural labourers earn their living by working in sugarcane industries.

Sugarcane is the primary raw material for all the major sweeteners produced in the country. It also supports two important cottage industry; viz. Gur (Jaggery) and Khandari industries, which together produce about 10 Million Tonnes of sweeteners (gur and khandsari sugar) consuming about 28.35% of the cane produced in the country.

At present, Sugarcane is being cultivated in the country except in certain hilly tracts in Kashmir, Himachal Pradesh etc. The sugarcane growing areas may be broadly classified into two agro-climatic regions viz. sub-tropical and tropical. The major portion of sugarcane cultivation in India lies in the sub-tropical belt. U.P, Uttaranchal, Bihar,

Maharastra, Tamil Naidu, Panjab and Haryana are the important cane growing states in this region. Sugarcane is also grown in a few pockets of Madhya Pradesh.

After independence, it is the sugar industry that has been playing a crucial role to strengthen the economy of India. It will not be unreasonable to say that it is the second largest agro-based industry in rural India. About 45 Million sugarcane farmers, their dependents and a large mass of agriculture labourers are involved in this cultivation, harvesting and ancillary activities, constituting workers, mostly from the rural areas are engaged, constituting workers, mostly from the industry is giving strength to the socio-economic development in the rural areas by mobilizing rural resources, generating employment, higher income, communication and transport facilities. It is also important to note that many sugar industries have diversified into by product based industries and have invested and put up distilleries, organic chemical plants, paper and board factories and cogeneration plants. The industry generates its own replenish able biomass and uses it as fuel without depending on fossil fuel. So, the co-operation of sugar industry is enormous to the Indian economy. The industry, in present, is providing livelihood nearly to four crore of people and due to the export it has become a great foreign exchange earner.

The level of production in the country depends on certain factors such as the availability of sugarcane, duration of crushing season and the policy of Government. Due to the periodic cycles in the production of sugarcane, diversion of sugarcane to Gur and Khandsari, short crushing season, low capacity utilization, outdated machinery, loss of working hours, high cost of production and the levy sugar pricing methodology imposed by the Government, the sugar industry, in present, is facing a number of problems. All these problems have seriously affected the production and profit of the industry.

It has been found by the bureaucrats that the rapid growth in industrialization has increased pace of technological development and complex nature of jobs. It is natural that plenty of opportunities are being opened up for the competent over experienced personnel. Hence managing men have become an important and compare part of days

http://www.coopsugar.org/services, visit 5 Nov. 2006.
management. Any negligence of the human elements leads to misunderstanding between the management and the workers. The results of which can be seen in the form of increased labour turnover absenteeism, indiscipline and decline in the quality of the work done cost production and the problem in the market. Hence the healthy and the orderly relation between the employer and the employees are must. The only answer to such a relation is said to be the industrial relationship. Many definition have been accepted in this manner. According to J. Henry Richardson industrial relations is an art of living together for the purpose of production.³

Another definition of industrial relation is given by Bethal and other by saying that industrial relationship is that a part of management which is concerned with the main power of the enterprise. Whether machine operator, skilled worker or manager.⁴

In the words of Ordway Ten and Metcalfe industrial relation is the compositive result of the attitudes and approaches of employers and employees to wards each with regard to planning supervision direction and co-ordination of the activities of an organization with a minimum of efforts and frictions with an animating spirit of cooperation and with proper regard for the genuine well being of all members of the organization.⁵

H.A. Clegg finds that the field of industrial relation includes the study of workers and their trade unions. Management employees association and the state institutions concerned with the regulations of employment.⁶

There are 553 installed sugar mills in the country with a production capacity of 185.11 lakh MTs of sugar. These mills are located in 18 states of the country. About 60% of these mills are in the co-operative sector, 35% in the private sector and the rest of are in the public sector. As far as the Haryana is concerned in relation to the number of sugar mills we come to know that Haryana has been the leading agricultural state in India and in case of sugar production it is ranked on the 8th number among all the states. There are

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⁴ Bethal and others, Ibid., p. 316.
⁵ Ibid., p. 317
⁶ Ibid., p. 317
total 15 sugar mills in Haryana with a production capacity of 328 thousand tones. In Haryana 12 sugar mills are in the co-operative sector, so in this way a great faith has been reposed in the co-operative sector as far as the production of sugar is concerned. Only two sugar mills have been allowed to be established in the private sector.

The above mentioned fact that in present the sugar industry is facing many problems due to the imbalance in the organization and administration, technical performance, cultivation of sugarcane, production of sugar, and payment of cane prices. In the present study efforts have been made to show that the sugar industry is important not only due to the foreign exchange but also due to the large scale employment and to fulfill the necessity of consumers.

In this way, it becomes very important for us to have an idea of the functioning of management and for the better perspectives for the further development. The present study entitled *Administration of Co-operative Sector -“A Study of the Sugar Mills in Haryana”*, has been undertaken to throw light on the present condition of co-operative sugar mills in Haryana and the steps they should choose for the development of these sugar mills.

Meaning of Co-operation

Before considering the co-operative emergence in India it is important to have an idea of the function and meaning of co-operation. The Government of a developing country by adopting co-operation as a tool for the economic prosperity can achieve the goal of economic development of country and can provide social justice to its people. In addition to the fact that these countries are economically backward i.e. concentration of wealth in a few hands. Hence, in these countries there is an urgent need of speedy economic development and equitable distribution of wealth. In such a situation, the co-operatives assume central importance.

Co-operation serves as an important instrument for the economically weaker section of farmers, artisans, workers and consumers for strengthening themselves against the exploitation by the economically stronger elements of the society. When the economically weak persons act individually, they are bound to be exploited by the rich.
For example, farmers are exploited by moneylenders and merchants, workers by employers and consumers by traders. Co-operation helps these weaker persons to escape from such exploitation by enabling them to become their own lenders or merchants or employers or traders. It helps them to gain the advantages of large-scale operation, while maintaining their independence. Co-operation, therefore, provides for their own needs more economically and honourably. Late Smt. Indira Gandhi on the occasion of sixth co-operative congress of India in 1971 pointed out that there is no other instrument as potentially powerful and full of social purpose as the co-operative movement. It helps people to help themselves.

Today millions of the people are facing the problems of employment, housing, health, education, drinking water etc. The number of people are below poverty line. Exploitation exists to a great extent. At this juncture two questions arise. Firstly, how long the present situation mentioned above will continue? Secondly, is there no solution to this problem? The answer of the above question is co-operation. Co-operation not only can change the situation but also fulfill the dreams of better life for all. But for this, co-operation will require cautious membership, full faith, honesty, discipline, full attention and role of government officers/employees as friend, philosophers and guide.

In a developing country like India where agriculture still continues to account for major share of national income there are still so many surplus labour in rural areas. But this surplus labour is to be gainfully employed in and around the villages through rural industrialization. This requires a situation wherein industries are not to be transplanted from the urban to the rural areas but villages should be the growth point and agriculture the king pin of this base. In a nutshell, local entrepreneurship, local raw materials, local labour, capital resources and local needs to be brought together for mutual exploitation and benefits. Co-operative form of organization is the only way, which can fulfill such obligations of rural industrialization. A classic example of such rural industrialization is the case of co-operative sugar factories in Maharashtra where such processing industries were established on co-operative lines and the local agriculturists have become entrepreneurs.
The co-operatives have made remarkable progress in some sectors and emerged as balancing sector between the public and private sector in the country. Besides, they have ability to show amazing results, which cannot be no doubt regarding the ability of co-operatives to enable the people move towards better life. The major role is being played by co-operatives in various sectors. We can measure the significance of co-operative sector with the help of following table 1.1:-

It is apparent from the table 1.1 that in several areas of national economy the role of the co-operative is more than 50 percent. In many other sectors it is contributing not less than 10 percent. Thus co-operatives are playing a vital role and occupy a significant position in the various sectors of the national economy.

**Table 1.1**

**Share of Co-operatives Different Sector of National Economy (2006-07)**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural network (villages covered)</td>
<td>100%</td>
</tr>
<tr>
<td>Agricultural Credit disbursed by co-operatives</td>
<td>46.31%</td>
</tr>
<tr>
<td>Fertiliser Disbursed (6.013 Million Tonnes)</td>
<td>36.6%</td>
</tr>
<tr>
<td>Fertiliser Product for Nitrogen</td>
<td>14.8%</td>
</tr>
<tr>
<td>Fertiliser Production</td>
<td>30.5%</td>
</tr>
<tr>
<td>Sugar Product (7.062 Million Tonnes)</td>
<td>54.95%</td>
</tr>
<tr>
<td>Wheat Procurement</td>
<td>27.8%</td>
</tr>
<tr>
<td>Jute Procurement</td>
<td>21.5%</td>
</tr>
<tr>
<td>Retail Fair Price shops</td>
<td>28%</td>
</tr>
<tr>
<td>Milk Procurement to total Production</td>
<td>6.7%</td>
</tr>
<tr>
<td>Milk Procurement to Marketable Surplus</td>
<td>10%</td>
</tr>
<tr>
<td>Oil Marketed (Branded)</td>
<td>51%</td>
</tr>
<tr>
<td>Spindleage in co-operatives (3.313 Millions)</td>
<td>10%</td>
</tr>
<tr>
<td>Cotton Marketed/Procurement</td>
<td>67.5%</td>
</tr>
<tr>
<td>Cotton yarn/Fabrics Production</td>
<td>22%</td>
</tr>
<tr>
<td>Handlooms in co-operatives (% of roters 8.5)</td>
<td>55%</td>
</tr>
<tr>
<td></td>
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<tr>
<td>--------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Fisherman in co-operatives (active)</td>
<td>21%</td>
</tr>
<tr>
<td>Storage facilities (Village level PACS)</td>
<td>62.5%</td>
</tr>
<tr>
<td>Soya Bean Production</td>
<td>7.5%</td>
</tr>
<tr>
<td>Self employment Generated for Persons (Millions)</td>
<td>12.50%</td>
</tr>
<tr>
<td>Salt Manufactured</td>
<td>7.4%</td>
</tr>
</tbody>
</table>


There are certain other definitions of co-operative societies such as according to the Rumanian code the co-operative societies are the associations with a variable amount of capital with unlimited members who may join or quit on any date and the objective of them is again to carry on joint work on a definite plan, with a view to furthering the economic and social interest of their members. And in the Japanese Law of 1921 it has been defined as an association having legal existence formed by persons of modest means in order to promote and develop, according to the principles of mutually exercised by the members of their occupations and for the improvement of their occupations and for improvement of their economic conditions.\(^7\)

In the words of Dr. K.N. Katju co-operation is the mutual as well as self help. He points out that, “Co-operation is self-help as well as mutual help. It is joint associations or enterprise of those who are not financially strong and are unable to stand on their own legs and therefore, come together not in a view to get profits but to over come disability arising out of want of adequate financial resources and thus better economic conditions”\(^5\)

According to Prof. Seligman co-operation is in its technical sense means the abandonment of competition in distribution and production and the elimination of middlemen of all kinds. Whereas V.L. Mehta\(^8\) describes co-operation by saying that it is only one aspect of a vast movement which promotes voluntary association having common needs that combine together for the achievement of common economic needs.

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\(^7\) B.L. Mathur, Rural Development and Co-operation, RBSA Publisher, Jaipur, 1991, p. 375.
\(^8\) Ibid., p. 376.
Dr. C.R. Fay defines a co-operative society as, “an association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share in its rewards, in proportion to the degree in which they make use of their associations.”

Still on another definition of Co-operative Society according to the section of Indian Co-operative Societies Act of 1952 a co-operative society is a society, having the objects of the promotion of its members in accordance with the co-operative principals.

So, in the way from the above personal and general definitions it becomes clear that co-operation means working, thinking and living together and a co-operative society a voluntary democratic association of persons with common economic need, working in the basis of equality, self help and mutual help. Moreover, the basic factors responsible for the evolution of co-operation in various countries have been more or less the same and these included the poverty, economic hardships and the exploitation of the weak by the strong.

**Co-operative Principle**

As far as the ideology of the co-operative principles is concerned we came to know that in order to have a better understanding of co-operative ideology and differentiating it from other enterprises the founding fathers of the co-operative movement laid down some definite principles which were supposed to be the guide post for the development of co-operative movement in future and these principles are also significant for the growth of co-operative movement.

Co-operation is a form of organizations such as Joint Stock Company, partnership firm, H.U.F. etc. and it is due to the unique principles adopted by them. According to the international co-operative alliance these principles are those practices which are essential to the achievement of the co-operative movement’s purpose. They serve as the guideline and ground rules for the enterprise of co-operative movement.

In the absence of these principles the system of co-operation is not possible and these principles are not merely the abstract notions, but the expressions of concrete

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realities. The success of the co-operative organization mainly depends on those principles and they are considered as the backbone of the entire co-operative movement. To have an idea of these principles the efforts are being made as follow:-

**Voluntary and Open Membership**

The first and basic principle of the co-operative movement is the open and voluntary membership. As the co-operative system is entirely a voluntary association so this kind of membership becomes the leading force in such kind of movement. In this way, a person can join a co-operative society whenever he likes to join and he can withdraw according to his own convenience. Moreover, there is no foundation of caste, creed, religion, sex and language to join and co-operative movement. It is open to all and everyone movement. It is open to all and everyone can join the association on certain conditions or rules of the organization.

**Democratic Control**

Second and more crucial aspect of the co-operative movement is its democratic spirit or control. According to the International Co-operative Alliance is one of the Coordinial principles of the co-operative organizations as the members of a co-operative organization enjoys the equal right of voting on the principle of one vote one member. All the matters of the co-operative organizations are administered by elected or appointed persons in a manner agreed by movement and their members. Every member is free to give his or her opinion in all the important issues and the members of primary societies have their equal contribution in decision making while in other societies the administration is conducted on a democratic basis in a suitable form. Co-operative among co-operatives is a must for the survival and growth of the co-operative movement for preserving the freedom and dignity of men. The several co-operative institutions must support each other if wishes to rise in its full stature. The principle of co-operation among co-operatives is developed to increase the strength of the co-operatives and to enhance the inter-dependence among various co-operatives. In a recent survey, it has been discovered that in comparison to other countries India is legging behind in the coordination among various co-operatives.
Co-operative Education

Still another principle of the co-operative movement is the education of the co-operatives. To achieve the objectives of the co-operative societies the members of these societies must be imparted education in accordance with the different aspects of the organization such as co-operative philosophy, organizational management, business promotion, credit and financial management etc, according to Indian Co-operative Societies Act all the members of the societies, their officers, employees and the basis of the principles and techniques of co-operation both economic and democratic.

Another crucial principle of the co-operative movement is the limited interest on capital. Capital is the basis need if any co-operative undertaking as for other form of organizations. But it should serve as a servant and it should never be allowed to be a master. It should be treated as subsidiary, the prime and ultimate objective being a server to its members. In order to promote the economic equality of a co-operative enterprise there should be limited interest on capital because it serves in return for limited interests.

Still another important principle of a co-operative movement is the equitable distribution of surplus. In a co-operative enterprise the profit may be a by-product. The profit or surplus earned by a co-operative society shall be distributed according to the decision of its members. As our study is confined primarily to the co-operative sugar mills in Haryana, so in this way it becomes very important to us to have an idea of the Haryana Co-operative Act of 1984, which stipulates certain provisions to translate this principle in practice.

First the one fourth of the surplus is transferred to the General Reserve as per law and the dividend is given on the capital at a definite rate that should not exceed to ten percent. Secondly some part of the surplus can be utilized for the development of the area in which the society is working but it should not exceed to the ten per cent of the total surplus. Further there should be the provision of the education and 2.5 per cent of the total surplus can be utilized for the education of its members, officers and employees and the remaining surplus is supposed to be divided among the members in the form of
bonus. But the bonus is determined not on the basis of share capital but it is decided on the basis of the contribution made by the members of the society.

**Self and Mutual Help**

Another basic principle of a co-operative society is the self and mutual help. The meaning of the co-operative enterprise comprises the motto, “each for all and all for each.” In order to promote their economic interest the members of a co-operative society are supposed to strengthen and associate themselves to form a co-operative society, to pool their resources and work for the mutual benefits. So in this way all the members should make collective efforts for the development of their co-operative enterprise.

**Co-operation Among Co-operatives**

To conclude we can say that the above mentioned co-operative principles need to be dynamic as they provide the opportunities to the members, the works officers and general public to exercise their own initiative and creative ideas for the advancement and enhancement of co-operative system. After having an idea about these principles, it becomes clear that co-operation is a form of organization wherein persons democratically and voluntarily associate themselves on the basis of equally. They make combined efforts to promote their common, economic social and moral interests with the help of honest means. They distribute their profits and surplus among themselves in proportion to the contribution made by them to the earning of that surplus through their services.

Co-operative movement is still credit oriented but it has also made good progress in other direction notably in the processing industries.

**Development and Growth of Co-operative Movement in India**

On the recommendation of a committee headed by Sir Edwin Law the first the first Co-operative Societies Act was enacted in 1904 the year when the first vacuum pan sugar factory was established. This Act aimed at providing stop the exploitation of money lenders. But it was only in 1933-35 that the co-operative movement made an inroad into the sugar sector in Andhra Pradesh. Although sugarcane was not one of the

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principal crops of Andhra Pradesh, the sugarcane growers were badly affected by the violent fluctuations of jaggery market, decided to utilize the underlying notion of self help and self reliance in the Co-operative Act and Organized. Co-operative societies and set up co-operative sugar factories in Etikoppaka, Thummapala and Vuyyuru.

However, due to the initial teething problems lack of the organizations and managerial ability and scarcity of funds, Thammapala and Vuyyuru had to be sold off to private enterprises. Thammapala, however, returned to the co-operative fold in 1959 in the name of Anakapalle Co-operative Agricultural and Industrial Society Ltd.

During 1933-35 in Uttar Pradesh also a co-operative sugar factory was set up at Biswan which also had to be sold off to private enterprise. Etikoppaka Co-operative Sugar Factory in Andhra Pradesh survived because of good leadership, strong backing of the Central Co-operative Bank, gradual and cautious expansion, good relationship with members, payment of higher cane price and variety of other effective incentives. The growth of the Indian Sugar in an organized manner had it beginning, when the Government of India passed the Industrial Policy Resolution on April 6, 1948, followed by the Industrial Act, 1956, wherein the principle of Co-operation was assigned an important role for the country's economic development, particularly for industries based on agricultural produce such as sugarcane. Under this policy, the Government of India started giving preference to licensing of new sugar factories in the co-operative sector. This policy was reemphasized in all the subsequent Industrial Policy Resolutions made by the Government till the delicensing of sugar industry in 1998. The preferential licensing policy was mainly responsible for the rapid development of the sugar industry in India.

As a result of the preferential policy adopted by the Government in the matter of licensing, there was a spurt in the establishment of sugar factories, especially in the co-operative sector of Maharashtra. The establishment of sugar factories in areas which did not have any irrigation facilities and which were almost barren i.e. Pravara, Sanjivani and Sangamner represented a category of considerable significance, not only because of the

11 Ibid., p. 19.
success they achieved as agro industrial units concerned with production of an important community like sugar, but also in terms of the distribution of socio-economic benefits to all their members spread over the entire sugarcane belt in the country.

Another crucial development was the adoption of social land reforms policy by the Government of independent India. Ceiling was imposed on land holding – both irrigated and dry lands. This made private sugar factories with captive large sugarcane plantations unworkable. Even the sugarcane estates developed by private sugar factories in Maharashtra State were taken over by the State Government and brought under the control and management of State Farming Corporation, a State Government undertaking. The private entrepreneurs lost interest in sugar industry.

On the other hand, the consumption of sugar was growing rapidly with the increase in population and with increased standard of living. The Government of India wanted self-sufficiency in sugar production as it could not afford to spare foreign exchange for import of agricultural commodities. The exchange was to be utilized for import of other goods mainly food grains.

As far as the co-operative sector in India is concerned we come to know that the co-operatives have made remarkable progress in some sectors and emerged as balancing sector between the public and private sectors. Moreover, they have the ability to show the amazing results which cannot be expected from public or the private sector. So, in this way there is no doubt about the ability and efficiency of the co-operative sector, as it has enabled the people to move forward for a better life. The major role played by co-operative sector comprises many fields. In several areas of Indian economy the role of the co-operative is more than 50%. Moreover, in many other sectors it is also contributing not less than 10%. Thus a vital role is being played by the co-operative sector in strengthening the national economy.

The first co-operative sugar factory to be set up in Maharashtra was the Pravara Co-operative Sugar Factory at Ahmednagar. Ahmednagar district already had six joint stock companies – three of them in Kopergaon Taluka. There was rampant exploitation of sugarcane farmers by owners of the joint stock companies. The joint stock companies
were given on long lease the land of a large number of small cultivators at a very nominal
rent of Re.1/- per annum/acre. On this, the joint stock companies established their own
large sugarcane estate and made huge profits. The joint stock companies paid very low
price for the sugarcane and as it was not binding on them to purchase all the sugarcane
grown, the cane growers had to very often burn their sugarcane in the fields thus making
them bankrupt. As there was no irrigation worth the name and as rainfall was scantily as a
result the Pravara was barren. Although the Pravara canal had come into existence in
1910, yet the farmers had not taken to canal irrigation. Due to the exploitation of the joint
stock companies and deriving impetus from the Malis of Saswad village, who had made
use of the Neera Canal and prospered, the farmers of the Loni area under the leadership
of Padmashree Dr. Vikhe Patil and guidance of Prof. D.R. Gadgil, Dr. Vaikunthabhai
Mehta and help of Maharashtra State Co-operative Bank which helped in the collection
of share capital, registered the Pravara Co-operative Society and set up the Pravara Co-
operative Sugar Factory with a capacity of 500 TCD in 1950-51. Since then it has
expanded three times until in 1976-77 when it reached its present capacity of 4000 TCD.
Despite the shortage in irrigation facilities, the society with the help of lift irrigation
projects increased sugarcane production and consequently this led to the prosperity of
farmers.\(^\text{12}\)

The co-operative sugar factory has introduced many features – social, educational
and cultural – as part of its total contribution for the well being, both of its farmer
members and Government of which they are a part of. Loyalty of the members, based on
the reciprocal assistance given by the factory and also on economic consideration, has
been the special characteristic of this co-operative. From the social angle, the society has
always paid special attention to members. It takes step for the welfare of its factory
labour as well and provides them with all the necessary amenities. Every village in its
operational area has been linked with well road. A network of schools, colleges,
professional colleges, medical colleges, contributed to the economic resurgence of the
region. The Pravara Co-operative Sugar Factory had become a trend setter. Pt. Jawaharlal

Nehru, when he visited Pravara Co-operative Sugar Factory in 1961 said, “I have heard about this co-operative sugar factory and had some idea visit here and learning more about it has been a revelation. Ten years of growth since this was first started, has not only shown marked development but has begun to change the side. I would like people from other States to come here and see how a real co-operative is organized and run. This is an example for the nation. I wish it all success”.

The crucial factor of historical importance in the establishment of Pravara Co-operative Sugar Factory was that of Prof. D.R. Gadgil who wanted to State partnership in co-operatives and he was strongly supported by Dr. Vaikunthbhai Mehta, doyen of the cooperators and also the Finance Minister of the erstwhile Bombay State. Dr. Vailunthbhai Mehta was persuaded by Dr. Vikhe Patil to help the co-operative venture at Pravaranagar by contributing share capital from State Government of Bombay. This satisfied the requirement of equity portion of the project cost and the balance amount was given by Industrial Finance Corporation of India as term loan against the State Government guarantee for repayment of the principal amount and payment of interest. The successful experiment of sugar factory at Pravaranagar came as a shot in the arm and the Government announced in the 1956 the Industrial Policy Resolution which included policy for encouragement to processing of agricultural commodities in the co-operative sector on priority basis. It also led to more and more factories being set up in the State of Bombay.

The Pravara factory was a torch bearer for others to follow. Not only was it replicated in Maharashtra, but in other States like Gujarat, Haryana, Karnataka, Tamil Nadu, Uttar Pradesh and Punjab where, the sugar farmers found the co-operative form of organization more attractive and advantageous. As more and more co-operative sugar factories were being set up, the need for an apex organization at the State level to mediate with the State Governments and guide them in all respects was felt. This led to the formation of State level Federations of Co-operative Sugar Factories. Simultaneously, it was also realized in 1957 that as ‘Sugar’ was central subject, there was a need of a spokesman at the Centre to take up all matters of co-operative sugar factories with
Central Government and to guide them technically and otherwise and thus the National Federation of Co-operation Sugar Factories Limited was established on December 2, 1960 for promoting and guiding the increasing number of co-operative sugar factories on a national level.

**Importance of Co-operation:**

Co-operation, which touches all walks of life, has become a way of life now live and let live is now old quotation. Now we can say,

"Not only live and let live
but live and help live".\(^{13}\)

Every body is familiar with the word co-operation. It is the basis of our social life. So it has been said that, "man is a social animal and everywhere he is in chain"\(^{14}\) because he cannot live in isolation. In society he depends on others for different work. Our great epics like Vedas, the Upanishad and Bhagwat Gita have fully subscribed to co-operative existence. In the Vedas prayers have been made to the Almighty to give the human beings power and desire to work together, to live together and to think together. As it has been rightly pointed out in Reg Veda that, "May you all have a common purpose. May your hearts be in union. May you all be of the same mind so that you can do work efficiently well."\(^{15}\)

"Whoever stays away from any kind of co-operative undertaking shall send his servants to carry on the work, shall have a share in the expenditure but none in the profit."\(^{16}\) (The Airthasastra of Kautilya)

The above few lines from the Rig Veda and Kautilya’s Airthasastra clearly indicate that the importance of co-operation has been recognized since long in India. But the world as a whole was never in that greater need of co-operative movement as is at present time. Late Prime Minister Sh. Lal Bahadur Shastri rightly pointed out that “Our clear and definite objective is democratic socialism within the country. In the

\(^{14}\) Aristotle, Poetics, Oxford Publication, p. 44.
\(^{16}\) Dr. E.M. Hough, The Co-operative Movement in India, p. 43.
achievement of this objective, the co-operation have to play a vital role. Substantial progress has already been made in the establishment of co-operation societies and generally they are working well. Much more, however, remains to be done. I feel that in rural areas, and more particularly for providing assistance to farmers co-operatives can play an increasingly important role and thus assist in the vital task of increasing our food production.”

Government is committed to the speedy economic and social development of country. But no government can by itself tackle all the economic and social problems faced by the country. Government can tackle various social and economic problems and continue its battle against poverty only with the help and co-operation of public. Co-operation helps people to help themselves and enables the state to provide them the necessary support and resources without killing their individual initiative.

**History of Sugar Industry in India**

Although sugarcane was being grown in India from the time immemorial and sugar was produced in lumps during fourth century, yet there was no sugar industry. It is said that the first sugar plant in India was established by the French People at Aska in Orissa in 1824. Not much is known about this factory except that it was maintained by Late James Fredrick Vivian Minchin and that it stopped its operation in 1940. However, the first vacuum pan process sugar plant was set up at Saran in Marhowrah in Bihar in 1904. By 1931-32 there were 31 sugar factories in India and all of these were in the private sector. The total production of sugar at that time was only about 1.5 lakh tones, whereas the consumption was about 12 lakh tones. To meet the domestic demand of sugar, India had to import sugar mainly from Java (Indonesia).

Sugarcane is grown extensively in the tropical belt including states of Maharashtra, Andhra Pradesh, Tamil Nadu and Gujarat, as sugarcane, which is a tropical crop, has favourable agro-climatic conditions for its growth in these states. The yields are substantially higher in the tropical belt as compared to the sub-tropical regions. Some important steps were taken by Government in 1930, when the tariff Board appointed by the Government of India to recommend the grant of protection to Indian sugar industry
by way of imposing custom duty of 7.25 per-cent plus surcharge of 25 per-cent in the sugar imported to India. Accordingly, the Government of India promulgated in 1932 the Indian Sugar Industry Protection Act for a period of 15 years, thereby enabling the Indian Sugar industry to develop, stabilize, and compete with imported sugar. By 1933-34, there were 111 sugar factories with a production capacity of 4.6 lakh tones of sugar. However, all the factories were established by the private capitalists. The sugarcane farmers were being exploited by the sugar Industry owners. As a result, the Government had to take various measures and pass laws relating to sugarcane price and its payment to protect sugarcane growers.

Review of Literature

In 1981, a study made by Dr. D.N. Kapoor\textsuperscript{17} on "Organization and Working of large scale sugar industry in the co-operative sector in Utter Pradesh" concluded that so far as the working capital is concerned, it could be said to be satisfactory. The liquidation position is comfortable on account of major contribution from the Government and loan from the financial institutions. But the position of the industry with regard to the relationship between owned funds and borrowed ones is one the contrary, unsatisfactory. The proportion of owned funds is low and it is suggested that there should be a change in it by issue of fresh capital.

In 1984 M.V. Despande and G.A. Nikam\textsuperscript{18} analyzed the impact of price of sugar cane in total manufacturing cost. Four co-operative sugar mills of Aurangabad District were selected and their workings were studied for a period of five years from 1976 to 1980. They concluded that the contribution of cost of sugarcane to total manufacturing cost was high and it was influenced by price of sugar cane and recovery of sucrose. It was concluded that average per bag cost of all factories taken together was Rs.170 and had a standard deviation of Rs.4.80. Further there is a review of all the efforts of certain committee and the views of their chair persons for the development of the Co-operative


Sugar Mills throughout the country. As the development of the Co-operative Sugar Industry is concerned we come to know that the National Co-operative development and warehouse board made the first attempt in 1961 to analyze the working of co-operative Agro Processing Units at National level under the chairmanship of Shri R.G. Sariya a committee was appointed to review the existing positive of sugar industries and the other processing units. It was pointed out by the committee that the processing units were purchasing the raw material from the open markets and in this way it was harming the spirit of co-operative process. After a detailed study, it was also discovered by the committee that there was also a series of deficiencies regarding the maintenance of accounts. As a result it was suggested by the committee that there should have been an advisory board at the state level to promote such co-operative units. In other suggestions the committee recommended the appointment of qualified persons and democratic administration to look after the working of these co-operative units.

An important step was taken by G.A. Nikam\textsuperscript{19} when he presented an article with an analysis by the financial strength of the selected co-operative sugar mills in the district of Aurangabad. The area of the study was to locate the short term and long term financial strength and weakness of the selected units which suffered a continuous degradation. This was a comparative study of the co-operative as well as private mills. In his study he tried to test the financial strength by wing the current ratio and the ratio of debt to equity of these units. It was found that the equity ratio of co-operative sugar mills was four to six times more than that of the private sugar mills.

A more crucial study was made by S.C. Rayudu\textsuperscript{20} in 1987 in relation to the sugar mills of Andhra Pradesh. This study included the performance of co-operative as well as private sugar mills. The aspects of study were centered round the recovery of sugar, cane production, capacity utilization, loss of working hours due to the short term availability of sugarcane and the quantity of the crushed sugarcane.


A similar kind of attempt was made by Piraburam and Hari Prakash\textsuperscript{21} in Andhra Pradesh regarding the working of co-operative sugar mills. The study again included the performance of public and co-operative sugar mills. But they discovered that the role of co-operative sugar mills in the development of the state's industrial was much higher in comparison to the public sector. The cane growers were also much more benefited by the co-operative units of sugar mills.

As far as the study of the working co-operative units in north India is concerned the pioneering attempt was made Gunam and Anil Monga\textsuperscript{22}, who first time studied the financial, physical and administrative performance of co-operative sugar mills in Punjab. In their study they analyzed the financial statements of the mills. They also threw light on the possible responsible factors for losses due to the non-availability of sugarcane, low production of sugar, low price of molasses, heavy interest charges and the excessive investment in inventories. They pointed out certain responsible factors for the degradation such as the non-availability of improved variety of sugarcane, lack of the efficient material administration and the excessive interference of the state Government. In their suggestions they suggested that the installed capacity of the sugar mills must be increased from 1250 TCD to the level of viable economic units. In another significant study by N. Narayanaswamy and S. Ramachandran\textsuperscript{23} conducted a research on the components of cost and effectiveness of cost of sugar factories in 1988. For this study, Amaravathi Co-operative Sugar mill in Tamil Nadu was selected. It was observed that authorities of the could not control raw material cost as the price of sugarcane was fixed by the state Government. In this way, only the conversion cost could be controlled. The study of cost of production revealed that raw material accounted for 60 to 80 per cent to total cost. The operational efficiency was also studied through cost of production. It was found that the cost of production per unit increased with a fall in the capacity utilization

and capacity utilization in turn depended on supply of cane, power supply, efficiency of machinery and labour management relationship. The main recommendation given in the study was to control the conversion cost to bring down the cost of production of sugar.

B.R.C. Reddy (1992) in his study concludes that the multiplicity in objectives of the co-operative sector, i.e., economic and social make it a split personality of both a business and social institution. He suggested that co-operation should be able to develop their own financial and managerial sources. Finally, he concludes that almost every financial decision needs to be better managed and modern techniques be used in the co-operatives which, he trusts, will lead to better financial being of the units.

Patil Biradar A.P. had conducted a study of sugar mills of Belgaum District in Co-operative sector. The study revealed that sugar cane crop had been the dominant crop of the region and the cane cultivators joined sugar co-operative mainly for the agricultural and socio-economic benefits. It was also concluded that sugar co-operatives have been making a unique contribution for the mobilization of natural; human and financial resources from the rural community. The industry also liquidated the problem of seasonal unemployment in rural areas.

The Government of India set up a High Powered Committee in March (1999) under the Chairmanship of B.B. Mahajan to study the functioning of the sugar industry in the country had suggested various measures to improve its working. The committee has under taken an in-depth study of various aspects of sugar industry in India and abroad and submitted its recommendation in April 1998 for increasing sugar production and achieving efficiency through modernization. The report of the committee was submitted in April 1998, wherein they sent 144 recommendations. Out of which, one of the recommendation was to decontrol sugar in a phased manner over a period of two years. The Government of India accepted many of the recommendations of the Mahajan committee but some of recommendations were not accepted. The decontrol of sugar was

accepted principle by the Government. However, the Government of India ignored the recommendation of licensing of this committee and deliquesced sugar industry keeping the radial distance norm between one factory to the other as 15 Km. This has affected the sugar industry and the result of this in future is likely to be disastrous.

Naidu, N.V. and Rao, V.R.B.\(^\text{27}\) conducted a study of sugar mills of Andhra Pradesh in private, public and co-operative sectors and pointed out that the most important factor affecting the sugar industry in the state was that many sugar mills were not utilizing the full potential capacity of the machinery mainly due to non-availability of sugarcane in adequate quantities. They suggested that sugar recovery could be improved by proper varietal planning maintaining the desired varietal mix for each maturity crushing with proper age group of harvest and the recovery should be pushed not only in the early season but also in the late season maintaining a minimum gap between the overall seasonal recovery and the peak period recovery. They also found that sugar recovery might be further improved by reducing the sugar losses particularly through molasses and bagasse.

Though a number of studies have been conducted on various aspects of sugar co-operatives but so far no study has been undertaken to analyze the administration and managerial problems of co-operative sugar mills in the state of Haryana. Hence, it is proposed to undertake a depth study of the organization, working and management of all co-operative sugar mills in Haryana. The present study wishes to fill this research gap.

A review of the existing findings reveals that the Government has been endeavouring to popularize this sector at all levels. The existing literature on the co-operative sector is meager and it appears that no systematic research work has been done in this field. In the present study the emphasis is being laid on all the problematic aspects in the progress of sugar industry in general and particularly in Haryana which have not yet duly been covered by early researchers.

With an analysis of the earlier findings and the findings of the present study efforts have been made to find out the way for the better perspectives. A brief review of the earlier studies of the various aspects of co-operative sugar industry and the policy of the Government is being discussed step by step in the following way.

In the present work of research attempts are being made to provide a systematic framework for the analysis of the administrative structure of the co-operative sugar mills in Haryana at National, State and Unit level. In present the poor cane growers are benefited by these co-operative sugar mills and in this way the administration of these sugar mills becomes very important subject for evaluation. Moreover, these sugar mills are an entirely agro based industry and in this way this industry has a perceptible impact on the cane growers. This study may help to remove the shortcoming in the operation of these co-operative sugar mills. It may also help the Government to remove the weaknesses regarding the administration of the co-operative sugar industry. In a way it may provide a guideline to the chairpersons, the Government the investors, the creditors and the workers. The findings of this study may be able to open the way for the future researchers and practitioners in the co-operative movement regarding the functioning of these co-operative sugar mills.

Objectives

- The present study throws light on the administration of the co-operative sugar mills in Haryana in general Rohtak and Sonipat in particular.
- The study contains several objectives for the improvement of administration of the co-operative sugar mills particularly in Haryana.
- To review the framework of administration and human administration with an assessment of the liquidity position of sugar mills.
- The earning capacity and the working results of sugar mills are also being highlighted with the suggestion of certain practical measures to tone up the efficiency of these co-operative sugar mills.
In the present work efforts are made to analyse the administrative structure of the co-operative sugar mills at national, state and unit level and try to find out a progressive way for the improvement in administrative structure of the co-operative sugar mills.

**Research Methodology**

This study is a descriptive study of case analysis of the co-operative sugar mills in Haryana. In this study a period of decade is taken for the analysis and in this way useful results may be drawn. It is also mentionable that the study contains only two co-operative sugar mills Rohtak and Sonipat. Regarding the data collection of these co-operative sugar mills both data: Primary and secondary, has been used. The primary data has been collected by personal visits to the sugar mills and the interviews of the members of the administrative as well as the technical staff. To view the policy matters and functioning of these co-operative sugar mills the secondary data has been collected through the sources of official record, managed by sugar mills, sugar fed journals, statistical abstract of Haryana, Co-operative Societies Act 1984 rules and regulations and the annual accounts of the co-operative sugar mills in Haryana. Official records played crucial role in collecting data as it includes the files records of the meetings of the General Body, committee of the administrators, various circulars and instructions resulted from meetings, annual reports, byelaws and several published and unpublished documents, various techniques of the administration, including the organizational, financial and statistical analysis are also used to obtain better results. In the financial analysis there was the analysis of ratio, common size percentage and inter-firm comparison whereas the statistical technique was included the arithmetic mean and coefficient of correlation.

**Limitations**

A work of a research cannot be right from all angles, however, it covers many aspects but still there remains a vast field of exploring aspects.
• The present work throws light on the various aspects of co-operative movement including the functioning and administration of the co-operative sugar mills in Haryana.

• This work of research is completed under certain situations. As the individual researcher has the limited scope of money, time and the sufficient authority to enquire on information, therefore only a period of ten year is selected for this study.

• Secondly the technique used in the study is subjected to their limitations and as a result findings of the study may be affected. Moreover, in the collection of first hand information some respondents tried to conceal the actual facts regarding financial matter and there is no free access to the records; most of the information has been taken to be true on the basis of the questionnaire. But in spite of these limitations it is a significant work of research in the field of the study of the co-operative sugar mills in Haryana and all the sincere efforts would lead the way to the future researchers for a better understanding in the field of co-operative moment.

Chapterization

The chapter plan of the present study contains total five chapters including the conclusion of the different aspects of the administration of co-operative sugar mills in Haryana. Chapter first entitled 'Introduction' deals with the design of the study which incorporates the meaning of co-operation, importance of co-operation, review of literature, objectives of the study, research methodology and limitations of the study.

The second chapter entitled 'Haryana A Profile' deals with the Basic Statistics and History of Co-operative Sugar Mills in the state Haryana.

The third chapter 'Human Resource Management in Co-operative Sugar Mills' with reference to the human resource management comprises with the study of administrative structure of co-operative functioning in the state.
The fourth chapter entitled 'A Review of the Operation of the Industry' is concerned with the production process, cane procurement and the incentives given to cane growers by these units.

The fifth and the last chapter entitled 'Findings and Recommendations' contains the conclusion and suggestions for the possible improvement in the administration of the co-operative sugar mills in Haryana.