Chapter-III

COOPERATIVES IN INDIA

3.1) Cooperatives - Origin, philosophy, Principles and Characteristics.

3.2) Cooperative Structure.

3.3) Cooperatives in Fertilisers Production and distribution.
CO-OPERATIVES IN INDIA

The chapter is devoted to the status of co-operative societies in India. Since the topic of research is related to these institutions, a thorough description is presented into 3 sections.

The first section deals with the origin and progress of cooperative movement in India, philosophy and principles of cooperation and the special characteristics of co-operatives compared to private institutions.

Second section namely cooperative structure, discusses the structural aspects of various cooperatives in India, Maharashtra and Marathwada. Various types of societies, their financial performances, activities undertaken by them are discussed to give complete idea about marketing through cooperatives.

Third section is devoted to the theme of our research title. It presents the facts about role of cooperatives in fertiliser production and distributions.

Co-operatives - Origin, Philosophy, Principles & Characteristics:

The first section gives general information on cooperative movement in India and discusses their evolution and growth. The Philosophy and principles of cooperation are also discussed in detail. At last, the efforts have been made to explain the
distinguishing characteristics of cooperatives. Their comparison has been made with other types of business institutions, mainly private ownerships.

3.1.1) The Progressive Co-operative Movement:

Preliminary:

The alien British Government in India passed the first Co-operative Societies Act in 1904, entitled "Indian Agricultural Co-operative Credit Societies Act" under which, Agricultural Co-operative Credit Societies could be registered in rural areas and Urban Co-operative Societies could be registered in cities. The intention of the Government in thus starting the Co-operative Movement in the country was two fold. The first objective was to provide timely, adequate credit at reasonable rate of interest to farmers for higher production with growing productivity to ameliorate their economic condition and to make them self-reliant ultimately. The second objective in initiating the Co-operative Movement through legislation was to avoid the delay, as far as possible the threat to their power in the country.

But, as this first Co-operative Act had some inherent defects and deficiencies like its inability to register the most needed other types of societies, namely, Co-operative Banks, Sale-Purchase, Consumers, Housing Societies etc. The Government, therefore, amended this Act, suitably in 1912 and passed, "The Indian Co-operative Societies Act" under which all types of
societies with manifold objectives could be suitably registered. Thus, the birth of the Co-operative Movement in India was with Govt. Initiative and as such the further growth as well as the future development of this movement was fully Government directed and under Government domination.

Pre-Independent Era:

India attained political independence on 15th August 1947. Prior to that, there was a slow and steady growth and progress of the Co-operative Movement in the country. This progress could be possible owing to separate Co-operative Societies Acts were Central Government Acts and they were applicable to the entire country and as such were not suitable for fast as well as balanced co-operative progress subject to the diversified geographical, economic and social conditions then prevailing in the different provinces of the then British India. The policy of independent, separate Co-operative Act for each province was adopted by the then British Government in implementing the recommendation of the Macleagan Committee that "Co-operation be the 'State Subject', instead of the 'Central Subject' as it was in the case of the 1904 and the 1912 Acts, respectively". Accordingly, by passing the "Mont-Fond Reforms Act in 1919", the British Government empowered the Provincial Governments to legislate their individual Co-operative Societies Acts conducive to Co-operative Development vis-a-vis the socio-economic as well as the geographical conditions of their respective provinces. The then Bombay
Provincial Government was the first to pass the Bombay Co-operative Societies Act in 1925. Since then onwards till India became independent on 15th August 1947 with Government initiative and under able leadership and patronage of the then socio-political leadership the Co-operative Movement achieved diversified progress in Co-operative Banking, Marketing Sectors in particular and in Consumers, Housing and Rural Artisans-cum-Industrial sectors, in general. It was during this period that the State Co-operative Bank (the short and medium term apex financing agency) and the State Co-operative Land Mortgage Bank for long term finance (presently the State Co-operative Agriculture and Rural Development Bank) were established.

Post-Independent Era:

With the invention of Sovereign Republic of India on the 26th January 1950, the country entered into the era of Planned Economic Development, through Five Year Plans. With a view to achieve balanced socio-economic development with social justice, it was decided to have a Mixed Economy in the country with the private Sector (for development of large and medium scale, industries, trade, commerce and service sector professions on principles and norms of capitalism, etc. by Government Undertakings) and the Co-operative Sector (for the development of agriculture and allied professions, village and cottage industries, village artisans and the rural poor on the principles of co-operation through Co-operative Societies). The Co-operative
sector was, therefore, allotted a prominent role in the Five Year Plans, as a powerful instrument of socio-economic development.

In order to assess and evaluate the performance of the cooperative Movement in the pre-independence era, to identify the defects and deficiencies of the movement and to recommend ways and means for healthy and strong development of the movement to shoulder and discharge its assigned role as the powerful instrument of socio-economic development of the poor with social justice, the Reserve Bank of India appointed the All India Rural Credit Survey Committee under the chairmanship of late A.D. Gorwala, a veteran administrator, economist and journalist. On assessment of the performance of the Co-operative Movement in the pre-independent India, the Committee concluded that "The Co-operative Movement has failed; but it must succeed." For the all-round diversified development of the Co-operative movement, the Committee made about 750 recommendations which the Reserve Bank of India as also the Government of India accepted. The Govt. prepared schemes of all-round diversified development of Co-operative Societies from primary to the national level and implemented them through the Five Year Plans. The post-independence progress and development of the Co-operative Movements has the indelible mark of the recommendations of the Gorwala Committee. The other expert Committees whose recommendations have dominated the growth as well as development of the post-independence Co-operative Movement, to mention a few,
are the Venkattapaty Committee 1967, i.e., the All India Rural Credit Review Committee (establishment of Small Farmers Development Agency (SFDA), and the marginal Farmers and Labour Development Agency (MFAL), the establishment of the Rural Electrification Corporation (REC) etc.), the Shivraman Committee 1974 (on Consumption Loans), the Rural Banking Commission presided over by R.G. Sarraiy, 1969 (establishment of Regional Rural Banks the (RRBs) and the Farmers Service Co-operatives - Societies - the (FSS), etc.) the Committee to Review Agricultural Finance through Credit Arrangements for Rural Development the (CRAFICARD) - 1979 (establishment of National Bank for Agriculture and Rural Development (NABARD) on 12th July, 1981), the Agricultural Credit Review Committee, 1989, i.e. the Khusro Committee (Preparation and implementation of Business Development Plans by weak Primary Agricultural Credit Societies (PACS) to secure minimum more than Rs. 10 lacs turn-over, per annum, to be economically viable, establishment of a National Cooperative Bank to evolve national, integrated cooperative credit policy and to direct and regulate the National Cooperative Movement etc.).

3.1.2) Philosophy of Cooperation:

Cooperation means living, thinking and working together. In technical terms, it denotes a special method of doing business.

'Cooperation' is only a means to an end. The opinions regarding the 'ends' and their achievement are however divided. What distinguishes cooperatives belong partly to ends and partly
to means. Economic objectives united to a body of social ideas is, in fact, one of the pillars of cooperative ideology.

As has been aptly described, other movements have high social aim; some movements have broad business basis; cooperation alone has both. Thus, what distinguishes cooperatives is their commitment to social content, and philosophy which aim at the promotion and development of equitable socio-economic system based upon the economic, social and cultural well-being of all, including the weakest in the community. Ideological objectives of cooperatives can therefore be summarised as (a) Democratic management based upon participation of members, (b) Fostering economic development, and (c) Promotion of social justice. Ideological objectives of cooperatives can therefore be summarised as (a) Democratic management based upon participation of members, (b) Fostering economic development, and (c) Promotion of social justice.

The Cooperative ideology or philosophy stems out of its principles. While 'open and voluntary membership' and 'Democratic Management' constitutes its political philosophy, the principles of 'Limited Interest on Capital' and 'Distribution of Surplus' lays down the economics of cooperation. Like-wise principle of 'Education' makes it possible the effective observance and application of all other principles. The observance of the principle of 'Cooperation among Cooperatives' takes cooperative system to ever expanding growth frontier.
3.1.3) I.C.A. Commission on Cooperative Principles 1966:

The commission considered the following "as essential to genuine and effective cooperative practice both at the present time and in the future as far as that can be foreseen viz, (1) Voluntary and Open membership; (2) Democratic administration (3) Limited interest on capital (4) Distribution of the surplus to the members in proportion to their transactions (5) Cooperative education and (6) Cooperation among cooperatives. These are general principles which should be observed by cooperatives of all types and in all social and economic systems.

Analysis of the Principles:

1) Open and Voluntary Membership:

Membership in a cooperative is both open and voluntary. Open membership means that any one who could be benefited by a cooperative is at liberty to join it. It must be open to all to whom it can be of service.

The 1966 Commission deals with four principles relating to membership of cooperatives:

i) The Principle of Voluntarism: The membership of a cooperative should be voluntary.

ii) Open membership: Membership of a cooperative society should be available without artificial restriction to all persons who can make use of its services.
iii) Principles of non-discrimination: Membership should be available without any social, political or religious discrimination. This principle is a positive aspect of the ideal of political and religious neutrality considered previously as a principle of cooperation.

iv) Principle of responsibility: Membership should be available to all persons who are willing to accept the responsibilities of membership. These responsibilities are not confined to the members' contribution to the share capital of the society and participation in its business but also to sharing in the democratic control of the society and when necessary calling for the accountability of their elected leaders.

v) Member-user Identity: In a cooperative society, the member and the user are one and the same person. This is one of the distinguishing features of cooperation. Therefore, a cooperative will lose its character and degenerate into a profit-seeding enterprise if it admits members and extensively deals with non-members.

2) Democratic Control:

Cooperative societies are democratic organisations. Their affairs shall be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies shall enjoy equal rights of voting (one member,
one vote) and participation in decisions affecting their societies. In other than primary societies the administration shall be conducted on a democratic basis in a suitable form.

3) Limited interest on capital:

If "Open and voluntary membership" and "democracy" is the political philosophy of cooperative movement, then "limited interest on capital" and the principle regarding "distribution of surplus" is economics of cooperation.

Whilst democracy is the very essence of a cooperative, the principal action of the later is that it eliminates economic exploitation. There are two principles designated to eliminate profit. The first of these principles is stated in the ICA Rules as follows.

"Share capital shall only receive a strictly limited rate of interest, if any ".

4) Distribution Of Surplus:

There is only "surplus" and no "profit" in cooperation, cooperative movement refuses to recognise profit, either as the objective or obligation of the cooperative enterprises or the yardstick of its efficiency. Profit has no place as such in the cooperative movement. But there can be surplus and what is surplus? Surplus is what remains after all the expenses of running a cooperative enterprise are met.
5) Cooperative Education:

Another principles of cooperation is provision of education to the members and persons who work in cooperative organisations, cooperation requires of cooperator's acceptance of new ideas, new standard of conduct, new outlook and behaviour based on higher values of life. It is a new venture with a new massage to the people and it could not get real roots unless people are educated of its aims and methods. No cooperative, therefore, can afford to ignore its responsibility for educating its members in appropriate ways. Therefore education of members was enshrined as one of the principle of cooperative organisation. The commission declared: "All Cooperative Societies should make provision for the education of their (1) members (2) Officers and employees, and of the (3) General public in the principle and technique of cooperation, both economic and democratic".

6) Cooperation among Cooperatives:

The ICA Congress of 1966 added a new principle that is "Cooperation among Cooperatives". This principle enjoys an intimate inter cooperative relationship and is a "principle of growth" by mutual cooperation among cooperatives. Therefore, the commission laid down that "all cooperative organisations, in order to best serve the interest of their members and their communities should actively cooperate in every practical way with other cooperatives at local, national and international levels".
The discussion above leads to certain broad postulations when we think of philosophy, principles and characteristics of cooperation, viz.

1) Devoid of cooperative principles, cooperative organisation cannot be visualised.

2) Member involvement and leadership role can effectively ensure social objectives of cooperatives.

3) Professionalisation of management can effectively ensure the achievement of economic goals of cooperatives.

4) Horizontal and vertical integration can be effectively achieved only by strengthening cooperative federalism and cooperation among cooperatives.

5) Though profiteering is ruled out in cooperatives, profit making is not like-wise though excessive profit distribution is ruled out but profit accretions to reserves and funds is not.

6) Cooperatives of today and tomorrow will need to develop forward looking strategies for greater and more efficient service to the members on the one hand and competitive business efficiency on the other. To this end, perspective planning will have to be strengthened increasingly by the cooperatives.
7) Cooperative development will be in direct proportion to the input in educational programmes by the cooperatives, both at the micro and macro levels.

8) Serving of the members' interest consistent with the community interest should be the ultimate goal of cooperatives.

In the changing socio-economic - political conditions, cooperatives are subjected to stresses and strains, often so strong as to tend to dislodge them from their basic fundamental values and objectives. All these require patient and serious study, analysis, assessment and evaluation with academic objectivity and scientific rigour and dispassionate deliberations which might lead to formulation or reformulation of concepts, policies, plans and programmes.

3.1.4) Distinguishing Characteristics of Cooperative Organisation:

The distinctiveness of a cooperative form of organisation stems from the principles of cooperation, the incorporation of which constitutes a cooperative organisation. A cooperative organisation essentially recognises the principles of private ownership though certain organisational arrangements are visualised to ensure wide dispersal of ownership and economic power incidental to such ownership. There is active and more involvement in decision making by participants in the relevant economic activity. Even though the basic functions of economic
activity, viz., production and distribution are performed through the working of the mechanism of prices however, the results differ from those under competitive capitalism in view of the effective dispersal of ownership and power.

Cooperation has a particular approach to the problems of economic life with two germinal ideas, association and use. So business firms will have to be efficient in use of resources and customer-satisfaction.

The cooperative is similar to a private firm in so far as its resources are owned by individuals. But there is a major difference between the cooperative business firm and other private firm. The owners of private business organise a service which is not needed by their individual households or individual firms. They make goods to sell to outsiders. Here the trader and customer and distinguishable. The individual in a cooperative sets up a business for the benefit of their households or individually owned firms. The trader-customer dichotomy tends to disappear. For this reason it is sometimes said that the objective of a cooperative is service while the objective of a private firm is profit. Some of the fields where cooperatives differ from private are -

1) Profit from business:

The major difference is that since a cooperative trades with its owners, profits need not be reflected in its transactions.
They could be shifted to its members in the form of lower prices charged for the services. However, earning of profit is important for a cooperative as it is for a private firm.

The difference between the two firms (co-op/private) is not that the object of one is service and the object of other is profit. The difference are (a) in the manner of earning profit, (b) in the manner of distributing profit, (c) in the emphasis on the other objectives, and (d) in the social philosophy to which the cooperative firm contributes. A cooperative firm lays emphasis on welfare objectives. The cooperative firm does not contribute to the philosophy of survival of the fittest but rather seeks to help the weakest.

2) Membership of a business organisation:

The individual family enterprises and partnerships are closed organisations and their membership is not open to everyone. However, in a joint stock company, the membership is kept open to any one who is willing to buy a share.

Open and Voluntary membership is a feature which cooperative firm shares with a joint stock company. But there are differences—

1. Membership of a cooperative is restricted to those who need services from it. They must be active participants in the trading activity of the society and just not investors who wish to derive profit on their capital.
2. Since a cooperative is considered an association of people, great premium is laid on the personal knowledge of each other in the cooperative. The character of membership is as important as the amount of capital.

3. The membership of the cooperative should be drawn from weaker sections. An association of rich businessmen to protect their interests can not be called a cooperative organisation.

3) Mobilising Capital:

The cooperative firm differs from a private business firm in relation to the mobilisation of capital is that the former does not float capital in the open market. Only those who need the services of a cooperative could be members and the capital could be raised only from this category. Secondly, the shares of cooperative can not be sold or brought in the open market.

Cooperatives lay strong emphasis on self reliance and would not like to depend upon borrowed capital indefinitely.

4) Determining the modes of decision making & control:

Control and management are generally vested with the same authority in family enterprise and partnership firms. The complex nature of business and the size necessitate skilled business managers who control and manage but the risk and uncertainly is not borne by them.
'Control' gets separated from 'Management'. The control vests with those who bear the risk and uncertainties of the firm. These are the share holders. The control of Joint Stock Company is based on capital holding and it tends to be oligarchical and not democratic.

It is in respect of control that the cooperative business organisation appears to be totally different from a Joint Stock Company.

In a cooperative, ultimate control vests with the general body of the members.

The degree of control does not depend upon capital. One man, one vote is the cooperative principle. Thus, control of a cooperative is divorced from the liability of risk. This is a revolutionary departure from the conventional methods of business organisation.

5) Determining rewards for capital:

In private firms the investor is given the pride of place. He is vested with the ultimate control of the firm. All other parties in the firm, the workers, the managers and the sellers of raw material are made payments according to the contracts entered into with them. These parties do not bear the risk of the enterprise. The investor who is liable to risk of loss gets the lions' share of profits.
The logic of the cooperator is different. He does deny a reasonable reward to capital, but he refuses to give a pride of place to capital.

The cooperative institution is also unique in laying a great deal of emphasis on social responsibilities of business. The byelaws of a cooperative makes explicit provision for setting apart a portion of community in which cooperative business is located is basic to the thinking of the cooperators.

Relationship between management and directors on one hand and directors and members on other:

Major difference is in respect of relationship between the directors and the members. The board of directors display oligarchical attitudes towards their members. In a cooperative, the membership is shown at the top of the chart, followed by the delegate body, board of directors, executive committee and president in succeeding order indicating also the delegation of authority from members to elected official representatives.

This is followed by the authority flowing from the Chairman to the Managing Director or the Chief Executive downward to the ultimate employee position in a cooperative.

In a cooperative, the authority vests with the general body of members. The Board of Directors get authority from the general body of the members. Thus Board of Directors are accountable to
the general body of members and will command position to the extent it serves members and their interests.

The Board of Directors of Indian Cooperatives, by virtue of the provisions of bye-laws, are responsible for the day-to-day management of their cooperatives. The same is not the case with private corporate enterprises whose boards of management generally perform the top management functions of policy making, review and control.

In conclusion we could therefore say that a cooperative is a society which:

a) groups only those people who have a common activity (farming, marketing etc.) and/or common problems (credit supply, purchases of consumer goods etc.) and who realise that they cannot carry out their activities or solve their problems individually in such a satisfactory way as they can by joining together in a cooperative;

b) aims at providing its services to its members at cost;

c) operates on the basis of both mutual and self-help;

d) gives top priority to group interests, though not ignoring individual member's desires, if and when they are not in contrast with the afore-mentioned group interests;

e) gives priority to the quality of its services to members rather than to making profits;
f) aims at cutting down all unnecessary costs and expenses, mainly with regard to middlemen and money-lenders.

g) defends the position of weaker members by giving to every member the same decision making power (one person, one vote) and

h) aims at eliminating all conflicting positions between producers and consumers.

3.2) Co-operatives Structure:

This section describes cooperative structure at National, State and Regional level. The national and state level positions are described in brief but that of Marathwada is explained in detail, with the help of annexures.

3.2.1) National Level:

The Indian cooperative sector is one of the largest in the world. It has about 3.5 lakh cooperative societies with a membership of 16.75 crores and a working capital of Rs.48,000 crores. Its banking component itself has 92,000 Primary Agricultural Credit Societies (PACS), a membership of 8.7 crores and a credit business of Rs.45,000 crores. There is also a parallel long-term cooperative credit structure and strong federations apart from other cooperative entities like IFFCO and KIRIBHCO. The PACS cover over 96 per cent of India's villages and 80 per cent of rural population. However, studies show that 76
percent of members do not get involved in the business. More details are given in Annexures-3.2.1.

The National Cooperative Union of India (NCUI) is apex body of the cooperatives in the country. Cooperatives are being supported by RBI, NABARD and NCDC at National level. RBI till few years ago was responsible for the overall development, policy and financial support to rural credit through cooperative banks. Since 1982, these functions have been taken over by the National Bank of Agricultural and Rural Development (NABARD). Another organisation called National Cooperative Development Corporation (NCDC) was incorporated in 1963. It's activities are exclusively devoted to the development of economic activities of cooperatives in rural areas. The total financial assistance extended by NCDC is now of the order of Rs.1,500 crores.

Other national level prominent organisations are NAFED, NDDB, IFFCO and KIRBHCO. National Agricultural Cooperative Marketing Federation of India (NAFED) deals mainly with agriculture export business. National Dairy Development Board (NDDB) is in the business of dairying. Indian Farmer's Fertiliser Cooperative Ltd. (IFFCO) and Krishak Bharati Cooperative Limited (KIRBHCO), are both engaged in production and marketing of agro inputs such as seeds, chemical fertilisers, biofertilisers, etc.

*Yojna, December 31, 1992, p.6).
As regards the marketing structure of cooperatives, they cover almost every mandi centre (Market yard) in the country. As per NCDC Annual Report 1991-92, there are about 2636 general purpose primary marketing societies and 3290 special commodity marketing societies. There are also 157 district/central societies, 29 general purpose state cooperative marketing federations, 22 state level special commodity marketing federations.

A review of working in respect of 655 nationwide cooperative marketing societies undertaken on the basis of information received from 19 states for the year 1989-90 reflects following position -

i) 57.25 per cent cooperatives were involved in the marketing activity.

ii) 80.31 per cent societies were engaged in the distribution of agricultural inputs, while 81.83 per cent in consumer business.

iii) Average turnover of a society was Rs.112.39 lakhs.

iv) Out of total turnover of primary marketing cooperatives, 40 per cent was for marketing, 22 per cent for agricultural inputs and fertiliser distribution, 37 per cent for consumer articles and 1 per cent for other business.
3.2.2) Progress of Cooperative Movement in Maharashtra:

Maharashtra State came into existence on 1st May, 1960. "The Maharashtra Cooperative Societies Act, 1960" and "The Maharashtra Cooperative Societies Rules, 1961" came into force with effect from the 26th January, 1962. The Cooperative Department of the State was suitably recognised. With the Commissioner for Co-operation, as the head of the Department, flanked by the Director of Marketing (with powers to develop, direct and regulate the cooperative marketing sector in the state); the Director of Sugar, and the Director of Handlooms, Powerlooms and Cooperative Textiles. These top level officers are assisted with Functional and Divisional Joint Registrars. In each district, there are Deputy District Registrars and at taluka level there are Assistant Registrars. Thus, fully equipped in all respects, the cooperative movement in the state registered tremendous numerical progress after 1960.

As per the statistical book entitled "Cooperative Movement at a Glance in Maharashtra", in 1961 there were 31,565 cooperative societies in the state, on 31.3.1994 their total number was 1,26,994 i.e. the growth in number was by 302 per cent. Financial progress of the cooperatives in Maharashtra is shown in Annexure-3.2.2 and Graph-3.2.1.
TABLE - 3.2.1

PROGRESS OF COOPERATIVE MOVEMENT IN MAHARASHTRA

<table>
<thead>
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<th>Sr. No.</th>
<th>Type of societies</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Agricultural Credit Societies</td>
<td>21438</td>
</tr>
<tr>
<td>02.</td>
<td>Non-Agricultural Credit Societies</td>
<td>1631</td>
</tr>
<tr>
<td>03.</td>
<td>Marketing Societies</td>
<td>344</td>
</tr>
<tr>
<td>04.</td>
<td>Productive Enterprises</td>
<td>4306</td>
</tr>
<tr>
<td>05.</td>
<td>Other type of</td>
<td>3816</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>31565</td>
</tr>
</tbody>
</table>

Source: Cooperative Movement at a glance in Maharashtra 1993-94.

Primary Agricultural Credit Societies (PACS):

There were 19,787 Primary Agricultural Credit Societies as on 31.3.1993. Their membership was 80 lakh and working capital was Rs.2,192 crores. These societies advanced loans to the tune of Rs.1,018 crores out of which Rs.224 crores was advanced to small holders. The loans outstanding in respect of all PACS were Rs.1,674 crores after recovery of Rs.748 crores. The percentage of loans recovered by the PACS, to the loans due for recovery was 56. The loans overdue as on 31.3.93 were of Rs.589 crores. The
percentage of over-dues to outstanding was thus, 35 per cent. More details are given in Annexure 3.2.3 and Graph-3.2.1.

Cooperative Marketing Societies:

The number of cooperative marketing societies as on 31.3.1993 was 1033 with a membership of 8.05 lakhs and working capital of 412 crores. The turnover of these societies was of the order of Rs.1,941 crores. The apex body, "The Maharashtra State Cooperative Marketing Federation Ltd.", had a working capital of Rs.262 crores as on 31.3.1993. It's turnover was Rs.493 crores of which the value of agriculture requisites sold, amounted to Rs.221 crores.

In nutshell, the Maharashtra has the largest cooperative structure having 30 per cent of the total societies in the country. The membership amount comprises 15 per cent of the total in country. The cooperatives cover 98 per cent of the villages and almost all the urban areas. Cooperative movement in the state is highly diversified with 55 types of societies.

Factors Responsible for the success of cooperative movement in Maharashtra:

1. Enlightened cooperative leadership, which is wide spread.

2. Emergence of well to do farmers, due to benefits accruing from the cooperative.
3. Benevolent state policies and programmes.

4. Massive financial support from cooperative credit structure, mainly by the Maharashtra State Cooperative Bank.

5. Financial support and technical guidance from NCDC, NDDB & NABARD.

6. Stress on education and training programmes for employees and members.

7. It is well diversified in character and built up right from the village as a primary to district and state level federation of each type.

8. Linking of credit with marketing and processing.

Defects of cooperative movement in Maharashtra:

The regions like Amravati, Nagpur and Marathwada have not done well in cooperative movement because of which, these regions are agriculturally and industrially backward.

Some leaders of cooperative movement do not bother about principles of cooperatives and play foul in the institution for own benefits.

The cooperatives in recent times have become "Government directed" instead of "Government assisted". There is undesired
control and interference in the affairs of cooperatives from
Government.

Cooperatives have become dependent on external resources and
there is lack of leadership and business expertise to solve the
problems at their own.

3.2.3) Cooperatives Status in Marathwada:

The overall position of cooperatives progress, present
status, working performance and other activities are represented
in detail in Annexures-3.2.4 to 3.2.10.

From the annexure-3.2.4, it can be seen that there are about
16,372 cooperative societies which include 4,829 Primary
Agricultural Credit Societies (PACS). Highest number of all types
of cooperative societies are in Osmanabad district but Nanded
leads in PACS.

Annexure-3.2.5 gives completed details about number of
societies in the research period, their members and financial
position, infrastructural facilities available, agro-inputs sold,
profitability, agricultural loan disbursed by the cooperative
marketing societies in Marathwada. It could be seen that work
performance of these societies in all the fields is very poor as
compared to Maharashtra. The average percentage of Marathwada was
judged as 12-13 of Maharashtra as a whole in all types of
activities.
The detailed performance of Primary Agricultural Credit Societies (PACS) in all respects is depicted in Annexure-3.2.6. The performance of PACS in Marathwada vis-a-vis is compared with total PACS of Maharashtra. It is found that overall average performance of packs in Marathwada is 30 per cent of Maharashtra.

Annexures-3.2.7 and 3.2.8 represent the agriculture/crop loans extended by commercial banks and cooperative banks respectively. It is seen that, in Marathwada, the loans extended by commercial banks is 23 per cent of the state. It can be seen that, commercial banks of Marathwada have achieved their targets in a better way as compared to the state.

In case of cooperative banks, the total agricultural loan disbursed in Marathwada constitutes nearly 26-27 per cent of the state's total. However, the cash:credit ratio has varied differently. Some times it was 60:40 (1987-88), at other occasions, it was 44:56 (1993-94).

But, the recovery position in Marathwada has not been satisfactory. The recovery position in last 5 years as shown in Annexure-3.2.9 reveals that, non-satisfactory both at cooperative level (from farmers to cooperative society) and at bank level (from cooperative society to bank).

In 1989-90, it was very poor i.e. 20 per cent at Bank and 22 per cent at cooperatives society level, the best recovery year was 1992-93, when the recovery was 50 per cent at Bank level and 53
per cent at society level. Thus, we can say that, extremely poor recovery position has led to inadequate refinance at the banks end.

The working performance of cooperative marketing societies was assessed from the facts and figures published by some of the societies during last few years. Annexure-3.2.10 shows the working results of 15 cooperative marketing societies working in Marathwada. It is revealed that, membership growth has been almost stagnant or it is very slow. The number of branches/retail sale points have remained same. The turnover in fertiliser has also remained constant over last few years. Other agro-inputs business has declined e.g. seeds, agrochemicals and implements. It was also found that, although the total expenses have increased over the years but their profitability has gone down. Rather they have made losses.

3.3) Cooperatives in Fertiliser Production and Distribution:

This section provides information about production and distribution of fertilisers in cooperative sector in chronological order. It also highlights the percentage share of cooperatives in fertiliser distribution at national level. Based on the experience of the researcher various constraints in fertiliser distribution through cooperatives are also discussed broadly to give a complete idea to the reader.
processing and marketing of agricultural produce of their members.

4. The cooperative system has adequate storage facilities both at mandi and village levels which helps in stocking of the material and ensure timely availability to the consumers at their door-steps.

Cooperatives in fertiliser production:

With the induction of private trade in fertiliser industry in the second half of sixties, cooperatives in the absence of the support of production base of their own, stood at a very disadvantageous position. It was in this context that the government took the decision to induct cooperative into production of fertilisers. Thus IFFCO emerged on the horizon of Indian fertilisers scene in 1967. The two plants owned by IFFCO, one at Kalol in Gujarat with the capacity to produce 3.96 lakh tonnes of urea and the other one at Kandla (Gujarat) with an installed capacity of 1.27 lakh tonnes of P₂O₅ were commissioned in early 1975. Very soon, both the plants got established and achieved excellence in production. IFFCO commissioned yet another plant at Phulpur (UP) with an installed capacity of 5 lakh tonnes of urea in March, 1981 and doubled the capacity of its Kandla plant to 2.60 lakh tonnes of P₂O₅ in September, 1981. Thus in 1981-82, IFFCO the only fertiliser manufacturing organisation in the
cooperative sector had a total installed capacity of 488 thousand tonnes of N and 260 thousand tonnes of P₂O₅.

The performance of all the three plants was excellent and as a result, the capacity utilisation of the cooperative sector units was far higher than majority of the units either in private or public sector.

Looking to the excellent performance of cooperative sector both on production and marketing front, Government of India approved installation of additional capacities in cooperative sector. IFFCO promoted KRIBHCO which commissioned its urea plant located at Hazira (Surat, Gujarat) with an installed capacity of 14.5 lakhs tonnes of urea in early 1986. KRIBHCO's performance both on production and marketing fronts has also been excellent. IFFCO put up yet another urea manufacturing unit at Aonla (U.P.) which was commissioned in July 1988. Within an year of its commissioning, it has achieved a record capacity utilisation level of 120 per cent. It has an installed capacity to produce 7.26 lakh tonnes of urea. With this, in 1990-91, the total installed capacity in cooperative sector reached 15.3 lakh tonnes of N and 3.1 lakh tonnes of P₂O₅. The nutrient wise/sector wise composition of installed capacity for the year 1990-91 along with capacity utilisation and share in production is given in table-3.3.1.
<table>
<thead>
<tr>
<th></th>
<th>Public (000 tonnes)</th>
<th>Private (000 tonnes)</th>
<th>Co-op. (000 tonnes)</th>
<th>Total (000 tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Installed capacity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>4332 (53.2)</td>
<td>2284 (28.0)</td>
<td>1532 (18.8)</td>
<td>8148 (100.0)</td>
</tr>
<tr>
<td>P₂O₅</td>
<td>819 (29.8)</td>
<td>1622 (59.0)</td>
<td>309 (11.2)</td>
<td>2750 (100.0)</td>
</tr>
<tr>
<td><strong>Capacity Utilization(%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>66</td>
<td>105</td>
<td>112</td>
<td>86</td>
</tr>
<tr>
<td>P₂O₅</td>
<td>62</td>
<td>81</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>2873 (41.0)</td>
<td>2398 (34.3)</td>
<td>1722 (24.6)</td>
<td>6993 (100.0)</td>
</tr>
<tr>
<td>P₂O₅</td>
<td>511 (24.9)</td>
<td>1308 (63.7)</td>
<td>233 (11.4)</td>
<td>2052 (100.0)</td>
</tr>
</tbody>
</table>

The table clearly demonstrates the supremacy of the cooperative sector in respect of performance of plants.

**Fertiliser Distribution in Cooperative Sector:**

At present, the cooperatives marketing structure consists of one national federation (NAFED), 29 State Cooperative marketing federations (State Feds) besides 16 state level special commodity cooperative marketing federations, 171 central/distt. societies,
3632 general purpose primary marketing societies and 3290 special commodity societies supported by about 1.12 lakh societies at the village level all of them does not deal in fertilisers. At village level less than 50% of the societies deal in fertilisers business.

Pattern of fertiliser distribution through the cooperative sector in the state depends upon the cooperative structure in the state. The cooperative structure varies from state to state. Generally, the cooperative network operates through a 3 tier system. However, in some of the states, the system works on two tier basis like in Haryana, while in other like Gujarat, 4 tier system exists. In a number of states like Haryana, West Bengal, Gujarat, Tamil Nadu and Madhya Pradesh, the Apex cooperative marketing federation functions as a wholesaler. In a few states like Rajasthan and U.P. supplies of fertiliser one directly made to the marketing/village societies by the manufacturers on account of the Apex marketing federations not being in fertiliser business for one reason or other. In such cases, the job of fertiliser manufacturer becomes very difficult, while in other states, like Punjab, Maharashtra and Bihar, a mixture of two systems operates.

Cooperatives share in fertiliser distribution:

In early sixties, cooperative had virtual monopoly in fertiliser distribution. Consequent to the change in the policy of Government of India, private trade entered the fertiliser
business some other institutional agencies also took to fertiliser distribution. It is worth-noting that through the two decade period of 1969-89, though the quantities of fertiliser distributed through cooperatives show an increasing trend, their share in the total distribution of fertilisers through all agencies show a declining trend as can be seen in the Annexure-3.3.1.

During the year 1992-93, 121-54 lakh tonnes (nutrients) of chemical fertilisers were distributed in the country. Of this, about 28 lakh tonnes i.e. only 34 per cent was handled by the cooperatives. Thus the share of cooperatives which was around 60 per cent during 1969-70 in total fertiliser distribution declined to the level of 34 per cent only during 1992-93. Decline in the share of cooperatives in fertiliser distribution is a matter of great concern. While Govt. of India are making every possible effort to strengthen the cooperative system so as to enable it to handle larger and larger volumes of fertilisers, the cooperatives seem not to be gaining strength. The seventh five year plan aimed at increasing the cooperatives share to atleast 50 per cent by the terminal year of the plan from 43.8 per cent in 1984-85. It is observed that, rather than improving, the cooperatives position deteriorated, its share being as low as 34.38 per cent in 1989-90. This needs probing as to what measures should be taken to improve upon the share of cooperatives in fertiliser distribution.

A glance at the cooperatives past performance in fertiliser distribution reveals that, cooperatives have been loosing ground
year after year. State-wise review indicates that this is true for majority of the states taken individually also. Even in the state like Gujarat, where the cooperatives are on a very sound footing, there has been a sharp decline in the share of cooperatives in fertiliser distribution over the passage of time. The cooperatives' share in fertiliser distribution in Gujarat stood at 95% in 1981-82 which in 1992-93 has declined to 87%.

Yet another area of concern is the diversity in cooperatives' share in fertiliser distribution in different states. There are a few states like H.P. and J & K where cooperatives are the only agencies engaged in fertiliser distribution. Among the major states, there is tremendous diversity in this regard while in Gujarat, even today, cooperatives account for as much as 67% of the total fertiliser distributed in the state, in A.P. Cooperatives' share is hardly 8%. The state-wise quantity of fertilisers distributed by cooperatives and its share in total fertiliser distribution is presented in Annexure-3.3.2. Efforts must be made to minimise this diversity by bringing about an improvement in the performance of the cooperatives having poor performance.

Infrastructural facilities with the cooperatives:

The cooperatives in India have been engaged in the task of distribution of fertilisers and other agro-inputs for nearly three decades by now and have gained sufficient experience.
Cooperatives have a widespread network of retail outlets. From time to time, the network has been expanded steps have been taken to rationalise their functioning. In the year 1982, the number of cooperative retail outlets was 50,243. As on 31st March, 1989, this number went up to 72,413. As compared to this, the number of retail outlets in private trade stood at 1,35,047, more than double of the cooperative retail outlets. This speaks of the need for substantial increase in the number of cooperative retail outlets. About 49% of PACS are engaged in the fertiliser distribution and the remaining ones still functioning as credit societies only. The task of increasing the number of cooperative fertiliser retail outlets can easily be accomplished if the PACS which are currently not engaged in fertiliser business are brought into the fold of fertiliser business. Sternous efforts are needed to accomplish this task. This is a must if cooperatives have to accomplish the task of achieving 50% share in total fertiliser distribution in the country.

The cooperatives have the storage facilities at the village as well as taluka/mandi level. The storage facilities with the cooperatives help in timely procurement of agro-inputs particularly fertilisers. Storage facilities are essential for ensuring timely availability of fertiliser to the farmers. In 1978-79, the total storage capacity available with the cooperatives was of the order of 4.5 million tonnes which by 1983-84 increased to 7.2 million tonnes. In 1988-89, it further increased to 14.7 million tonnes.
Constraints in cooperative fertiliser distribution system:

As we know the share of the cooperatives in fertiliser distribution has been declining continuously though, the overall consumption in the country has been increasing constantly. This is a matter of great concern. Following are some of the important constraints responsible for decline in cooperatives share in fertiliser distribution.

i) The primary cooperative marketing societies have not been playing the role expected of them in the distribution of agricultural inputs including fertilisers.

ii) It is a general complaint from the lower level societies that they are not adequately compensated by Apex Federations for the service rendered by them and major portion of the distribution margin is retained by the Apex Federations. As a result, the lower level societies have been losing interest in fertiliser business. There has been some improvement in this regard in some states, much more needs to be done.

iii) Cooperatives are not able to compete with the private trade because, the private trade can offer so many concessions which cooperatives cannot afford and secondly private trade can make quick decisions while decision making in cooperatives is delayed.
iv) The rate of interest on fertiliser credit is very high.

v) The number of retail outlets dealing with fertiliser business are not adequate in comparison to the demand.

vi) Poor management coupled with lack of professionalism is another constraint from which cooperatives are suffering.

vii) High cost of operation due to locational disadvantages as cooperatives operate even in the remote areas.

viii) Lot of time and efforts are wasted as different societies deal in different inputs.

ix) The communication system in cooperatives is very poor limiting the flow of information both horizontally as well as vertically.

x) There is a lack of planning, coordination, monitoring at each level i.e. in system of cooperative distribution.

xi) The accounting system being followed by the cooperatives is not objective and the fertiliser stocking and distribution information is not adequately maintained. The Apex Cooperative Banks and Federations are not equipped with modern data processing facilities with the result that records of outstanding recoveries are not properly maintained and monitoring is also not effective.