It is often suggested that the problems of small industry can be solved to a great extent through the development of cooperation among the small units. In certain respects the small industries are at a distinct disadvantage compared to larger sized units as the large scale economies accrue to large scale production only. Even in the absence of inherent technical inferiority, small units are often at difficulties in the purchase of raw materials, in marketing their goods, in securing adequate finance, compared to larger sized units for which their scale of production is largely responsible. Although there is difference in opinion, whether large scale production invariably leads to a lowering of costs, there is little to doubt that there are still certain factors which give rise to large scale economies and thus would always favour the growth of plants upto a certain point. Bulk purchase and sales of material for example, are always conducted at cheaper rates, not only because of the preferential treatment received in the forms of lowest prices quoted against their order and discounts and rebates offered to them by the suppliers, but also because of the spreading of certain cost items such as transport, advertisement etc. over large number of units. Large plants can make fuller use of improved specialised machines which cannot be
reproduced on a smaller scale, and can enjoy the services of specialists, not possible for the smaller plants. The large plants can also carry on researches on various problems connected with their production and can gain in forms of increased efficiency by the results of such researches. It is not possible either for the small or for the medium sized units to carry on such research at their own cost. The competitive position of these industries can be raised if they can be made to enjoy these economies. This can be achieved only by some form of joint action on the part of the producers. The disadvantages of small scale can be eliminated or reduced in most cases by some kind of cooperative action. If large scale economies are conspicuous in one particular function of the business, this can be performed jointly by the small producers. The Investigation Teams in their report on small industries, investigated so far, have given special emphasis on the need for development of cooperation in the small industries in those matter where they are at a disadvantage compared to larger sized units.

An important characteristic of cooperative movement which enables it to function even in small plants is its federal structure. "The primary cooperatives, grouping individuals and family associates in their turn to form federation or unions for economies and organisational purposes. In this way benefits normally derived from large scale financial, administrative and technical concentration are made available to the small component units of the system." Cooperative organisation can accordingly be an useful means of bringing basic units of the economic and social structure.

into effective association with the public authorities for the application of working technique and equipment, thereby raising productive standards. It is impossible for Government organisation to contact the mass of population except through some form of organisation and to tackle their manifold problems. Cooperative organisation has been accepted in almost all countries as the only effective organisation through which official development policies can penetrate widely and deeply into the economic life of the people. The official organisation can not hope to reach the mass of the population except through the medium of cooperative organisation. This is more true in the cases of countries where small producers, industrial or agricultural occupy the predominant position in the national economy.

The necessity of such cooperative association is all the more great during a plan period when it is found necessary to bring the decentralised sector within the centralised planning system and to coordinate their policies with the scheme of national economic planning. In the Chinese plan in which the ‘small and village industries have been given important place in the development programmes, the craftsmen have already been organised into cooperatives, and State Trading Corporations have undertaken the responsibility of supplying their raw materials and marketing their products. In India, particular attention has been given to the development of cooperatives in every aspects of economic life, production as well as consumption. As observed by the authors of the Second Five Year Plan, “economic development along democratic line offers vast field

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2 In China, the organisation of cooperative in the handicrafts sector can be broadly classified into two groups - the producers cooperatives, and trading cooperatives. The producers cooperatives (where production
for application of cooperation in its infinitely varying forms. Our socialistic pattern of society implies the creation of large number of decentralised units both in agriculture and in industry. The small units can enjoy the advantages of scale and organisation mainly by coming together.3

Type of cooperatives suitable for small industries

Different types of cooperative can be organised to meet the various economic needs. This character makes it particularly valuable in the fields of small producers. It is impossible to lay down beforehand the strict pattern along which cooperatives can be organised in the small industries sector which will have a general application. The types of cooperative to be suitable for particular industry vary with the nature of the industry and the problems associated with it. Producers cooperatives have greater possibilities in some fields than in others. In fact it is more suitable for cottage and home industries. By combining in act of production the producers can enjoy all the advantages of large scale production. Improved technique and appliances can be used and advantages

2 (contd.) is organised on a cooperative basis) either are linked to the cooperatives which do their trading for them or they buy and sell on contractual basis through the State Trading Corporations or the Marketing and Supply Societies in the rural areas. The independent craftsmen or their teams have, for dealing with the public commercial organs such as Marketing and Supply Cooperatives, have organised trading cooperatives of their own for buying raw materials, selling finished goods or accepting orders and contracts for processing. Organisation of the craftsmen on a cooperative basis was started in October 1953, and by the end of 1954, 1,100,000 craftsmen have joined the teams, trading and producers cooperatives. 86 per cent of the craftsmen were reported to have joined the cooperatives by the end of March, 1956 - Gyanchand - The New Economy of China.

3 Second Five Year Plan, Government of India, Chapter 10, page 221.
accruing from large scale purchases and sales can be gained. But as such cooperative requires the producers of the same trade to join in the act of production it is not very much suitable in the mechanised small and medium industries sector, where production is carried on with the help of employed workers. Even if full fledged producers cooperative is not possible in the case of small and medium industry, considerable economies can also be achieved by the use of rare and improved appliances which may be installed jointly.

In every type of small industry there is the scope for marketing and supply cooperatives. The problems relating to procurement of raw materials and selling of goods appear to be a general problem in most of the small and the smaller groups of the medium sized industries. The chief problem with the small units is that while they have to buy the raw materials in retail, in almost all cases they have to sell in the wholesale rates. In the cases of all enquiries relating to the problems of small industry including the enquiry connected with this study, it has been found that all the units in the small industry sector complained of difficulty in the procurement of their raw materials and the higher prices charged for and in most cases the difficulty arises because of the small requirement of the individual units. Bulk purchase is often conducted at cheaper rates not only because of the higher bargaining power it offers to the purchasers, but more due to the genuine economies achieved both by the buyer and the supplier. Cheaper rates can be quoted against a big order because such an order would give the supplying concern the opportunity to have further utilisation of its capacity. In other
words, economies of scales would be in operation here. These economies and consequent advantages can be secured by the small units if the units in the same trade jointly purchase their raw materials. This system would also have the effect of eliminating the middle men who taking the opportunity of ignorance and poor financial position of the small proprietors, reap large profit at their cost. In the case of small tools and cutlery manufacturing units in Calcutta, it has been found that much of the difficulty in the procurement of the main raw material, that is steel can be solved if they can jointly purchase it. These small concerns have been experiencing difficulties in procuring steel in small quantities from indigenous sources. They have to procure it through dealers who charge higher rate for small orders and as their individual requirement is small at a time, it is not possible for them to place their orders directly to the manufacturers, indigenous or foreign, who generally do not entertain orders for small quantities. Shortage of funds on the other hand stands in the way of bulk purchase by them at a time. Similar is the case with the small pipe fitting manufacturers, saw mills, hosiery, small concerns producing engineering goods etc. Instances are not rare where difficulties of this nature have been completely eliminated or greatly minimised by the organisation of cooperatives among the manufacturers. The handloom weavers are being mutilated on several points by host of middlemen and parasites whose existence leads to a pyramiding of price of yarn and who have fully exploited the ignorance, poverty and helplessness of the weavers. To tackle the problem, weavers' society has been formed in different states and the primary units have been organised in Provincial Cooperative Societies which have forward contracts with mills and undertook the distribution of yarn to all the weavers in the society.
Like supply cooperatives in the cases of all small and smaller groups of medium sized industries, there is scope for marketing cooperatives.

The problems of marketing specially in the small industry sector has already been discussed. The ignorance of the small industrialists about the market condition and their weak financial position lead them into the hands of the dealers and middlemen. It has been widely recognised that the only way to solve the marketing problems of small concerns is to unite them in some sort of association, which will handle the marketing of the goods. Efforts are being made in Burma to eliminate the middle men, as far as possible by the formation of Industrial Cooperatives. The Industrial Cooperatives are tied to the National Cooperatives Wholesale Society and Civil Supply Management Board whose marketing facilities could greatly promote the sale of the products of the small scale and cottage industries. Marketing cooperatives will also help in maintaining the quality and standard of the goods produced by the small concerns so necessary for survival of such industries. Supply and marketing cooperatives are in themselves an important means for aiding small units and securing steady improvements in technique including quality control, holding stocks against future demand and credit. With the help of the Institutes set up for the assistance of small concerns, the marketing cooperatives can lay down the specific standard and can insist on the production of only standard goods.

In view of the shortage of funds in the small industries sector, the setting up of credit cooperatives is sometimes suggested for easing the situation. We have already discussed the financial problems of small
scale industries. Credit cooperatives can to a certain extent help small industries in the matter of credit. But experience, so far, does not favour the formation of cooperatives whether in industry or in agriculture for solving the credit problems only. In our country as well as in other countries cooperative experiments where first started in the field of credit and the results in general have been depressing. The cooperative movement in India proves beyond doubt that to succeed, cooperative movement must take up other problems of agriculturists and artisans along with credit and the emphasis must not be on credit but on other problems such as production, marketing etc. Development of cooperative credit on any effective scale can ordinarily take place in coordination with that of cooperative marketing. In analysing the causes for the failure of agricultural credit societies, the Committee on All India Rural Credit Survey has observed "The main reason however is a basic need -- one which is more important than just credit, namely the need for effective access to the urban markets which by and large only private traders provide today to the cultivator. The cooperative society does not satisfy either of those needs, credit and marketing, ... more radical improvement in the position would however be possible only if cooperative marketing is so effectively organised that the produce of all members is channelled through the marketing society. But a development of this kind would be possible only when the financial and technical resources of marketing society are such as to enable it to (in conjunction with credit society) offer both credit and services on adequate scale."

4 Report of the All India Rural Credit Survey, Vol.II, 1954; Published by the Reserve Bank of India, page 260.
Similar observation has been made by Qureshi. "The provision of credit is a proper function of banks and allied financial institutions ... pure cooperation has not succeeded in any part of the world in solving the credit needs of farmers and sooner we escape from the delusion the better. In the English speaking countries of the world, the example of successful cooperative credit in Ireland has always been hurled at those who have suspected the bona fides of this movement, but we may be permitted to point out that if Ireland is the standard by which the success of cooperatives is judged, that there could be no better example to show conclusively its failure ... the other example of successful cooperation in the field of agriculture are the Scandinavian countries, but it must be understood that cooperation in these countries is working in fields other than credit and the movement has been working largely as a business proposition unadorned by any sacred idealism". What is true with regard to agricultural sector credit society is equally true with regard to industrial credit societies. But while pure credit cooperative may not succeed, organisation of multi-purpose societies would go a long way in solving the financial worries of small scale manufacturers if adequate finance can be provided to such cooperatives.

**Growth of Industrial Cooperatives in India**

Cooperation has a long history in India, but it did not make much headway in the field of industry, whether in rural or in urban areas. Attempts at organising cottage industries on cooperative lines were not made till the cooperative societies act of 1912 was passed. Although the...

5 Qureshi, A.I. - The future of the cooperative movement in India, pages 61-62.
cooperative credit societies act of 1904 provided for the organisation of societies among artisans and other persons of limited means, "the aim of that legislation was the furtherance of agricultural rather than industrial credit". The 1912 Act provides for non-credit as well as credit societies for artisans. Even after this legislation, however, cooperative societies confined themselves for a long time in giving loans to members engaged in various industries instead of organising production on cooperative lines. The first attempt at organising cottage industries on cooperative line was made in the direction of starting weavers societies in important weaving centres in Madras. In 1927, the Government of Madras ordered a survey of cottage industries in the province and after the report was published, a few cooperative societies were started at different centres. The most important of these societies are the Truppan-engaden Button Manufacturers' Society, the Madaiyur Stone Image Workers Society, Leather Worker Society in North Arcot, the Andhra Ayurvedic Pharmacy in East Godavari and the Khodapalli Toy Manufacturers Societies in Kistna. Industrial Societies or associations have since been organised in other provinces like Punjab, Bombay, Bengal etc. The most important among industrial societies are the Weavers Cooperative Society which have been started to provide yarn on small cash advances to weavers and of the handloom industry. They are prominent in Madras and Bombay and to lesser extent in some other areas. But the cooperative effort to tackle the problems of handloom weavers particularly in Madras and Bombay and the

South Indian States had achieved little till 1935, when the Government of India took up the problem of reviving the industry by giving subsidies to the Provincial Governments. In Madras, number of societies increased rapidly from 132 in 1937-38 to 191 in 1939-40 and to 659 in 1946-47. There were 29 weaver societies in Bombay in 1939-40 which increased to 174 in 1946-47 and to 268 in 1948-49. At the end of June 1952, there were 5154 weavers societies operating in India which increased to 5746 during 1953-54. The number of handlooms included in the cooperative fold increased from 625179 in 1950-51 to about a million during the first plan.

With regard to industrial societies other than weavers the progress is slow and insignificant. In 1946-48, Madras had a sprinkling of industrial cooperative societies for various types of artisans such as potters, metal-workers, coir workers, carpet and curably weavers. Such societies numbered 209 in 1947-48 and they had 20,365 persons as members. Bombay had 14 industrial societies other than those of weavers which increased to 227 in 1947-48. The most important in this category are the societies of tanners, smiths, wood workers, oil presses, potters, bee keepers, cane and bamboo workers and forest labourers. A few societies (20) for women for the promotion of cottage industries was also established. Other areas which had a few industrial societies besides those for weavers, were the Central Provinces and Berar, the United Provinces, Punjab, West Bengal, Orissa, Mysore and Travancore. Coorg had a society for production of honey and wax.

After 1948, a number of societies came to be organised in the states for industries other than weavers. In Bombay, there were altogether
776 industrial societies in 1952 as against 538 societies at the end of 1950, and 375 in the year before with a total membership of 51,549. The most prominent among these are tanning and leather workers (189) forest labourers (108) and oilmen's societies (47). In Madras in 1950, there were 269 societies having a membership of 27,250 and a working capital of ₹.21.99 lakhs. In Bihar, oilmen's cooperatives are fairly important, there were 64 of them on 30th June 1952 and their sales during the year amounted to ₹.44,000.

Delhi showed considerable activity in the matter of organising societies for small scale industries, during 1949-50. The societies shot up from 1 in 1948-49 to 120 at the close of 1944-50, with a working capital of ₹.7.80 lakhs. The largest number of these societies was in respect of iron, steel, hardware workers and they produce goods to the value of ₹.5.09 lakhs. The number of industrial societies other than weavers' societies in different states in India during 1951-52 is shown below.

Table 1

<table>
<thead>
<tr>
<th>States</th>
<th>no. of societies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>21</td>
</tr>
<tr>
<td>Bihar</td>
<td>104</td>
</tr>
<tr>
<td>Bombay</td>
<td>776</td>
</tr>
<tr>
<td>Madras</td>
<td>279</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>88</td>
</tr>
<tr>
<td>Orissa</td>
<td>221</td>
</tr>
<tr>
<td>Punjab</td>
<td>141</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>69</td>
</tr>
<tr>
<td>West Bengal</td>
<td>185</td>
</tr>
</tbody>
</table>

7 Report of the Committee on Finance for the Private Sector; op. cit.
part B States | no. of societies
--- | ---
Hyderabad | 58
Mysore | 20
Pepsu | 10
Rajasthan | 149
Travancore Cochin | 43
Saurashtra | 97
Ajmer | 23
Delhi | 134

In West Bengal industrial societies other than weavers increased from 158 to 294 in 1955-56. Prominent among these are conch shell makers (15), cocoon rears (41), bell metal workers (17) pottery (9), shoe makers (14), blacksmith (9), oilmen's (9), gur making (54) and Madur silpa societies (13).

It is evident from these figures that even in 1952 the progress of industrial cooperation is very slow, and so far the progress in this field is limited in States like Bombay and to a lesser extent in Madras and West Bengal. So far the largest measure of success has been achieved in the formation of handloom weaver's societies. Besides the weaver's societies, the limited progress of industrial cooperation as shown above is limited in the cottage industries sector. The movement practically made no progress in the small industry sector, specially in urban areas.

The reasons for the limited progress of cooperation in the industrial sector can be ascribed to several factors. First of all, it must be admitted that it has received inadequate attention in the past, specially in the urban areas. Cooperative efforts have been mostly confined to the agricultural sector, and only to a limited extent to the cottage and home industries allied to agriculture. The comparative
progress in industrial cooperatives in Madras and Bombay, is due mainly to the active assistance, to some extent rendered by the State Governments to the movement. The phenomenal progress of Weavers' Societies also proves how active state assistances foster the spread of this movement.

For the promotion of cooperatives, the Handloom Board has provided assistance to weavers in share capital and in working capital. From 75 to 86½ percent of the share value is contributed as loan by the government and the balance is provided by the weavers. As regards working capital, the government provides ₹200/- per cotton loom and ₹500/- per silk loom. Weavers' cooperative organisation at different levels are federated so that there are central agencies available for supplying raw materials, offering technical advice, arranging for credit through cooperative agencies and for providing better marketing facilities.

Secondly, as has already been stated, in Indian cooperative movement, emphasis has primarily been given on organisation of credit societies in complete neglect of the non-credit activities, both in agriculture as well as in industries. Even in 1938-39 the position was made clear by the registrar of the Madras Cooperative Department. I must confess that very little has been done so far to form cooperative societies for the promotion of cottage industries. Where such societies have been formed in the past, they are faced with difficulties of finance and marketing. In this connection the problem of speedy and efficient marketing of the products of cottage industries will have to be borne in mind.

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Similar observation has been made in the annual report of the working of the Cooperative Societies in Punjab. "Only a small number of societies are functioning collectively in the matter of purchase of raw materials and the sale of their products. Other societies look just like ordinary credit societies. They collect funds by means of shares, deposits or loans from the Central Institutions and they give loans to their members for the purchase of raw materials in their individual capacity. Sometimes they give loans to their members in kind also. The members work individually and market their goods similarly. The industrial cooperative movement in the State was not able to keep pace with the progress achieved in some other Indian States like Bombay and Madras."

In fact, the main emphasis on credit in the cooperative movement in our country has been expressed by various committees as the most important cause for the failure of cooperative movement in all spheres. "There is basic inter-relation between the failure of cooperation in the sphere of credit and its failure to organise on cooperative basis, not only marketing but also processes (in agriculture). The same remark applies to the failure of cooperation in the whole sphere of cottage industries including handloom weaving. To convert these failures into successes will require the surmounting of the main obstacles which have impeded development so far." It is true that credit is one of the most important problems faced by such industries. But the problems of receiving proper prices for their goods and adequate supply of raw materials and appliances are equally, if not more urgent with them. Limited assistance by way of mere credit, unaccompanied by any help in other problems does not help the agriculturists or the artisans to any considerable extent. The private money lenders, on the other hand, provide them with every sort of

10 Report of All India Rural Credit Survey; op. cit., page 262.
assistances and that is the reason why in spite of their high charges, the cooperative societies failed in competition with these private money lenders.

"The main and still largely unsolved problems for cooperative cottage industry is, we suggest, same as has been faced by cooperative agriculture, namely, how to make a combination of the very weak strong enough in relation to the very much stronger. Just as there is the money lender in the sphere of agricultural credit, so there is the kharkander for each important cottage industry with the difference that he combines in himself the handicrafts-men and the financier ... the kharkhandar is himself a part of a wider system of private finance. Thus a whole set of private creditors, financing agencies, marketing agencies etc., deal with the individual small weaver as do the private traders and private financiers with the cultivators".  

Lack of finance more over prevented the cooperative organisation from serving even the limited help it was capable of. Even with regard to credit, Cooperative Societies failed to give any significant help. How limited is the cooperative finance available to industries, can be understood from the following figures. In 1950 there were 40 cooperative banks in West Bengal with a total working capital of Rs.192.1 lakhs and one Apex Bank viz., the Provincial Cooperative Bank with a working capital of Rs.249.6 lakhs. "The principal function performed by these banks has been the provision of credit other than industrial credit".  

The extent of financial accommodation offered to cottage and small scale industries through industrial unions or primary societies has been as follows:

11 Ibid, page 507
### Table 2

**Financial assistance through Cooperative Societies in West Bengal**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Unions</th>
<th>Loans Received from Central Banks and Provincial Cooperative Banks (Rs. lakhs)</th>
<th>Loans and Subsidies Received from Government (Rs. lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1941</td>
<td>3</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>1942</td>
<td>1</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>1943</td>
<td>2</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>1944</td>
<td>1</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>1945</td>
<td>-</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>1946</td>
<td>2</td>
<td>1.59</td>
<td>...</td>
</tr>
<tr>
<td>1947</td>
<td>2</td>
<td>6.69</td>
<td>...</td>
</tr>
<tr>
<td>1948</td>
<td>3</td>
<td>10.44</td>
<td>...</td>
</tr>
<tr>
<td>1949</td>
<td>6</td>
<td>10.62</td>
<td>...</td>
</tr>
<tr>
<td>1950</td>
<td>6</td>
<td>11.02</td>
<td>...</td>
</tr>
</tbody>
</table>

### Table 3

**Loans and subsidy received by Primary Industrial Societies in West Bengal**

<table>
<thead>
<tr>
<th>Year</th>
<th>Weavers' Societies</th>
<th>Other Industrial Societies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loans Received from Central Banks (Rs. lakhs)</td>
<td>Loans from Government (Rs. lakhs)</td>
</tr>
<tr>
<td>1941</td>
<td>0.03</td>
<td>-</td>
</tr>
<tr>
<td>1942</td>
<td>0.05</td>
<td>-</td>
</tr>
<tr>
<td>1943</td>
<td>0.02</td>
<td>-</td>
</tr>
<tr>
<td>1944</td>
<td>0.04</td>
<td>0.03</td>
</tr>
<tr>
<td>1945</td>
<td>0.09</td>
<td>0.18</td>
</tr>
<tr>
<td>1946</td>
<td>0.61</td>
<td>0.12</td>
</tr>
<tr>
<td>1947</td>
<td>5.28</td>
<td>0.04</td>
</tr>
<tr>
<td>1948</td>
<td>2.42</td>
<td>0.06</td>
</tr>
<tr>
<td>1949</td>
<td>2.66</td>
<td>-</td>
</tr>
<tr>
<td>1950</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

13 Ibid.
14 Ibid.
According to the statistical statement for 1956-57 there are already 9,548 non-agricultural Credit Societies in the country, most of which are urban banks serving the needs of townsmen belonging to the learned professions, petty traders, small industrialists. During 1954-55 the loans disbursed by them amounted to Rs. 6212 lakhs. Particulars as to how much of these loans was given for small scale industries is not available for all states. Respective amounts received by small scale industries in Saurashtra, Madras, Andhra, and Delhi are as follows:

<table>
<thead>
<tr>
<th>State</th>
<th>Year</th>
<th>Total Amount Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saurashtra</td>
<td>1955-56</td>
<td>16.23</td>
</tr>
<tr>
<td>Madras</td>
<td>1952-53</td>
<td>15.86</td>
</tr>
<tr>
<td>Andhra</td>
<td>1953-54</td>
<td>1.12</td>
</tr>
<tr>
<td>Delhi</td>
<td>1952-53</td>
<td>1.06</td>
</tr>
</tbody>
</table>

While in Saurashtra and Madras, fifteen to sixteen lakhs of rupees have been disbursed to Small Industrial Cooperative, the comparative figures in Delhi and Andhra give a very sad picture. Bombay on the other hand has disbursed the largest amount. In Bombay there are four Industrial Cooperative Banks providing funds for Small Scale Industrial Cooperative and industrialists which during the year 1953-54 had disbursed loans to the volume of Rs. 50.55 lakhs.

15 Report of the Committee appointed by the Small Scale Industries Board to consider the proposal for the establishment of cooperative urban banks for financing small industries.

16 The figures furnished by this statement relate to cooperative urban banks formed largely for financing cooperative small scale industries.
In analysing the causes for this limited cooperative finance to industries, the Committee on State Financial Cooperation in West Bengal has mentioned the following factors as responsible for it:

- Limited progress in the organisation of industrial societies,
- Limited resources of the Cooperative Banks which were canalised mostly into agricultural credit and commercial credit,
- Hostile attitude of the Mahajana to Cooperative Institutions and the rigid and the restrictive provision of the Cooperative Societies Act.

It has been the experience of the Cooperative Directorate, that under the existing Cooperative Societies Act, it is difficult to assist industries to a satisfactory extent. Under the Cooperative Societies Act, no society can borrow more than ten times its paid up share capital and reserve fund which is separately invested, and no loan exceeding ten times the amount of paid up share capital held by a member can be granted to him. In accordance with these rules the Provincial Bank offers short term cash credit to the industrial cooperative for a period ranging from six months to one year against the pledge of stock in trade to be retained in the possession of an officer of the Cooperative Directorate on behalf of the Bank. Since the Apex bank generally lends for a period not exceeding one year, financial accommodation for a period exceeding one year can not reach the industrial societies; although there is no bar under the provision of the Act in giving intermediate and long term credit.

In recent years though the State Governments are extending financial assistance to the industrial cooperative through the Cooperative Banks as well as by way of direct loans to industrial societies, many a times the financial aid is inadequate as the amount is fixed on some
hypothetical considerations. For example government stipulates minimum limits of advances to the societies without taking into consideration the productive units under the societies. The report of the committee for the protection of the village oil industry in Bombay province has rightly pointed out that the maximum advance of loans to the extent of Rs. 5,000/- to the oilmen's societies becomes quite ineffective if the society is having more than 100 ghanis. "The fragmentary assistance to societies only means waste of funds. It is not enough to give subsidies at a hypothetical figure, the exact amount of loan has also to be calculated." 17

Recently the importance of cooperative organisation in the field of industry, especially in the cottage and small industry's sector has been widely recognised, and various measures have been taken or planned to be taken for facilitating their growth. Although cooperation in theory should be independent and voluntary association of members, it does not seem that at present small industries will be able by themselves to organise cooperatives and approach the government for assistance. Thus it is necessary that government should take the initiative in the matter and foster cooperation among small manufacturers. The small industries board in their programmes for the development of small industries has given emphasis on the development in industries on cooperative basis. This part of the programme is carried on by state government through their industries department with finance contributed by the Centre. The emphasis is on.

17 The report of the committee for the protection of the village oil industry in Bombay Province quoted in the Cooperative movement in the Bombay State by Naik, K.N.
development of industries on cooperative basis, but it is recognised that in many instances it would not be possible to start cooperatives and the scheme would have to be run departmentally until such time as can be handed over to cooperative. Special incentives in the form of financial assistance, reduced rates of interest are given for cooperatives. In the cases of industrial cooperatives, the centre contributes 75.1 percent of the share capital as a two year loan and the balance to be found by the State Government or the party concerned. The Central Government also would advance 75.1 percent of the working capital as a loan and would bear 50 percent of the recurring expenditure for three years on any special supervisory cooperative staff employed for the industrial cooperatives. These provisions for liberalised finances would not doubt improve the flow of funds to industrial cooperative but there are reasons to doubt that these may not be sufficient to encourage the establishment of industrial cooperatives. To succeed in our present economic structure the cooperatives in every field must be made financially strong enough to compete successfully with other interests operating in the fields. And for this something more than the mere provisions of loan is necessary. The Committee on All India Rural Credit Society in their report has suggested that State should enter into direct participation with cooperative organisations at various levels. Such financial partnership would provide additional strength to cooperatives and make available to them in fuller measure assistance and guidance from the Government. The Committee on village and Small Scale Industries (Second Five Year Plan) also made similar observation "State participation in the share capital of industrial cooperative is, we believe even more essential for their financial success than it is held to be for
agricultural cooperative. Nothing would convince the artisans more that the State is whole heartedly packing the programme of ordered transformation of village and small scale industries than its assistance in the shape of extension of credit for the establishment of industrial cooperatives.\textsuperscript{18}

So far the assistances envisaged are mainly for industrial cooperatives defined as factory unit where the workers are members of cooperatives and share in their profits. They would work either in one workshop or would carry out some of the processes of manufacture into their own homes, the rest being done at the workshop.

But as has already been emphasised, that in the small industry's sector there is more scope for organisation of marketing and supply cooperatives than the producers cooperatives. In fact the success of cooperation in this sector lies on how far it can help the members in solving the other problems connected with production. So it is necessary that same facilities which are available to industrial cooperatives should be extended to marketing and raw material buying cooperatives. The committee on village and small scale industries has suggested that a limited state guarantee should be provided to supply and marketing cooperatives for maintaining continuity of production.

Finance for Industrial Cooperatives

Like all other business concerns the financial requirements of industrial cooperatives are also of two types, capital and credit of long term, a medium term and short term duration. The Central and State

cooperative banks have not so far satisfied either of the needs. Apart from Government participation in the share capital, proposals have been made by various committees that State Financial Corporations should provide the long term and medium term credit to the industrial cooperatives. The absence of any special machinery of the Corporation for investigations of the applications for loans seems to be the greatest difficulty in implementing such a scheme. But the Corporations can draw on the good offices and utilise the agency of appropriate cooperative organisations such as Federal industrial societies or District Cooperative Central Banks.

The working capital as a rule should be provided through the state cooperative, central cooperative, and the urban cooperative banks to be newly reorganised. It is true that so long the state or Central Cooperative banks were not sufficiently responsive to the needs of small scale industrial cooperative societies. But this attitude is expected to disappear as a result of the various measures which are being taken by the state to aid the development of these cooperatives such as the provision of subsiding margins for interest and the sharing of losses.

For a steady supply of long term, medium term, and short term funds, a proper coordination of the functions of the various institutions such as Reserve Bank of India, State Bank of India, State Financial Corporation and Cooperative Banks is also urgently called for. This is sought to be achieved through the pilot scheme implemented recently by the State Bank of India. The working group on Industrial Cooperatives appointed by the Small Industries Board in 1958, has, in their Report expressed the opinion that in the cases of medium and long term loans to
industrial cooperatives, the State Financial Corporations and State
Governments should provide them. The Working Group has further suggested
that an arrangement may be worked out by which the State Bank of India
which may provide working capital to an industrial cooperative, may also
act as an agent of the Corporation in so far as its medium and long term
loans are concerned. Regarding short term capital the Working Group is
of the opinion that this should be primary responsibility of Central
Cooperative Banks and wherever they exist, that of the industrial
cooperative banks. 19

Concluding observation

Industrial cooperatives, which in the past were the most
neglected sector in our cooperative movement have no doubt been receiving
increasing importance in recent years. Government has been actively
associated with the cooperative movement right from its inception. The
movement in India came as a Government policy rather than as a movement
of the people. In fact, we believe that without vigorous state aid and
encouragement the cooperative movement cannot develop in underdeveloped
countries like ours. But the results of the recent measures taken to
facilitate its growth are yet to be seen. The administration of schemes
for planned development of cooperative form of organisation makes a
heavy call on the strength and skill of the public authorities and
institutions charged with the responsibility of the working out the

19 Small Scale Industries Board, Agenda and Notes on the items of the
12th Meeting, November 1958, volume 1.
programmes. "Where it succeeds, cooperation brings large gains to the community, but the human factors involved in it are complex and in some ways, it is much more difficult for the cooperative form of organisation to succeed than it is for completely socialised enterprises or for an individual enterprise". Lack of trained staff is one of the main hindrances to the development of cooperative societies. The personnel requirements of a programme of a cooperative development call for extensive training programmes.

In 1953, Government of India and the Reserve Bank of India jointly constituted a Central Committee for Cooperative training and entrusted to it the responsibility for establishing the necessary training facilities for cooperative personnel. Five regional cooperative training centres have been established at Poona, Ranchi, Meerut, Madras and Indore for training the personnel belonging to the intermediate grades. Eight special training centres have been established for 4,000 block level cooperative officials needed by National Extension and Community Project Areas. For the training of subordinate staffs, State Governments are establishing the necessary facilities and the Central Government shares the cost with them.

But the ultimate success of cooperation lies in imbuing a spirit of cooperation among the people concerned. At present small producers in our country are mostly unaware of the value of cooperation. Cooperative organisation and Associations of small producers are specially needed to protect them from the private moneylenders and middlemen who reap profits at the cost of the manufacturers. It may be mentioned here that the

20 Second Five Year Plan, op. cit., page 222.
small industry of Japan, the success of which has become a legend is not independent in the strict sense of the term. In reality most of them are affiliated to other enterprises. Almost all of them are under the control of large scale enterprises who are the financier and are virtually integrate part of the latter. Such system is already prevalent to some extent in our country. Cases are not rare where interested group taking advantage of the poor financial position of small units and lack of organisation among them, look such measures in the guise of helping them as to ruin the whole industry. One glaring example of such thing is that of the operation of the Gillnot Small Industries Corporation Ltd. in the field of Small Tools and Cutlery industry. Although its declared policy is to assist the small industries in manufacturing and supplying Pruning Knife and other agrotools required by Tea Gardens with finance, raw materials and technical guidance, in practice it is ruining the whole industry by supplying substandard goods to Tea Gardens and thereby creating grounds for importing such tools from foreign countries.

21 The position has been made clear by the National Small Tools and Cutlery Manufacturer's Association in the latter to the Development Officer (Tools) on 10th May 1954. "It is well known that few Agency Houses which control the Tea Gardens, place orders, for reasons best known to them, with some favoured dealers who go to the cheapest market for the products without regard to their quality and sell them at high rates to the Agency Houses to make large profits ... it is a fact that the Agency Houses are somehow induced to purchases low quality stores at high prices and they themselves sell again such products to the Gardens under their control retaining again high margin for them. On the other hand in spite of the publicity by the member firms and representatives by the Association to Agency Houses, the latter are not agreeable to purchase quality products from the member firms .... these Agency Houses complain about the quality of the indigenous staff which they themselves purchase without regard to their quality only to make out a case for imports of Pruning Knives, in the turnover of which again they make large profits".
From personal enquiry it has been found that the technical and financial assistances offered are also negligible. The position can only be improved by the formation of some strong organisation among the manufacturers which would undertake the marketing of the product. The development of cooperative organisation is the only effective check to such a state of affairs and it is the time for the small industrialists to realise it.