### CHAPTER - IV

#### PART - I

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CHAPTER - IV

CAUSES FOR DORMANCY IN INDUSTRIAL COOPERATIVES
OF TAMILNADU

PART - I

Introduction

4.1 The major objective of the thesis is to find out the causes for dormancy in the industrial cooperatives in Tamilnadu. For this purpose empirical data from 81 selected industrial cooperatives (as per the methodology and research design explained in Chapter I) were collected and analysed groupwise in Part I and summed up in Part II of this Chapter.

Since this study includes different categories of societies like handlooms, beedi, coir, palm leaf, mat, palmgur, handpounding of paddy, bricks, pottery, etc. and since they are grouped under three administrative heads, the analyses of the various aspects of functioning of these societies are discussed in three major Groups. (Group-A-Handlooms functioning under the purview of the Director of Handlooms and Textiles); Group-B- Industrial cooperatives like Beedi, Coir, Palm leaf, Mat, etc. falling under the control of the Director of Industries and Commerce; and Group-C-Village industrial cooperatives like palm gur, handpounding of paddy, Bricks and Pottery working under the administrative control of the Khadi and Village Industries Board.

4.2 The framework of analysis of the various aspects of the industrial cooperatives relates to the details of the societies studied, the profile of the chief executives, registration, area of operation particulars, feasibility study, supervisory mechanism and audit, membership and share capital position, management and membership profile.
with reference to interviews conducted, staff working in the societies, procurement aspect, marketing, stock and storage, finance-loans and borrowings, production and sale; reasons for loss, causes for dormancy/working, revitalisation schemes and suggestions. These aspects broadly cover the hypotheses already formulated and discussed in the methodology.

GROUP 'A' HANDLOOMS

4.1 INTRODUCTION

4.3 The structure and classification of the weavers' cooperative societies have been discussed in the earlier chapters I and III. It was stated that all the primary weavers' cooperative societies having individuals as members, have affiliated themselves to the apex society at the State level (i.e.) Tamil Nadu State Handloom Weavers' Cooperative Society, popularly known as the Coopex'). For purpose of intensive study only the primary weavers' cooperative societies have been selected as per sampling procedure explained in the introductory chapter. Out of the 9 circles in the State, sample societies were selected in the 3 circles wherein there were maximum number of societies registered as well as dormant.

The details of primary handloom weavers' cooperative societies selected for study are given in Appendix I.1 page 475.

4.4 The Primary weavers cooperatives in Tamil Nadu were undertaking production activities and provided employment to the weavers who wove the cloth mostly in their homes. In the sample taken up for study, two
societies were having common work-shed where production took place. They were at Kancheepuram and Coimbatore. If the weavers did not have proper residence and loom facilities to carry on their livelihood, they came to the industrial weavers' cooperative society and earned their wages by working in the common workshop of the society which also provided them the looms. By and large, it was found that the weavers did not like to work in the common workshed as the entire family including children and ladies were employed in the industry. They looked after the domestic duties including cooking and carried on the weaving activity. Moreover, they worked in the looms according to their convenience and enjoyed leisure as and when felt necessary. This would be rather difficult in the workshed atmosphere. Therefore, "Work Shed" facility was not utilised by the weavers, unless they were compelled by circumstances.

4.5 The ancient handloom industry is contributing its inexhaustible richness to the reminiscences of the ever fresh facets of Indian culture. This industry is basically skill-oriented, hereditary and based on family employment. The capital cost of a handloom is meagre and the weaver works in his home assisted by his wife and children. The working funds required for carrying on handloom weaving are also not high. A loom provides employment (on an average) to 189 weavers (1) There are workers engaged in ancillary operations like warping, sizing, dyeing and other processing activities. Work is provided to carpenters

Source: 1 Handloom Industry in Tamil Nadu, By J. Narayanan Joint Director, Handlooms, Tamil Nadu, Tamil Nadu Journal of Cooperation Vol. 68, No. 11 May 77 Page 274
who manufacture weaving appliances, jacquards etc. Thus, the industry provide employment directly and indirectly to a large section of the population of the state. Constituting about 8 percent of the working population of Tamil Nadu, on an average there are about 4.05 dependents per weaver and the total number of persons depending upon the industry for their livelihood are of the order of 38 lakhs as per the statistics of 1976 (2).

The weavers' community has been suffering silently for centuries and its plight is really pathetic. An extract from Hindu dated 26.2.71 reproduced below would reveal its poverty stricken position:

"In the best of times the weavers lead a hand to mouth existence. Notwithstanding the fact that all the members in a family, from 9 years old to nonagenerians work from six in the morning to ten in the night. Their earnings hardly exceed Rs.100/- per family per month. Few weavers' children continued their studies beyond the primary school, for by working on the looms, they can supplement the parents' income in these days of soaring prices. And their income varies, depending on the health of the family members. If any of them falls ill, to that extent, the income goes down because the out-turn is adversely affected. With their earnings sapped by hunger, weavers point to the near by railway tract and the telephone poles and say the factory workers if faced with similar conditions would have uprooted them".

25 percent of the weavers were in rural areas and they were semi-starved, ill-clad and badly housed in old

2 Ibid.
huts with rusted looms. In Tamil Nadu, the cost of a pit-loom approximately works out on an average Rs.500/- as reported by the societies in 1976. They were unable to replace even the loom because of abject poverty. The average earning of a weaver is approximately Rs.3.50 per day (as per the Reserve Bank of India report) minus regular deductions by money lenders/master weavers. The balance is insufficient to have a square meal. Nearly 100 to 150 days in a year the weaver is without earnings because of non-supply of yarn, unsold stock, vagaries of monsoon, etc. The availability of production of yarn in the county was 213 million kilograms as per statistics available for 1973. But the yarn requirements for 21 lakh weavers for 300 days was 350 million kilograms of yarn. The available yarn was sufficient for 200 days only. Thus, on an average 3 to 4 months in a year they remained unemployed. It is therefore, necessary that wages committee be set up to go into the wage structure prevailing in Tamil Nadu and prescribe a minimum wage of say Rs.300/- per month is necessary for these workers. This legislation of fixing minimum wage for workers is passed already in Kerala and it is worth emulating in Tamil Nadu also. In case of Tamil Nadu, the minimum wages for agricultural labourers have already been fixed and bill passed in September 1979. An expert committee on Welfare of handloom weavers 1977, recommended weavers welfare programmes such as Provident Fund facilities, housing schemes, etc. But the recommendations are yet to take a practical shape and need to be implemented.

4.6 However, for creating proper working conditions at the weavers houses and also changing the affairs of the societies effectively, it would be essential to create more workshed type production societies. To avoid child labour exploiting, male and female members of the community should be made to work in the workshed.
There should be a special legislation to regulate the conditions of work by fixing the hours of work, holidays leave with wages etc. which can remove the hardships being faced by the weavers. The existing industrial/workshed type of weavers societies by and large were not conducive for working. In the workshed there should be enough space for mobility of workers; sufficient lighting and ventilation provided, white washing including colour washing and painting of doors and windows should be done at regular intervals; urinals, drainage and lavatories, place for resting, drinking water, storage, a canteen, first aid box and other minimum facilities should be provided to create a conducive atmosphere for the weavers to function in the workshop type societies.

Out of the 21 handloom weavers' cooperative societies studied, only one society was registered 5 years ago i.e. in 1972-73, 7 societies 20 to 30 years ago and 10 societies were started more than 30 years ago (vide Table IV.1 page 321). The recently registered societies as well as those which were long back registered did not formally prepare any feasibility reports before starting the ventures. All the executives said that there had been no such project report prepared by the promoters/organisers of the society. Simply because there were some weavers available, the societies were registered. This fact was corroborated by the answers received from the members of the dormant handloom weavers' cooperative societies. 90 percent of the members interviewed said that they just came to know that there were weavers' societies organised by the Government for helping the weavers by supplying yarn, financial assistance, etc. and came
forward to join the society as members. For instance, 12 to 13 societies were registered just in the 6 streets of a hamlet, Podathurpet in the Kancheepuram circle. All of them were started by the persons belonging to different political parties like D.K.K., A.D.K.K., Congress and so on. Thus, the ritual of registration of the societies was done without much serious thought about potential for the survival of the societies in terms of genuine interest and involvement on the part of the members and adequate leadership, managerial talents, and so on.

4.9 It is, therefore, suggested that preparation of project planning, project report and an examination into it would go a long way in understanding what sort of input and support, minimum number of weavers and looms etc., would be necessary to make the societies function well over a long period. The registering authorities should never yield to political pressures or fall in line with vested interests while registering the societies. The societies should never be registered unless the pre-requisites for success are testified and proved in advance. A newly proposed society should conform to the viability criteria and hold out premises for future development. The minimum levels of production, sale, etc. should be determined by working out the Break Even Point for each enterprise. Thus, the method of registration of the societies may be rationalised instead of making it as a ritual. At the outset, the society may be registered formally and if it works for 3 to 4 years and crosses the gestation period and shows some hope of success in its survival capacity, final registration certificate may be issued, otherwise the formal registration certificate may be cancelled without any hesitation. This will avoid creation of more societies on the one hand and liquidation or increase of dormant societies on other hand.
which ultimately mars the name and image of the Cooperative movement as a whole and vitiates the atmosphere.

Moreover, the mushroom growth through hasty registration and multiplication of societies in order to avail of the facile credit, rebate and other paternalistic assistance of the Government can also be arrested to some extent by just introducing some fee for registration. (At present there is no fee prescribed for registration of societies.) This fee may be ploughed back to the cooperative development by adding this money to the Cooperative Union of the State. This is just an analogy to the remittance of 5 paise while purchasing the money order form and adjusting the same while actually sending the money order proper. This serves only as a precaution against casual and ill-conceived formation of societies by irresponsible organisers.

4.10 To implement the above suggestions, the Registrar of Handloom Cooperatives should introduce suitable provisions/amendments to the Rules and Regulations/Bylaws of these cooperative societies.

A.3. AREA OF OPERATION:

4.11 Though the by-laws of these societies spelt out the area of operation by mentioning the streets, places (villages), in actual practice the same was not strictly followed. The idea behind fixing such an area of operation is that the members should be within the reach of the society and actually participate in the day-to-day business of the society. Moreover, there should not be another cooperative society within the same area of operation and thereby cause acute competition among cooperatives. But in the case of the 21 societies studied, by and large it was found that the
area of operation was not strictly adhered to for purposes of enlisting the membership and transacting business. There appeared to be overlapping of membership among societies and ultimately the members might have taken advantage from more than one society at a time in terms of loans, subsidies, raw materials etc. Sometimes, it was easy for the members to exploit the society's resources until the society failed and then they could easily fall back on some other members in the vicinity. This practice of some members is regarded as negation of the principle and philosophy behind cooperative practices.

At Kancheepuram, 16 silk weavers cooperatives covered roughly 5000 members. Each of these societies had a minimum of 200 and a maximum of 700 membership. There is no appropriate yard stick to regulate the multiplication of such societies within the same area of operation. Similarly, in Podathurpet village, which had the maximum number of dormant weavers' cooperative societies taken up for our study, there were only 6 streets. But there were as many as 12 to 13 societies formed at an average rate of not less than 2 societies per street. With the result, there is acute competition among cooperative societies themselves, not to talk of private competitors in the same place. It was given to understand that the indiscriminate growth of societies was largely due to political considerations and pressures. The administrative apparatus working under the thumb of the political leadership could not resist pressures and thus it became an inevitable and inescapable factor. Out of 20 societies, 7 had only 2 streets each as their area of operation, 4 societies had 4 kilometers radius and 9 societies had 4 to 10 kilometers as their area of operation.
It is imperative to arrest the overlapping of membership in an area and as far as possible the number of societies in a restricted area should be limited in order to achieve the viability of each society. Besides elimination of unhealthy competition and other possible evils arising out of such concentration of societies can be also avoided.

A.4. PROFILE OF THE CHIEF EXECUTIVES OF THE HANDLOOM WEAVERS' COOPERATIVES:

4.12 Out of the 21 societies selected in the sample only 20 could provide information. One society was registered but never functioned. Therefore, the details of the 20 executives of the 20 primary weavers' cooperative societies are presented below:

5 out of 20 persons were appointed by the societies themselves through direct recruitment; 3 Handloom Inspectors were deputationists from the department of handlooms and textiles and the remaining 12 were non-officials elected Presidents who worked in the societies in honorary capacity. Thus, 8 societies were managed by full-time paid employees of these societies. Out of the 8 paid executives 3 were Handloom Inspectors less than 2 years experience each, 3 managers having 16 to 30 years of experience, 1 clerk with 2 years of experience and one Secretary with 15 years experience. All these 8 persons had studied upto SSLC (Secondary School Leaving Certificate). The 12 honorary Presidents included 2 illiterate persons and the remaining 10 had studied upto IX Standard. (Table IV-2 Page 322).

4.13 Thus, one can imagine the standard of leadership, capacity to administer the societies, etc., given the low level of education/literacy, experience etc., It is, therefore, necessary to create a common cadre of personnel
and train them in cooperative management and recommend them for appointment in such societies. As per the present arrangements, for keeping the spirit of cooperative character the owners of the society, namely, the members themselves elect their Boards of Directors and manage the affairs of the Cooperatives societies. The chief executives of these weavers cooperatives were the kingpins of these societies on whom depended the success or failure of these organisations. If they were committed, loyal to the institutions to which they have been selected coupled with some expertise in the management of the weavers cooperative, the organisation certainly came out with success. In the 21 societies studied, 2 (A6 & A14) societies became defunct (Out of the 9 dormant ones studied) because of misappropriation of funds by the presidents. The skill to manage the affairs can be imparted through training but loyalty to the organisation can not be infused by anyone; that comes out of in-born qualities. The functions of decision making and execution should always be entrusted to different functionaries and should not be combined as in the case of some of the handloom cooperatives and the village industrial cooperatives of the Khadi and Village Industries Board.

It is therefore necessary to appoint a professionally qualified executive for each society who is trained in cooperative management. For making available such expertise, the Government may recruit qualified candidates through appropriate examinations, tests, etc., and give them training in cooperative management by sending them to the cooperative training colleges/centres/institutes etc. They will be equipped with necessary background skill, knowledge, etc., to manage the societies once
they are exposed to the theory as well as practical aspect of managing the cooperative enterprises. From this pool of selected, trained common cadre, the societies may be left with the option of selecting the candidates for manning them.

The Department of Industries and Commerce recruited qualified candidates under (10-A) (Temporary) schemes through Tamilnadu Public Service Commission and got them trained at Cooperative Training College (and in the erstwhile departmental training arrangements made by the department to train its own personnel). After the training was imparted, the department posted them to various industrial cooperative societies.

A.5. MEMBERSHIP AND SHARE CAPITAL:

4.14 All the artisans in an area may not join the cooperative venture to start with. But with the good working results of the society or with the approach by the leadership of the society the remaining artisans in the area should be drawn into the cooperative fold. Thus, there should be progressive increase in the membership so as to reach the optimum size for the cooperative and attain the economic viability and ultimately economies of scale. Moreover, in the present context of Government policy of increasing the coverage of membership of weavers cooperatives from 30 percent to 60 percent, much is desired on the part of the management of these societies to extend the coverage slowly by including more members into their fold. When this issue of action taken to increase the membership of the societies came up while interviewing the chief executives of the weavers cooperative societies by the researcher, it was stated that the production finance given based on 33 percent of previous years production was a limiting factor
that stood in the way of enlisting new members. If new members are to be included, they should be given yarn, wages etc., for which the current production finance made available was too inadequate. Therefore, it is suggested that the production/working capital finance should be increased from the present rate of 33 percent to 40 percent or so by the Reserve Bank of India. (This aspect is discussed under working capital/finance for weavers cooperatives subsequently).

Out of 20 societies studied, 5 societies had 50 to 100 members, 10 societies had membership between 100 and 200, 2 societies had 201 to 300 and 3 societies above 300 members. Only 4 societies had growth of membership over 5 years, 6 reported decrease in membership and 10 had stagnant membership over the last 5 years, which is not a healthy sign.

Two weavers cooperative societies had share capital over Rs.500/- and below Rs.10,000/-; 6 had above 10,000/- but below Rs.20,000/-; 8 societies had above Rs.20,000/- but below Rs.50,000/-; only 3 societies reported more than Rs.50,000/- and 2 did not provide information (Table IV.3 Page 3^3 ) From 1970-71 to 1974-75, 8 societies registered an increase, 3 showed decrease and 3 had stagnancy in their share capital position. 2 societies did not provide information.

The value of the share capital of the societies differed from each other. Only one society had rupee one as share value and yet another society Rs.100 as share value; other 13 societies reported Rs.10/- as share value and 4 societies had kept Rs.25/- per share. 2 societies did not provide information. (Table IV-4 Page 3^4 ).
Similarly the maximum number of shares that could be purchased by each member was also limited in the weavers cooperative societies. The ceiling on maximum share holding was prescribed as Rs.20/- in respect of one society; Rs.40/- in the case of 2 other societies; Rs.50/- in 3 societies and Rs.100/- in 13 societies and 2 societies did not report.

4.15 Though there is a provision in the bylaws of the weavers cooperative society to deduct thrift fund from the payment of wages paid to the members, only a few societies translated this provision into action and inculcated the habit of thrift in them. Out of the 20 societies studied, 10 working societies and one dormant society reported that they had collected thrift deposit and converted them into share capital.

4.16 From the above analysis it is clear that there is lot of scope for increasing in the membership and share holding pattern in the weavers cooperative societies. Taking into consideration an average handloom (cotton) weavers daily wages, the share value can be fixed anywhere between Rs.10/- and Rs.25/- instead of allowing to extremities of rupee one to Rs.100/- Of course, the maximum share holding ceiling limit can be increased to say 100 shares in all the societies uniformly excepting where the society has grown unusually and requires more share capital base to increase the borrowing power of the society.

Secondly, looking at the membership growth, these societies, have hardly strove to enlist more members into the cooperative fold. The management of the societies
should be motivated to introduce an element of dynamism so that the membership also goes up to the desirable limit in all the societies within the area of operation. This is in tune with the policy directives of the Government (Before the end of V Plan, the membership of weavers cooperatives should increase from 30% to 60% coverage).

**MUTUAL LINKAGE:**

4.17 The concept of cooperation unfolds the ramification of the effects of mutual linkage. The underlying idea behind this is that the horizontal and vertical affiliations resulting in the formation of single/multilevel federations infuses more and more strength in the process. Therefore, the success of the cooperative venture depends more so on their following the principles of cooperation among cooperatives, as to finance, purchase, selling etc. A look into the functioning of these weavers cooperatives revealed that excepting one industrial society, all the other societies stated that they were members of the apex society (i.e. Cooptex) The apex society procured yarn from the 12 cooperative spinning mills and supplied to all the weavers' cooperative societies at the price fixed by the Department of Handlooms and Textiles. It also procured roughly 50 percent of the production of cloth of the societies and marketed them. One society reported that it took shares in the cooperative printing press to get the stationery/printing works and 3 more societies had become the members of the district handloom weavers federation which have not taken any legal form. They were in their formative stage and not registered bodies at the time of the study visit in 1977.

**A.6. THE PROFILE OF BOARD OF DIRECTORS:**

4.18 The general practice obtained in weavers cooperative societies akin to that of other cooperative societies.
was that the new societies were normally managed by the Department of Handlooms and Textiles, through nominated Board and deputation of chief executives. Subsequently, elections were conducted and the affairs of the societies were democratically managed by the elected body.

Out of the 21 societies studied, 16 societies had elected Board of Directors, 2 were new ones and had nominated Boards; one society (Coimbatore Industrial Weavers Cooperative Society) even though was registered long ago continued to have nominated Board from the inception. Eventhough the bylaw of the society provided for nominated Board for the first 5 years, which could be extended for 3 more years, the nomination was continued to be made by the registering authorities; from 1972 the management of all the cooperative societies were superseded by Government and so there was no special initiative taken by the society to resort to election. (One society did not report and another society did not exist as it was only registered and never functioned).

The total number on Board of Directors was restricted to 7 members in each society (as per the model bylaw introduced by the Director of Handloom and Textiles) and it was followed in practice. However, there was a wide range of difference in the duration of the office of the Board of Directors among these societies studied. One society had fixed the duration of the office of the Board of Directors as 5 years; 14 societies had 3 years each as duration; one society 2 years; yet another society prescribed 1 year as duration and the remaining 2 new societies had nominated Boards and were renewed every year by the nominating authorities.
4.19 Thus, there was no uniform practice in prescribing the duration of the office of the Board of Directors in these societies. To infuse new blood in the management of the societies 1/3 of the Board of Directors should retire every year and this rotation appears to be reasonable. This can be advocated to introduce uniformity in all these societies and the nomination practice may be discontinued after the first term of the registration of the societies as this practice infringes on the sacred principles of cooperation (viz. Democratic management).

4.20 6 out of 9 dormant societies remained dormant for more than 10 to 12 years and therefore particulars of Board meetings and their quorum were not available in their cases. In the case of active societies, on an average 2 General Body meetings per year and a minimum of 5 and maximum of 27 meetings of the Board of Directors per year were reported to have been conducted in those societies. The average attendance in the Board meetings and General Body meetings was above the quorum required and varied widely. Roughly the percentage of attendance varied from a minimum of 45% to 75% in the case of Board meetings and 40 to 70% in the case of General Body meetings. Thus, the active participation of the members and the role of Boards of Directors in the working societies revealed that this was one of the main reasons for the successful working of the weavers cooperative societies undertaken for study.

BACKGROUND OF BOARD OF DIRECTORS:

4.21 13 societies only could provide information regarding the background of the members of the Board of Directors. In all, details of 91 Board of Directors were obtained and the same is given below:
a) 25 persons were below the age of 40 and 66 individuals were above 40 years old.
b) 14 persons had studied upto SSLC, 70 of them knew only to read and write and 7 were illiterates.
c) All the 91 belonged to the backward community and they belonged to the weavers families and were hereditary weavers: 43 were Mudaliars, 21 Chettiar s, 20 Devangans, 3 Kallars and Naikars each and one belonged to Yadawa caste. The profile of the management of the weavers revealed that they were placed in the lowest rung of the community with highest percentage of illiteracy. One can imagine the level of proficiency that they can claim given their background.

4.22 The reasons for the dormancy of the weavers cooperatives as revealed by the Appendix IV-A.1 and A.3 (Pages 21-31) that out of 9 dormant societies studied (one society was registered but never functioned) one society came to inactiveness because of the conflicts among the Board of Directors (Society A1) each of the 3 societies suffered the vested interest developed by the Chief Executive (Societies A2, A3 and A6) and inefficient management practices followed by the Board of Management and Chief Executives (societies A-3, A-4 and A-10). Vested interests developed by the leadership by remaining on the Board for more than 12 to 18 years by virtue of their influence and wealthy background etc., appointed own relatives in the societies and worked hand-in-glove with them and misappropriated the funds and so on. The 3 societies suffered because of inefficient management practices such as appointing staff without following proper recruitment procedure, failing to collect the dues pending for more than 14 years, not keeping records properly and losing some of the records, not taking interest in the business of the society, etc.
4.23 The corrective steps can be taken in the above cases only by the registering/controlling authorities for setting right the problems through effective supervision, posting trained paid staff to manage the affairs of the societies.

MEMBERSHIP INTERVIEWS:

4.24 The interview of the members of the dormant weavers cooperative societies also corroborated the age, educational background, caste particulars discussed above. The average income of the weaver ranged from Rs. 150/- to Rs. 300/- per month. The minimum share holding of a weaver was one and maximum 7 in the case of the individuals interviewed.

4.25 Excepting 2 individuals who owned that they were motivated by the Government officials to join the society, the rest stated that they came to know about the registering of the societies through their friends and voluntarily joined the societies to get the benefits. With regard to the awareness of the principles and philosophy behind the formation of the weavers cooperative societies, only 30 percent of the interviewed had some knowledge and the remaining 70 percent were completely ignorant. Excepting 2 persons who did not take any advantage of the society, the rest expressed that they had availed of some help or the other in the form of increased wages, raw material supply etc. from the concerned societies. The wages difference between the private and the cooperative was also reported as rupees one to five more in the cooperative societies than in private per day. Thus, the concensus was that the wage rates in the cooperative were better than the private sector. More than 90 percent of the members interviewed were aware as to why their societies had become
dormant and all of them expressed helplessness because the big fish always tried to devour the small ones either because of their status or influence through political affiliation, etc. But they really knew where the shoe pinched.

The reasons for dormancy in weavers cooperatives as per the available records/enquiry reports have been culled out and extract given in Appendix IV.A.3 (Page 312) out of 9 dormant societies studied (one was registered and never functioned) and therefore in the remaining 8 societies 2 have suffered the disloyal attitude of the members (Societies A1 and A6) wherein the members never took initiative in prompt repayment of their dues and arresting the various malpractices like misappropriation by chief executive, etc. Moreover, in the membership of these societies, the master weavers were in large numbers and they not only dominated the scene but also wrecked the societies without allowing them to grow. 4 out of the 8 dormant societies suffered this domination of master weavers (societies A2, A4, A5 and A10).

4.26 The members should be enlightened about the sanctity behind the formation of such societies through member education programme and once they become loyal to their organisation, they can easily detect the master weavers and with the help of registering authorities, they can get over the unscrupulous domination of the master weavers to some extent.

A.7 STAFF IN THE WEAVERS COOPERATIVE SOCIETIES:
4.27 Excepting the dormant societies (which had only a chief executive each), all the working societies had a minimum of a manager, a clerk and an attender as paid staff.
The total working staff of the societies studied varied from 5 to 10 in each of these societies. Generally the manager and the clerk had studied upto SSLC and were paid from a minimum of Rs.49/- to a maximum of Rs.409/- per month in these societies. That is to say, on an average the minimum salary per day was anything between Rs.1½ and Rs.13. In this connection it is interesting to note that the wage for the unskilled labourer in the same locality was in the range of Rs.3/- to Rs.9/- per day.

4.28 Out of 66 persons working in 13 societies, only 10 had undergone training in cooperation, accounts keeping etc., at the concerned Cooperative Training Centres/Institutes in the respective nearby areas. 4 Persons were trained at Coimbatore and Kancheepuram Cooperative Training Institutes; one in handloom management technique at Salem and 5 were trained at the Office of the Assistant Director of Handlooms and Textiles in the science of accounts keeping. The Secretaries/Managers and appraisers did not undergo any training. All of them were recruited from the open market by the concerned societies management. This apparently looked like an illiterate boss trying to teach an educated servant.

4.29 As such the entire staff development through proper training is a must for successful running of weavers cooperative societies. After identifying their needs, the scheme and syllabus may have to be prepared and training imparted to them by the Cooperative Training Centres/Institutes/Colleges as the case may be. Provident Fund benefits, (bouns benefits upto three months pay) etc. were generally given to the staff by the active weavers cooperative societies.
4.30 Out of 9 dormant societies studied (1 did not function after registration), 3 societies (A4, A6 and A14) experienced the misappropriation by the staff engaged in the societies. This was one of the main reasons for the non-functioning of the societies. In 2 out of 3 societies, the staff in collusion with the President misappropriated and in one case the President was illiterate and he was cheated by the paid part-time clerk. The staff did not have a stake in the organisation and they fell an easy prey to the Chief Executives' whims. They were poorly paid and were at the mercy of the Chief Executives.

Prescribing good service conditions, welfare measures such as extension of gratuity benefits, death-cum-retirement benefits, promotional avenues, incentive schemes, etc., which are pre-requisites for motivating the employees and retaining them in the organisations and to get maximum productivity, should be introduced. Of course, this would be possible if the societies achieved viability and become profit making entities. Running the societies successfully involves right personnel and retaining and motivating them depend on the soundness of the organisation. Therefore the two aspects are mutually interdependent and create a vicious circle. Under the circumstances the Government may think of providing grants-in-aid to create a welfare fund scheme for those weavers cooperatives from which educational; tuition fees for children of weavers, defraying the medical expenses for the family members etc., can be met along with the other incentive schemes and welfare measures.

A.8 PROCUREMENT OF RAW MATERIALS:
4.31 The major source of procurement of raw material for the 20 weavers cooperative societies was the apex society. Roughly 80 percent of their requirement was met by the apex society which collected yarn from 13 cooperative spinning mills and distributed the same through its retail depots scattered throughout the State. The price of yarn was also fixed by a Committee formed by the Director of
Handlooms and Textiles. Nearly 20 percent of the needs of these societies was procured from the open market/spinning mills directly. The societies procured dyes, chemicals, etc. from the open market/private merchants without any difficulty. Dyeing of yarn was done by these societies from the dyers approved by the Government/Director of Handlooms and Textiles. The list of approved dyers was intimated by the concerned Assistant Directors of Handlooms and Textiles to the societies.

4.32 The yarn was distributed by the apex society through its network of depots on cash and carry basis. But procurement of finished goods for sale by the apex society from the primaries was only on credit basis. The final settlement of bills took not less than 3 months from the date of despatch of goods from the societies to the sales depots of the apex society. Yet another difficulty reported by the weavers cooperative societies, was that the quality of yarn supplied by Cooptex was often very poor which ultimately affected the quality of the finished goods. In such cases, the societies were compelled to go to the open market for procurement at a higher rate.

The Government of Tamil Nadu have taken efforts to set up 13 cooperative spinning mills in 13 districts of the State with the idea that these cooperative mills would cater to the needs of all the weavers cooperative societies in and around the respective districts at least. However, certain mills either did not produce the counts of yarn required by the weavers of cooperative societies in the area or did not meet the entire demand of these societies squarely. For example, the societies at Kancheepuram Circle reported that the cooperative spinning
mill in their area sold only a meagre percentage of its yarn to the cooperative societies at rates fixed by the Government (Director of Handlooms and Textiles); rest of its production was sold at higher price in the open market on purely commercial basis. The spinning mill wanted to earn profit by selling the yarn at higher prices defeating the very idea behind establishing such cooperative spinning mills as a venture to help the weavers cooperative societies. The coordination council meeting consisting of the Assistant Director of Handlooms and Textiles of the Circle, Managing Director of the spinning mill, selected representatives of the weavers cooperative societies, etc., could not solve this problem as the spinning mill insisted on its commercial approach.

Thanks to the apex society of the handloom weavers cooperative societies that it is indeed because of the intervention of the apex society, and the Director of Handlooms and Textiles, the availability of yarn was regulated to some extent in the State and the price of yarn was also fixed on an agreed uniform basis. Otherwise the market trend was just unpredictable and recession and boom were playing a havoc and the industry was sailing on troubled waters.

A.9. PRODUCTION AND SALE:

a) Production:

4.33 The cost of a loom including healds, reeds, shuttles, etc., ranged between Rs.200/- and Rs.500/- and differed from place to place and as they were manufactured by the societies in their respective areas according to their specification. Standardisation is necessary in the manufacture of modern looms. The looms and the small tools and
implements used in the handloom industry may be got done in the industrial cooperative societies (by procuring wood/timber at cheaper rates from the forest coupes) and supplied by the apex society. As already suggested this function can be part of the raw material bank. This can be an experimental measure and perhaps will go a long way in helping the weaver members. Even when the implement, tool subsidies are sanctioned and given to the members of these societies the same may be given in kind so as to avoid misutilisation of money on the part of the weaver members.

4.34 The size of minimum production by all the dormant societies studied indicated that they were uneconomical units producing below Rs.1000/- per month. In the case of the 13 (3 dormant and 10 active) Co-operative societies which have provided the data for 5 years, only one society was producing a minimum of below Rs.1000/- per month; 8 societies produced between Rs.5000/- and one lakh; 2 societies produced somewhere between Rs.1 lakh and 1.5 lakhs; one society produced above Rs.1.5 lakhs but below 2 lakhs and only one society produced above Rs.2 lakhs (Table IV.6 Page 35) More often the members of the societies took the yarn and sold to non-members and procured only the finished goods from them and supplied to their societies. In the process they not only escaped/evaded working and producing, they tried to earn more in the form of contribution from savings and security schemes wherein the Government contributed at the rate of 3 paise per rupee of wages earned by the members. This might have also increased the production and ultimately stagnation crept in because of the quality, market trend, etc. The Government also incurred unnecessarily a huge amount on account of contribution towards the savings and security scheme, which
was intended for the real workers on the looms. Similarly, when the thrift deposit of 6 paise per rupees was deducted, the society had to contribute 3 paise and thus, the society also parted with money which was intended for the members but went to big merchants or middlemen in the process.

4.35 The above incentive schemes were reported to have been misutilised in some cases, defeating the idea behind them. Therefore, the issue of yarn, payment of wages and contribution of the society towards the thrift contribution, etc. should be regulated in such a fashion that norms of production for each member over a period of time should not be exceeded at any rate. In the present system the issue of yarn is regulated in such a manner that yarn is made available to all the members of the societies.

In addition, if the norm per head per day production also is laid down, hardly anybody can escape the system.

b) SALES:

4.36 Similar to production, out of the 13 working societies studied only one society sold its produce below Rs.1000/-; 7 societies sold above Rs.5000/- and below 1 lakh; 2 societies registered a sale of more than Rs.1 lakh but below Rs.1.5 lakhs; one society sold above Rs.1.5 lakhs and below Rs.2 lakhs and one society sold more than Rs.2 lakhs worth handloom cloth produced by it.

In all, 3 dormant and 10 working societies provided the statistics pertaining to the production and sales for the past 5 years. The minimum sale registered among the three dormant societies was Rs.104 per annum in the 5 years and the maximum was Rs.1,81,794/-. In order to break even and come to profit, the societies have to fix the minimum level of production and sale. In the case of dormant
societies even though there were potentialities for more production and sale, the wiping of accumulated losses and other extraneous factors like vacillation in yarn price, market slump for the particular variety of handloom product etc., acted as a stumbling block in registering a progressive growth in production and sales. Some of the working societies too had these problems but they were not so acute and that was why they could show some profit.

**DISTRIBUTION CHANNELS:**

4.37 The major outlets for the products of the primary handloom weavers cooperative societies were (a) Cooptex (b) Handloom House, the All India Handloom Fabrics Marketing Cooperative Society, Cooperative Super Markets, etc. and (c) the private merchants. While looking into the share of purchase by these agencies/channels, the societies reported their sales as follows:

(a) **Sales to Cooptex:**

<table>
<thead>
<tr>
<th>No. of societies reported</th>
<th>% of sales to Cooptex</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5 to 10</td>
</tr>
<tr>
<td>3</td>
<td>10 to 50</td>
</tr>
<tr>
<td>3</td>
<td>50 to 65</td>
</tr>
<tr>
<td>3</td>
<td>65 to 75</td>
</tr>
<tr>
<td>4</td>
<td>75 to 85</td>
</tr>
</tbody>
</table>

(b) **Sales to Institutions:**

<table>
<thead>
<tr>
<th>No. of societies reported</th>
<th>% sale done</th>
<th>Institutions to which sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>All India Fabrics Society</td>
</tr>
<tr>
<td>1</td>
<td>15</td>
<td>Super Markets</td>
</tr>
<tr>
<td>1</td>
<td>25</td>
<td>Handloom House</td>
</tr>
</tbody>
</table>

Apart from the above, the rest of the sale was done with the private merchants in the open market. Out of 9 dormant societies studied, one society became dormant because of the cutthroat competition of the private merchants which was so acute that could hardly stand it (Society A3).
The existing channels of marketing of cloth by Cooptex are as under:

<table>
<thead>
<tr>
<th>Channel</th>
<th>As on 31.3.79</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling units in Tamil Nadu</td>
<td>232</td>
</tr>
<tr>
<td>Selling units outside Tamil Nadu</td>
<td>151</td>
</tr>
<tr>
<td>Agencies</td>
<td>104</td>
</tr>
<tr>
<td>Godowns</td>
<td>16</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>503</strong></td>
</tr>
</tbody>
</table>

4.38 The quantum of selling by Cooptex has been increasing year by year and in the context of aiming at more production, it is necessary that the sales outlet outside Tamil Nadu has to be increased and all the States should be fully covered, especially the Northern region of the country. Agency outlets may be increased so that it would not be un-economical to cover the far-flung areas. Out of 503 selling units, 104 are agencies and 399 are direct outlets of Cooptex. The expenses incurred in maintaining the direct outlets are more than the agencies appointed on commission basis. Since Cooptex is a big organisation with more than 1720 (as on June 79) staff/employees, the annual increments, P.F. gratuities bonus etc., escalate the expenditure burden year by year for Cooptex. Therefore, depending upon the demand concentration, large-sized godowns can be opened and wholesale can be encouraged.

4.39 On an average, it was stated that the Cooptex procured about 50 percent of the total handloom production for sale through its sales depots spread throughout the country. Nonetheless from the statistics collected from the societies, one could conclude that the apex society has to concentrate more on the sales front by collecting atleast 80 percent of the total production of handloom goods from the primary cooperatives. Moreover, the cooperative super markets should also be directed to purchase from the weavers cooperatives so that the stagnation of goods with the primaries can be reduced to a great extent.
4.40 When the societies take up the sales activity, they encounter many a difficulty like the pressure and cut-throat competition from private merchants, misappropriation of the sale proceeds by the sales staff, the societies do not possess the capacity to hold and sell the products where there is great demand for them, etc. Therefore, the apex society should procure almost all the goods from the primaries and evolve a marketing strategy as under:

1) Undertake market research to identify the consumer preference with reference to the changing tastes and fashions for the handloom fabrics. Opinion survey of younger generations employed youth, college students and others would help to indentify their preference for colour of the fabrics, the print and design, etc. Regarding the lustre, appearance and durability of cloth (even the polyester fibre which is used for handloom weaving can be re-oriented) to their tastes and liking.

2) To dispose of the goods without much accumulation, ready made garments to meet the family requirements of the public, especially of the kids, youngsters, etc., should be attempted. To make the ready-made apparels, womens' tailoring units can be established and this would absorb the cloth bits and unsaleable/slow moving fabrics. The Bhadravathi Handloom Weavers Cooperative Society at Sholapur (Maharashtra State) has started a ready made garment unit for export and there is a flourishing business undertaken by the society. Similar exercise need to be done in Tamil Nadu under the leadership of Cooptex. This is more important because the cloth is purchased by the public by and large for stitching garments/apparels/dressing materials.

3) To create more demand for handloom fabrics and to provide an increasing base for more production, alternative and new uses for the handloom goods should be attempted. For instance, the bed sheets/spreads with attractive colours and designs can be put to use in the offices for screening purposes,
using them as table cloth etc. The same can also be used for furnishing even in the houses.

4) In order to clear expeditiously the stock through the sales emporia/units and image building of Cooptex, the sales force should be exposed to the fundamentals of salesmanship viz., identifying the customers, knowing their needs, treating them according to their behaviour etc. There are 1442 marketing staff in Cooptex as on June 79 and they are to be trained as per the scheme and syllabus prepared by Cooperative Training College, Madras. A comprehensive project had been attempted by the researcher in the Cooperative Training College, Madras to train the entire staff of Cooptex (especially the sales force) with a view to increasing the overall efficiency of the organisation.

5) Modernisation of the retail outlets/sales depots to facilitate the customers' convenience and to attract them in more numbers to patronise the products of the Cooptex is extremely necessary.

MARGIN:

In so far as the fixing of selling price for the handloom goods was concerned, the respective Assistant Directors of the Circle issued instructions to the societies as to how much percentage of margin should be added to the cost of production and fix the selling price. The statistics collected indicated that the profit margin varied from 2 to 10 percent and that too, varied from place to place and year to year depending on the market situation.

6) The pricing policy of handloom fabrics should be reviewed by the Cooptex. So far, the cost of production of the product plus 9 percent margin is uniformly kept by Cooptex while procuring cloth from primaries and it adds 25 to 30 percent margin and sells the goods through its sales
depots/units. For sale outside Tamil Nadu, nearly 5 percent more margin is added. Instead of this cost plus approach, active price policy should be adopted by Cooptex. For this, price survey should be made product-wise for all the products from the important competitors like Handloom House, big textile selling shops and accordingly the price of the goods should be revised in tune with the market trend.

**PROMOTIONAL ACTIVITIES:**

4.41 The primary weavers cooperative societies generally did not take up any sales promotion activities like, publicity, advertisement, etc. The general rebate policy of the Government was applicable to all the societies and sales depots of the Cooptex. The apex society took the sales promotion activities after pooling centrally all the handloom goods from almost all the societies and as such there was no special drive exclusively meant for a particular society and its products. However, a few societies in order to project and popularise their image and products issued special bags (paper/cloth), calendars etc., with their emblem, name, address, etc., which were used as packages while selling their products. Seldom did they advertise the societies products in magazines/journals, etc. On some festival occasions a few societies had reported to special display practices, distribution of bit notices, etc. Apart from these, there was no sales promotion campaign followed by them. The apex society participated in fairs, exhibitions, inserted advertisements in leading dailies, T.V., Radio, etc. and carved out a name for itself in the textile industry in general and handloom sector in particular. It may, in addition to these, advertise in the youth magazines (because they spend major time in selecting the fabrics) and popular women magazines (in which sarees and other ready made garments made by Cooptex) can be given publicity. The Bed sheets, Bed spreads,
pillow covers, towels etc. can be displayed and also sold through mobile vans at important railway stations/junctions, Airport etc. For instance, the bed sheets, covers etc. are displayed and sold at Sholapur railway station by the producers of these items. This may be followed on a larger scale by the Cooptex.

4.42 Sales campaign should be made more intensive apart from rebate season. On an average, the expenses incurred on account of rebate was Rs.75 lakhs every year. Instead of giving rebate which is mostly misused and exploited by the private merchants and others, it can be given in the form of subsided yarn and cheap rates for processing the cloth, etc. If at all the rebate is a must to augment the sale, it can be restricted to the slow moving varieties of cloth and the percentage of rebate can be fixed according to the demand in the market. Among the handlooms products, certain societies products were in great demand and the production from a particular society could not meet the consumer demand. The alternative brands of the same handloom products from other than the reputed one was not accepted by the customer. Therefore, it is suggested that Cooptex can standardise the various varieties with reference to specifications, designs, colours etc. and give one brand for all the products in which it deals with.

The business of handloom cooperatives was subjected to heavy seasonal variations besides public competition from textile goods. It had hardly three important seasons when there were bulk sales—July to October (Diwali), December and January (Pongal and Christmas) and April (for handloom week). As such, when the societies produced continuously a huge stock piled up.
4.43 Though the Government helped the societies by announcing the (10 to 30%) rebates on sales, the societies had to wait for realization of money from the Government on account of rebate sales roughly between 3 and 6 months. This delay became an unavoidable gamble in the business. It was learnt from the societies studied that the practise of giving rebate though has a major advantage of attracting the consuming public and disposing of the piled up stock, it had its attendant disadvantages too. The public wanted to make purchases of handloom cloth mostly in rebate seasons and therefore this concession created stagnation of cloth in periods other than the 3, 4 festive seasons. More often vested interest cropped up in the societies and they sold the goods at ordinary times, kept the sale proceeds under the suspense head and prepared bills for these amounts in the rebate season/periods. Right from the Government officials/non-officials down to many interested influential parties involved themselves in this type of transaction. Moreover, the private merchants made hay while the sun shone. That is, they purchased with rebate on wholesale commission basis from the societies and sold at an advantageous price by undercutting them once the rebate season was over. Thus, the societies became vulnerable and were unable to compete with private merchants in the off-season (i.e. non-rebate periods).

4.44 Therefore, it is necessary to avert such mal-practices. Whatever concessions the Government wants to extend to these poor weavers, the same can be extended in kind, viz. through yarn subsidy—giving yarn to weavers at lower rates and thereby bring the cost of production lower than the open market and make them sell at competitive rates. Of course, care is to be exercised to see that the actual yarn supplied at concessional
rates goes only to weavers cooperatives (and Not to others) and they return the finished goods to the society as per specification/agreement without any violation. In so far as marketing of handloom cloth is concerned, there should be a separate wing in the organisation to cater to the marketing aspect of handlooms instead of Cooptex taking on it shoulders the entire burden of supply of raw materials and marketing. If this is done more undivided attention can be paid to the marketing (indigenous and exports) aspect alone. The credit sales of the societies should be regulated to a fixed period and cash to be realised within a reasonable period. The present system of paying the price for finished goods to the societies by Cooptex after a long duration of 3 to 5 months needs to be modified. To curtail the time lag between the procurement of goods and releasing the much needed funds to the societies by the apex society, the causes for delay should be identified and rectified through possible means. This can be done if the marketing function is separated and exclusively looked after by another cell/wing of the organisation. But in this case, coordination of procurement and distribution of raw materials, marketing and supply of finance needs to be done.

EXPORTS:

4.45 Foreign markets are being discriminating ones and it is extremely difficult to maintain continuity of exports unless fullest satisfaction is given to the buyers in terms of price, quality, timely supply, etc. Handloom goods enjoy an edge over other textiles in foreign markets. They have many splendidly designs and exotic varieties. There is an immense scope for stepping up exports in the European markets, provided stern discipline is exercised in the matter of quality. The weak production base and inadequate attention to changing fashions in affluent countries are two major handicaps from which the
handloom sector has been suffering. Export effort has to be quality-oriented, properly coordinated and sustained (handlooms should be exhibited abroad in all their resplendent varieties). The apex society should also send frequent delegations abroad so that proper contacts are established with the foreign buyers, foreign designs and tastes are assimilated and fed back to the producing centres and keep abreast of the foreign markets. To step up the export marketing of handlooms goods, introducing goods without much of profit margin is important to tap the foreign buyer. Supply of goods conforming to quality and time is essential and Coopex should participate/conduct fairs/exhibitions in foreign countries on large scale.

4.46 A recent attempt in this direction was made in Tamil Nadu and a month's tour was arranged to New York, London, Paris and Milan for the Chief Officer of the apex weavers cooperative society and the Director of Handlooms and Textiles in October-November 1976. The experience proved to be extremely helpful as narrated by the delegates. (Vide Tamil Nadu Journal of Cooperation, Vol.68 May 77 Pages 269-271. In search of foreign buyer of handlooms).

The export of cotton handloom goods from Tamil Nadu through Madras Port is given in Table IV.A-2 Page 209. The export figures for last three years (1975-76 to 1977-78) reveals that out of Tamil Nadu handloom exports cooperative weavers societies export through Coopex International form 18 to 29 percent and this has increased to 50 percent in 1978-79. The total Tamil Nadu Handloom export form 14 to 26 percent of all India export performance. Thus, there is enough potential for the products of weavers cooperative societies and Coopex has been attempting to push the export sale of the goods from the societies. Modern design centres and Weavers Service Centres have come into being and lot of novelties in
designs are being introduced in the handloom weaving no less than the other mill made fabrics. But many weavers especially in the cooperative fold have not seen or had the opportunity of going to these centres to learn these new models. Therefore, appointment of peripatetic demonstrators who would go to the villages or weavers cooperative societies to give on the spot demonstration and explanation of the improved designs, to produce new varieties is the prime need of the hour.

Table IV A.1

<table>
<thead>
<tr>
<th>Countries</th>
<th>1971-72</th>
<th>1972-73</th>
<th>1973-74</th>
<th>1974-75</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Asia</td>
<td>16,669</td>
<td>27,014</td>
<td>64,777</td>
<td>72,272</td>
</tr>
<tr>
<td>2 Africa</td>
<td>23,725</td>
<td>34,287</td>
<td>53,806</td>
<td>58,193</td>
</tr>
<tr>
<td>3 Europe</td>
<td>6,710</td>
<td>13,538</td>
<td>32,352</td>
<td>34,320</td>
</tr>
<tr>
<td>4 Oceania</td>
<td>382</td>
<td>762</td>
<td>4,371</td>
<td>5,233</td>
</tr>
<tr>
<td>5 America</td>
<td>1,970</td>
<td>8,443</td>
<td>20,332</td>
<td>17,573</td>
</tr>
<tr>
<td>TOTAL</td>
<td>49,456</td>
<td>84,044</td>
<td>1,75,638</td>
<td>1,87,591</td>
</tr>
</tbody>
</table>

With the increase in indigenous sales turnover, the Cooptex had recently started its export activities from 1975-76. It has an exclusive wing known as 'Cooptex International' with head office at Madras and 3 branches at Madurai, Bombay and New Delhi. It procures cotton handloom goods from cooperative societies of Tamilnadu and exported directly as well as through its branches separately. The total export of handloom fabrics by Cooptex is given below:
Table IV.A.2
Export of Handlooms Goods by Cooptex
(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Export through branches/agencies</th>
<th>Total Export</th>
<th>Total India's export from Tamil Nadu (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-76</td>
<td>N.A.</td>
<td>54</td>
<td>30.17</td>
</tr>
<tr>
<td>1976-77</td>
<td>0.54</td>
<td>108</td>
<td>37.49</td>
</tr>
<tr>
<td>1977-78</td>
<td>46</td>
<td>156</td>
<td>53.88</td>
</tr>
<tr>
<td>1978-79</td>
<td>97</td>
<td>246</td>
<td>48.80</td>
</tr>
</tbody>
</table>

Source: Cooptex, Tamilnadu - N.A. indicates Not available.

- Figures in parentheses shows the percentage of Cooptex export to total export of Tamilnadu.

This arrangement can be done either by the weavers' service centres or by the concerned Assistant Directors of Handlooms and Textiles of the Circle.

Technical supervision in the loom stage is indispensable as deliberate or ignorant mistakes might be committed in the weaving which cannot be rectified in the post-loom process. Moreover, if any defective weaving is noticed by the consuming public, it will be detrimental for the sale of handloom cloth. Hence, introduction of novel designs and appropriate appraising systems for the members of the weavers cooperative societies should be introduced.

4.47 The weavers cooperatives in general cannot thrive in the fierce competitive situations obtaining in the market because:-

a) Many a time there are sharp difference in the yarn prices of the Cooptex vis-a-vis the open market price even through theoretically it is claimed that the Cooptex fixed the
price below the market price and thus a price setter in the yarn market. Yarn is the most important and major raw material in the cloth production and hence its price plays a vital role in the cost of production and ultimately in price competition.

b) The master weavers and other competitors try to under-cut the weavers cooperatives by adopting tactics like using cheap quality dyes, cheaper yarn, paying as far as possible less wages to the weavers to exploit the situation etc. and bringing the final price of the finished goods cheaper than others.

c) The competitors always try to sabotage the interest of the cooperatives by making use of some weak points like non-availability of adequate advances to the weavers in times of difficulty from the societies and attracting them to get into their den by any means.

d) There is hardly any difference a layman can make out between handloom and power loom goods. Unless a technically qualified person meticulously looks into the finished goods, there is always a possibility of hoodwinking by the powerloom weavers selling their goods as handloom goods. In addition, the unauthorised powerlooms always play a detrimental role in circumventing the handloom products.

e) Many of the weavers societies are required to participate in a big way in the shares of the district central cooperative banks, apex society, cooperative spinning mills etc. and bulk of the resources are locked up in these sister organisations. This can be minimised if at all this is a must provision for these societies. In fact only big societies showing sizeable profits should be required to do so by fixing minimum shares.

A.10. STORAGE AND UNSOLD STOCK:

4.48 The seasonal rebate attraction, competitive mill made goods, durability and economy if not the cheap price of textile
fabrics, production of varieties of cloth without looking to the market demand etc. resulted in the piling up of handloom goods in major part of the year. Against the poor holding capacity, the weavers cooperative societies stored the huge stock in small rooms in the wooden or some times in steel almirahs. The minimum stock value of handloom goods held in one society per year was Rs.78,667/- and the maximum stock valued Rs.1,64 lakhs was stocked in a society as per the statistics collected for 5 years. In one society out of 9 dormant societies (i.e. A6) the manager and appraiser of the society in collusion with the President of the society misappropriated and sold the stocks without bringing into the accounts of the society. Stock deficit to the tune of Rs.5000/- in 3 months time occurred. Because of such stock deficit in the societies, the auditors recommended creation of reserves and the much needed finance was locked up. This was one of the reasons for 2 societies' dormancy. Because of stock piling up, occurrence of stock deficits etc., the societies insured themselves against fire, theft, burglary etc.

STOCK VERIFICATION AND LEAKAGES:

4.49 The stocks of the weavers cooperatives were checked once in 3 months by the Board of Directors of the respective societies; the supervisory staff checked once in 6 months; and the auditor once a year. For the stock deficits occurred, 1/2 to 1 percent leakage were allowed by the societies and the rest recovered from the concerned staff in charge of goods. They were required to pay the deficit amount by sharing among them equally. Only 5 societies reported leakages above 1 percent, 4 societies had below one percent and 2 societies did not maintain proper records for stock verification. In all the societies even though audit was conducted upto date, there was no audit enforcement found in the stock registers for having verified the stock as per books of accounts by the auditors concerned.
A.11. SUPERVISION AND AUDIT:

4.50 As discussed in Chapter III there were 9 circles in Tamil Nadu, each headed by an Assistant Director of Handlooms and Textiles. The circles had each 1 or 2 or 3 or even 4 districts in their jurisdiction. The number of societies functioning under each Circle also varied. By comparing the societies in the three Circles (viz. Trichy, Kancheepuram and Coimbatore) it appeared that the number of societies and their areas of activity varied. However, the staff for supervising the societies should have some basis and there must be some rational in appointing the supervisory staff and allotment of societies for supervision. In this respect there appeared to be no uniform norm as to the average number of societies that each supervisor was supposed to inspect, guide and supervise. On an average, each inspector (Handloom Inspector) was to look after 4 to 9 societies in the three districts from where the sample was made (Vide Chart IV A1, A2, A3 at Pages 216, 217 & 218).

The Assistant Director of Handlooms and Textiles in charge of each Circle was responsible for the growth and development and liquidation of not only the weavers' cooperative societies but was responsible for the weavers coming outside the purview of the cooperatives. For instance, in Kancheepuram circle alone there were in all 5000 handlooms. The Assistant Director of the Circle had in all 5 Handloom Officers and one Handloom Inspector at the headquarters and 3 Handloom Officers and 19 Handloom Inspectors to supervise the 146 cooperative societies in the Circle and the other private looms were supervised by one Textile Control Officer plus two assistants who looked into the powerloom checking, supply of yarn, issue of new permits etc.
In this connection, it is pertinent to recall the recommendations of the First and Second Working Groups on Industrial Cooperatives which have recommended the supervisor society ratio as 1:20. If that is the norm or standard, the present position of the supervisor-society ratio is poor i.e. 1:4, 1:6 and 1:6 (vide page 258, 267 & 269). Out of 20 societies studied, only one society reported that the supervisor inspected the society once in 6 months; 5 societies reported that the inspection was done by the supervisor quarterly and the remaining 14 societies had stated that inspection was carried out every month by supervisors. From the above, it is felt that although the supervisor society ratio is sufficient, the inspection should be done invariably every month so that the erring societies can be put on the right path. Out of 9 dormant societies studied (one was registered but never functioned) and among the remaining 8 societies, five had the problem of inadequate supervision as one of the main reasons for their dormancy (societies A1, A2, A3, A4 and A5). But for the follow up action and guidance by the supervisory staff, they would not have gone to moribund condition.

4.51 All the primary weavers cooperative societies studied were audited upto date (i.e. till 1975-76) by the audit staff of the Registrar of Cooperative Societies, Madras. Only 6 working handloom weavers cooperative societies were placed in 'B' Class, the remaining 6 were classified as 'C' Class; while the 9 dormant societies fell in Class 'D'.

For settling the audit objections, the supervisory staff helped and guided the societies. Thus, the defects in auditing of these societies were minimised and rectified expeditiously.

In the case of 'B' class societies, the audit fees levied were considered as a heavy burden cast on them while
the other classes of societies did not face such a problem, because they were not required to pay audit fees.

CHART IV A-1.

KANCHEEPURAM CIRCLE
ASSISTANT DIRECTOR OF HANDLOOMS AND TEXTILES

*Chingleput District

84 Societies

16 Silk

68 Handloom cotton

All are working

7 dormant 61 working

5 Cotton societies

57 Societies

52 Cotton societies 5 Silk societies

*Supervision: @ 1 Inspector for 6 societies average

Assistant Director of Handlooms and Textiles Kancheepuram Circle

At the Head Office (Kancheepuram)

2 H.O. Execution & Liquidation

1 H.O. Statutory

3 H.I. Liquidation (1 for each district)

Field Staff

3 H.O. &

19 H.I.

Plus administrative and Ministerial staff.

Note: H.O. stands for Handloom Officers.

H.I. stands for Handloom Inspectors.
Total No. of societies $84 + 28 + 57 = 157$

Ratio 1 Supervisor : 4 societies

Source: A.D. H & T Kancheepuram.

**CHART IV A-2**

**TIRUCHIRAPALLI (TRICHY) CIRCLE**

Assistant Director of Handlooms and Textiles

Trichy District

* Details not given

Thanjavur District

South Arcot District

* Details not given

**CIRCLES**


1 0 10 4 2 4

Societies

Total societies 19 working and 6 dormant *

**Note:** Ammapet WCS and 5 spurious (Pseudo) societies started at Thanjavur District for election purposes. They were Arijnar Amm, Kalianjar Karunanidhi, Navalur Nedunchezian, Vellai Vinayagar and Mariaman Koil W.C.S.

At the time of visit to A.D. Handlooms and Textiles Trichy in May 1976, to supervise the 19 working and 6 dormant societies there were one Handloom Officer and 5 Handloom Inspectors.

6 Staff = 25 societies

Ratio 1 Supervisor : 4 societies.

Source: Assistant Director, Handlooms and Textiles, Trichy.
Assistant Director of Handlooms and Textiles, Coimbatore
6 Taluks

Coimbatore Avinashi Palladam Gobi Pollachi Satyamangalam

TOTAL NUMBER OF SOCIETIES

65 working 4 dormant
A.D.H.L. & T

*1 A.D. HL and T on foreign service as special officer/secretary to Palladam HLWCS
5 Handloom Officers (1 General, 1 Statutory, 1 Supersession On F.S. terms with the societies (2) *)
15 Handloom Inspectors (9 for supervision and 6* on F.S. terms to societies)

Out of 69 societies (1 + 2 + 6 above) 9* were looked after on foreign service (F.S.) terms by the staff of the Department of Handlooms and Textiles. The remaining 12 staff did the supervision of 60 societies. On an average, there was one supervisor for every 6 societies. Ratio: 1 Supervisor:6 Societies.

Source: Assistant Director, Handlooms and Textiles, Coimbatore.

A.12. FINANCE:
4.52 Need for working capital:

Working capital is the soul of any enterprise and for that matter in a handloom society. The working capital required for a handloom is around Rs.500 per month.
In olden days this was much less. Before the middle men came into the picture and took these weavers into their grip, the handloom weaver was carrying on the weaving in his village home by himself making or drawing yarn spun by hand and was selling the cloth himself directly. But with increasing competition and complexities of the modern textile industry, a neo-handloom industrial sector has set in, wherein the weaver is dragged into the market right from purchase of inputs, yarn, etc., processing them, weaving and disposal of the same. Therefore, the meagre resources are not enough if he has to purchase, preserve the stock, weave, hold the finished goods and dispose them off. The main supplier of yarn viz. Cooptex supplied raw materials only on cash basis to the weavers cooperative societies. The Reserve Bank of India and District Central Cooperative Banks also restricted the societies to make credit purchases; whereas the Cooptex bought the cloth produced by the weavers cooperatives only on credit and made payments after 3 to 5 months.

4.53 The District Central Cooperative Banks sanctioned cash credit accommodation to the societies based on one-third production of the previous year. The facile credit was made available to the weavers co-operative societies by the District Central Cooperative Banks at the rate of 9.5 percent interest and 3 percent of it was subsidised by the Tamil Nadu State Government. (From 1.4.78, the weaver cooperative societies were required to pay only 6.5 percent interest on cash credit accommodation made available to them through the District Central Cooperative Banks). The State Government gave 3 percent subsidy to the financing agencies and that was how the interest burden on the societies was minimised to 6.5 percent. In this connection, it may be noted that the weavers cooperative societies in Maharashtra (Sholapur) also get the Reserve Bank of India concessional finance under section 17(2)(bb) 1½ percent below the bank rate (i.e. 9.5 percent in 1978).
However, the Government of Maharashtra subsidised 5 percent and the remaining 4.5 percent interest alone was paid by the weavers cooperative societies in Maharashtra. This concession can well be extended to all the weavers cooperatives in Tamil Nadu too so as to help them in getting over their financial stringencies. In case there is shortfall in the production owing to any reason (may be on account of yarn fluctuation, stock piling up etc.) by applying the above mentioned norm of one-third production of the previous year, the next years cash credit will be severely affected.

4.54 There was too much of vailation in the yarn market during a year and the once allowed cash credit accommodation had got to be evenly spread through to get over the wide fluctuations, lest the societies experienced financial stringency to run the societies throughout the year. Though the Government helped the societies by announcing the fabulous rebate on sales, the societies waited for the realisation of money from the Government on account of rebate sales roughly between 3 and 5 months time.

Since Cooptex took only 50 percent of the production of the weavers cooperative societies for marketing, the societies struggle to dispose off their remaining 50 percent of the production both in the internal, local markets and markets outside the State. In the latter case, the transit and the time lag involved was too much and generally there was hardship experienced by the societies in realising the money to plough back in the business.

4.55 Due to fluctuations in the price of raw materials, there was much vailation in the demand for handloom goods. Only on occasions/festival seasons etc., there were good sales; otherwise goods accumulated. The result was that there was always circulating capital starvation experienced
among the societies. Moreover, as already discussed under the topic increase in membership of weavers cooperatives, it was a big problem for the societies to include more number of members in the cooperative fold as the production finance was inadequate to meet the requirements of even the existing members. Therefore, the cash credit accommodation limit needs to be enhanced from 33 percent to 50 percent of production to save the societies from financial crisis. To get over the financial difficulties, loan on the stock on hand can be thought of both for primary weavers cooperative societies and the apex society by the financing agencies. In the case of the latter, this loan can be immediately released to flow to the primaries for the cloth purchased from them. Out of the 9 dormant societies studied (One was registered but never functioned), 3 had financial bottlenecks and ultimately failed (Societies A4, A10 and A14); One society borrowed 14 years back from D.C.C. Bank Chittoor a sum of Rs.10,000/- and not repaid and the President had also died. None came forward to finance this society. In another society loss accumulated and President/Board was indifferent towards the business of the society and hence finance was not available. In yet another case, the society invested its funds imprudently and misappropriation and other factors ultimately made the society to suffer and become dormant.

The Profit and Loss position of weavers societies (in the case of active societies the figures for 1974-75 and in the case of dormant societies the figures for the year of their dormancy was taken into account) reveal that 2 societies sustained loss over Rs.1 lakh; 5 societies between Rs.20000/- and Rs.1 lakh; 1 society between Rs.10,001 and Rs.20,000 and two societies in the range of Rs.1001 to Rs.10,000 (Vide Table IV.3)
A 13 CAUSES FOR DORMANCY:

1. KANCHEEPURAM CIRCLE:

4.56 In 1976, among the various Circles of Tamil Nadu Kanjeeapuram Circle had the maximum number of weavers cooperatives and also had the maximum number and percentage of dormant societies. In Kancheepuram circle, Poduthurpet (Village) area alone had 6 dormant societies and these societies came into the sample selected as per the methodology adopted to choose the societies. It was estimated that there were about 3000 weavers in the Poduthurpet village which is 42 kilo meters away from Tiruttani taluk headquarters and this is the border of Tamil Nadu and Andhra Pradesh. There were about 12 organised rows of houses in 6 streets, and nearly about 80 to 90 percent of the households depended on the weaving profession.

During the past two decades as many as 12 to 13 weavers cooperatives were organised in this village and almost all have become dormant and some of them have remained on record for more than a decade as dormant societies. At the time of visit for study in 1976-77, only a few handful of societies and that too, recently started were working. Since the societies out-numbered the streets, it is suspected that there must have been lot of duplication or over-lapping of membership in these societies. Organising, closing and restarting of more number of societies in the same place had become a routine and strictly speaking organising similar/same type of societies in the same area of operation and under-cutting/cut-throat competition among themselves were against the very principle of cooperative ideology.

The population of the village can be divided into two categories; viz. (i) Weavers who did not own anything else except their skills, representing more than 90 percent of the population; and (ii) Master weavers who owned some looms and engaged weavers to work on them and or supplying yarn, getting the finished cloth and paying wages to the weavers. They generally had some business or agriculture as
their main source of income. But both categories belonged to the same community and were more or less kith and kins.

The master weavers induced the weavers majority of whom were illiterate and they became disloyal to the societies in which they were members. The better yarn received from the societies was woven and fine cloth supplied to the society. Some times because of abject poverty, the weavers took the inputs supplied by the societies and pledged them with the master weavers and borrowed money from them to get over their immediate problems/requirements.

The political wranglings and factions among the members split them into different groups (Congress, D.M.K., A.D.M.K. etc.) It was given to understand that as politicians they pressurised the administrators and got legal sanction for organising more number of societies with diverse interests and motives. The political affiliation made the members feel that it was their birth right to exploit the resources of the societies in connivance with the political big wigs. The politicians' interest prevailed only in their winning elections and holding the power positions. For this, they used this facade of cooperation as their handmaid.

On the other hand, the master weavers also did not want the weavers prosper through cooperativisation and wanted them under their thumb so as to exploit them to their best advantage. Thus, the poor weavers were sandwiched between the master weavers on the one hand and the politicians on the other hand. This was because there was no effective control exercised over these societies as they were in most remote place which did not have even proper transport and other infrastructure facilities. Moreover, the political pressure was also such that there was hardly anyone who could withstand against such turbulent currents. In a few cases, even though only one caste, one village, one party to which
they were wedded, the society did not function. This was because of the influential leader (Master weaver/politician) gave false promises first, and later ate away the vitals of the society, sharing a part with the near and dear. The society was not a permanent feature but the men remained and the activities of their personal interest persisted and many societies sprang up one after another. The poor weavers did not want to go against the wish of their so called leaders. As long as they could get some benefit through the society and through the blessings of the master weavers they did not like to go against the wishes of their heroes and masters.

More than 80 percent of the societies at Podathurpet area have given wages advance and yarn to the members in gross violation of the bylaws of the societies. Even when the members did not bring the finished goods of the first installment of yarn supplied and advances paid, further wage advances and yarn were supplied deliberately to favour their own kinsfolk. Not much could be done in these cases by the Department of Handlooms and Textiles. Out of 5.56 lakhs looms in this State, only 1.66 lakhs (30% to total) could be brought under weavers cooperatives as on 30.6.76. That is how the V Plan target was fixed to increase in the coverage of membership and looms from 30 percent to 60 percent in the cooperative sector before the end of V Plan. By bringing in more individual weaver artisans in the cooperative fold, strength can be infused among them and they may be in a position to fight against the exploitative tendencies of those master weavers. The stagnant and poor increase in the membership of the cooperative societies have already been discussed together with the reasons therefor.

The Kancheepuram circle has 3 districts under the control of one Assistant Director of Handlooms and Textiles. For one Senior Inspector roughly 13 societies were given for supervision spreading over 35 kilometer radius area. At the
rate of one Handloom Officer for 4 Senior Inspectors was allotted for inspection and review purposes by the Department of Handlooms and Textiles. At the time of study visit to this village in November 1977, one Senior Inspector was holding charge of 13 societies in Tiruttani taluk out of which 6 to 7 were dormant. He was also holding additional charge of another 13 societies. There were hardly any infrastructural facilities available for the supervisor to reach the village and take up supervision. Rarely did buses go to the village from Tiruttani town and no boarding and lodging facility was available in the village which would help to pay concentrated attention by the supervisor, by staying over there for some time. The Presidents of many of the societies were so powerful and influential that they hardly obliged the supervisors in showing the records or explaining the details of the working of the societies. A few cases were in the court because of non-production of records by the Presidents of the societies. 5 out of 9 dormant societies have come to grief owing to inadequate supervision as revealed by the statement given in Appendix IV A1 and A3. Pages 131, 132. Government nomination of the Board of Directors of certain societies ended in faction and non-cooperation among the members whose party interest were different. Thus, the politicization and the private master weavers exploitative tendencies have marred the name of the cooperative movement in this area and people have almost lost faith in the working of cooperative societies as revealed by their deposition at the time of interview.

OVERCOMING DORMANCY:

4.57 It is imperative to wind up the uneconomic societies or amalgamate them into say 3 major societies by combining the assets and liabilities of the societies. There must be a senior Government Officer in the rank of Assistant Director of Handloom and Textiles assisted by a Handloom Officer, two Handloom Inspectors for each society to administer and manage
the affairs of the societies initially for at least 5 years. Only yarn should be supplied to the weavers and wages paid on receipt of the finished goods (This type of management works extremely well in the silk cooperatives of Kancheepuram). Instead of keeping Government Officers perpetually, the management should be slowly passed on to the members after knowing that a stage has been reached when they themselves can manage their affairs. There appears no alternative to this to start with and inculcate discipline in them, create proper system for the working of these societies. Side by side member education drive should be taken up to infuse the spirit of cooperation among the masses and enlighten them about their rights, duties and responsibilities. For doing this, the officials should be trained in cooperation and cooperative management of these societies first. The marketing function of all these societies can be handled by another sales organisation other than Cooptex. This is because the Cooptex has already grown gigantic in its growth and it is high time that the yarn distribution is done along with technical advice by one agency and marketing alone by an exclusive agency.

II. COIMBATORE:

In Coimbatore circle, out of 5 dormant societies only one society was taken up for study as per sampling plan. The study of one society revealed that from the date of starting in 1954 till 1974, for 2 decades a set of Board of Directors with the same President was running the affairs. The President of the society gave advances according to his whims and more than Rs.5000/- were outstanding in the name of the members. Because none of the staff/board of Directors was trained, the society's management especially accounts keeping was in pelmel condition. The defects were pointed out by the audit but were not rectified. In 1974, the society became dormant and a new president was elected. Although he was a weaver by
 caste, he had business of his own and therefore, he did not take much interest in the affairs of the society. Moreover, in the election few master weavers came into the Board and they deliberately did not show any interest in the society and thus rarely the Board met and even if it met, the follow up action over the decisions was not taken up. Because of the accumulated loss and deteriorating financial condition of the society without any active leadership, the District Cooperative Central Bank also stopped the cash credit accommodation. Therefore, the society struggled for finance and could not survive.

SUGGESTIONS TO OVERCOME DORMANCY:

4.59 The production finance of 25 percent of previous years production should be increased to 40 to 50 percent of the previous years production. The members of the society should be educated about their role and functions and the importance of the cooperative form of organisation. The master weavers should not be allowed to manage the society. Necessary action in this regard should be initiated by restricting the number of looms held by each member to 2 or 3 only. (Strict control is to be exercised in this regard by the administrative authorities through vigilant supervision).

III. TRICHY CIRCLE:

4.60 Trichy Circle had nine dormant weavers cooperative societies, out of which 6 were in Thanjavur District. only one society was chosen as per the sampling procedure adopted in the methodology and this society was one among the 5 pseudo societies registered that never functioned. The details of these 5 societies are as under:
<table>
<thead>
<tr>
<th>Name of the society</th>
<th>Date of registration</th>
<th>Membership No.</th>
<th>Paid up Share Capital (r)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Arijnar Anna WCS</td>
<td>25.12.70</td>
<td>10</td>
<td>190</td>
</tr>
<tr>
<td>2. Kalaijnar Karunanithi WCS</td>
<td>28.12.70</td>
<td>10</td>
<td>150</td>
</tr>
<tr>
<td>3. Navalar Nedunchezian WCS</td>
<td>25.12.70</td>
<td>10</td>
<td>150</td>
</tr>
<tr>
<td>4. Vellaivinayagar WCS</td>
<td>25.12.70</td>
<td>10</td>
<td>150</td>
</tr>
<tr>
<td>5. Mariamman Koil WCS</td>
<td>25.12.70</td>
<td>10</td>
<td>150</td>
</tr>
</tbody>
</table>

Note: WCS - Weavers Cooperative Society

It was given to understand that these societies were registered in the district by the then regional political leaders of the Government in order to get them affiliated into the membership of the district central cooperative bank (D.C.C.B.) and get majoritv vote to win the election in the D.C.C.Bank. It was said that the share money was paid by political leader in the names of the minimum score of individuals required to form a society under the legal framework and got registered with an ulterior motive of winning the election in the D.C.C. Bank. Therefore, there are no records and the societies remained on paper only because of mere registration and for reporting purposes.

There was only one society (Ammapet Weavers Cooperative Society) in the district which was on the verge of dormancy. (A brief case history of this society is given in Chapter V of this thesis). The society was started in 1945 and had been working well. From 1965-66 it started incurring losses. The society stopped working completely in 1972-73. The following were the reasons for dormancy of the society;

a) Cash credit loan was outstanding in 1965-66 to the tune of Rs.45,000/-;

b) Stock deficits were mounting year by year from 1965-66 to 1976-77 to the tune of Rs.5,224/-;
(c) The President and the clerk worked hand in glove and misappropriated stocks. There was too much of stock deficit as revealed by the enquiry report on the society (d) Reserves created by the audit upto 1972-73 were to the tune of Rs.22,310/-; (e) Investment of reserve funds was as under:—
In Central Land Mortgage Bank Rs.50,000/-; Cooperative Spinning Mills Rs.2,000/-; Shares in Coptex Rs.2,300/-; All India Handloom Board Rs.500/- District Central Cooperative Bank Rs.50/- and so on. Instead of investing the money in so many sources, if the same are allowed to be ploughed back in the working capital of the society, much hardship could have been avoided in easing the financial stringency. Thus, owing to misappropriation by the leadership in collusion with the staff working under him, creation of too much of reserves by the audit to safeguard against the stock deficit/misappropriation, investment of own funds in different organisations without propriety led the affairs of the society to come to a grinding halt.

SUGGESTION TO OVERCOME DORMANCY:
4.61 Unless effective supervision by the inspectors of the supervisory machinery is done to detect the mismanagement in time/and good leadership is created through member education programme etc. the society cannot survive and grow.

A resume of the societies' position and the reasons for the dormancy in respect of the weavers cooperative societies culled from the various enquiry reports/documents made available (Appendix IV-[ Pages 231 & 232 ) reveals that the societies have by and large suffered more than one problem which were not uniform in all the cases. The societies studied reveal that they had remained dormant for more than 4 to 15 years. Though enquiry reports were prepared in majority of the cases, in a few cases, enquiry could not be conducted because the records were not made available by the leadership/president of the societies and as such action to revitalise/liquidate the
societies was not taken by the registering authorities. This was reported to be due to work load on the administration to pay adequate attention to this aspect.

Secondly, there was local resistance from the influential leaders to provide required information/documents, etc., and the members were also not willing to go against the wishes of their leaders on whom they had to depend for their livelihood whether the cooperative society was there or not. Therefore, it is imperative on the part of the Director of Handlooms and Textiles to investigate into the details of non-working of each society and take corrective or revitalisation measures as warranted by the situation.

To trace the reasons for losses and moribund condition of the societies, the records of the societies, enquiry/audit reports, interview of the chief executives/Boards of management/members, etc., would give a clear picture.

4.62 For purposes of comparative study, 12 working societies (reported) in the vicinity of the dormant societies were taken up as explained in the methodology. But surprisingly the information collected from those societies revealed that they were no better and were just existing because of one or more factors like good leadership, loyal membership, either Government nomination of the Board, the staff managing the societies were deputationists, trained staff discharging their duties effectively and so on. The contributing factors for the survival of the societies are listed out in detail in the Appendix No. IV\[2\] (Pages 131-135). It is learnt from the concerned Assistant Directors of Handlooms and Textiles of the concerned circles that some measures to revitalise the dormant cooperative societies were in the offering. The Government have sanctioned Reserve Fund loan at the rate of 11.25 percent interest payable in 10 equal instalments to revive a few societies to start with. The money was sanctioned to the societies and action initiated to restart them wherever possible.
##APPENDIX-IV  Group A- Handloom

###Reasons for dormancy - Societwise Details

<table>
<thead>
<tr>
<th>Society Code</th>
<th>Place and name of the societies</th>
<th>Skeleton details of the societies</th>
<th>Reasons for dormancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1</td>
<td>Podathurpet</td>
<td>Registered in 1937-became dormant in 1966 - remained dormant for 12 years.</td>
<td>Conflicts in the Board- resulted in lack of interest in running the society-poor supervision-Sec.65 enquiry pending for 9 years as records not available.</td>
</tr>
<tr>
<td>A.2</td>
<td>Podathurpet</td>
<td>Registered in 1950-became dormant in 1971 - dormant for 5 years - I President 12 years - II President 15 years worked - Vested interest developed-master weavers dominated.</td>
<td>Master weaver domination- lack of supervision-In 1966 liquidation ordered-But the President appealed to the Director of Handlooms- Action pending</td>
</tr>
<tr>
<td>A.3</td>
<td>Podathurpet</td>
<td>Registered in 1947 became dormant in 1973/5 years remained dormant on 1.1.77 revival action taken-I President 18 years-II President 12 years worked - vested interest developed-Appraiser not qualified but appointed-The Society is housed in President’s house and he took Rs.50 per month as rent for it. He was incharge of stock-indiscriminately gave advances and yarn-result was Rs.79980</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Registered in 1951 under A.P.Coop. Societies Act-Became dormant from 1964 since 14 years it has been in dormant condition - Chittoor Dist. Central Cooperative Bank gave loan of Rs.10000-overdues outstanding to Rs.9980 - Unless clearance certificate is received from Chittoor DCC Bank, no institution comes forward to finance the society. Master weavers dominated-Vested interest developed-ineffective supervision</td>
<td></td>
</tr>
<tr>
<td>A.4</td>
<td>Podathurpet</td>
<td>Registered in 1961 under A.P.Coop. Societies Act-Became dormant from 1964 since 14 years it has been in dormant condition - Chittoor Dist. Central Cooperative Bank gave loan of Rs.10000-overdues outstanding to Rs.9980 - Unless clearance certificate is received from Chittoor DCC Bank, no institution comes forward to finance the society. Master weavers dominated-Vested interest developed-ineffective supervision</td>
<td></td>
</tr>
<tr>
<td>A.5</td>
<td>Podathurpet</td>
<td>Registered in 1952-became dormant in 1970-Inactive for the past 8 years - President is a master weaver</td>
<td></td>
</tr>
</tbody>
</table>

Note: W.C.S. Weavers Cooperative Society.
rich man in the locality -doing other business - weavers were under his holding - records not produced for inspection - liquidation ordered, but the President appealed in the court for stay.

President's misappropriation - Misloyalty of the staff (Manager and Appraiser) - now the members did not repay their advances - vested interest developed.

A.6 Podanurpet Arinjar Anna WCS

Registered in 1972 - Became dormant in 1974 - Inactive for the past 4 years. The Vice President and appraiser were relatives - President depended on appraiser and manager for sale of cloth and running the society - stock deficit in 3 months went upto Rs.5000/- out of Rs.27000 cash credit given by DCC Bank, the President misappropriated Rs.5000/- Out of 67 members, 40 members were issued Rs.20,000/- in cash and in yarn form - New President took over in 1977 - Appraiser and manager dismissed - the recovery proceedings initiated - the members belong to the DMK Party.

A.10 Coimbatore Sowdasabga WCS

Registered in 1954 - Become dormant in 1974 - dormant for 4 years now. Majority of the members were master weavers. The President had different business-management was not interested in the business - DCC Bank did not give cash credit accommodation because losses mounted year by year - reserves created by audit.

A.14 Thanjavur (Ammapet WCS)

Registered in 1949 - Became dormant in 1972 - Now for 6 years the society is dormant - 1965-66 onwards losses incurred - stock deficit from 1966 to 1972 was Rs.5224/- R.F. was invested in the following way: LM Bank Rs.6000; Spinning Mill Rs.1050 All India Handloom Board Rs.500; DCC Bank Rs.50; Total Rs.3900/- Reserves created upto 1972-Rs.22380 - The President with the help of the clerk misappropriated Rs.20,310/- The society is under liquidation orders.

A.15 Thanjavur (Arinjar Anna WCS)

Registered on 25.12.70 with 10 members and paid up share capital of Rs.190/- Never functioned - Started only for DCC Bank election purposes.

Master weavers domination - Conflicting interest among Board Members - lack of adequate finance.

Suggestion: Production finance should be increased from 25% to 40% of last years production - trained staff from Govt. should manage the society.

Misappropriation by the President with the help of the clerk - Inadequate finance - wasteful investment of R.F. in other institutions.

Started and never functioned.
<table>
<thead>
<tr>
<th>Place and name of the society</th>
<th>Society code</th>
<th>Details</th>
<th>Reasons for survival</th>
<th>Suggestions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.7 Kancheepuram Industrial WCS</td>
<td>Registered in 1963-Industrial society produces fine counts of lungis (fast moving varieties) in common workshop. Cost of production + 7% margin. Private merchants and Handloom House major purchasers. CoopTex gives only yarn. But while procuring the cloth it fixed the price below the cost of production and hence the society not sold to it - members do not stick to the society for long - not regular workers - whenever they do not get work from private, they come to the society - they get higher wages than the market is the society - wages paid on piece rate.</td>
<td>1. No marketing problem, because of fine varieties. 2. Govt. staff was on deputation to manage the society.</td>
<td>Member education is a must for the society-CoopTex should also procure the fine varieties from the society. Suffering for want of finance-production finance should be more liberal as the present 25% of previous years production is quite insufficient.</td>
<td></td>
</tr>
<tr>
<td>A.8 Kancheepuram Periyar DVR WCS</td>
<td>Registered in 1974-New society running on profit-The society is in gestation period</td>
<td>Trained personnel are working in the office members have been loyal in doing the business through the society.</td>
<td>Members of the weavers cooperatives should get housing, medical educational and other facilities through the societies.</td>
<td></td>
</tr>
<tr>
<td>A.9 Kancheepuram Madras (Sadique Batcha WCS)</td>
<td>Production finance is needed more CoopTex should not charge too much of margin while procuring the cloth-no technical guidance available to produce the export varieties</td>
<td></td>
<td>Members of the weavers cooperatives should get housing, medical educational and other facilities through the societies.</td>
<td></td>
</tr>
<tr>
<td>A.11 Coimbatore Industrial WCS</td>
<td>Registered in 1959-Industrial type society, nominated Board from inception - every year renewed - Secretary trained, from Coop. Dept. business is alright - But running on loss because Rs.1.75 lakhs spent on land and building, with 4% interest paid; staff cost borne by the society approx. Rs.1000 per month. Vacant land of 42098 sq. ft. was there and tax of Rs.2250 was paid. This land is to be sold for which the Govt.'s approval is sought.</td>
<td>Nominated Board-trained Govt. staff as secretary 10 additional office staff-no problems of marketing the products; no difficulty in production side records maintenance extremely well.</td>
<td>30 Inactive looms to be put in use so that full utilisation becomes possible.</td>
<td></td>
</tr>
<tr>
<td>A.12 Coimbatore Balasivasagar WCS</td>
<td>Started on 21.11.1955, continuously run on profit and working well.</td>
<td>Members have been loyal-transacted through the society only Board efficient no faction-leadership in rotation by election-no political interference.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Suggestions*

a. From 15.11.75, Group Insurance Scheme was introduced. As per this scheme, the thrift deposit was taken towards the contribution of this scheme. Hence, augmenting the share capital base became difficult for this society. The scheme should be made applicable to those who have reached the optimum share capital position as prescribed by the society.

b. Reserve funds more than a sum of Rs.50,000/- was invested in the Cooperative Spinning Mills and other Cooperatives as per the circulars. But because those societies ran at a loss, there was not even any dividend forthcoming and the money is locked up without any return on the investment. This should be released for working capital purposes.

c. No housing schemes for the weavers of this society and this should be met.

d. Too much of reserves created and reinvested in the DCC Bank. Minimum of 50% of the reserves needed to be invested in the DCC Bank for getting the cash credit accommodation. The Santhanam Committee on Cooperation recommended that Reserves of Weavers Cooperatives need not be invested and can be used for working capital expenses. This requires to be reviewed.

e. To get MUI finance from the DCC Banks, the DCC Banks look into the following as cash credit cover; raw materials with members (3 months), stock in the society, dues to cooptex, rebate due from the Govt. cash credit (with) the members. The bank never took into account the investment in other Cooperatives-E.F. Investment in the DCC Bank and others. The cash credit is again restricted to one third of the total production of the previous year. Hence, sufficient working capital is not available.

f. The auditors fees of Rs.4000/- per year approximately was found to be too burdensome on the society's business. This should be reduced to the minimum.

A.13. Coimbatore

Vellalore

Sri Sowdambiga

Started in 1973. Has been running in profit from 1973-74

New Society-nominated Board-office staff trained in cooperation produces only fine counts sarees and no marketing problems.

Difficulties experienced by the society:

The quality of yarn supplied by the Cooptex was very poor and the price was high (Lakshmi, Kothari Mills supplied at cheaper rate and the quality was also better). Poor quality resulted in much of waste and high cost of production - quality of the goods was also poor. Cooptex fixed the cost of production plus 9% margin whereas in the open market 12 to 15% margin was available. Cooptex did not lift all the stock and payment was made after 2 to 3 months time. Similarly the rebate amount was also realised very late. Therefore the problem of procurement and marketing through Cooptex remains to be solved.

A.16. Thanjavur

Narasapuram

Started in 1954-Continuously running profit. The society added 17% margin to the cost of production and gave commission of 7% to the private merchants - Therefore he got 10% margin as against 6% given by the Cooptex. This society also expressed that the price of yarn supplied by Cooptex was higher than the market rate and the quality poor - payment

Members have been loyal - adequate trained staff - supervision and guidance has been good.
of rebate and settlement of finished goods purchased took long time in the case of Cooptex

<table>
<thead>
<tr>
<th>Code</th>
<th>Location</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.17</td>
<td>Thanjavur (Mannargudi Cotton and Silk WCS)</td>
<td>Started in 1939 - continuously running on profit</td>
</tr>
<tr>
<td>A.18</td>
<td>Thanjavur (Govindapuram WCS)</td>
<td>Started in 1955 - continuously running on profit. Finance is not adequately available - stocks piling up - new channels are to be found out to clear them. Cost of production + 15% margin is kept and sold to the private merchants by giving them 5% commission.</td>
</tr>
<tr>
<td>A.19</td>
<td>Thanjavur Kuruchi WCS</td>
<td>Started in 1950 - continuously running on profit. Production finance is made available on the basis of 25% of the previous year's production and that has stood in the way of admitting more members - if more are to be included capital is needed for raw material procurement, payment of wages, etc. Thus, finance is needed more by the society to expand the business. Cooptex yarn price was at least Rs. 10 per 10 lbs and more than the private market.</td>
</tr>
<tr>
<td>A.20</td>
<td>Thanjavur Thirusageswaran WCS</td>
<td>Similar to A.16 - Started in 1969 and is running on profit.</td>
</tr>
<tr>
<td>A.21</td>
<td>Thanjavur Sundaraperumal Koil WCS</td>
<td>Started - continuously running on profit share capital loan repaid in full - own building built. Production finance is needed more - Cooptex should not charge too much of margin while procure the cloth - no technical guidance available to produce the export varieties</td>
</tr>
</tbody>
</table>

Paid full time regular Secretary - Secretary trained in cooperation - adequate staff (148 members) loyalty of members. 

Paid regular manager - loyalty of members. 

Good leadership active member participation - loyalty of members. 

Members of the weavers cooperatives should get housing, medical educational and other facilities through the societies.
GROUP­'B'

Industrial Cooperatives functioning under the control of the Director of Industries & Commerce.

B.1 INTRODUCTION:

Appendix 1.4 (Page 477) reveals that there were 353 industrial cooperatives as on 1st February 1976 under the control of the Director of Industries and Commerce, Tamilnadu. There were 19 dormant and 334 working industrial cooperatives. The societies comprised of as many as 25 types of industrial cooperatives spread out in 16 districts of Tamilnadu. However, only 4 types (Beedi, Coir, Palm leaf and Mat) of industries spread out in 3 districts (Thanjavur, Madurai and Kanyakumari) and that too 5 dormant and 2 active ones were selected for study as per the sampling procedure adopted.

Eventhough the different types of societies had different market standing and background, the broad frame work of their functioning and the application of the Rules and Regulations under the Cooperative Societies Act right from registration to liquidation is the same. Therefore, the salient features of these societies' functioning and the causes for dormancy are discussed in the following pages.

The action taken by the department in revitalising the industrial cooperatives is mentioned and the suggestions for rejuvenating the moribund societies are also discussed.

B.2 REGISTRATION:

None of these industrial cooperatives could show a copy of the feasibility study or project report, which should have been prepared before the starting of these societies. However, the registering authorities said that they insist on a formal report in a standardised proforma before issuing a registration certificate.
It may be seen from Table IV.1 (Page 112 ) that only one society was working less than 5 years, 2 societies worked up to 10 years and 4 societies worked in between 10 and 20 years. All the 5 dormant societies chosen for study had been registered more than 10 years ago but less than 20 years as on 1978. Thus, the old societies should not have been allowed to linger and remain dormant for long. They should have been either revitalised or liquidated in a phased manner.

B.3. AREA OF OPERATION:
4.65 Two societies had their area of operation up to 4 Km. radius and 5 societies had beyond 4 km but below 10 km. The area of operation of these societies appeared to be compact to have their business activity. But the coverage of artisans within the area of operation was hardly 5 percent. This poor coverage may be partly due to the ignorance of the members and absence of efforts too, on the part of the management to disseminate information about their societies to others and partly to the poor working of the societies which discouraged many from becoming members of such organisations. This requires more dynamism on the part of the executives and proper understanding of the principles and philosophy of cooperation on the part of the members.

B.4. PROFILE OF CHIEF EXECUTIVES:
4.65 The success or otherwise functioning of any business enterprise largely depends on the type of executive the organisation could attract and the management practices prevalent in the organisation. It was with this view in mind that the information regarding the chief executives of the societies studied were collected and discussed briefly as under:
Out of the 7 societies studied under Group 'B', the 7 executives of the 7 societies formed the respondents for collecting information for the study.

These societies were managed by the Government staff on deputation. The Registrar of Industrial Cooperatives (viz., Director of Industries and Commerce) recruited candidates through the Tamilnadu Public Service Commission and got them trained previously in the Industrial Cooperative Training Institute, Guindy (organised by the Department, specially for the purpose) and now in the Cooperative Training College, Madras. After successful completion of training, they were posted as supervisors of industrial cooperatives at various places in different parts of the State. In order to lend a helping hand to the newly organised industrial cooperative societies, the Government provided the staff on cost bearing terms. The cost of the staff deputed by the Government was borne by the Government for 4 years on a sliding scale basis. 100, 75, 50 and 25 percent of the cost of the deputed staff for the first four years respectively was met by the Government and the rest by the society. From fifth year onwards the full cost of the staff was borne by the society. If not, the Secretary of the good working society was posted to hold additional charge of the society which could not meet the cost of the deputationist to the society. On exceptional circumstances, the Government considered to subsidise and extended the period of deputation according to special circumstances.

4.67 That was how in the selected sample of 7 societies, 3 societies had one full time Secretary/Assistant Secretary each and the remaining 4 societies were managed by Secretaries who were holding additional charge of some more societies (Table IV 2 Page 32). Some of the Secretaries of industrial
cooperative societies at times were posted for more than 3 or 4 societies. If the societies were not able to meet the staff cost or incurred continuous loss, they were clubbed under one Secretary according to the convenience of the department.

Instead of giving more effective, concentrated attention by one man to revive the affairs of the society which was on the verge of dormancy, the society was brought under the control of a Secretary who was already holding the reins of a dying society/societies. This often meant that he could not do justice either to the dying society or to the societies which were already under his control. In the sample, 2 Secretaries of industrial cooperative societies were holding additional charge and 2 Assistant Secretaries of industrial cooperatives were holding additional charge and thus 4 societies were under additional charge and only 3 societies had full time Secretaries to look after the management of the societies. All the 7 societies were managed by the Government staff only.

Out of 7 executives only one was a graduate, one was intermediate, four were SSLC and one studied upto VIII Standard (Vide Table IV.2 Page 3[12]). Thus, one can imagine the educational standards of the persons managing the affairs of the business institutions. A peep into the background of the executives of these 7 industrial cooperatives revealed that they were young, did not possess much experience and were put in a maximum of 3 years of service.

B.5. MEMBERSHIP AND SHARE CAPITAL:

The physical strength and financial soundness of the enterprise largely depend upon the coverage of the members and their contribution to the owned funds of the society.

The study of the societies revealed that as on 1974-75, 3 societies had membership in the range of 51-100, 2 societies 101 to 200 and 2 societies above 200 but below 300. Over the 5 years ending 1974-75, only 2 societies had registered an
increase in their membership and the remaining 5 had stagnant membership.

Only one society raised a share capital of more than Rs.10,000; five societies mustered from above Rs.100 to 10,000 and one society collected below Rs.500. 2 to 3 societies have received share capital loan from Rs.2000 to Rs.7000 and the remaining amount was raised from members own money (Table IV 3 Page 113). But the Government did not participate in the share capital structure of these societies except giving share capital loan to the members of the societies. The members were required to pay the loan amount to the Government through the societies concerned. From 1970-71 to 1974-75 only one society showed an increase in the share capital mobilisation and the share capital in the remaining societies was stagnant. This obviously shows that there was no initiative or drive on the part of the chief executives as well as the management of the societies to bring in more members in the societies.

Four societies have reported Rs.5 as share capital value and 3 societies Rs.10 as share value. Similarly regarding the ceiling on maximum number of shares, 2 societies have prescribed Rs.25/- One Rs.50 and another Rs.100/- 3 societies did not report (Table IV.4 Page 114). All these societies did not have any federation and they were units by themselves without any vertical or horizontal linkage.

4.70 It may be necessary to determine and prescribe the share value, maximum ceiling limit on shares in such a fashion that they do not over-burden the member and at the same time do not affect the proper functioning of the societies. Artisans being poor class can afford to pay a minimum of Rs.10 per share and a maximum ceiling of 100 shares appear to be ideal for any industrial cooperative society.
The bylaws of the societies provide a provision for collection of thrift fund of 6 paise per rupee of wages earned in respect of each member in order to inculcate the spirit of thrift and saving habits. However, 3 out of 7 societies studied only had collected thrift fund from the members. One society adjusted the fund against the outstanding dues to be recovered from the members to the society and 2 societies had converted them into shares and adjusted towards repayment of share capital loan due to Government by the members. The remaining 4 societies did not collect thrift for reasons best known to them.

This provision in the bylaws has to be respected and practised in these societies by persuading and enlightening the members who might be a little repulsive in their attitude in this regard.

The reasons for dormancy culled out from the records/enquiry reports of the 5 dormant societies studied are given in Appendix IV-B1 (Page 245 ) and the extracts given in Appendix IV B2(Page 317 ). Two societies (B1 and B4) had the domination of master craftsmen and one society (B4) experienced conflict among the members of the Board, 2 societies suffered owing to vested interest developed by the leadership; 5 out of 7 societies came to grief because of the disloyal membership and not even one society was properly managed by the executives with the support of the Boards of management. This trend is clear indication that the members should be enlightened in the basic idea behind the concept of co-operation and the executives/managements of the societies should be trained to manage the societies properly, besides strengthening the supervisory machinery, etc.

B.6. BOARD OF DIRECTORS:

Quite contrary to the concept of cooperative ideology, the industrial cooperatives did not follow the democratic process of managing their own affairs. The Director of Industries and Commerce nominated the entire Boards of Directors for more than 15 years, perhaps as a prerogative by virtue of his position as Registrar of Industrial cooperatives in the
State. Since the executives of these industrial cooperatives were also drafted from the common cadre created by the department of Industries and Commerce on deputation to these societies and the entire Boards of Directors were also nominated for pretty a long period, it appears that there is no concept of cooperation in these societies except that there is a banner or board outside the societies. The Government had also provided paternalistic assistance through subsidies, grants and loans, in addition to managerial assistance.

Out of 7 societies studied, 5 societies had seven persons in their Boards and 2 societies had 9 persons in their Boards. The quorum required for legalising the resolution was more than 50 percent i.e. 4 in the former and 5 in the latter cases.

Regarding the duration of the Board, 5 societies reported that the Boards were nominated every year and 2 societies reported that once in 3 years the Boards of Directors were changed and nominated by the Director of Industries and Commerce.

4.73 In order to infuse the spirit of cooperation among the members of the society, the Government i.e. the Director of Industries and Commerce should not nominate the entire Boards of Directors, that too for 15 years. The standard prescribed by the National Cooperative Development Corporation is that one-third of the Board of Directors may be nominated for 3 years and then, only elected Board should manage the affairs of the societies. Unless this is done, there can be no spirit of cooperation found among the members.

A probe into the General Body/Board meetings of these societies corroborated this view. Except one out of the 7 societies, the General Body meeting was seldom held and none showed interest in the proper running of the affairs of the societies. By and large once to thrice only the Board meetings
were conducted in a year except in the case of one society which conducted one General Body and 12 to 13 meetings over the last 5 years ending 1974-75. One society (B4) out of 5 dormant societies studied had come to grief/dormancy because of the misappropriation by the President who exploited the illiterate and ignorant members by virtue of his position as local taluk ruling party chief and his well-to-do position when compared to the other members of the society. Out of the members interviewed 50 percent did not know why such societies have come up and the basis of the organisation. However, 70 percent of them expressed that the reasons for the dormancy of the societies were well known to them and they could not help the situation.

Background of the Boards of Directors:

In all, background of only 41 Board members could be obtained from all the 7 societies studied. Roughly 50 percent of their age was below 40 years and the remaining 50 percent above 40. Only one was SSLC, 33 of them studied upto SSLC and 7 of them knew only to read and write and did not get any specific education at all.

All the 41 belonged to backward and scheduled caste and were workers only. They represented different religions as well. 18 were Muslims, 9 Harijans, 13 Hindus and 1 Christian. Their income was around Rs.200 to Rs.300 per month on an average. The minimum share held was one and the maximum 10.

Thus, the background of the Boards of Directors of these societies reveals that they belonged to the poorer and weaker sections of the community and did not have much knowledge of understanding of the modern business complexities.

To guide these persons, proper member education, leadership building through training, etc., should be organised
more and more by the Tamilnadu Cooperative Union in collaboration with the Department of Industries and Commerce.

3.7. STAFF:

4.75 Unless an organisation could attract trustworthy and loyal staff, it would be extremely difficult to run the organisation. As such a look in to the staff employed in the societies reveals the following facts:

Except one society, all the 6 societies had employed a clerk and an attender minimum in addition to the Secretary or Assistant Secretary of industrial cooperative society. All of them were matriculates and below. The payment of salaries to these staff fell somewhere between Rs.40 and Rs.415 per month depending upon the societies' turn over, qualification and experience of the personnel, etc.

The enquiry reports of the dormant societies revealed that more often the societies came to grief only because of the untrustworthy staff and the meagre salary they received. Because of sheer frustration in life, they got into such employment quite contrary to their hopes, aspirations and expectations. In addition, they got too poor a remuneration which tempted them to manipulate the accounts or misappropriate from the societies. When a labourer in the same locality was able to get something like Rs.8 to 10 per day (i.e. Rs.250 to Rs.300 per month), the educated employed in these industrial cooperatives could hardly come anywhere near to the unskilled labourer in terms of earnings.

Again the byelaws of the societies clearly laid down that the employees of these societies should not be the relatives of the Presidents or the Board members. Notwithstanding this provision, the relatives of them were appointed in the societies as employees. To a great extent this had ultimately resulted in misappropriation and fraudulent activities in the societies as they worked hand in glove with the leadership.
The stock deficit experienced were mostly because of this reason.

The reasons for dormancy of the 5 societies studied are given in Appendix IV B1 (Page 245) and Appendix IV B(2) Page 332) which are based on the facts culled out from the records/enquiry reports of these societies. Out of 5 dormant societies one society (B3) suffered a lot because of the Secretary of the Society was transferred too often by the Department of Industries and Commerce. Within 21 years 21 Secretaries have been changed for managing the society. One society (B5) experienced misappropriation by the paid staff of the society and 2 more societies (B2 and B3) could not bear the salary of staff deputed to the societies by the department of Industries and Commerce. In such cases the societies were clubbed and held on additional charge by one person at a time. In the case of transfers and the staff cost, the department can remedy the situation. In the case of misappropriation by the staff, it must be seen as to what prompted the individual to do so and think of necessary measures to rectify the mistakes.

4.76 Due to the weaknesses suffered by the members to manage their own affairs the Government have helped majority of them by giving the qualified, trained staff. But some of the societies have come to grief because of the Government staff who have acted against the interest of the societies. However, the statistics collected by the department in 1978 given below shows that the societies managed with the help of the Government staff have better performance than others.
Table IV B.1

Performance of societies under Group B with and without Govt. staff.

(Fig. for 1978)

<table>
<thead>
<tr>
<th>Total No. of Societies</th>
<th>With Dept. Staff</th>
<th>Without Dept. Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Societies in Profit</td>
<td>Loss</td>
</tr>
<tr>
<td>273</td>
<td>114</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>74%</td>
<td>24.6%</td>
</tr>
</tbody>
</table>

Match Societies

Total: 313 societies

Source: Department of Industries and Commerce, Tamilnadu

Although there was a provision in the bylaws of these societies that only trained personnel should be appointed, all the 7 societies reported that excepting 3 persons who got themselves trained in cooperative training institutes, rest of them were not exposed to any sort of training. The authorities and the management of the societies should realise that training is the most important input of efficiency. Unless they are trained and guided properly any amount of Government help and effort will be negatived. There is no substitute for proper training of the man power in the industrial cooperative sector in improving their image in the cooperative movement of the nation.
Yet another disturbing feature was that there were no welfare measures, amenities, incentives, etc., available to the personnel in the industrial cooperatives to motivate them to work hard and bring name and fame to the Movement. Similar to the handloom sector, a special Committee should go into the working and living conditions of these artisans in various industrial cooperatives and suggest measures for legalising and implementing the same by the Government.

4.8. PROCUREMENT OF RAW MATERIAL:

The ultimate quality of the finished goods and their salability at the acceptable price to the consumer depend much upon the procurement canons followed in the business enterprise. (viz. right quality, right quantity, right place, right time and the right price). If these are not complied with, the quality of the finished goods may be extremely poor, the cost of production high, and the ultimate consumer goodwill not move in the market. The industrial cooperatives studied had the problems of procuring the raw materials by applying the 5 R's, some of which are explained below.

a) Beedi Industry:

The beedi industrial cooperative society studied imported from Andhra Pradesh 80 percent of the needed raw material to Kumbakonam (Tamil Nadu) and 20 percent was procured from local private merchants. This had many times resulted in high cost and quality of the product also was not upto the mark because of the long distance, time taken, packing done, etc. This had adversely affected the society and the society started treading in the slipery path.

Mat:

The Industrial cooperative society at Nagercoil had to procure the raw material (viz. Korai) from Trichy district (Karur). Purchase of uneconomic lots from far off places added to the high cost of production and thereby disabled to compete with its counter-parts in the business from Karuv and places where they were better placed in this respect.
Palm leaf:

Similar to the above case, the society at Alagiamandapam (Nagercoil) had to procure the raw material from the Tirunelveli District and suffered from the same disadvantage.

Coir:

Though the raw material for the coir industrial cooperative society was available in sufficient quantity locally, the cut-throat competition from private merchants in the procurement was so intense that the society could hardly stand it. This was because the private merchants quoted a slightly higher price for the raw material in comparison to the cooperatives and at the same time they paid advance to the raw material seller which the cooperatives were unable to do either because of paucity of finance or because of the rules.

4.79 Many of the coir cooperatives had come to grief because of the imprudent purchase of raw material and the difficulties involved thereof. In the sample of societies taken up for study, out of 5 dormant societies, one Coir society (B1) experienced this problem of procurement of raw material and this was one of the major reasons for its dormant condition. Though the raw materials (husks) were available in plenty locally, the cut-throat competition from private traders made the primary societies to experience severe hardships. The local merchants paid advance in lumpsum to the coconut growers and booked the husks in advance. This could not be done by the primary society because its money was already locked up in the raw material. That is to say that the raw material had to be soaked in water for six months and then only finished products could be manufactured. Thus with the given resources, the financial inadequacy stepped
in for the society. Hence, the societies at times had to purchase from far off places at higher rate plus transportation and the yield was lower than the local varieties. Thus, the cost of production went up. To overcome these difficulties, a scheme was proposed by the Assistant Director of Industries and Commerce, Nagercoil, which is as under:

4.80 A fibre extraction scheme to be implemented in the Kollencode Coir workers industrial cooperative Society for extraction and supply of fibre to the primary coir societies in Kanyakumari district was contemplated by the Assistant Director of Industries and Commerce, Nagercoil. The scheme envisaged to extract fibre by mechanised process and supply the same to the coir societies in Kanyakumari district and other coir societies outside the district also, if possible. The Kollengode coir workers industrial cooperative society was situated on the border area of Madras and Kerala States. Large quantities of husks were flowing from Kerala State to Kollengode for sales. The cost of husks from Kerala State was also lower than the husks available in local places and at the same time the husks from Kerala State were of good quality and gave more yield. The lower price and more yield tended to lower the cost of production and showed considerable margin of profit. The Kollengode coir society had its own retting yard measuring 4 acres wherein husks in lakhs could be soaked at a time. All the soaking pits were situated adjacent to the nearby canal. As such the possibility for drying up of green husks (soaked in pits) for want of sufficient water is remote.

When the scheme could be implemented, the required quantity of fibre at reasonable prices could be made available to all the primary societies from the Kollengode coir industrial cooperative society so as to make the production of coir on economical basis.

The question of leakage in production from the state
of splitting the husks to cleaning the fibre would not arise if the societies were able to get fibre. In such a case, primary societies have to undertake twisting operation only. In this process, effective supervision could also be imposed.

If these societies could purchase fibre and undertake production, they might not require huge funds as they require now. On the contrary, these societies would be left with surplus funds at their disposal. These societies could purchase fibre in piece meal and convert them into coir with nominal funds. They would also be in a position to get the required advance on the pledge of coir from Kanyakumari district central coir cooperative marketing society at Nagercoil, even though coir products could not be sold immediately by the central society. Thus, these societies could improve their business with limited funds.

It was also learnt that many coir workers were against this scheme because if machinery was to be used for retting purposes, number of workers might not get full time job. However, the scheme was under consideration of the Director of Industries and Commerce.

There was also yet another scheme proposed by the Assistant Director of Industries and Commerce, Nagercoil. The scheme was that there was a Government coir school at Ethamozhi of Kanyakumari district which was training coir workers and stopped working at the time of study visit. The coir school had adequate retting yard facilities with a soaking capacity of 20 to 30 lakhs of coconut husks. It was fully equipped with looms and other weaving equipments. The school was housed in factory type sheds with all facilities.

The Central Coir Marketing Cooperative Society (CCMCS) of Kanyakumari district might take up the above school and try to produce coir fibres and distribute the same to the
worker members of the primary coir workers industrial cooperative societies. The CCMCS might also pay advances for wages and distribute the raw materials (viz., coir fibre) in advance so that the members of the coir industrial cooperative societies might produce coir bundles and bring back to the CCMCS for sale through it. Because of this arrangement there might be surplus production and the CCMCS might take up the sale both internally and to foreign countries, thus making a sizable surplus in coir business. As per the scheme, additional staff was required to the CCMCS. There should be one Assistant Director of industrial cooperatives who must be a coir technologist and subordinate staff also would be needed to make the scheme to work efficiently and profitably.

Thus, either of the above 2 schemes or both might be implemented at the earliest opportunity and this would solve the major problems faced by the labour intensive coir industry in the district.

B.9. PRODUCTION AND SALE:
Production Equipments:

4.82 Beedi, coir, palm leaf, mat, etc., industrial cooperatives did not require any sophisticated tools and implements to be procured from elsewhere. They were available locally without much cost or problems.

Production

4.83 As already stated there was no worth while exercise done to know the feasibility of the functioning of these societies and therefore the point of Break Even was not known to them. The societies started producing arbitrarily and tried to sell whatever they could.
During the 5 years of 1969-70 and 1973-74, the minimum production among the 6 societies (One society was a service society) was to the tune of Rs.134 and the minimum sale effected was Rs.377 by the same society in the same year. Similarly the maximum production and sale was to the tune of Rs.12,057 and Rs.31,628 respectively (Table IV.6 Page 315). Thus, in the absence of the determination of minimum levels of production and sale, the societies had groped in the dark. One society was a service society which undertook purchase and sale of mats from the members. The total business turnover of all the societies in a year fell somewhere between Rs.5000 and Rs.10,000 as seen from the statistics furnished for 5 years. It can therefore, be concluded that the societies had not planned their production and sale properly to not only Break Even but to reach self-reliance and self-sufficiency in their survival. The costing cell of the department has introduced the fixing of targets every year and the Break Even Point is worked out by it for each society from the year 1976-77.

Marketing:
4.84 The capacity of selling its products determines the capacity of the production of that industry. Therefore, before starting the production, the societies have to look for the market as to where, to whom, at what time and price and how much quantity of which quality of products the societies can afford to sell. In so far as these societies were concerned they simply overlooked these basic factors and started producing whatever they could and then looked for the market. Fortunately, the market for these societies selected for study was so active that they could push them off in the local market itself without much difficulty. For instance, 90 percent of the coir produced by the societies and the beedi
manufactured by them were consumed in Tamilnadu itself. Of course, mat had more market at Karur in Trichy district and at Bombay. The beedi society had sent only 10 percent of its production outside the State of Tamilnadu. The demand for the rest of the products was in spate.

However, a central marketing unit/federation is a must to render help to these industrial cooperatives. In the case of 7 coir societies at Kanyakumari district there was a central coir marketing society at Nagercoil to which all the 7 societies were affiliated mainly for sale of their coir products. The central society had 7 societies as 'A' class members and individuals/coir manufacturers as 'B' class members. Two days in a week (Thursday and Sunday) the coir merchants met at the shandy at Nagercoil. The coir merchants from all over Tamilnadu participated in the shandy and the price of coir was arrived at the meeting. The central society accepted the coir yarn (3 yarns twisted together known as Muppiri in Tamil) in bundles from the members and sold them at the market rate in wholesale. The private merchants were retailers who sold the small pieces from the big bundles. The selling price of coir was depending upon the thickness and twisting involved in the yarn. Based on the ruling selling price, the central coir society paid 75 percent of advance on the coir bundles supplied by the members and paid the balance to them only after the sale of the entire coir bundles supplied by them.

The Central society charged a commission of Rs.2.25 per bundle in respect of primary coir societies and Rs.3 per bundle in respect of individual members. The central society purchased only from its members and helped them by paying 75 percent advance before the goods were marketed. However, there was no guarantee that the central society could help the members by selling at an advantageous rate over the cost of production because the central society sold only at the prevailing market rates.
All the seven societies studied indicated that they had kept a margin of 7 to 10 percent over the cost of production and sold them in the market. The societies did not create any price fluctuation fund to safeguard themselves from the onslaughts of price vacillations in the market.

4.85 Thus, it is apparent that there is a need for a multi-industry federation which can serve as a raw material bank as well and function as their marketing agency. The structure of the federal set up is discussed under Group 'C' elaborately.

B.10. STOCK, STORAGE AND LEAKAGES:

4.86 The goods produced in the industrial cooperatives normally do not move to the ultimate consumer direct from the workshed or the production point. Therefore, it is of paramount importance to stock the material whether raw material or finished goods in proper place by adopting appropriate procedure.

In the 7 societies studied there was not huge stock accumulated unsold and unstored. The minimum stock held was to the tune of Rs.234 and the maximum stock balance was Rs.2,555 worth of goods at the end of 1974-75 as reported by the societies. None of these societies owned any godown facility, but in 2 to 3 societies, a separate room was allotted for storing the raw material, finished goods, etc. Only 2 societies had insured the building and assets and the remaining 5 societies did not do so.

In these societies, the assistant or the clerk was expected to help the Secretary, who was otherwise incharge of the stocks of the societies. The stock deficit mainly occurred because of (a) damaged goods were purchased, (b) improper method of storing was followed (mat, palm leaf, coir products were extremely susceptible for rodents, white ants destruction) and (c) the assistant/clerk in the societies manipulated the accounts books. The clerk and the Secretary were supposed to
verify the stock once a month to detect the stock deficits if any. The Boards of Directors were expected to check and verify the stock once in three months. But seldom did they discharged this responsibility. The auditors were also expected to verify and check the stock and the registers once a year. As indicated earlier there was no symptoms of audit or verification done by them because there was no audit enforcement in the registers and nowhere objected items were indicated in the registers or other concerned documents.

The stock deficit was made good only from the person responsible for safe custody of the stock. Only one society reported deficit stock and the amount was recovered from the clerk in charge of the stock.

One out of 5 dormant societies and one out of 2 active societies studied suffered the problem of stock deficit which ultimately contributed to the inactiveness of the societies (Societies B6 and B3).

B.11. INSPECTION, SUPERVISION AND AUDIT:

4.87 The Assistant Director of Industries and Commerce in charge of each district was a technically qualified person charged with the responsibility of conducting feasibility study for small scale industries (including cooperatives), registration, import application scrutiny, verification of imported commodities/machinery, capacity utilisation report, liquidation of societies by conducting enquiries, scrutiny of loan applications submitted by the small scale industries/industrial cooperatives to recommend the same to the financing agencies and a host of such other administrative and technical functions involved in the normal-run of small scale industries including industrial cooperatives in the district. As such he was overburdened with the duties and responsibilities and hence his special interests could not be attracted by any particular problem of an industry whether cooperative or otherwise.
The Assistant Director of Industries and Commerce of the district with an Industrial Cooperative Officer and one or two Secretaries of industrial cooperatives had to look after a number of organisations. The magnitude is mentioned as under in the areas where the study was undertaken.

**TABLE IV-B2**

<table>
<thead>
<tr>
<th>District</th>
<th>Industrial cooperatives</th>
<th>Small scale industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kanyakumari</td>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>Madurai</td>
<td>35</td>
<td>1700 + 700*</td>
</tr>
<tr>
<td>Thanjavur</td>
<td>22</td>
<td>50</td>
</tr>
</tbody>
</table>

* under registration at the time of study visit.

4.88 In order to have effective control and supervision there should be an officer in the rank of Assistant Director exclusively to look after the industrial cooperatives in the district. He should be assisted by atleast one Industrial Cooperative Officer and one Secretary of Industrial Cooperatives for every 10 industrial cooperative societies. This will enable not only effective supervision but will enable to take up follow up measures in respect of the neglected aspects of the industrial cooperatives in the district.

4.89 As already discussed, the societies were by and large held on additional charge of the Secretary of industrial cooperatives. Being labour intensive and time consuming process involved in these industrial cooperatives, they require full time, concentrated attention by the executives. Otherwise, supervision becomes remote. All these societies were not adjacent to each other but were spread out in areas and directions. Clubbing societies of small and big size business and in different areas made again supervision ineffective. Moreover, the societies clubbed were not of the same type. Each type of society required different treatment and to grasp and understand the business practices and secrets of each type of industry again required more acumen and time.
4.90 The Government also transferred these secretaries frequently from one place to another. An example to illustrate the unsound policy of transfers effected in the case of chief executives of industrial cooperatives was Kollengode coir industrial cooperative society. In this society within a period of 21 years of its working, minimum of 21 times the Secretaries have been transferred. The frequency of transfers related to 4, 6, 7, 15 days to 3, 6, 12, 30 months as revealed by the records of the society. The cases of other societies were also not much different from that. The secretaries normally took sometime to gain full grasp of the affairs of the societies. No sooner had they gained some experience than they were required to take charge of an additional society or of a new society. This also adversely affected the business affairs of the societies under their management.

In few cases, under 10(A1) scheme of the Government of Tamilnadu, the posts of secretary of industrial cooperatives were filled temporarily by recruiting through local employment exchanges. These persons were almost drawn from the local places and therefore were conscious of the business tactics of the societies and could pull on well with the rank and file and the Boards of Directors as well. They had shown some good progress in the societies and were subsequently replaced by the newly recruited Government staff, who were mostly not local persons and ignorant of the business tactics/knacks of the industry. As such it is more appropriate if candidates who have some background about the industry and can get along with the people of that locality may be identified to work in these industrial cooperative societies before postings are done by the department of Industries and Commerce.
4.91 Since the industrial cooperatives were managed by the Government staff, the regional inspection/supervisory authorities did not have adequate staff to inspect the societies. The district officer (viz., the Assistant Director of Industries and Commerce) had normally one Industrial Cooperative Officer and one or two secretary of industrial cooperatives for inspection/supervision work. The charts at pages vii & viii show the actual position of the societies and the inspection staff in the districts taken up for study. The Supervisory/Society ratio was 1:11, 1:10 and 1:14 in the 3 districts covered.

4.92 The Secretaries of the societies were charged with the responsibility of preparing the monthly progress report of each society for perusal of the Assistant Director and monthly meetings of the Secretaries were held at the headquarters of the Assistant Director of Industries and Commerce. Similarly the Regional Deputy Director of Industries and Commerce conducted quarterly meetings and went for test checking of the working of the societies. Thus, the supervision and inspection appear to be effective at least on paper but what is needed is some machinery other than the auditor and these types of periodical meetings, that could ensure personal check on the actual transactions of the societies so as to control and minimise the fictitious record keeping in the societies.

All the 7 societies reported that quarterly checking/inspection was done by the supervisory staff of the office of the Assistant Director of Industries and Commerce of the concerned district.

The costing cell of the Director of Industries and Commerce fixed the monthly target to be achieved by the societies. While fixing the target, the previous months production and sale, overhead aspects were taken into account and directives issued to the societies to produce, sell and report compliance. Unless the actual working of the societies are checked at frequent intervals regularly, the fixing of
targets and achievements shown on progress reports could prove illusory.

AUDIT:

4.97 All the 6 societies out of 7 studied were audited upto date (i.e. upto 1975-76 at the time of data collection for this report) by the concerned District Audit Officers functioning under the Registrar of Cooperative Societies, Tamilnadu.

Only one society remained unclassified because it was started in 1973 and others were falling under 'C' category, and dormant societies under 'D' category.

The auditor was expected to verify the stock with the register once a year. However, there was no audit check in any of the stock registers of the societies. The auditor should actually certify that the figures found in the stock register and the physical stock had been verified by him for the year for which audit had taken place and the discrepancies/leakages should be objected to in the register itself with remarks and the objection had to be raised. This was conspicuously absent.

Because of the common cadre deputationists working in the societies the incessant inspection, review and supervision by the administrative apparatus and the up-to-date audit of these industrial cooperatives, there was little scope for high incidence of dormancy in industrial cooperatives falling under the jurisdiction of the Director of Industries and Commerce.

Unlike the other industrial cooperatives coming under the purview of Group 'A' and 'C', follow up action was initiated to rectify the defects because of the Government staff working in the societies and in addition follow up action taken by the supervisory mechanism.
The industrial cooperatives studied were very small ventures and did not require huge capital for acquiring assets and meeting the working capital needs. But at the same time, they could not even muster sufficient finance from among themselves to manage those small ventures. Even for equity augmentation, the Government had to help through the share capital loan assistance to the members of these societies and some time share capital participation in the societies. Then only their borrowing power increased and became possible to borrow from the State Industrial Cooperative Bank.

Out of 7 societies studied, only one society did not take any loan, the remaining 6 had availed of the working capital loan from the Government and invariably defaulted and had overdues. Only one society took long term loan for purchase of machinery and equipments.

Out of 7 societies studied 5 were dormant and two were in working condition. Seldom did the societies start with profit at the end of their first year of working. Societies began with loss initially ended in heavy loss and ultimately in moribund condition. The so called working societies also accumulated loss year after year and were on the road to oblivion. The magnitude of loss sustained by the societies over 5 years from 1969-70 to 1974-75 may be gauged from the figures given below. The Profit and Loss position shown in Table IV.7(i) shows that all the 7 societies studied were in loss. The loss was from a minimum of Rs.400 to a maximum of Rs.35,000.

All the 7 societies studied registered losses during the 5 years of study and 5 were dormant owing to many reasons. A probe into the business activities of these
societies revealed that (a) although finance was made available by the Government to the societies at the concessional terms, the societies in their anxiety took the loans before the actual production and sale took place. As such they were required to pay interest from the date of withdrawal of the entire loans of cash credit given to them. (b) The societies were unable to meet the staff cost (i.e., the salary of the secretary, on deputation from the Government department). They drew a salary of Rs.450 per month on an average to start with plus their travelling allowances. (c) The auditors have created much reserves to make good the misappropriation or general business loss that would occur in future and (d) high cost of production and ultimate business loss.

The reasons for dormancy of these industrial cooperatives are summed up in the Appendix IV-B1 (page 265). Out of 7 societies covered by the study, 5 reported dormant and 2 were reported as active societies as they were not perhaps completelywithout any transaction. Though production and sale business activities were not there in the so called active societies, there were some transactions (other than business) like getting interest on investments, payment of rent, etc., Otherwise those 2 societies were also as good as dormant ones as they did not engage themselves in the business activity for more than 3 and 6 years respectively. The societies remained dormant with a minimum of 3 years to a maximum of 8 years. All the 7 societies suffered problems of different nature and magnitude as revealed by Appendix IV-B1 (Page 265).
The major reason that can be attributed was the bad leadership under which they were functioning. Naturally when the leadership is disloyal the members become disloyal to the society and the vicious circle sets in. In 2 societies studied the disloyalty started from the members and the leadership did not correct it and it resulted in non-functioning of the societies. One society each suffered by the misappropriation by the President and Secretary respectively and other problems followed suit to make the societies to reach moribund condition. In one society the Government have transferred the Secretaries 21 times in 21 years of its working, credit sales, stock deficits, etc., followed this and the society became dormant.

4.96 The industrial cooperative section of the department of Industries and Commerce has identified the viable, potentially viable and non-viable societies and listed them for appropriate action. Section 65 enquiry report as per Cooperative Societies Rules/Act was prepared in the case of dormant societies and the department has addressed the concerned district officers (Assistant Director of Industries and Commerce) to take action to review/liquidate the societies not functioning for long.

4.97 The prime need of the hour is to bring about good leadership and bring the sense of responsibility among the members through (a) member education and (b) training the executive in management practices of these societies. The administrative set up also should check the mal-practices standing in the normal run of the societies. The old societies which are dormant for long should be revitalised/liquidated in a phased manner. The Government policy of transferring the Secretaries should be modified and they should
not be posted to hold additional charge which proved to be detrimental as revealed by the analysis. The Government should not nominate the entire Boards of Directors for 15 to 18 years. The democratic character should be preserved and if needed one third of the Boards of Directors may be nominated for the first 3 years or so and then allow them to resort to election and democratic management. The membership drive and equity mobilisation done to make the societies viable. Similar to handloom sector, a special committee should go into the living and working conditions of the artisans and recommend welfare measures for implementation by the Government. A multi-industry federation for these societies suggested to function as raw material bank and marketing agency. An exclusive Assistant Director with adequate staff is suggested to look after industrial cooperatives in each district. Concessional finance should be made available to these societies on par with the societies functioning under Groups A and C.

**CHART B1**

**Regional Deputy Director of Industries and Commerce**

<table>
<thead>
<tr>
<th>A.D.</th>
<th>A.D.</th>
<th>A.D.</th>
<th>C.I.O.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trichy</td>
<td>Pudukkottai</td>
<td>Thanjavur</td>
<td>Thanjavur</td>
</tr>
<tr>
<td>50 small scale industries and 22 industrial cooperatives</td>
<td>13 cottage and handicrafts societies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I.C.O. (1)</td>
<td>A.S.I.C. (1)</td>
<td>Profit 13</td>
<td>Loss 7</td>
</tr>
<tr>
<td>Dormant 2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2 staff for 22 societies for supervision

**N.B.**:- A.D. - Assistant Director
C.I.O. - Cottage Industries Officer
I.C.O. - Industrial Cooperative Officer
A.S.I.C. - Assistant Secretary of Industrial Cooperatives
II. Kanyakumari District
Assistant Director of Industries and Commerce

100 small scale industries  21 industrial cooperatives
6 dormant
15 working
(1) I.C.O.
(1) A.S.I.C.
2 staff for 21 societies for supervision

III. Madurai Region
Regional Deputy Director

Asst. Director  Asst. Director  Cottage Industries Officer
Madurai  Madurai  and Ramnad
1700 small  35 industrial  Madurai 16 societies
scale industries  coop.  Ramnad  20 societies
32 working  1 I.C.O.
5 dormant  1 S.I.C.
28 industrial  700 small
coop. societies  scale
Madurai: 35 societies ; 2 supervisors
Ramnad: 28 societies ; 2 supervisors
Note: - I.C.O. - Industrial Cooperative Officer
S.I.C. - Secretary of Industrial Cooperative
Societies.
### APPENDIX IV-B.1.

#### GROUP-B

**Causes for dormancy of industrial cooperatives.**

<table>
<thead>
<tr>
<th>Society Code</th>
<th>Society Type</th>
<th>Highlights of background</th>
<th>Causes for dormancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.1</td>
<td>Deed</td>
<td>Registered in 1970 - dormant from 1974 not worked for more than 4 years - ran 2 years on profit and 2 years on loss too much credit sales - stock deficit - President dominated and vested interest developed - 10 out of 230 members only worked - at the verge of closure - enquiry report conducted.</td>
<td>Dominating leadership - vested interest developed - poor quality of raw material procured - lack of interest on the part of the members.</td>
</tr>
<tr>
<td>B.2</td>
<td>Coir</td>
<td>Registered in 1958 - became dormant in 1969 - 70 not functioned for 8 years - 1958 to 1969 incurred losses - one SIC was posted free for 2 years and 3 years on cost bearing term on sliding scale - working capital loss of Rs. 2 lakhs given, the interest subsequently raised to 7 1/2% society could not bear the staff cost and pay interest - overdues mounted-trade loss.</td>
<td>Poor management - trade loss due to uneconomic production - non-viable society - initial loss could not be wiped out - trade losses mounted and loss accumulated inadequate finance.</td>
</tr>
<tr>
<td>B.3</td>
<td>Coir (working)</td>
<td>Registered in 1957 - became dormant in 1972 - 6 years not functioned - 21 years 6 secretaries posted for 4, 5, 6, 7, 8, 9, 10 months duration, held on additional charge - staff cost could not be borne - interest on loan was mounting - stock deficit increased - credit sales effected wages advance paid - because of loss reserves created by audit.</td>
<td>Govt. policy of frequent transfers of secretaries - disloyalty of members - in efficient management - lack of leadership.</td>
</tr>
<tr>
<td>B.4</td>
<td>Palm leaf</td>
<td>Registered in 1970 - dormant in 1973 not worked for 5 years nominated the local leader - political influence - conflict between President and Secretary - on deputation - faction among the Board of Directors - President misappropriation - purchase of poor raw material - defective storage.</td>
<td>Misappropriation by the President - Conflict between President and Secretary - President Vs. Board - Secretary did not follow the management practices - ignorant members.</td>
</tr>
<tr>
<td>B.5</td>
<td>Mat</td>
<td>Registered in 1964 - dormant in 1972 - not worked for 6 years - service society purchase and sale of mat 1964 to 1971 worked on profit - in 1972 misappropriation by the S.I.C. enquiry conducted.</td>
<td>Misappropriated by the SIC on deputation from Govt. - ignorant and illiterate members - poor management.</td>
</tr>
<tr>
<td>B.6</td>
<td>Mat</td>
<td>Registered in 1965 - dormant in 1962 and revived in 1972 - from 1972 not worked for 5 years - Board failed to manage the society SIC did not follow management practices - cost statement not prepared - higher wages paid - raw material advance given - members did not give the finished goods to the society.</td>
<td>Appropriate action not taken on defaulter members by the Board and Secretary - disloyalty of the members - stock deficit.</td>
</tr>
<tr>
<td>B.7</td>
<td>Mat</td>
<td>Registered in 1973 - dormant in 1975 - not worked for 3 years - service society purchase and sale of mat 2 years SIC free of cost share capital loans and advances were eaten away by members - members not interested - SIC did not make any special effort - started with loss and ended in loss.</td>
<td>Members disloyalty - SIC not trained in management - initial loss could not be recouped.</td>
</tr>
</tbody>
</table>
C.1. INTRODUCTION:

Appendix I,8 of Chapter I (Pages 482) reveals that in the 25 Development districts of Tamilnadu there were as many as 1557 village industrial cooperatives as on 1,2,1976 functioning under the control of the Chief Executive Officer, Khadi and Village Industries Board, Tamil Nadu. Palmgur, Handpounding of paddy, Bricks and Pottery industries had the largest number of cooperatives and had the maximum percentage of dormancy among the village industrial cooperatives. Among these 4 types, 53 societies were selected for study as per the sampling procedure explained in Chapter I.

The list of societies selected for study is given in Appendix 1.1 and 1.9 (pages 475 and 484).

Out of the 4 types selected, the palmgur societies were organised on 'out work' basis. That is, the individual members of these societies tapped neera and produced palmgur on their own and supplied the finished goods (viz., gur) to the societies. They did not work in the workshed as in the case of handpounding of paddy industry and brick societies which were organised on the basis of coming/working together in one common workshed of the society. The risk of business was with the societies, the raw material, finished goods, implements, etc., were owned by the societies and the members received wages for the work they did in the common workshed. In the case of pottery societies, out of the 10 societies selected for study 7 were having common workshed and 3 societies allowed individuals to work at home and bring the products to the society for sale.
4.99 It is suggested that the village industrial cooperatives should be normally organised only on workshed basis so that the risk of production/business may be with the societies, the ownership of the material and implements will be with the societies and there will be less chance of misuse or misappropriation by the individual members. In some cases where the members are extremely loyal to the organisation and have sufficient scope for producing at their own dwelling place, they can be allowed to produce at their homes and bring the finished goods to the societies. But even then, instead of allowing all the members to produce at their homes, a combination of common workshed for some members may be thought of and few can be allowed to produce at their houses.

C-2. Registration:

4.100 Table IV.1 at page 27 reveals that out of the 53 societies studied 40 societies were registered more than 20 years ago; especially out of the 28 palmgur societies 27 were registered two decades ago. All the handpounding of paddy societies were also registered more than 20 years ago (reckoned from 1978). All the 8 brick societies were 10 years old; 6 pottery societies were more than 20 years old, 2 societies more than 30 years and 2 below 40 years old. None of the societies was of recent origin. Hence, these oldest societies should not be allowed to linger long and their problems have to be studied and remedial action taken to put them on the progressive path.

None of these societies seemed to have prepared formal feasibility/project report before registration. Based on the Government policies, targets were set and societies sprang up. That is how 3 societies (societies code numbers C-41, C-42 and C-43) have become dormant as the raw material was either not available locally or the available one, was unfit for production. Moreover, under the Harijan development schemes, some societies like brick and
pottery were started. But the members of these societies did not know the knowhow of the industry and the societies came to grief (societies code numbers C-41 and C-42).

Thus, out of 29 dormant societies studied under Group-C (i.e. Village industrial cooperatives functioning under the Khadi and Village Industries Board), 3 societies suffered on account of not preparing a proper and systematic project report/feasibility report before they were started/registered. (vide Appendix IV-C(1) Pages 3-4 IV-C(2) Pages 4-7) 7 societies became dormant because the members of the societies found the occupation other than the present one more beneficial and economical to them and so left the societies for better earning in alternative occupations. In addition, 3 active societies studied in the sample were also experiencing this problem of non-remunerative occupation in which they were engaged and were trying to shift to other fields of activities rendering the societies towards dormant condition.

Three dormant societies and 5 working societies (mostly in Thanjavur district) were registered only to issue licence for the neera/toddy tappers. The tappers paid commission to the societies on neera tapping seasons and thus the societies were showing some transactions in the records during those seasons. Otherwise, they were practically inactive. If this is the type of work for which a society is to be registered, why register so many societies and show on the record quantitatively many inactive societies? The societies can as well cover a wider area of operation and issue the licences instead of multiplying the number of societies on record.

Competition from private traders and substitutes for palmgur like sugar, jaggery, etc. was another factor affecting them. Again, attractive prices for illicit toddy (which can be
made from neera easily by keeping it for little more time after tapping from the trees) lured away quite a few tappers from palmgur making. Thus, while registering the societies, the economic and technical feasibility has got to be given serious attention to make them viable on permanent basis.

4.101 The societies have come to be registered because of target oriented approach of the Khadi and Village Industries Board which is again mostly due to policy directives of the Government. In this connection it is appropriate to note that the Chief Executive Officer of the Khadi and Village Industries Board was a non-official leader nominated by the party in power till the end of 1975. Therefore, the dictates of the top man representing the aspirations and interest of the party were uppermost in organising and managing the cooperatives of all types, especially the cooperatives for weaker sections. The Officials overlooked feasibility and procedural formalities were fulfilled for establishing a society as they were at the mercy of the non-official leaders. The situation seems to be improving after the posting of the officers in the Indian Administrative Service cadre as the Chief Executive Officer of the Khadi and Village Industries Board. This has put a curb on the mushroom growth of uneconomic and spurious societies under the Khadi and Village Industries Board.

Yet another example to cite for having overlooked the viability aspect is that in Nanguneri Taluk of Tirunelveli District, within 10 miles radius there were as many as 5 to 6 brick societies started at NANGUNERI, ARUVADI, VIJAYANAGARAM, MOOLAKADAI, CHIDAMBARAPURAM, etc. and all of them had become defunct and were under liquidation at the time of study visit to the district in 1977.
In the name of employment oriented schemes, for instance, Tirunelveli district alone had 400 societies registered out of which more than 225 were dormant, 7 were liquidated and majority of the working societies were at a loss. Hardly 5 percent of the working societies could show some profit. The commercial nature of business with erratic nature of price trend and competition from organised sector poses a threat to these village industries. Hence, management of all these industries calls for a combination of capabilities in organisational, commercial, technical and marketing field. Therefore, the Khadi and Village Industries Board should have experts in its constitution representing from these fields. The officers at the helm of affairs should be given intensive training in cooperative management and technical aspects of at least selected major industrial cooperatives of Khadi and Village Industries Board. Therefore, instead of having too many societies, 'one taluk one society' approach may be desirable and the membership could be increased and directed with effective supervision of the societies.

C.3. Area of operation:
4.103 A look at the area of operation of these societies reveals (as seen from the Table IV 1), that the 43 societies had their area of operation within 5 k.m. radius and only 10 societies had beyond 5 to 10 k.m. As suggested above, instead of creating too many non-viable societies one taluk one society approach would be suitable for making them viable.

C.4. Profile of Chief Executives:
4.104 Out of the 53 village industrial cooperatives studied, only one society (handpounding of paddy at Mayuram) had a paid manager (Doctor with R.M.P. qualification) as the chief executive and the rest had the Presidents as chief executives working in their honorary capacity. Their
6 out of 55 persons were found as illiterates. 16 persons knew how to read and write and did not possess any formal school education/certificates. Majority i.e., more than 50 percent of the interviewed respondents were non-matriculates occupying the position of chief executives (viz. Presidency of the village industrial cooperatives). This implies that unless they are given proper qualified and trained staff, they can not really function/follow the rules of the business, within the legal frame work within which the cooperatives have to function as business enterprises. The rising audit objections and failures can be attributed to this aspect of illiteracy found among the chief executives of those societies.

Even if education is not there, at least experience should have made them as seasoned executives. Majority of the Presidents, Chief executives have served the societies for more than 5 years but below 10 years in the same capacity as President/Chief executive. This may be because of their influence, educational qualification, leadership quality, etc.

Out of the 29 dormant village industrial industrial cooperatives studied under Group-C, 2 palmgur societies (societies code numbers C2 and C13) became dormant because of the disloyal attitude of the chief executives. In the case of the C2 society, the President of the society distributed the loans to 3 near and dear members and shown in the records of the society as distributed to 66 members. In the case of the society C-13, the President was an educated man and did all the business by committing the resource of the society including members, but never brought the transactions on paper/records of the society (vide pages 314 & 315) of the Appendix IV C(1).
Unless and until the chief executives are honest, committed to the well being of the societies, the societies can never function properly. This gap can be bridged by educating them and the members of the societies through regular member education. (This is further discussed under the head 'Board of Directors' in more detail in this chapter)

C.5. Membership and Share Capital

Table IV-3 (Page 313) indicates that the majority of societies had been started by fulfilling the statutory minimum of 10 members. Over the 5 years ending 1974-75, 15 societies showed increase in the membership, 2 decreased in total membership and 35 remained stagnant. (one society did not report). No efforts were made to activise and strengthen the number of membership of these societies.

In more than 7 to 8 active palmgur cooperative societies, 60 to 70 percent of the membership was composed of sympathiser members. The sympathisers' share capital did not form even 2 percent of the total capital. Only one society had 300 percent increase in its number of members and 200 percent increase in the share capital held by them in the society. This trend of sympathisers playing increasing role should be avoided. As per the cooperative societies Act, they should not exceed more than one-tenth of the total number of members.

40 societies had stagnant share capital, 13 societies had increased their share capital base from inception to 1974-75. Majority of these societies had share capital below Rs.500 and only 10 had Rs.500 to Rs.10,000. After working out the Break Even Point (i.e., no profit no loss position), minimum working capital requirements can be found out for each type of industry and accordingly share capital be mobilised by resorting to share capital loans from the Government.
Share Value:

4.106 20 societies reported their share value as Re.1/- and 19 reported as Rs.5 and one reported Rs.10/- (13 societies did not provide any information). Out of 26 palmgur societies, 20 had the share value as rupee one and 8 reported as Rs.5 (Vide Table IV-4 (Page 324))

Regarding maximum shares one can hold in the societies, 20 palmgur societies mentioned that Rs.50 was the maximum share per head; while 7 others reported Rs.20 as maximum shares (1 society did not provide information). In the case of societies other than the palmgur 5 reported Rs.100 as the maximum share value; 5 societies had Rs.50; one each had Rs.10, Rs.20 and Rs.25 and so on.

Majority of the societies (24 out of the 34 reported) had their share capital below Rs.500. Only 10 societies had above Rs.500 but below Rs.10,000 (This share capital included the Government loan participation). From 1970-71 to 1974-75, 13 societies had attempted to increase the share capital marginally but 39 of them remained stagnant in their share capital position (one society did not report). This obviously calls for more dynamism on the part of the chief executives/presidents to augment share capital base of the societies.

4.107 Eventhough there is provision in the bylaws of these societies that from the wages paid, 6 paise per rupee shall be collected towards thrift fund and it should be converted into shares of the members, barring 2 handpounding societies, none had followed this in practice. (The idea of inculcating thrift habit has remained a farcry in these village industrial cooperatives). Through proper education of the members, the habit of saving can be inculcated to augment the share capital base.
Looking to the present day living standards, it appears more rational if there is uniformity in the share subscription rates (as rupees ten per share) the members should be allowed to take as many as they can, of course, it may be restricted to an optimum ceiling of Rs. 100/- or so per individual.

All the palmgur societies were members of the concerned district federations in order to get the financial assistance. The funds of the Khadi and Village Industries Commission were received by the Khadi and Village Industries Board and the loans and subsidies were routed through the district federations to the societies. Federations like Tuticorin district palmgur federation also undertook the marketing function through its depots.

The members of the primary palmgur societies were expected to deliver their produce to their societies for sale. But they often sold their produce to the private dealers and never paid their dues to the societies promptly. The interview of 45 members of the palmgur societies revealed that they were not aware that the society is organised for the members, by the members and to the members. They were under the impression that it was the Government activity and they were paid the dole as they belonged to poorer sections. A few of them had borrowed money from nationalised commercial banks and repaid the dues without default. However, the money that was given as loan by Khadi Board was not at all repaid by them and majority were defaulters. This want of loyalty on the part of the members affected the volume of trade by the societies and federations. The fall in the volume of trade led to losses and incapacity of the federations and societies to repay the loan taken from the State federation.
Failure to repay the loan/dues to the State federation caused the stoppage of further financial assistance from the latter. The district federation could not lend working capital finance to the primaries and members. Thus, in turn led to further fall in the arrival of produce at the societies and federations and a vicious circle was created.

4.108 Out of 28 palmgur cooperative societies studied, 13 were dormant. The various reasons for their dormancy and the number of societies suffered from such of those problems were culled from the data/information collected from the societies/enquiry reports, etc. and were briefly summarised in Appendix IV-(C1) (page 344) and extracts tabulated in Appendix IV-C(2) Pages 333 & 344. Out of 13 dormant societies, 10 societies have suffered the problem of disloyal membership as discussed above. This is the first and foremost problem plaguing the industrial cooperatives in general and the palmgur societies were not immune from this vital problem. Therefore, it becomes extremely important to make the members realise first as to their role, rights, responsibilities and commitment in the societies and the basic philosophy behind organising such societies. This will inculcate the right spirit in them and enlighten them to come closer and cooperate in the successful running of such societies. Given the literacy conditions and socio-economic background of the members, the successful working of the societies largely depends on enlightened membership and competent executives which is possible through a well planned programme of education and training for them.

The existing arrangement for member education (one industrial Instructor attached to the Cooperative Training College, Madras is looking to a few industrial cooperative societies in the city of Madras) is far too inadequate compared to the number of industrial cooperatives and their membership in the State.
Hence this programme needs to be strengthened by recruiting and posting more peripatetic instructors (including women industrial instructors for cooperatives formed for women artisans). To meet the various special programmes like organising weavers cooperatives in the Sixth Plan and the development of Khadi and village industrial cooperatives as per the present policy of the Government at least an industrial instructor for 10 societies is needed and a class for 10 days duration for members and Committee members would be enough to initiate the members in the why and how of cooperative action and their rights and responsibilities. Study circles can be organised more for them with some resource persons and thus the imparting education should be a continuous process. The Tamilnadu Cooperative Union/Cooperative Training College, Madras can take up the evaluation of such education programme for industrial cooperatives so as to know their strength and weaknesses of the methods of imparting education and the study should form the feedback for future programmes on member education.

C.6. Board of Directors

4.109 All the 53 societies studied had elected Boards of Directors which were supreme bodies of management of these societies. The President was the Chief Executive for each society. The functions of decision making and execution by one and the same person, (that too, in the case of industrial cooperatives where the membership and their elected management consisted of laymen) is not desirable. As owners of the enterprise, the members should reserve their rights to approve decisions taken and executed by the paid chief executive, who
is appointed by them for looking after the day to day affairs of the society. All the societies had 5 members elected to the Board of Management in each case, excepting all the 7 handpounding societies, 2 bricks and 2 pottery societies which had 7 members elected to their Board of Directors.

The quorum for legalising the decisions was above 50 percent (i.e. 3 in the case of societies having 5 members in the Board and 4 in the case of societies having 7 members on the Board).

Barring 2 bricks and 2 pottery societies which prescribed the term of the Board for 4 years, the rest of the societies had kept 3 years as the duration of one set of Directors elected to the Board of Management. The idea behind adopting different norms for the total number of Directors on the Boards and 2 different duration for the village industrial cooperatives is not known. In order to have similarity and uniformity this can be changed to one uniform pattern.

By and large it was seen that the General Body meeting was conducted once a year as per the provisions of the bylaws of the societies, but the Board meeting hardly took place in gross violation with the frequency with which they ought to meet. The minutes book of these societies revealed that even for General Body meeting, members have turned up just to keep the quorum to legalise the meetings and their resolutions. This had resulted in the inactiveness and ultimately losing of interest in the affairs of the societies. Instead of the Presidents who were otherwise busy in their own personal activities, if there were paid executives exclusively to look after the affairs of the societies, perhaps this gap could have been bridged. They would have taken interest to see that at least to follow the
rules of the game, the Board meetings would have been convened instead of allowing them to remain inactive.

Age Group and Educational Background of the Board of Directors:

4.110 Table IV-5 (Page 324) reveals that out of 183 respondents 45 were below the age group of 40 and the remaining 138 were above 40 years adorning the seats in the managing body of these societies. This shows that there was less young blood to activise the affairs of these societies and work with greater zeal and zest.

Among the 183 respondents 35 were illiterates, 15 only knew to read and write but had no formal school education and 133 studied in the school upto matriculation and below. This again indicates the level of literacy prevailing among the decision makers in these business organisations. To follow the Rules and Act, to write the accounts, to keep the records of these societies either by themselves or advise or direct the work force working in the societies, they should have minimum qualification of education atleast. The pity is that they themselves were involved in the entire running of the societies without knowing even the basic knowledge of the management of the societies and that was why mounting of audit defects, pelmel conditions of records keeping etc., occurred. In our sample study, 5 societies out of 29 could not produce the records or any information because of their ignorance of the way in which they were to be maintained.

Caste and Profession:

4.111 All 183 respondents were drawn from backward/scheduled caste. The following statistics reveal their occupation:
Their society-wise break up was as under:

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculturists</td>
<td>32</td>
</tr>
<tr>
<td>Tappers</td>
<td>109</td>
</tr>
<tr>
<td>Government Service</td>
<td>1</td>
</tr>
<tr>
<td>Weavers</td>
<td>1</td>
</tr>
<tr>
<td>Labourers</td>
<td>15</td>
</tr>
<tr>
<td>Businessman</td>
<td>1</td>
</tr>
<tr>
<td>Potters</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>183</strong></td>
</tr>
</tbody>
</table>

Thus, their background, age, education etc., were so varied that they could not really manage their societies without any formal education and training in management of these societies in the context of fierce competition of substitutes available for the products of these societies. The minimum wage earned by one individual was Rs. 100/- p.m. and maximum by another was Rs. 428 p.m. among the persons studied. That is how 7 dormant societies and 3 active societies had suffered the lack of leadership as revealed by the study (vide Appendix IV-C(3) and IV-C2 (Pages 313 & 314).

4.112 One of the major reasons for dormancy of these industrial cooperative societies was the disloyalty found among the leadership and the members as well. As revealed by the Appendices IV-C(1) and IV-12, 2 and 20 societies out of 29 dormant societies studied under Group-C had suffered on account of disloyalty on the part of Chief Executives and Members respectively. In some way or the other they had not
fruitfully engaged themselves to help in the normal running of these societies. The leadership had developed vested interest (2 societies in the sample study) and many a time misappropriated the funds of the societies (4 societies out of 29 studied).

2 societies in the sample study had the conflict among the members of the Board of Directors and this formed as one of the major reasons for their ruin as revealed by the enquiry reports. One society had the mastercraftsmen or sympathiser members domination and they wrecked the proper functioning of the society. If the leadership is disloyal, nobody can expect the members to behave otherwise. Unless they are enlightened members in the principles and philosophies of the cooperative societies and feel the dire need for the services of the cooperative societies, the apathy is bound to continue.

Interview with few members of the brick societies (3 members of the 5 brick societies in Nanguneri Taluk of Tirunelveli District) revealed the following facts:

There were more than 30 to 40 persons in each of the villages depending on the brick making business and there was absolutely no problem of marketing the bricks.

Bricks, lime, pottery industries were primarily the avocation of the poorest artisans in the villages. They could hardly repay even part of the money taken by them from the societies.

4.113 Caste conflicts affected the functioning of the societies (e.g. Nanguneri society). In a society which was registered for the Harijans, a Brahmin was nominated as the President and a Pillai (backward community) was nominated as Vice-President by the district controlling Officer of village
industrial cooperatives. Even though a subsidy of Rs. 15300 for shed, tools and a loan of Rs. 3000 was given by the Khadi and Village Industries Board, there was clash of interest between the management and the members because of caste and the society was running at loss and a Harijan became the President who was doing other business (agriculture and running of a printing press of his own). He also could not do anything for the society and it became defunct.

Although the members belonged to the same community/caste, creed and religion, there was lot of heart-burning among them to see that their own kith and kin in the village became the President. By virtue of the Presidentship he handled the money of the society, distinguished himself in his attire, enjoyed travelling allowance benefits and at times commanded the members in the normal run of the business. Because of lack of appreciation of the cooperative concept, members were under the impression that the running of the society was Government's job and the President was the nominee of the Government and treated him like any other private business man in the locality. The members therefore demanded more wages than the market rate and required the advances as a matter of right because the money came from the Government to be given to the members of the society. They never bothered to work sincerely even at crucial times (for instance, when there were rains, the bricks were to be safeguarded from the open yard to shed only by the President and no member came forward to his rescue to work in the interest of the society). The President could not command them to do the work and at the same time could not refuse the payments (wages/advances) as they treated him as one among equals for this purpose only. This is because he had purchased the same amount of share in the society like any other member and has to pay the Government money intended for them according to their concept.
It was learnt that by and large the Presidents of the Societies felt the pride of their position and as far as possible kept themselves away from other members. They also kept the members in the dark with regard to the business operations, money raised/received from the Khadi Board etc. Even if there was slight natural calamity like heavy rains, floods, etc. in the village, the Presidents made use of the situation as the adage goes, "Make hay while the Sun shines", fabricated the records, showed heavy losses and perhaps kept themselves sufficiently equipped even to face surcharge (leviable for misappropriation etc. under the Cooperative Societies Act) if any, at a later date. Because the members were severally responsible for the affairs of the societies normally no one came forward to take the risk of occupying the Presidentship. Majority of them wanted to not only absolve but shelve all the responsibilities on some one else shoulder.

In fact when approached the members of the societies to know whether they were members of the societies, many did not accept in the first instance that they were members, eventhough they were actually the members of the societies. After due motivation, half way they shared their experiences and narrated the problems of their societies at the time of members interview.

4.104 In agricultural season, invariably the members of the brick societies went for paddy harvesting operations. They got the wages in kind which was stored for sometime and the money that was earned out of brick work could supplement to eke out their livelihood. Thus, the travails of the industry were such that it could not provide full time occupation to its members partly because of agricultural operation and partly because of the rainy season when the
industry could not work as there was no adequate shed for
crying and firing the bricks. But there was adequate demand
for the bricks through out the year. Therefore right from
procurement of raw materials like fire wood, proper storing,
selling to the right person, control of waste, etc. require
constant attention and that too personal care at times (at
the advent of rains) and so on. These things certainly
warrant a paid chief executive trained for the purpose of
running of these societies and the administration of these
societies should not be left to the Presidents as is done
today.

Though many societies incurred wastages and losses
and came to a stand still, no modern methods of firing the
raw bricks (in brick clin) appropriate methods of storing of
the bricks, etc. was introduced in the region where these
types of societies sprang up more in number. The Khadi Board
has to do something in this direction and revive the societies.
On top of it, all the societies suffered because of non-
cooperation found among them and many of them had not under-
stood the basic idea of registering a cooperative society
but took the assistance of the Government as a dole given to
them.

In Arvadi brick society, the district controlling
officer instructed the society to give group loans @ Rs.1000
for each group of members to manufacture bricks as the indi-
vidual loans were not repaid and remained over dues. The
group leaders utilised the loans and the remaining innocent
persons were facing the arbitration cases. Thus the big fish
eating the small fish was not at all overcome with the organis-
ing of industrial cooperatives. The situation prevalent
before the introduction of the cooperative societies still
persisted. In the same village, a milk cooperative society,
a Harijan housing colony, etc. were also liquidated.
As such, the people in the area were used to such registering and liquidating of societies as a part of their daily routine.

4.115 Thus, basically the societies suffered because of
(a) insincerity on the part of the members, (b) caste creed feuds, (c) absence of professionalised executives to man the societies and (d) inadequate supervision (4 staff supervised 47 societies in the region).

Therefore, to these poorly informed, not much educated rank and file, certain member education should proceed before these societies are registered and such education must be made available on a continuing basis. This might bring about some changes in their behaviour and might lead to proper appreciation of their rights, responsibilities and role in their coming together into the cooperative business enterprises.

Owing to the above background, the members of the societies could not manage the societies properly and it will take a long time to impart the necessary skill and expertise to manage their affairs themselves in an organisation like the industrial cooperative society. 14 societies out of 29 dormant societies studied had suffered and became dormant because of the inefficient management practices as revealed by the Appendix IV-C(1) and (2). In the meantime (before imparting the requisite knowledge and training) a common cadre trained in industrial cooperative management, accounts, audit, and cooperative law should be created. The societies should be allowed to pick and choose out of the pool of common cadre, their executives and manage the affairs of the societies or they may be deputed. These trained executives will run the societies properly, guide the management in proper decision making and help in the proper functioning of these societies.
C.7. Staff:

4.116 As already stated, a sound organisation is possible only on the basis of its staff and their morale. Unlike the industrial cooperatives falling under the control of the Director of Industries and Commerce, the President/chief executives of these industrial cooperatives coming under the purview of the Khadi and Village Industries Board, were elected Presidents who were decision makers and administrators working in honorary capacity. In the working societies because of financial help from the Khadi and Village Industries Board, one clerk, one manager and an attendant were employed. The staff were not trained in any programme, excepting one clerk who underwent training at Kallupatti conducted by the Khadi and Village Industries Board in improved methods of manufacturing pottery articles. They were matriculates and less qualified in their education, no better than the members of these cooperatives. The minimum salary paid to the staff appointed in the societies was Rs.50/- and the maximum was Rs.415/- per month in all these societies studied. None of them was given any benefits other than their regular lumpsum salary earned in their temporary capacity.

4.117 Thus, a detailed programme of training for all these personnel should be drawn and conducted on a continued basis by an organisation like the Co-operative Training College, Madras. The syllabus for such training should not only cover the technical/production aspect but also the commercial and marketing aspects. A system should be evolved by which the training can be evaluated by finding out whether the staff trained are adequately equipped to supervise, guide and manage these industries properly. Even for the artisans there were no technical institutes to train them all in different types of industries. It is also necessary that a technical institute at a central place nearer to the suggested multi-industry federation can be thought of to impart training under one-roof. Once these societies are brought out of the dangers of loss and threat of liquidation, then attractive scale of pay, incentive
schemes, welfare measures can be extended in order to create spirit in them to work well for the upbringing of these societies and in the process self-actualisation and self-development also will take place. Now as it is, the Khadi and Village Industries Board, Tamilnadu has given a serious thinking in getting its personnel trained in cooperative management at Cooperative Training College, Madras and a few have already been sent for training and the action is in progress.

Similarly all the personnel working in the Khadi and Village Industries Board and staff working in the societies should be trained on war footing and that could form the starting point of efficiency in administering the societies. Of course, the member education programme will be the bed rock for constructing the edifice of these societies and the training of staff would be the concrete supplied for their construction on sound basis.

4.118 The local unemployed youth would be more suitable to go to door-to-door of the tappers and collect the jaggery and other products just on time and pay the much needed ready cash to them competing with the private merchants of the localities in the case of palmgur societies. The services of the Gram Sevaks can also be utilised in order to expand the village industries programmes, especially the business of palmgur industry. These unemployed youth and Gram Sevaks should be trained atleast in a short term basic course before they are put on this job. Because of the poor infra-structure facilities the socio-economic background and cultural, behavioural patterns of these tappers, no white coloured persons from the cities could function properly in these areas. For instance, the tapper or the erring President on seeing the inspector approaching the society, would fly away thinking that he would be finding fault with him or punishing him for something or the other.
Lot of dedication and self-sacrifice is necessary to work in such atmosphere/environments on the part of the field staff in payment making and collection of dues from the members of these societies, extending guidance and assistance to them in the proper running of these societies, etc.

The private merchants under-cut the cooperative venture by just hood-winking the tappers by extending the advance at the time of their entreaties to meet some contingent expenditure and also used bad weights and measurements etc., and exploited them. In order to relieve them from the clutches of these ruthless private merchants dealing in jaggery, viable societies should be created and they should be run on proper lines.

4.119 The Khadi and Village industries Board office staff/supervisory staff connected with the work/supervision of palmgur societies were transferred within 3 years from place to place. This again did not motivate them to prove their efficiency in the upbringing the number of societies under their supervision. The transfers have just made them to 'keep on' on their work and no extra efforts or enthusiasm could be exhibited. There were also no incentive schemes for them to show better results and performance.

The records of many of the societies were in pelmel condition and many a time were not traceable. Even the audit reports were not self-explanatory and the information thus available about the functioning of these societies was too incomplete and inadequate in those reports. For instance, some of the defects found were not rectified by the societies for a long time and the audit reports continuously repeated that the earlier defects indicated in the audit reports were not rectified. Since the records were not kept properly or some times not traceable in the societies, such remarks did not help in understanding the functioning of the societies.
The audit officer could either help in this regard.

The staff of the cooperative department (Cooperative Sub Registrars and Senior Inspectors) were borrowed on foreign service terms to the Khadi and Village Industries Board to look after the industrial cooperatives. As per the terms and conditions of foreign service, they have to go back after the completion of 3 years or so. This temporary phase of work of these personnel did not make any impact in the work expected of them. Moreover, the higher officers above the Cooperative Sub Registrars/in the Khadi Board were not having any cooperative background or training in cooperation and they depended mainly on the advice of the Cooperative Sub Registrars (C.S.Rs). At times the C.S.Rs. could not effectively convince/guide the superior officers which meant the action taken might by and large proved to be sans punch.

To solve the foreign service problem, the Khadi and Village Industries Board started sending its staff to the Cooperative Training College, Madras to train them in the Diploma in Industrial Cooperative Management. On successful completion of the course, they were posted as C.S.Rs./S.Is to look after the industrial cooperatives.

The frequent transfers and absence of training had led to chaos in some of the field organisations of the Khadi Board. For instance, the most important records like the enquiry reports etc. were kept in running current correspondence files and were destroyed early (society code No.C-52).

The proper system of records maintenance, the minimum particulars of the societies background and the present position should be available in the annual reports of the societies. Therefore, it is extremely necessary to impart training to them about the preparation of compact annual reports.
C.8. Raw material:

4.120 Out of 29 dormant village industrial cooperatives studied, 3 societies suffered from the problem of procurement of raw material. (vide societies code no. C-30-Handpounding of paddy, C41 C42-Brick societies) as revealed by the data culled from the societies and furnished in Appendices IV-C-1 and IV-12 (Pages 214 & 215).

Though the procurement of raw materials and implements is said to be the acid test of the function of an executive in any (Production) business organisation, in the case of the types of industrial cooperatives studied the problem appeared to be negligible. In the case of palmur, bricks and pottery the raw material was available locally and the cost of the raw material was also not much. Of course, 2 brick societies were started under the Harijan Welfare Schemes without looking into the feasibility aspect and the societies had to get the raw material from far off places (say, 18 miles away from the society) and moreover the members did not know the knowhow of manufacturing bricks, which had resulted in a thorough failure of the societies. In yet another case the pottery society was started but the local soil was unsuited for making pottery articles and then it was converted into a brick making society without changing/altering the name of the society. Therefore, there was actually no need for central purchase of raw materials and implements (which were also available easily and locally) in these cases. There was no need for sophisticated purchase procedures or bargaining involved in procurement of raw material in these societies.

The Handpounding industry generally suffered from the problem of procurement. Since larger quantities of paddy were to be procured for getting handpounded rice, the executives of these societies were cheated by the paddy sellers by mixing mud, soil, stone and other foreign materials in the paddy while the bulk purchases were made. This ultimately affected the out-turn of rice and the societies came to grief. Unless
the chief executives of these societies were extra-ordinarily prudent in detecting this type of adulteration practices, there was no way out for this problem. Even the Civil Supplies Corporation of the Government did face this problem. The handpounding cooperatives have failed mainly because of this type of wrong purchases. The paddy procured in bulk directly from the farmer merchants by the societies could not be checked 100 percent to find out the adulteration and the result was poor out-turn of rice and high cost of rice which sowed the seed for deterioration of these societies.

4.121 Therefore, instead of allowing the societies to enter into direct purchase from the farmers and get cheated, the societies can procure the required quantities of paddy from the marketing cooperative societies (in piece meal) which procure levy paddy from the farmers regularly. This is perhaps a possible way of solving the problem till scientific systems of procurement are developed in these societies.

The palmgur, brick, pottery and handpounding of paddy cooperatives although did not require sophisticated tools and implements for their production the existing district palmgur federations (or a multi-industrial federation for the products of the Khadi and Village Industrial cooperatives can be organised) for collecting the needed tools and implements for these industries and the same can be got produced in the industrial cooperatives themselves direct in the district. For example, wooden articles can be got produced in the carpentry industrial cooperatives if any in the district and similarly the iron parts, from the blacksmithy industrial cooperative societies. The district federations should have contact with the primaries to know their needs and try to meet their needs at appropriate times.
When the grants, subsidies, etc., from the Khadi and Village Industries Board are paid to these primaries through the district federation for tools and implements, the federation can as well pass on the same not in money form but in the form of tools and implements. This will not only avoid misuse of subsidies and grants by the artisans, but will help them in getting the tools and implements of quality and at cheaper rates.

Need for Raw Material Bank:

4.122 Inadequate supply of raw materials at reasonable prices was a serious problem that confronted some of the village industries. Moreover, there had been a flight of raw materials from the rural areas to the urban areas to feed the urban industries (e.g. timber, lime, leather, oil seeds, coal for brick societies, construction materials etc.)

Yet another problem faced by the rural artisans was the wide ranging and erratic fluctuations in the prices of both raw materials and finished goods. Therefore, the need of the hour is to start a raw material bank at the State level with expert purchasers to procure different types of raw materials of good quality in bulk from the production centres, where they are available in abundance, store them in a central place in the areas of concentration of production activities and supply them to the needy village industrial cooperatives at reasonable rates on getting their orders. The purchasing industrial cooperatives should place their indents (quantity as well as specifications and quality) for a year or so and the raw material bank should consolidate the indents and make procurement and supply.

The Government may provide the necessary organisational, financial and other supports to establish such raw material bank, which will be the Central Purchase Organisation for the village industrial cooperatives till such time the bank stands on firm footing and becomes self reliant.
C.9. Production and sale:

4.123 Out of 53 societies studied under Group C, 21 societies only provided the details of production and sale particulars which is tabulated in Table IV 6 (Page 315).

The production and sale details of the working societies for 5 years ending 1974-75 (in the case of dormant societies for five years ending the date of their dormancy) were collected for study. Out of the collected details of production and sale in respect of the 21 societies over the period of 5 years, the minimum and maximum amount of production and sales in respect of each society was tabulated and the range of the amounts of production and sales were worked out as shown in Table IV 6 Page 315.

Palmgur

Out of the 4 Palmgur (active) societies provided information about the production and sales, 2 were producing between Rs. 1000 and Rs. 5000 per annum; 2 more were producing between Rs. 5,000 and Rs. 1,00,000 per annum over 5 years period; 3 societies effected sale between Rs. 5,000 and Rs. 1,00,000 per annum, only one society sold for more than a lakh of rupees in a year over the period of 5 years for which statistics was collected.

Handpounding of paddy:

Out of 7 societies studied, only one dormant and 3 active societies have provided the production and sale details. One society produced and sold in the range of Rs. 5,000 and Rs. 1,00,000 and the remaining 3 societies had transaction above Rs. 2 lakhs per annum. Because of massive financial assistance from the Khadi and Village Industries Board, these societies could increase their business turnover manifold unlike any other village industrial cooperatives taken up for study.
Bricks: Out of 6 bricks societies from which production and sales details were culled, one society was a purchase and sale society. One society was already liquidated but the enquiry reports could provide the details of production and sale. The particulars provided by the remaining 4 dormant societies revealed that they were producing and selling below Rs.1000 per annum.

Pottery: Particulars of production and sale of 3 working and 4 dormant pottery societies were available for study out of the 10 societies studied. Out of these 7 societies, one was a purchase and sale society which sold the articles procured from its members. In one society, sales particulars alone were available and no production details were available from its records. Thus, out of the production details of the 6 societies, only 2 societies registered a maximum production of above a lakh of rupees per annum and also showed similar sales position. The rest of them had their business turnover (both production and sale) below Rs.5000 per annum.

4.124. Thus, out of the village industrial cooperative, handpounding of paddy industry alone appeared to have made fairly good progress in production and sale aspect. That is how, it is essential to determine the minimum levels of production and sales for each society so as to know their viability. By working out the Break Even Point (no loss no profit position) at a point of time, this can be known and accordingly the societies can strive to reach the Break Even Point without taking any chances of following the trial and error methods of producing and selling and trying to achieve profits which remained a far cry for them.

The palmgur societies at Thanjavur district issued licences to the tapper members and there ended their function. The tappers tapped neera and could not convert it into jaggery because it was uneconomical (there was too much of water content in the neera tapped from the trees of this district). They sold 80 percent neera in the open market.
individually at whatever price the market could bear and the remaining 20 percent was procured and sold by the district federation. The federation had its paraphernalia and wanted margin of its own after adding the procurement and overhead cost. Therefore, the neera sale remained to a great extent as an individual business. Since neera was a perishable drink, it was to be sold to the disadvantage of the tapper who can not carry it to a wider/needy market.

The palm jaggery manufacturing societies in Tirunelveli district (as per their records) sold 75 percent of their production through the district federation and its branches as they got finance from it. The remaining 25 percent of the production was sold directly to the private merchants. The private merchants bagged the produce from the individuals and sold to the ultimate consumer, competing with the federation. They exploited the tappers by giving low price by adjusting the advances, by using wrong measures in weighment etc., and sold at the maximum possible rate to the consumers.

4.125 A new variety of seed together with necessary inputs should be invented so that the output of neera can be increased. Now a palmyrah tree yields 3 to 5 litres only per day on an average.

State federation and a few district federations have developed refrigeration of neera and distribution of the same in bottles. (Madras, South Arcot, North Arcot, Thanjavur, etc). But there should be some research done to preserve neera for long without getting converted into toddy and make it easy for sale. Product diversification should be done so that neera is made available at cheaper cost to the consumer.

In the traditional method of making palmgur, mud pots and open furnace were used. In this method each shift would
yield 3 to 4 kgs. of palmgur. Khadi and Village Industries Board had introduced new techniques of replacing mud pot by metal pan and open furnace with a smokeless one. The new method yielded 17 kgs. of palmgur in a shift of two and three-fourth hours. Power operated evaporator method was also invented. However, the cost of production of old and new methods was the same. Further research and innovations should enable in finding the cost reduction techniques.

Palmgur was stored above an oven which was periodically heated to absorb moisture of palmgur. This method affected the taste and flavour of jaggery. Therefore, better methods of preserving palmgur from moisture need to be devised. In Thanjavur and Chingleput districts the water content of neera was more. This affected the quality of jaggery and the cost of conversion into jaggery was also high. Suitable methods of conversion into jaggery is yet to be invented.

To fetch economic price for neera, conversion of neera into palmgur should be made possible. Through research the possibilities have been worked out at the State Palmgur Federation but it has to be experimented at district levels and once this is done, perhaps the tappers of neera will be the happiest lot among the artisans of village industrial cooperatives.

4.126 Even the honest tappers who did not go for easy money from toddy selling had also suffered at the hands of the law enforcing agencies. At the time of interview of the members they reported that unless the demands of the policemen were met, they tried to make the toddy tappers wait till the neera turned into toddy. Neera hardly took few hours to turn into toddy. By bringing the tappers under the law of prohibition, they were exploited, if not yielded to their demands. This was because of the tappers social position in the community and the absence of proper preservatives to stop fermentation process of neera into toddy. Research has to be done in this respect and then perhaps to some extent
the evil of the poor tapper falling in the hands of the unscrupulous agencies can be avoided.

The main raw material neera was available only for 5 to 6 months in a year and they have to depend on palm leaf products, fibre works, etc. in the remaining period.

The finished products (viz. palmgur, palm jaggery, etc.) also had to survive in the cut-throat competition in the open market and also withstand the substitutes. So, it had to be pushed in the buyers market. The middlemen added their own share/quota and exploited the tappers mercilessly.

4.127 It is seen from Appendix III-6 (Page 504) that the cooperative sector of palmgur industry had employed 1.47 lakhs artisans in 1971-72 and paid wage of Rs.156.86 lakhs. This means an average annual earning of Rs.106.7 per worker. In 1976-77 also 2,20,000 workers earned a sum of Rs.96.80 lakhs as wages. This means the average earning has fallen to Rs.44 per year within a span of 5 years. Moreover, the average earning of a family of a tapper during the neera season in Thanjavur district was Rs.220.50 per month and the income for 4 months in a year was only Rs.882. In the rest of the 8 months alternative occupation was to be taken by them.

4.128 Many of the tappers did not own the trees they tapped. Where tree owners were not engaged in tapping and palmgur making, the trees were leased out to the tappers for rent. The rent charged was somewhere between Rs.5 and Rs.10 per tree per season of 4 months. If the owners of the trees manufactured palmgur, they leased the trees to the tappers on neera sharing basis. In this arrangement the owner of the trees got neera on alternative days. This arrangement was more advantageous to the owners. Assuming a daily yield of minimum 2 litres of neera per tree the owner got 150 litres of neera in a season of 120-150 days and this worked out to
Rs.30 per tree against the rent ranging between Rs.5 and Rs.10. Thus, the tappers lost in neera sharing arrangement.

At the time of interview the owners of the trees alleged that during the days of neera sharing meant for them, the tappers tapped only once whereas they did twice or more for their turn. The tappers at times failed to turn up for a second cut and take out neera from the trees and offered some excuses. This reduced the yield of neera for the owners. Moreover, tender palm leaves were plucked for making palm leaf products by them. The indiscriminate cutting of palm leaf by them eventually led to low yield in subsequent years.

One glaring aspect of the position of the tappers was that the benefits of tenancy reforms i.e. security of tenure and provision of fair rent have not reached them. They did not enjoy the security of tenure. If the tapper was certain that he would tap the same set of trees in the next year also, he would be careful in plucking the tender palm leaves.

Neera sharing should be considered as unfair rent imposed on the artisans. Parakkunnu palm mortgage scheme in Kanyakumari district was meant to provide relief to the artisans who were working under neera sharing system. In this new arrangement, the palmgur cooperative society took on lease for 10 years the palm trees owned by the private individuals and paid the owners the lease amount at the beginning. Later, the trees were leased out to the tapper artisans. This arrangement however, had not spread to other areas. The State Palmgur federation should popularise the scheme with appropriate modifications if any needed.

The tree owners leased out on hire basis their trees @ Rs.3 per male ones and Rs.5 per female ones to the toddy tappers. Government had issued instructions to the local panchayats to auction the Government waste land (poramboke in Tamil) trees and the trees belonging to the temples/Devasthanams @ Re.1 per tree. But it was generally reported by the tappers interviewed (who were members of the palmgur cooperative societies) that the local panchayat unions hardly consulted the palmgur societies and auctioned
the trees to the members of these societies.

The trees belonging to the Government and temples/Devasthanams were not given for lease for more than one or two years at the time of auction. Because of this reason, the leasees did not take any care while cutting the leaves etc. and the trees were thus indiscreetly used which resulted in low yield subsequently.

Some of the tappers from the Ramnad and Kanyakumari districts of Tamilnadu went from place to place and tapped neera and were interested in processing it. To help such persons also relief measures should be provided.

Marketing

4.128 Competitors: Societies can justify their existence only if they could market their product to their best advantage as production organisations. In the case of societies selected except brick industry, all the other three (viz. palmgur, handpounding of paddy and pottery) extremely suffered at the hands of stiff competition from the substitutes in the market. But for the Government patronage for these industries and the nutritive/medicinal value contents (in handpounded rice, palmgur, etc.) they cannot survive in the normal situation. Neera is a beverage which has so many competitors, that too because of prohibition (no toddy can be sold), it has limited market. Palm jaggery, because of its appearance, higher cost, etc., could hardly compete with sugar and sugarcane jaggery.

Thousands of people depended on the handpounding industry a decade back. Slowly power driven mills came in a big way and dispensed the hand operation in milling the paddy into rice. It was estimated that rice mills of about 13000 with a capacity to hull 10 million tonnes of paddy have
come into existence in the State whose annual production is around 8 million tonnes. The milled rice in hullers, though less nutritious than the handpounded rice was cheaper and better looking and hence the polished rice from the mill was favoured and preferred by many people. Thus, the handpounding cooperative societies had to largely depend upon the Government patronage. The Jails, Hospitals and Hostels, etc. were compelled to buy the handpounded rice from the cooperatives by the Government. The present trend is that even these organisations under some plea try to switch over to the milled rice. Therefore, the hand pounded rice too suffered while vying with polished and milled/hulled rice in terms of appearance, colour, price, etc.

Likewise the pottery societies also lost ground because of their products' fragile property, changing fashions/trends in modernising the house-hold industry, etc. Perhaps the only village industry that was spared for sometime was bricks which was in common demand for construction purposes inspite of the hard rock, jelleys, etc. competing side by side.

Even in the rugged country side the pottery industry was facing a stiff competition from the aluminium, indoleum and other cheaper metallic industries which have made heavy inroads in the rural household sector. Only the fascinating designs of water jugs especially in summer season attract the population. Otherwise, the usage of pottery is fast dwindling in the urban and rural areas.

4.129 Thus, the major disadvantages suffered by the village industries are that they are becoming out-dated in the changing conditions, too many rivals have come to play and the tastes of the consumers are also so diverse and fast changing, there is no steady and regular scope for them to withstand these dynamic environments. Only through constant endeavour of hammering through publicity/propaganda/advertisement regarding
the strength of the properties of these articles, the demand has to be created and the consumers are to be roped into the use of the products of these village industrial cooperatives. In this direction hardly any effort has been done. Since poor artisans may not withstand the competition of the mill/large scale sector, certain village industries like oil, leather, etc. should be reserved for village industrial cooperatives similar to the reservations made for dhoties, sarees, etc., between the power-loom and hand-loom in the textile sector.

Improving the colour of the handpounded rice through polishing would help to push the rice more easily in the market. Of course, more polishing means too much of broken rice and less of vitamin content and the quality of handpounded rice reduced to that of the milled rice in terms of nutritive contents. However, to suit the taste of the consumer the industry will have to change itself and try to have more mass contact and establish its premises.

At present there is no sales promotion activity taken up for the products of the Village Industrial cooperatives. Channel of distribution:

4.130 The handpounding cooperatives were at the point of closure mainly because of the fierce competition from the mill polished rice and the defective purchases with lot of adulteration in the paddy procured which had resulted in the poor out-turn and high cost of rice, etc. The industry can diversify its activities by undertaking the manufacture of beaten rice and processing of pulses, etc. More publicity and propaganda should be done about the nutritive contents of the handpounded rice so as to attract the mass opinion in favour of using handpounded rice.

In the case of bricks and pottery societies, 80 percent of their production was sold on wholesale basis to private merchants and 20 percent in retail to the consuming public.

Pottery articles were taken on wholesale by private merchants and sold by them with very good margin of profit. To retain the margin enjoyed by the middlemen/merchants,
selling through some central cooperative organisation should be thought of. Similar is the case of bricks societies. Since Brick and Tile industry offers great scope for rural employment, Government should undertake programmes of rural housing schemes for which the bricks and tiles should be procured from these societies on preferential basis.

4.131 The products of Khadi and Village Industries departmental units were mostly sold through the departmental selling units like Khadi crafts, gramodyog sales depots, etc. The products of the village industrial cooperatives were disposed off by the societies themselves mostly. In some cases their products were taken up by the departmental selling units but it seldom happened. The products of the cooperative societies, of course, were given preferential treatment because articles like oil, soap, handpounded rice, khadi and handloom cloth, etc. were patronised by the Government Departments and the institutions like jails, hospitals, hostels of the Government run school etc. The existing Government orders indicating the graded preference for purchase of articles/goods by the Government Departments (from Jail Department, Tansi, Khadi and Village Industries Board etc.) should be revised. The village industrial cooperatives should be given the first preference. The handicrafts articles from all the artisans were normally procured and sold by the Government-run emporia in selected few places. The emporia seldom procured the products of the village industrial cooperatives. The reasons were best known to them.

Out of the 29 dormant societies studied under Group-C (i.e. Village Industrial cooperatives), 2 societies failed because of marketing problem, which was one of the major problems suffered by them and led them to dormant condition.
This is to be done by the Khadi and Village Industries Board by creating some apex multi-industrial federation, on the lines of the handloom sector where Cooptex does in a big way to help the primaries in procurement and marketing. Establishment of such a federation/sustained marketing outlets/agencies will go a long way to boost up the morale of the village industrial cooperatives.

4.131 For marketing of the products of Industrial cooperatives other than the weavers cooperative societies, a three tier structure of multi-industries federation with suitable staff is suggested and their functions would be as under:

(i) National Federation of Industrial cooperatives:

Though there is a national federation of industrial cooperatives, it does not cater to the needs of all the industrial cooperatives in the country because it is a body without any branches. Thus, in isolation a single unit with country-wide jurisdiction is unable to provide marketing service even for a handful of societies. Therefore, on the lines of the National Cooperative Development Corporation which has many branches all over the country and helps the processing and other cooperatives, the National Federation of Industrial Cooperatives also should have branches in important regions to function effectively.

Membership:

The membership of this National Federation would be state level federations. The Governments and National level cooperatives may be admitted as nominal members to enhance the share capital base only.

Functions: To arrange inter-state marketing of the products of the industrial cooperatives on its own or through the concerned state level federations of industrial cooperatives;
enter into export marketing either directly or through the existing agencies, open branches where State level federations are not viable or could not be organised; coordinate the functioning of the various State level federations and 6 statutory bodies (viz. Handicrafts Board, silk board, Coir Board, Handloom Board, Small Scale Industries Board and Khadi and Village Industries Board), carry on publicity propaganda for the products of the industrial cooperatives; arrange/participate in the exhibitions of the foreign countries for the products of the industrial cooperatives; collect and disseminate market intelligence; arrange for education and training of staff and office bearers; participate in the policy-making activities in the State/National level for developing industrial cooperatives etc.

(ii) State Federations of Multi-Industrial cooperatives:

**Membership**

9.132 The district level multi-industrial cooperative federations would be the members. However, the Government and the district level large sized cooperatives may be admitted to provide for a sound financial base for the federation.

**Functions**

It might act as link between the district level federations and all India federations. It would provide services to the District level federations by procuring, storing and distributing the raw materials, disseminate information with regard to design, technology, use of tools, technical advice through technical staff, extend guidance needed by the members and take up the marketing of finished goods to the national level federations as well as in the open market on whole sale and retail basis.

4.133 (iii) District Multi-industrial Co-operative Federation:

**Membership:** All the primary industrial cooperatives affiliate themselves to this district level federation.

If each district is not having adequate number of societies, then 2 to 3 districts may be grouped under one federation.
**Functions:** It would arrange for common production programmes/workshop type societies, provide common packaging facilities, arrange for transfer of technology from State level federations carry on extension work and member education, provide technical training and other help needed by the member societies. It would collect the demands of the societies and supply materials from the State federation, pool, the finished goods from the primaries and market through the State federation and of its own.

**C.10. Storage and Leakage**

4.134 The societies studied did not face the problem of storage of stock. They normally stored the products in the premises of the respective societies or in their godowns. The societies reported that there was no huge stock held at any point of time because the market was there for their products to move. Only thing was that the middlemen in the business bargained and took advantage in the process and the societies could not sell their products at fair prices and give the return to the artisans adequately, the purpose for which these societies have come into being.

Moreover, the societies did not have adequate holding capacity and they hardly stacked huge stock at any point of time. The handpounded rice, the neera, the palmgur more or less belong to the perishable group and can not be preserved for long. They have to be disposed off without waiting for long. This problem was not there in the case of bricks and pottery articles. But these articles occupied more space and thereby the societies were not in a position also to keep them for long as there might occur lot of wastage owing to breakage and pilferage. These societies were affected more by the natural calamities than the other industries. During rainy season, this industry can not function. In the case of heavy floods, the damage caused to this industry was beyond their capacity to redeem/bear. Many industrial
cooperatives in brick had come to grief only because of natural calamities besides other trivial reasons. Once loss was incurred on account of this, the societies could not get out of the danger of accumulated loss and deteriorated by and by.

Leakages

4.135 Though the societies maintained stock registers, excepting the auditor, nobody had checked them and no sign to that effect was made in those registers. Once a year the auditor appeared to have checked the books of accounts as seen from the audit reports. More than 80 percent of the societies did not keep the registers up to date and the incomplete records were found during the time of study visit to these societies. If there was any shortage in stock, it was said that the stock-in-charge (viz., the Presidents of the societies) made them good, as the responsibility rested with them.

The audit reports revealed that majority of the societies (more than 15 out of 29 dormant societies studied i.e. 79 percent) became dormant because of stock deficit which was one of the major reasons attributed to the dormant condition of these societies. In anticipation of it, reserves were created by the auditors (vide societies code numbers 0-5, 6, 7, 17, 18, 19, 29, 31, 32, 40, 42, 43, 44, 45, 47 of Appendix IV 0(2) pages 333 & 334

C.11. Supervision and audit

4.136 50 percent of the working societies reported that quarterly inspection was done by the supervisory staff from the respective Assistant Directors of Khadi and Village Industries Board of the concerned district. No information could be collected from the dormant societies in this regard.
The supervisory staff and the total number of societies in the four districts taken up for study were found as under:-

<table>
<thead>
<tr>
<th>Staff Societies</th>
<th>Total Societies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tirunelveli</td>
<td>8 : 400*</td>
</tr>
<tr>
<td>Tirunelveli</td>
<td>13 : 117</td>
</tr>
<tr>
<td>Thanjavur</td>
<td>4 : 92</td>
</tr>
<tr>
<td>Thiruvur</td>
<td>3 : 135</td>
</tr>
</tbody>
</table>

* Palmgar societies at Tuticorin. (Based on Table IV. page)

As on December 1977, roughly 400 palmgar societies were there in the Tirunelveli District under the control of the District palmgar federation, the details of which are given below:

<table>
<thead>
<tr>
<th>Circle</th>
<th>No. of Societies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuticorin</td>
<td>29</td>
</tr>
<tr>
<td>Nazerath</td>
<td>34</td>
</tr>
<tr>
<td>Vilathikulam</td>
<td>27</td>
</tr>
<tr>
<td>Pulaingudi</td>
<td>62</td>
</tr>
<tr>
<td>Ambassamudram</td>
<td>67</td>
</tr>
<tr>
<td>Udangudi</td>
<td>64</td>
</tr>
<tr>
<td>Nanguneri</td>
<td>77</td>
</tr>
<tr>
<td>Tisayahvilai</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
</tr>
<tr>
<td>Dormant</td>
<td>224</td>
</tr>
<tr>
<td>Working</td>
<td>169</td>
</tr>
<tr>
<td>Liquidated</td>
<td>7</td>
</tr>
</tbody>
</table>

Source:- Tirunelveli District Palmyrah Products Cooperative Marketing Federation.

4.137 On an average every hamlet was having at least a palmgar cooperative society. Out of 400 such societies 24 were dormant and 4 societies were on profit. Rest of them were on loss or just advancing loans and showed some collections. It was given to understand that amalgamation was not possible because these societies had been registered
under political pressure. The production capacity of these societies was estimated at Rs.9 crores per annum. Till 1977, loans to the tune of Rs.33 lakhs have been issued to these societies.

The 400 societies were under the control of the 8 circles of 50 each on an average under the charge of a senior Palmgur Inspector. Sometimes a Senior Inspector looked after 90 societies holding additional charge of the other Circles also. At the time of study visit (i.e. 1977) there were 8 Inspectors for 8 Circles covering 400 societies. Their duties and responsibilities were:–

(a) Inspection/enquiry and other statutory functions
(b) Enquiring petitions-preparation of loan applications for the societies, collection of loan instalments already distributed to them
(c) Conducting elections in the societies, implementing schemes of Khadi and Village Industries Board
(d) Preparing and reporting monthly and other needed progress reports of all the societies to the Assistant Director, Palmgur Federation as required by him.

In addition, he was required to write the records of the societies and attend to the correspondence on behalf of the societies as the Presidents, Board of Directors and the members were not able to do the above activities because of the illiteracy and other conditions.

4.138 It appears that there was hardly any yard stick used in appointing the supervisory staff. The number of societies for each supervisor to supervise was too unrealistic. The Working Groups on industrial cooperatives (1958 and 1963) set up by the Government of India also suggested that one supervisor for 20 societies would be the optimum. Therefore, more supervisory staff atleast at the rate of one supervisor for 10 societies is necessary.
More than 7, out of 29 dormant societies studied under the village industrial cooperatives had come to grief because of falsification of accounts, fabrication of records in the absence of proper supervision. Vide Appendices IV C(2) and IV.12 pages 333,114 & 115. In one case (society code C-29), though number of times the supervisory staff/officers paid inspection visits, bogus transactions could not be identified. In the first place, the society-supervisor ratio should be increased to bridge the gap by following some norm (1:10 as suggested above). Secondly, in order to make the supervision effective, instead of mere test-checking and ticking the credit, debit transactions on paper, actual transactions should be test-checked by contacting parties involved in the transactions at random. This might minimise bogus transactions and fabrication of records (societies with code numbers C-1, 2, 30, 40, 44 and 45) suffered on account of such problems (Page 314).

Charts IV C1, C2, C3 (Pages 319,320 and 321) reveal the position of set up of the district officers with the number of societies and the supervisory staff thereof.

Audit

All the societies were audited upto 1975-76 by the auditors working under the control of the Registrar of Cooperative Societies, Tamilnadu. All the working societies came under the classification 'C' category and the dormant ones under 'D' category.

In the case of Groups A and B there were government staff either on deputation with the societies as Chief executives/Secretaries/Special Officers or as Supervisory staff inspecting the societies at frequent intervals. Therefore, to a great extent the audit objections/defects were minimised and settled with their help. In the case of village industrial cooperatives falling under the Khadi and Village
Industries Board, the Chief Executives were non-officials/Presidents and the supervisory staff of the Khadi and Village Industries Board could hardly help these societies to settle the audit objections expeditiously. Hence, by and large it was found that the audit defects were not settled in almost all the societies and repeatedly mentioned in subsequent audit reports that the previous years audit objections were not settled.

4.140 This situation can be met only if there are either deputationists from the departments or paid executives appointed to exclusively run the affairs of the societies or alternatively more number of visit to these societies should be arranged as already stated. The present arrangement is too inadequate to supervise/control the large number of village industrial cooperatives.

C.12. FINANCE

Palmour Industry

4.141 Finance was canalised from the Khadi and Village Industries Board, Tamilnadu to the primaries through the District Palmour federations. The rate of interest paid for the loan by these societies was from 2.5% to 4 percent maximum for the last 10 years. The period of payment was 5 years, 3 instalments at 30 percent were paid at the end of 3rd and 4th years, and the balance (40%) at the end of the fifth year from the date of sanction of finance. As per Khadi and Village Industries Commission norms of financial assistance 6 to 15 percent per annum interest is chargeable on defaulted loans.

Out of the 28 societies studied, one society did not provide any information. 10 out of 27 societies did not borrow and they remained dormant, right from the beginning of their inception. Only 4 societies received loans for building and implements purposes. Rest of them received working capital/business loan. Out of 17 societies availed off loan, only 4 had repaid with nil balance. The remaining 13 had overdues outstanding as on 1976-77.
Handpounding of Paddy

All the 5 societies studied had received loans and grants from the Khadi and Village Industries Board. 3 working societies were provided with massive financial assistance in lakhs of rupees towards building, implements, work shed, stocking loan, godown, drying yard and so on. They were working because of more financial assistance liberally sanctioned by the Khadi Board.

Bricks

All the 8 societies were sanctioned loans and grants by the Khadi Board. 3 societies received loans as a special case free of interest and 2 of them repaid with nil balance. As on 1977-78, 7 societies had overdues and defaulted in repayment of loan to the Khadi and Village Industries Board.

Pottery

Out of 10 societies, details regarding financial help availed off by 3 societies were not available. The remaining 7 had received loans and grants from the Khadi and Village Industries Board. Only one society showed symptoms of success and was provided with large sum of financial assistance towards working capital, implements, etc. As in 1974-75, more than 50 percent of the financial assistance to this society was outstanding. Out of 29 dormant societies studied under group-C, 3 societies suffered the problem of inadequate finance as revealed by the data collected from the societies vide Appendices IV C-2 and IV.12 (Pages 333, 334 & 335).

4.142 From the above details it is evident that whenever massive financial assistance was provided either liberally or free of interest, the societies showed symptoms of survival by just rotating the money in the business. Finance was the only link between the societies and the producers/members. But for commercial business between them there was no involvement/commitment of the members in the business
activity of the cooperative as real owners of the enterprise. The feeling of oneness of the members with the cooperative organisation did not come spontaneously because they were ignorant of their role, responsibility and the basis of such an organisation. All that they knew was that Government had come in a big way to help these artisans by distributing the dole in the form of grants, subsidies and concessional finance. To bridge this gap and make the organisations to work well, there can not be a better solution than enlightening through member education and guiding/helping them in their endeavours by the Registering authorities/Government that given tremendous assistance/support made available from the Government, if there is a 'will' created on the part of the artisans, there can be always 'the way' nay, 'the successful way'.

Profit and loss position of Village Industrial cooperatives

4.143 The Table IV.7 (p.314) reveals the number of societies running on profit and loss, industrywise as per the financial details collected for 5 years of their working (in respect of working societies for 1970-71 to 1975-76 and in the case of dormant societies for 5 years before their dormant condition).

Out of the 55 societies taken up for study, 12 societies could not provide the information regarding the profit and loss position. Of the rest, 8 societies had profit and 33 incurred loss.

The amount of loss or profit incurred by these societies is given in the Table IV-7 page 314. The figures reveal that the handpounding of paddy industry only has some potential which has earned more profits in the range of Rs.29,000/- and above over the reference period of 5 years. There were 4 palmgur societies which have shown profits upto Rs.1000/- and only one pottery society which had earned
a profit between Rs.1000/- and Rs.10,000/-.  
In respect of loss incurred also the maximum loss incurred was in the case of handpounding of paddy industry. Two societies incurred losses between Rs.20,000/- and rupees one lakh.

In the overall position of village industrial cooperatives, out of 33 societies incurred losses, 11 societies (i.e. one third) had suffered loss above Rs.10,000/- and below Rs.20,000/- Pottery and brick societies had the lion's share in the losses incurred.

C.13. Causes for dormancy

4.144 The major reasons indentified in respect of all these societies were not one and the same. They suffered losses and came to dormant condition owing to a variety of reasons as outlined in the hypotheses of this study. The brief details of each of these societies studied and the reasons for dormancy are summed up in the following pages in respect of each society Appendix IV (C1) pages 314-318
The position of the active/working societies was by large not different from the dormant ones and the information on certain important aspects of their working is also listed out along with the dormant societies in the Appendix IV C(1) Pages 314-318 so that one can understand the differences between them. The major factors responsible for their survival were: the societies were of recent origin, good leadership committed to the organisation was available, the members of the societies were loyal to the society, the product of the society was of good quality, there was massive financial assistance made available by the Khadi and Village Industries Board, etc.

4.145 Regarding the revitalisation programme of these industrial cooperatives, no serious measures have been taken up by the Khadi and Village Industrial Board, barring issuing
directives to the field level officers to take adequate steps to show progress of the industrial cooperatives in the state. Therefore, it is of utmost importance to make efforts to work out a strategy for taking up the revitalisation programme to resusitate the village industrial cooperatives in the state. The attempt in the case of Group 'A' and 'B' is worth emulating by Group 'C': The viable, potentially viable and non-viable societies have to be classified and amalgamation or revitalisation or liquidation as the case may be have to be attempted in a phased manner.

4.146 The important suggestions made for Group C are the following:

Common workshed type of production by societies are suggested for organising industrial cooperatives. Before registration, feasibility reports should be prepared and one taluk one society approach suggested. Increasing in membership and mobilising share capital are to be done to make the societies viable. Member education drive and training of staff and higher officials responsible for the organisation and development of these cooperatives suggested. Centrally located technical institute to train the artisans is recommended. The functions of decision making (by the Board) and the executive (by the paid executive) should be demarcated. The services of the Gram Sevak and unemployed youth is suggested in the developmental activities of village industrial cooperatives. To market the products and procure raw materials wherever necessary a multi-industrial federation is recommended. More publicity is advised for the products of these cooperatives and reservation of production activities for village industries suggested. Their products should be given first preference by the Government while purchasing. Supervisory staff society ratio norms should be developed @ 1 supervisor for 10 societies.
### Appendix IV (C) Group-C

#### Reasons for Dormancy - society-wise details for Village Industrial Cooperatives

<table>
<thead>
<tr>
<th>Society Name</th>
<th>Skeleton Details of the Societies</th>
<th>Reasons for Dormancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1. Palm gur</td>
<td>Registered - 1948 Dormant from 1970-71 8 years not working - District Jaffagur Federation paid a loan of Rs.15,000/- to the members &amp; 2 1/2% interest payable in one year. 1966-69 loan outstanding Rs.2300/- 1970-71 balance Rs.2500/- Net loss as follows - Rs.69 = Rs.395/- 70-71 = Rs.305/- 71-72 = Rs.379/- - Non-utilization of accounts by the President Rs.600/- Sec.65 enquiry conducted members not interested in the society's affairs.</td>
<td></td>
</tr>
<tr>
<td>C2 F.J.C.S. Udankudi</td>
<td>Registered in 1949 Dormant in 1969-70 not working for the past 8 years - share capital loan Rs.2150/- and loss of Rs.21,600/- at 2 1/2% interest was given by the federation repayable in one year 1977-78 outstanding Rs.1054/- 70% of the loan issued to only 10 members by the President but shown as issued to 66 persons as revealed by the enquiry report. Not loss upto 1974-75 Rs.5467 1975-76 Rs.507 1977-78 Rs.5443 Sec 66 enquiry conducted</td>
<td></td>
</tr>
<tr>
<td>C3 F.J.E.S. Thanjavur</td>
<td>Registered in 1949 Dormant from 1970-71 8 years now not working - working capital loan Rs.6000/- given at 2 1/2% interest repayable in one year - member share capital loan given Rs.1000/- 1968-69 towards no transaction - reserves created Rs.15/- Due to Rs.394/- outstanding member loan; Net loss 75-76 Rs.642/- 76-77 Rs.642/-</td>
<td></td>
</tr>
<tr>
<td>C4 F.J.C.S. Alenthalai</td>
<td>Registered in 1949 Dormant from 1970-71 now 8 years not working - working capital loan 1974-75 net loss Rs.1968/- In 1976 revived by giving member loan Rs.25,000/- In 1977 outstanding was Rs.22000/-</td>
<td></td>
</tr>
<tr>
<td>C5 F.J.C.S. Koilambakkam</td>
<td>Registered in 1949 Dormant from 1970-71 now 8 years not working - working capital loan Rs.6000/- given at 2 1/2% interest repayable in one year - member share capital loan given Rs.1000/- 1968-69 towards no transaction - reserves created Rs.15/-</td>
<td></td>
</tr>
<tr>
<td>C6 F.J.C.S. Nappilimyuran</td>
<td>Registered in 1949 June 1970 onwards dormant now 8 years not worked Assistance given - Staff subsidy Rs.1125.00 Pension Rs.435.00 Rent Rs.360.00 In 1976-77 loss Rs.6000/- Stock deficit 69-70 Rs.666.00 70-71 Rs.169.00 77-78 Rs.61.00</td>
<td></td>
</tr>
<tr>
<td>C7 F.J.C.S. Iyervai</td>
<td>Registered in 1949-August 1968 onwards dormant 10 years not working - no subsidy - no stock deficit 62 to 71 Rs.700/- Society due to Federation Rs.641.00 net loss 76-77 Rs.12457.00 77-78 Rs.12457.00</td>
<td></td>
</tr>
<tr>
<td>C8 F.J.C.S. Maravanadram</td>
<td>Registered in 1949-Dormant from 1968-10 years not worked - 206 members with share capital Rs.172 Share capital loan Rs.500; working Capital loan Rs.4263 given in 1968-All are outstanding</td>
<td></td>
</tr>
<tr>
<td>C9 F.J.C.S. Neel Armsagarat</td>
<td>Registered in 1948-Dormant from 1962 onwards had not worked for 16 years in 1962 loan given by the federation Rs.250/- not repaid</td>
<td></td>
</tr>
<tr>
<td>C10 F.J.C.S. Tharavakulam</td>
<td>Registered in 1948-Dormant from 1969 to 75 not worked for 8 years - implements subsidy Rs.250/- received by the society only licence was issued for tapping the trees 1976 revied by giving a loan of Rs.11,200/- + Rs.1600/- Implements subsidy was also given - Net loss 75-76 Rs.197.00 76-77 Rs.200.00</td>
<td></td>
</tr>
</tbody>
</table>

- Missappropriation of the President-falsification of accounts -disinterested members
- President's vested interest - bogus records created
- Members do not come to the society - individually work and do business - one guided them or helped in any way till 1976. Only licence was issued by the society to tap trees. Inefficient management
- Business not undertaken from 1966-69 - Working Capital loan only is outstanding - members not interested
- Business not undertaken from 1966-69 - Working Capital Loan only is outstanding - members not interested
- Members do not repay the loan - President did not initiate any action to collect - stock deficit
- Because of Departmental pressure some production and sale is being shown in the accounts of the society
- Members not interested in the society - Fishing and salt collection are attractive occupations in the area. Society only organised and not functioning for long.
- Prior to revival in 1976, members did business of their own and so activity in the society - not helped or guided
C.I. I., J.C.S.

Registered in 1948. Dormant from 1962-66 years dormant-no assistance given by Board not worked-for 15 years in 1974 net loss Rs.135.00; 76-77 Rs.150.00

No business do-

C. 12 I., J.C.S.

Kottamangal

Registered in 1948-Dormant from 1963-65 years not worked-no assistance given by Board is the area, net loss Rs.365.00 in 1974 as shown as active

Not functioned-no available records-active occupation of an alternative business activity.

C.13. . I., J.C.S.

Sirupuddu

Swamiyarpuram

Registered in 1945-Dormant from 1969-8 years not worked-assistance given by Board not worked-for 8 years in 1974 net loss Rs.135.00-

President's vested interest-donations no transactions shown in the records of the society.

C.14. I., J.C.S.

Eravagiri

(Active)

Registered in 1949-Working well-building with 5, full-time clerks Rs.17,500/- borrowing for working capital and repaid in full in 1974-

Devoted leadership-members loyalty/

C.15. I., J.C.S.

Virudhumull

(Active)

Registered in 1949-Borrowers-all from 1970 to 1975 there was no production and sale in the society-two members did the business themselves-loans upto 1974-75 Rs.75.00)-(Rs.2000.00) 76-77 Rs.2000.00-fibre and jaggery sold to the district federation and partly sold to private merchants also

Practically dormant-members not interested-President (sympathiser) donates.

C.16. I., J.C.S.

Fuliangudi

(Active)

Registered in 1949-In 1966 member loan given Rs.6500/- and in full in 1974 borrowed Rs.2000/- working capital loan Rs.5000/- in 5 years-outstanding in 1978-

Poor management few transactions shown-because of continuous losses on the verge of dormancy.

C.17. I., J.C.S.

Subramanyapuram

(Active)

Registered in 1949-Borrowed Rs.3200/- working capital loan Rs.5000/- in 5 years-interest repayable in 5 years-Outstanding Rs.7500/- in 1978-

In this area Dist. Federation branch is there-Good leadership jaggery is fine quality-salesman-Clark are there.

C.18. I., J.C.S.

Enat Shannagapuram (shown as active)

Registered in 1949-dormant from 1970-71 not working for 8 years-Borrowed Rs.75.00/- working capital loan Rs.2000/- in 5 years-

Fertile area, season for 9 months- 

C.19. I., J.C.S.

Venbar Subramanyapuram (shown as active)

Registered in 1947-1970 dormant-8 years not worked-share capital loan Rs.2000/- working capital loan Rs.1200/- paid in 1970 outstanding Rs.17.500/- loan up to 1975-

Majority of the members were sympathetic-members advance locked up-

C.20. I., J.C.S.

Ettunebettapatty

(shown as active)

Registered in 1949-1970 dormant-8 years not worked-share capital loan Rs.2000/- working capital loan Rs.1200/- paid, in 1970 outstanding Rs.17.500/- loan up to 1975-

Tapping and agriculture are there in the area transaction shown in the season because loan is available off-efficient management.

C.21. I., J.C.S.

Chidambaramangal

(Active)

Registered in 1970-1976 tapper members only-scheduled caste 1976 working capital loan Rs.10.500/- given to 42 members 1975 net profit Rs.1500/-

Members are loyal-new society-one caste-beginning stage-more enthusiastic members.

C.22. I., J.C.S.

Tangare

(Dormant)

Kottuthottam

Registered in 1960-Dormant from 1960-1961 years not worked-sold to the treasury in 1961-62 members not interested-agriculture was more profitable-

members not interested-agriculture was more profitable

C.23. I., J.C.S.

(unknown)

Talgattur

Registered in 1949-Dormant from 1970-8 years not worked-From 1949 to 1973 one man was president he died in 1975-records not available-no elections-

No leadership except one man shows members not interested-no records available
Audit reports from 1970 only were available and the defects of the previous years were stated to have been not settled—none interested.

C31. P.J.C.S. (Active) Kivalur

Registered in 1969—licence is issued and commission is paid to the society—wines sold by the individuals then solves no borrowings.

Difficulties: The society was organized by the Congress Party and congressmen are there in the society—the ruling party (K.K.A) interfered in the affairs of the society—Police harassed the toddy tappers and got their share if neera is delayed for some hours, it becomes toddy and liable for arrest as prohibition is in order.

C32. P.J.C.S. (Active) Thirukkakkallikulam

Registered in 1969—licences are issued from 1969, liquidated now—reserves created in 1971-72 Rs.15,638/-action not taken to recover the overdrafts of more than Rs.2000/- time barred claims—75 items bogus and fictitious sole-stock deficits more than Rs.1000/- supervision visits paid a minimum of 4 to 18 times per year but bogus transactions not identified—no test checking of the transactions done.

C33. -do- Payyanakottai (Venes)

Registered in 1967. Dormant from 1967-liquidated now—Against the provisions of the bylaw a man was appointed in the women society—misappropriated-falsification and bogus accounts maintained—sugar purchases done in paddy.

C34. -do- Melkadadyangallur (Active)

Registered in 1957—good quality products made—enlightened leadership—government loan Rs.1 lakh—trained staff—workshop type of society.

Audit reports from 1970 only were available and the defects of the previous years were stated to have been not settled—none interested.

C35. K.P.P. Kooruskud

Registered in 1957—viability society-workers managed—good leadership—mutual cooperation among the workers—raw material and marketing no problem—received from the Khadi and Village Industries Board sizable assistance.

C36. -do- (Dormant) Eravadi Narajan

Registered in 1963—dormant in 1963—1972-6 years not worked—absence of members support—continuous loss—every one left the business—agriculture was profitable—Narajan Society.

C37. -do- Chilkaramaram

Registered in 1963—became dormant in 1972-6 years not worked—absence of members support—continuous loss—every one left the business—agriculture was profitable—Narajan Society.

Good leadership—financial incentive (subsidy because of prohibition) attracts members—commission received and hence shown as working society.

Good leadership—lender of the tappers community—(mirrador) but work for his community.
C39 -do-

Vadakkulam

Kollam

Registered in 1966-continuous loss-indiscipline wages paid too may irregularities in accounts-too many defects pointed out by audit not rectified.

C40 ->

Veelijur

C39 -do-

Kollam

Registered in 1955-became dormant in 1972-liquidated wages advance outstanding Rs.1153/- stock deficit Rs.2550/-

C41 Bricks (Dormant)

Kollam

Registered in 1964-became dormant in 1973-more 5 years not worked - equity conducted-president dominated-avoided the money-khadi Board loan Rs.2146/- given Rs.705/- outstanding in 1978-rare material unsuitable for brickmaking-Harijan members do not know the know-how to make the bricks-they were agricultural labourers.

C42 -do-

Kollam

C41 -do-

Kollam

Registered in 1962-became dormant in 1974-5 in April 1976-potteries is seasonal product-potters sell for exchange of palmy/rice-Hence avoid selling through the society-potter per rupees in the combination charged by the society-Harijan-interested to sell through the society-dormant-they are fragile goods, stock defects come up more-no responsibility fixed for this (C41 & 42) were started under Harijan Development scheme. But they were agricultural labourers not knowing how to make the pottery articles/bricks-day was brought 10 miles away from the societies-cost of production went-up-the 2 societies were under additional charge for supervision-no guidance was made available-agricultural wage Rs.7/- per day whereas the society paid Rs.5/- per day. Price in the board (4W) a (4WE) groups.

C43 Bricks (Dormant)

Solopandy

Registered in 1961-4 years ran on profit-became dormant in 1970-72 in 1966, 1 lakh bricks + Rs.700/- worth firewood kept on the banks of the river lionini was washed away in floods-Hence Rs.1300/-/reserves created-no working capital-15 members only worked.

C44 Pottery (Dormant)

Kollam

Registered in 1963-became dormant in 1969-10 years not worked - liquidated-Due to society not conducted Rs.6197/- cash advance not recovered Rs.750/- Stock deficit Rs.571/- only 4 members were working in 1968-net loss Rs.6847/- reserves created.

C45 ->

Kollam

Kollam

Registered in 1954-became dormant in 1975-no work done-Byelaws and records-missing-stock deficit too much-liquidated.

C46 Pottery (Dormant)

Puranangalam

Registered in 1956-became dormant in 1972-records not available-wages advance from the members not collected Rs.143/- reserves created Rs.13830/- liquidated.

C47 -do-

Ithi

Ithi

Registered in 1959-adequate share capital + Khadi Board loan of Rs.31,348/- and grant of Rs.39,643/- received stock deficit Rs.767/- heavy stock sold below cost price-1 manager + 1 clerk + 1 salesman appointed-not loss as on 1976-77 Rs.1,497/- in 1976 indiscipline sales affected-records poor maintenance-many audit defects-credit sales and wages advance given against bills.

C48 ->

Thenpotthal

Ithi

Registered in 1947-Khadi Board finance/loan Rs.179331/-plus grant of Rs.67,536.00 received, ran on continuous loss-1 manager + 4 clerks + 1 salesman appointed-not loss as on 1976-77 Rs.1,497/- in 1976 indiscipline sales affected-records poor maintenance-many audit defects-credit sales and wages advance given against bills.

C49 -do-

Kollam

Kollam

Registered in 1953-became dormant in 1969-liquidated worked for 6 years-nominated board only-25 members were paid advance of Rs.25/- each and was outstanding-members paid advance Rs.25/- each and was outstanding-members did not sell through the society.

C50-Pottery

Gopalasamudram

Registered in 1965-became dormant in 1972-liquidated, working capital loan Rs.5300/- given Rs.4200/- was not repaid Rs.3100/- grants given-nominated Board was managing-members did not sell through the society.

C51 ->

Kollam

Kollam

Registered in 1959-became dormant in 1969-10 years not worked-records not available-Board not interested-lack of finance was said to be the reason for disinterest of the members.

C52 ->

Vazhakottai

Kollam

Registered in 1960-became dormant in 1969-60 enquiry report though conducted was not available from the District Khadi and Village Industries Officer-4th Marar Dam Records in the society was also not available-members interviewed revealed the following:

Breakage in the articles was not properly accounted in

The name sake active on the verge of dormancy

Vested interest and disloyalty of the President-disloyalty of the members

Falsity, corruption, falsity, corruption

Illiterate members-insufficient supervision

Raw material not suitabled-knowledge not known to members.

No feasibility study

Inadequate supervision-raw material not available in the society

Lack of leadership-disloyal members-insufficient supervision-poor management.

Poor management-no leadership-disinterested members-insufficient supervision.

Poor management-no leadership-disinterested members-insufficient supervision.

Only because of heavy doses of finance, the society is working still is not well with the society-1 manager + clerk working.

Dishonest membership-insufficient management-lack of Leadership-insufficient management to attract alternative occupations.

Dishonest membership-insufficient management of leadership.

Loan of leadership-poor management-no records available-insufficient finance.

Distrust in the leadership-members disloyalty-not sold through the society-disinterested because not economical-not profitable.
the records by the President-quarrels came up not
sold through the society-potters sold the articles
for exchange of paddy individually-pottery was
uneconomical when compared to Aluminium in the
village and many switched over to, from pottery
articles-business was not profitable when compared
to the allied avocation like agriculture.

Registered in 1962-Started as pottery society-but
converted into brick society-because local clay was
not suited for pottery - members do not sell through
the society - sell themselves-work in the work shed
of the society and pay commission of 3 to 5% (1976-77)
Rs.7/- per 1000 bricks produced-the expottery training
centre was used by the members without any rent and
they individually produce, stock and sell the bricks-
if jointly produced, nobody took the responsibility
of breakages-all of them were relatives and lot of
funds developed - hence not able to cooperate and
work together.
**SET UP OF THE OFFICE OF THE ASSISTANT DIRECTOR OF KHAIDI AND VILLAGE INDUSTRIES BOARD, TIRUNELVELI.**

**TIRUNELVELI DISTRICT AS A WHOLE (KHAIDI AND VILLAGE INDUSTRIES)**

<table>
<thead>
<tr>
<th>1 Assistant Director at Tuticorin</th>
<th>1 Assistant Director at Tirunelveli for 4 Taluks of Tirunelveli for Khadi and Village Industries excluding Palamgur Industry.</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Palamgur for all Palamgur Cooperative Societies in the Dist.</td>
<td>1 Assistant Director at Kovilpatti for 4 Taluks of Tirunelveli for Khadi and Village Industries excluding Palamgur Industry.</td>
</tr>
</tbody>
</table>

**400 Palamgur societies**
- 169 working
- 224 Dormant
- 7 liquidated
- 8 Inspectors supervisory staff

The Village Industrial Cooperatives falling under the Assistant Director, Tirunelveli taken up as the sample of societies selected for study fell under his control. The study of Palamgur societies is separately discussed. The set up of the Office of the Assistant Director, Khadi and Village Industries Board, Tirunelveli was as under

**Assistant Director (1)**

<table>
<thead>
<tr>
<th>Establishment Section</th>
<th>Scheme Section</th>
<th>Coop. Section</th>
<th>Khadi Section</th>
<th>Sub Centres-10</th>
<th>Village Industries other than Cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Clerk</td>
<td>I Grade Assts.</td>
<td>C.S.E.-1</td>
<td>Khadi Kraft-ChNOS.</td>
<td>Rural Textiles Centres-1</td>
<td>Paper Units-2 Matches - 2*</td>
</tr>
<tr>
<td>1 Clerk</td>
<td>II Grade Assts.</td>
<td>S.I. - 2</td>
<td>Khadi Kraft-ChNOS.</td>
<td>Rural Textiles Centres-1</td>
<td></td>
</tr>
</tbody>
</table>

*Since transferred to Director of Industries and Commerce with effect from November '77*

**Note:**
- Till November 1977, there were 36 village industrial cooperatives to be supervised by 5 Inspectors and 1 Cooperative Sub Registrar with 2 Senior Inspectors at Office of the Assistant Director for general office duties and maintenance of records etc. Of course, the 5 field inspectors were there to attend their office duties (files) and went to the field to supervise inspect them for 10 to 15 days in a month. Maximum number of man days they spent on arbitration cases and sending periodicals, progress reports etc. From November 1977, after clearcut bifurcation of activities between the Director of Industries and Commerce and the Khadi and Village Industries Board, 11 more societies (8 Kora mat and 1 leather and 2 cane and bamboo) in the District were transferred from the former to the latter together with 5 inspectors and 2 supervisors. Thus from November 1977, there were 47 cooperative societies and 13 staff to look after them in the office of the Assistant Director, Khadi and Village Industries Board, Tirunelveli.
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COLUMN IV.C2

DISTRICT KHADI AND VILLAGE INDUSTRIES OFFICE, THANJAVUR

District Khadi and Village Industries Officer

<table>
<thead>
<tr>
<th>Establishment Section</th>
<th>Khadi Section (No Coops.)</th>
<th>Village Industrial Section</th>
<th>Palmgur *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>Khadi Inspector</td>
<td>Cooperatives</td>
<td>Other than Coops (Units)</td>
</tr>
<tr>
<td>Clerks</td>
<td>7 Khadi Sales Depots</td>
<td>1 C.S.R.</td>
<td>District Inspector of</td>
</tr>
<tr>
<td>Typist</td>
<td>2 Sub Centres</td>
<td>3 S.Is.</td>
<td>Cottage Industries</td>
</tr>
<tr>
<td>Cashier</td>
<td>5 Rural Textile Centres</td>
<td>Total Societies-92</td>
<td>Liquidated-23</td>
</tr>
<tr>
<td></td>
<td>1 Tailoring Unit</td>
<td>Working -33</td>
<td>1 Soap</td>
</tr>
<tr>
<td></td>
<td>1 Main godown</td>
<td>Dormant -36</td>
<td>1 Match</td>
</tr>
<tr>
<td>Class-IV</td>
<td></td>
<td>Liquidated-23</td>
<td>1 Inspector</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 Supervisor</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3 Workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10 Workers</td>
</tr>
</tbody>
</table>

* At the time of Visit i.e. May '76 it was reported that there were 30 lakhs palmgur trees in the District. 34 Palmgur Cooperative Societies were registered of which 27 were working and 7 were dormant.
At the time of visit (5.5.76) the Head Office (viz. District Khadi and Village Industries Officer, Tiruvarur could not provide statistics as needed (for more than one year) because:

(a) there was hardly any system of reporting introduced in the office.

(b) files were in pelmell condition and were destroyed after 3 years.

(c) did not maintain the records in such a way so as to supply adequate and immediate information.

TABLE IV - 2
Profile of Chief Executives of Tamilnadu in the Industrial Cooperatives.

<table>
<thead>
<tr>
<th>Group</th>
<th>Education</th>
<th>Paid</th>
<th>Honorary</th>
<th>Deputationist</th>
<th>Regular Appointment</th>
<th>Years of Service</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>a b c d e f g</td>
<td>2 9 T 2 4 1</td>
<td>8 12</td>
<td>3 5</td>
<td>12 Presidents 12 to 15</td>
<td>12 to 15 years</td>
<td>3 H. Inspect- tors 2 years each</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3 Managers 30 years (2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 Secretary &amp; 16 years(1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 Clerk 15 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2 years</td>
</tr>
<tr>
<td>B</td>
<td>- - 1 4 1 -</td>
<td>2 partial cost-</td>
<td>7</td>
<td>-</td>
<td>3 SIC</td>
<td>2 years (each)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2 ASIC(Addl.charge 2 a * a</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2 ASIC(Addl.)*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 8 7 10 14 1 1 2 2 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5 1 - 1 - 1 - 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2 7 - 7 - 7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10 1 0 6 10 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4 1 0 10 4 4</td>
</tr>
<tr>
<td>C</td>
<td>Falmur (28)</td>
<td>4 4 4 3 1</td>
<td>28 Presidents</td>
<td>- -</td>
<td>28 Presidents</td>
<td>4 10 10 4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>HFP (7)</td>
<td>5 1 1 1</td>
<td>6</td>
<td>-</td>
<td>1 Manager 1 Manager</td>
<td>3 3 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brick (9)</td>
<td>2 4 2</td>
<td>6</td>
<td>-</td>
<td>6 Presidents 5 K.M.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pottery (10)</td>
<td>3 7</td>
<td>10</td>
<td>-</td>
<td>10</td>
<td>6 2 2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total 53</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.8 8-10 11-20 Above 20</td>
</tr>
</tbody>
</table>

Note: Figures in parenthesis denote the total number of societies studied.
(*) Society existed only on paper
(a-) Illiterate; (b-) read & write; (c-) upto SSLC (d) SSLC (e-) Pre-university;
(f-) degree/diploma; (g-) not available SIC-Secretary of Industrial Cooperative Society;
ASIC - Assistant Secretary of Industrial Cooperative Society.
Group A is Handloom; B is Industrial Cooperatives of the Department of Industries and Commerce;
C is village industrial cooperatives of the Khadi and Village Industries Board.

TABLE IV-1
Registration and Area of Operation particulars of the societies studied.

<table>
<thead>
<tr>
<th>Group</th>
<th>Total No. of societies studied</th>
<th>Span of time from registration to 1976 (co. of years)</th>
<th>Area of operation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 5 years</td>
<td>6 to 10 years</td>
<td>20 to 30 years</td>
</tr>
<tr>
<td>A</td>
<td>21</td>
<td>1 3 7 10</td>
<td>7 Societies had only 2 streets 4 * 4 to 10 k.m. 9 * 1 did not report</td>
</tr>
<tr>
<td></td>
<td>B 7</td>
<td>1 2 4</td>
<td>2 Societies upto 4 K.M. 5 Societies 4 to 10 K.M.</td>
</tr>
<tr>
<td>C</td>
<td>28</td>
<td>1 27</td>
<td>23 Societies had upto 4 k.m. 5 Societies 4 to 15 k.m. 2 * up to 4 k.m. 5 * 4 to 10 k.m. 8 * up to 4 k.m. 10 * 3 to 5 k.m.</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td></td>
<td>43 Societies within 5 k.m. 10 Societies above 5 k.m.</td>
</tr>
</tbody>
</table>

Source: Data collected from the societies
* indicates the no. of societies dormant and falls in the range of years.
<table>
<thead>
<tr>
<th>Group</th>
<th>No. of members</th>
<th>At the start</th>
<th>1974-75 position</th>
<th>Amount of Share capital (Rs.)</th>
<th>At the start</th>
<th>As on 1974-75</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of societies</td>
<td>No. of societies</td>
<td></td>
<td></td>
<td>No. of societies</td>
<td>No. of Societies</td>
</tr>
<tr>
<td>A</td>
<td>10 to 25</td>
<td>1</td>
<td>-</td>
<td>Below 500</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>26 to 50</td>
<td>1</td>
<td>-</td>
<td>501 to 1000</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>51 to 100</td>
<td>3</td>
<td>5</td>
<td>1001 to 2000</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>101 to 200</td>
<td>1</td>
<td>10</td>
<td>20001 to 50000</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>201 to 300</td>
<td>-</td>
<td>2</td>
<td>Above 50000</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>301 and above</td>
<td>-</td>
<td>3</td>
<td>Not available</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Not available</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>10 to 25</td>
<td>-</td>
<td>-</td>
<td>Below 500</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>26 to 50</td>
<td>3</td>
<td>-</td>
<td>501 to 1000</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>51 to 100</td>
<td>-</td>
<td>3</td>
<td>10001 to 20000</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>101 to 200</td>
<td>1</td>
<td>2</td>
<td>20001 to 50000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>201 to 300</td>
<td>1</td>
<td>2</td>
<td>Above 50,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>301 and above</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not available</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>10 to 25</td>
<td>13</td>
<td>9</td>
<td>Below 500</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>26 to 50</td>
<td>4</td>
<td>9</td>
<td>501 to 10000</td>
<td>10</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>51 to 100</td>
<td>2</td>
<td>9</td>
<td>Above 10000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>101 to 200</td>
<td>5</td>
<td>8</td>
<td>Not available</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>201 to 300</td>
<td>6</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>300 and above</td>
<td>4</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not available</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Source: Based on data collected from the societies.
### TABLE IV - 4

**DETAILS OF SHARE VALUE OF PRIILARIES (INDUSTRIAL COOPERATIVES) AND MEMBERSHIP IN FEDERATIONS**

<table>
<thead>
<tr>
<th>Group</th>
<th>SHARE VALUE</th>
<th>MEMBERSHIP OF FEDERATION</th>
<th>BENEFIT ACCRUED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees No. of societies</td>
<td>Rupees No. of societies</td>
<td>Coopex</td>
</tr>
<tr>
<td>A</td>
<td>10 13 20 1 1 25 3 100</td>
<td>Rupees No. of societies</td>
<td>Coopex</td>
</tr>
<tr>
<td></td>
<td>40 50 100</td>
<td>N.A. 2 N.A. 2</td>
<td>Coopex, Spinning Mill 1</td>
</tr>
<tr>
<td></td>
<td>2 13</td>
<td>N.A. 2 N.A. 2</td>
<td>Coopex, Printing</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>N.A. 2 N.A. 2</td>
<td>N.A. 3</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>N.A. 2 N.A. 2</td>
<td>N.A. 3</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>N.A. 2 N.A. 2</td>
<td>N.A. 3</td>
</tr>
<tr>
<td></td>
<td>1 20 50 20</td>
<td>N.A. 2 N.A. 2</td>
<td>N.A. 3</td>
</tr>
<tr>
<td></td>
<td>5 10 100 1 100</td>
<td>N.A. 2 N.A. 2</td>
<td>N.A. 3</td>
</tr>
<tr>
<td></td>
<td>20 20 100 1 100</td>
<td>N.A. 2 N.A. 2</td>
<td>N.A. 3</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>N.A. 2 N.A. 2</td>
<td>N.A. 3</td>
</tr>
</tbody>
</table>

**Note:**
- Rupees - No. of societies
- Coopex: got raw material and sold cloth
- Coopex, Spinning Mill: got books and forms
- Coopex, Printing: printed Federation
- N.A.: not available
- Denotes membership of D.H.L. Weavers Federation
- Palmgur societies were members of the D.H.L. Weavers Federation.
- All workers representing the castes of Brahmins 1, Koirar 3, Mudaliar 43, Ghotier 21, Wivanga 20, Sengundar 3, Baker 3.
- All weavers representing the castes of Brahmins 1, Koirar 3, Mudaliar 43, Ghotier 21, Wivanga 20, Sengundar 3, Baker 3.
- All workers representing the castes of Brahmins 1, Koirar 3, Mudaliar 43, Ghotier 21, Wivanga 20, Sengundar 3, Baker 3.
- All workers representing the castes of Brahmins 1, Koirar 3, Mudaliar 43, Ghotier 21, Wivanga 20, Sengundar 3, Baker 3.
- All workers representing the castes of Brahmins 1, Koirar 3, Mudaliar 43, Ghotier 21, Wivanga 20, Sengundar 3, Baker 3.
- All workers representing the castes of Brahmins 1, Koirar 3, Mudaliar 43, Ghotier 21, Wivanga 20, Sengundar 3, Baker 3.
- All workers representing the castes of Brahmins 1, Koirar 3, Mudaliar 43, Ghotier 21, Wivanga 20, Sengundar 3, Baker 3.
- All workers representing the castes of Brahmins 1, Koirar 3, Mudaliar 43, Ghotier 21, Wivanga 20, Sengundar 3, Baker 3.

**Source:** Data collected from the societies.

### TABLE IV - 5.

**PROFILE OF THE MEMBERSHIP (BOARD OF DIRECTORS) OF THE INDUSTRIAL COOPERATIVES OF TANJORE**

<table>
<thead>
<tr>
<th>Group</th>
<th>Age</th>
<th>Education</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 40</td>
<td>40</td>
<td>Total</td>
</tr>
<tr>
<td>A</td>
<td>25 60 90</td>
<td>1 70</td>
<td>14 - 14</td>
</tr>
<tr>
<td></td>
<td>91</td>
<td>Upto SSLC Total</td>
<td>For backward</td>
</tr>
<tr>
<td>B</td>
<td>18 23 41</td>
<td>7</td>
<td>33 1 - 41</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>24 100 130</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Hand-</td>
<td>pounding</td>
<td>4 10 14</td>
</tr>
<tr>
<td></td>
<td>Bricks</td>
<td>4 11 15</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Pottery</td>
<td>13 11 24</td>
<td>24 - 24</td>
</tr>
<tr>
<td>Total</td>
<td>45 132 185</td>
<td>36</td>
<td>133 - 133</td>
</tr>
<tr>
<td>G.TOTAL</td>
<td>88 227 315</td>
<td>42</td>
<td>180</td>
</tr>
</tbody>
</table>

**Source:** Based on data collected from the societies.
<table>
<thead>
<tr>
<th>Range of amount</th>
<th>Group-A (Handlooms)</th>
<th>Sales (No. of societies)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
</tr>
<tr>
<td>Below 1000</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>1001 to 5000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5000 to 1 lakh</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>1.5 to 1.5 lakhs</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>1.5 to 2 lakhs</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>above 2 lakhs</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group-B (Industrial cooperatives of the Department of Industries and Commerce)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 1000</td>
</tr>
<tr>
<td>1000 to 5000</td>
</tr>
<tr>
<td>5000 to 1 lakh</td>
</tr>
<tr>
<td>above 1 lakh</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

* Not available.

Note: Over the reference period of 5 years, the maximum and minimum amount of production and sales of each society was taken to prepare the table.

Source: Data collected from the societies.

<table>
<thead>
<tr>
<th>Group-C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palamau</td>
</tr>
<tr>
<td>Below 1000</td>
</tr>
<tr>
<td>1000 to 5000</td>
</tr>
<tr>
<td>5001 to 1 lakh</td>
</tr>
<tr>
<td>1 lakh to 1.5 lakhs</td>
</tr>
<tr>
<td>above 1.5 lakhs</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Handpounding of paddy
| Below 1000 | - | - | - |
| 1000 to 5000 | - | - | - |
| 5001 to 1 lakh | 2 | 1 | 1 |
| above 2 lakhs | 2 | 3 | 3 |
| **Total** | 4 | 4 | 4 |

Bricks
| Below 1000 | 4 | 1 | 6 |
| 1000 to 5000 | 1 | 2 | - |
| 5000 to 1 lakh | - | 3 | 3 |
| **Total** | 4* | 5* | 6 |

Pottery
| Below 1000 | 2 | 1 | 2 |
| 1000 to 5000 | 1 | 1 | 1 |
| 5000 to 1 lakh | 2 | 3 | 2 |
| 1 lakh to 1.5 lakhs | 1 | - | - |
| 1.5 lakh to 2 lakh | - | 1 | - |
| **Total** | 5 | 7 | 7 |

Source: Data collected from the societies * 1 Purchase and sale society.

Note: Over the reference period of 5 years, the maximum and minimum amount of production and sales of each society was taken and prepared the above table.
**TABLE IV.7(i)**

Net profit and loss position of industrial cooperatives (Groups A & B)

<table>
<thead>
<tr>
<th>Stratification of amount of Rs.</th>
<th>No. of Societies on Profit Group 'A'</th>
<th>No. of Societies on Profit Group 'B'</th>
<th>No. of Societies on Loss Group 'A'</th>
<th>No. of Societies on Loss Group 'B'</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 100</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>100 to 500</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>501 to 1000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>1001 to 10000</td>
<td>5</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>10001 to 20000</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>20001 to 1 lakh</td>
<td>2</td>
<td>-</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Above 1 lakh</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Not available</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Data collected from the societies

Note: In the case of working/active societies the financial result (amount of profit/loss) was taken for 1974-75 and in respect of dormant societies the amount pertaining to the year of dormancy was taken into account.

**TABLE IV.7(ii)**

Net profit and loss position of Village Industrial Cooperatives (Group-C)

<table>
<thead>
<tr>
<th>Stratification of amount of Rupees</th>
<th>No. of Societies on Profit (+)</th>
<th>No. of Societies on Loss (-)</th>
<th>Total (+) (i) (ii)</th>
<th>Total (-) (i) (ii)</th>
<th>Total (+) (-) (i) (ii)</th>
<th>Total (-) (i) (ii)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 100</td>
<td>-</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>101 to 500</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>501 to 1000</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>1001 to 10000</td>
<td>1</td>
<td>11</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>10001 to 20000</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>20001 to 1 lakh</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>1 lakh and above</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>33</td>
<td>4</td>
<td>13</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Particulars not available: - 12 - 11 - - 1 - 12 - 45 - 28 - 7 - 3 20 53

Source: Data collected from the societies.

Note: (i) In the case of working/active societies the financial result (amount of profit or loss) was taken for 1974-75 and in respect of dormant societies the amount pertaining to the year of dormancy was taken into account.

(ii) (+) denotes profit, (-) denotes loss.
## TABLE-IV.8

Society - Supervisory position of Village Industrial Cooperatives
(Group-C) as on November 1977

<table>
<thead>
<tr>
<th>District Khadi and Village Industries Office</th>
<th>No. of Supervisory staff</th>
<th>No. of Societies</th>
<th>Society Supervisor ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Working</td>
</tr>
<tr>
<td><strong>I Tuticorin (Palagur)</strong></td>
<td>8</td>
<td>400</td>
<td>169</td>
</tr>
<tr>
<td>II Thanjavur</td>
<td></td>
<td>92</td>
<td>33</td>
</tr>
<tr>
<td>III Thiruvarur</td>
<td></td>
<td>135</td>
<td>74</td>
</tr>
<tr>
<td>IV Tirunelveli</td>
<td></td>
<td>117</td>
<td>47</td>
</tr>
</tbody>
</table>

* Tirunelveli District had 157 societies in all (vide Appendix I-7 Page )

Source: Collected from District Offices concerned.
### TABLE IV. 9

**MEMBERSHIP POSITION OF INDUSTRIAL COOPERATIVES OF TAMILNADU (Groups A, B & C)**

<table>
<thead>
<tr>
<th>Groups</th>
<th>Membership and Number of Societies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10-25 At the start</td>
</tr>
<tr>
<td></td>
<td>N.A</td>
</tr>
<tr>
<td>A</td>
<td>16</td>
</tr>
<tr>
<td>B</td>
<td>2</td>
</tr>
<tr>
<td>C</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
</tr>
</tbody>
</table>

**Source:** Data collected from the societies- N.A Not available

- Group A - Director of Handlooms and Textiles (21 Societies)
- Group B - Director of Industries and Commerce (7 Societies)
- Group C - Khadi and Village Industries Board (53 Societies)
### TABLE IV.10

**SHARE CAPITAL POSITION OF INDUSTRIAL COOPERATIVES OF TAMILNADU (Groups A, B & C)**

<table>
<thead>
<tr>
<th>Groups</th>
<th>Below Rs.500</th>
<th>Share Capital slabs and Number of Societies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>At the start 1974-75</td>
<td>501-1000</td>
</tr>
<tr>
<td>A</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>B</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>C</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>17</td>
</tr>
</tbody>
</table>

**Source:** Data collected from the societies. N.A. - Not Available

- **Group A:** Director of Handlooms and Textiles (21 societies)
- **Group B:** Director of Industries and Commerce (7 societies)
- **Group C:** Khadi and Village Industries Board (53 societies)
Age Group of Handloom Weavers Cooperatives (Group A) & Industrial Cooperatives (Group B) and their period of Dormancy till 1978

<table>
<thead>
<tr>
<th>(i) No. of Years Registration to 1978</th>
<th>No. of Societies Group- A</th>
<th>No. of Societies Group- B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 10</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>11 - 20</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>21 - 30</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>31 &amp; above</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

(ii) Dormant from the dormancy till 1978

<table>
<thead>
<tr>
<th></th>
<th>Group- A</th>
<th>Group- B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>6 - 10</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>11 - 15</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>16 - 20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong></td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

Source: Data collected from the societies

Note: i. Out of 21 societies studied in Group A, 1 did not function after registration

ii. Out of 7 societies studied in Group B, 2 were shown as active by the Dept., but at the time of study visit they were dormant and one was taken up for revival in 1977 - Group-B societies from Director of Industries & Commerce

Group A denotes Handloom Weavers Cooperatives
<table>
<thead>
<tr>
<th>No. of Years</th>
<th>Number of Societies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Palmgur</td>
<td>H.P.P</td>
</tr>
<tr>
<td>I. Registration to 1978</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - 10</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>11 - 20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>21 - 30</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>31 &amp; above</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>(28)</td>
<td>(7)</td>
</tr>
<tr>
<td>II. Dormant from the date of dormancy till 1978</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - 40 5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6 - 10</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>11 - 15</td>
<td>31</td>
<td>4</td>
</tr>
<tr>
<td>16 - 20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>(13)</td>
<td>(3)</td>
</tr>
</tbody>
</table>

Source: Based on data collected from societies

Note: a) Palmgur: Out of 13 active societies 3 had become dormant during study visit
b) H.P.P- Handpounding of paddy: (i) Out of 4 Active societies 1 society was liquidated at the time of study visit (ii) Out of 3 Dormant societies 2 societies were liquidated at the time of study visit
c) Bricks: Out of 2 Active societies, one was liquidated during study visit
d) Pottery: (i) Out of 5 Dormant societies, 3 were liquidated during study visit (ii)Out of 5 Active societies, 2 were liquidated during study visit
Appendix IV-A1 & IV-B 2

Reasons for failure of Industrial Cooperatives (Group A & Group B)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Nature of problem</th>
<th>Group A</th>
<th>Group B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Absence of feasibility study/targets fixed</td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td>2</td>
<td>Inadequate supervision</td>
<td># * *</td>
<td>* *</td>
</tr>
<tr>
<td>3</td>
<td>Inadequate finance</td>
<td># * * * *</td>
<td>*</td>
</tr>
<tr>
<td>4</td>
<td>Marketing Problem</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>5</td>
<td>Inadequate raw material supply</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>6</td>
<td>Disloyalty of chief executive</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>7</td>
<td>Disloyalty of staff</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>8</td>
<td>Disloyalty of members</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>9</td>
<td>Vested interest of leadership</td>
<td></td>
<td>* *</td>
</tr>
<tr>
<td>10</td>
<td>Defective policies of the Government</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>11</td>
<td>Natural business loss</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>12</td>
<td>Inefficient management</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>13</td>
<td>Conflict in the Board</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>14</td>
<td>Domination of mastercraftsmen</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>15</td>
<td>Records not available</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>16</td>
<td>Misappropriation by chief executive/President</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>17</td>
<td>Misappropriation by staff</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>18</td>
<td>Stock deficit</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>19</td>
<td>Reserves created by audit</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>20</td>
<td>Establishment cost</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>21</td>
<td>Lapsed business operation</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>22</td>
<td>Alternative occupation beneficial</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>23</td>
<td>Lack of leadership</td>
<td></td>
<td>*</td>
</tr>
</tbody>
</table>

From registration to 1978 (No. of years)

<table>
<thead>
<tr>
<th>Source: Based on data collected from the societies Appendix IV-A1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes: A1 to A5, A10, A14 and A15 = 9 dormant societies (A15 registered but never functioned)</td>
</tr>
<tr>
<td>B1, B2, B4, B5 and B6 were dormant societies &amp; B3 and B7 were active societies but both were on the average of dormancy</td>
</tr>
<tr>
<td>and B3 was revived in 1977</td>
</tr>
</tbody>
</table>

* denotes Problem suffered.
## Nature of problem

1. Absence of feasibility study/ targets fixed
2. Inadequate supervision
3. Inadequate finance
4. Marketing problem
5. Inadequate raw material supply
6. Disloyalty of chief executive
7. Disloyalty of staff
8. Disloyalty of members
9. Vested interest of leadership
11. Natural business loss
12. Inefficient Management
13. Conflict in the Board
14. Dominance of master-craftsmen
15. Records not available
16. Misappropriation by Chief Executive/President
17. Misappropriation by staff
18. Stock deficit
19. Reserves created by audit
20. Establishment cost
21. Lopsided business operation
22. Alternative occupation
23. Lack of leadership

### Source
Based on data collected from the societies

### Note
- C1 to C13 and C22 & C23 = 15 dormant societies
- Out of the remaining 13 active societies 3 (A15, 19 and 20) dormant at the time of study
- Problem suffered.
<table>
<thead>
<tr>
<th>Nature of problem</th>
<th>Code Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Absence of feasibility study/target fixed</td>
<td>C29 C30 C33 C31 C32 C34 C35 C36 C37 C38 C41 C42 C43 C39 C40 C44 C45 C46 C47 C48 C49 C50 C51 C52 C53</td>
</tr>
<tr>
<td>2. Inadequate supervision</td>
<td></td>
</tr>
<tr>
<td>3. Inadequate finance</td>
<td></td>
</tr>
<tr>
<td>4. Marketing problem</td>
<td></td>
</tr>
<tr>
<td>5. Inadequate raw material supply</td>
<td></td>
</tr>
<tr>
<td>6. Disloyalty of chief executive</td>
<td></td>
</tr>
<tr>
<td>7. Disloyalty of staff</td>
<td></td>
</tr>
<tr>
<td>8. Disloyalty of members</td>
<td></td>
</tr>
<tr>
<td>9. Vested interest of leadership</td>
<td></td>
</tr>
<tr>
<td>10. Ineffective policies of the government</td>
<td></td>
</tr>
<tr>
<td>11. Natural business loss</td>
<td></td>
</tr>
<tr>
<td>12. Inefficient management</td>
<td></td>
</tr>
<tr>
<td>13. Conflict on the board</td>
<td></td>
</tr>
<tr>
<td>14. Domination of master-craftsmen</td>
<td></td>
</tr>
<tr>
<td>15. Records not available</td>
<td></td>
</tr>
<tr>
<td>16. Misappropriation by chief executive/President</td>
<td></td>
</tr>
<tr>
<td>17. Misappropriation by staff</td>
<td></td>
</tr>
<tr>
<td>18. Stock deficit</td>
<td></td>
</tr>
<tr>
<td>19. Reserves created by audit</td>
<td></td>
</tr>
<tr>
<td>20. Establishment cost</td>
<td></td>
</tr>
<tr>
<td>21. Lopsided Business operation</td>
<td></td>
</tr>
<tr>
<td>22. Alternative occupation beneficial</td>
<td></td>
</tr>
<tr>
<td>23. Lack of leadership</td>
<td></td>
</tr>
</tbody>
</table>

From Registration to 1973 (no. of years)                                                                                  23 21 21 21 8 22 21 15 15 16 12 16 15 15 15 15 15 7 30 29 31 15 13 9 18 15
Dormant for no. of years                                                      9 11 3 2 2 13 6 13 5 3 8 6 10 3 6 9 6 10
Till 1978: Source: Based on data collected from the societies.

Note: C29 to C35: Handwounding of paper; C36 to C39: Dormant societies; Out of the remaining 4 active societies (C32) was liquidated.
C45 to C53: Pottery; out of 10 societies, C47, C49, C50 and C52 were active. Out of 3 active societies C49 & C50 were liquidated.
C53 on the verge of dormancy. (L) Liquidated; (*) Dormant
### Table IV.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Absence of feasibility study/Project report</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Inadequate supervision</td>
<td>...</td>
<td>4</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Inadequate finance</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Marketing problem</td>
<td>...</td>
<td>1</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Inadequate raw materials</td>
<td>...</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Disloyalty of chief executive</td>
<td>...</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Disloyalty of staff</td>
<td>...</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Disloyalty of members</td>
<td>...</td>
<td>2</td>
<td>5</td>
<td>12</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>9</td>
<td>Vested Interest of leadership</td>
<td>...</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>Defective policies of the Government</td>
<td>...</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>11</td>
<td>Paucity of adequate trained personnel</td>
<td>...</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>Normal business loss</td>
<td>...</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>13</td>
<td>Inefficient management</td>
<td>...</td>
<td>3</td>
<td>7</td>
<td>8</td>
<td>2</td>
<td>-</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>14</td>
<td>Conflict in the Board</td>
<td>...</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>15</td>
<td>Domination of mastercraftsman</td>
<td>...</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>16</td>
<td>Records not available</td>
<td>...</td>
<td>3</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>17</td>
<td>Misappropriation by chief executive</td>
<td>...</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>18</td>
<td>Misappropriation by staff</td>
<td>...</td>
<td>3</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>19</td>
<td>Stock deficit</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>20</td>
<td>Reserves created by audit</td>
<td>...</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>21</td>
<td>Staff cost</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>22</td>
<td>Commission only earned by the society</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>23</td>
<td>Alternative occupation beneficial</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>24</td>
<td>Lack of leadership</td>
<td>...</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>3</td>
<td>7</td>
</tr>
</tbody>
</table>

**Source:** Data collected from the societies.

- **Group - A** Handloom Weavers Cooperative Societies
- **Group - B** Industrial Cooperatives functioning under the Director of Industries & Commerce
- **Group - C** Village Industrial Cooperatives working under Khadi & Village Industries Board, Tamilnadu
### TABLE No. IV.13

**PROBLEMS OF INDUSTRIAL COOPERATIVES OF TAMILNADU**

IN ORDER OF IMPORTANCE

*(Groups A+B+C)*

<table>
<thead>
<tr>
<th>Ranking of problems</th>
<th>Nature of problems</th>
<th>No. of societies faced the problems</th>
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CHAPTER - IV (Part - II )

SUMMING UP OF THE GROUPS A, B AND C

ABC 1. INTRODUCTION:

4.147 In the foregoing pages of this chapter the three broad Groups A, B and C (viz., the Handloom cooperatives working under the control of the Director of Handlooms and Textiles, the industrial cooperatives falling under the jurisdiction of the Director of Industries and Commerce and the control of the Khadi and Village Industries Board respectively) and the working of these industrial cooperatives have been separately discussed. The aspects covered in those three Groups are now summed up to confirm the hypotheses of the study.

The wage earning capacity, standard of living, hazards of work, etc., were more or less the same in the case of industrial cooperative societies functioning under the three Groups. Avocations like handloom weaving and functioning of a few other village industrial cooperatives required the involvement of the entire family members including children and they worked according to their moods, convenience and simultaneously looked after their domestic work (cooking etc.). However, their economic background and habits were such that they could hardly repay the money taken by them from the societies as advances or loans. Sometimes they were forced to pledge even the raw materials taken from the societies with the mastercraftsmen to meet their imminent needs. In the process, they fell a prey to the exploitative tendencies and became defaulters to the societies by not returning the finished goods or by not repaying the loans and advances. Their living conditions were such that they had very little space in their homes, the tools and implements used were out-dated and out-moded, and the domestic atmosphere was converted into most un congenial to live and work efficiently. In order to get over these difficulties and provide opportunities to work in congenial environments, more
The number of industrial cooperatives with common worksheds are recommended for reorganising the village industrial cooperatives. By doing this, the child labour can be removed, efficiency can be increased by introducing welfare measures like minimum wages (akin to that of Kerala where minimum wages Act is introduced), provide special legislation to regulate the conditions of work with reference to hours of work, holidays, leave, physical facilities like provision of urinal/lavatories, resting place, canteen, drinking water, first aid box, etc., along with all other provisions of Factories Act, etc., applicable to these small enterprises, wherever necessary.

4.148 The workshop type societies provide immense possibilities of control and the risk of business/production can be minimised and the member education and training of artisans in better methods of production also become possible. To avoid the inconvenience of housewives who form the major work force in the production activities of the village industrial cooperatives, the common worksheds can be organised in such places to suit their convenience to the extent possible.

**ABC 2. REGISTRATION:**

4.149 Majority of the societies studied were not of recent origin and were registered long ago (their age indicated that 63 societies out of 81 studied were more than 20 years old but below 40 years as seen from Table IV of page 330). None of the societies could produce a feasibility report which ought to have been prepared before the registration of such societies. The controlling officers of Group A and B appeared to have introduced some structured proformae and information given in a note form for fulfilling the formality before they registered the societies. Otherwise there was hardly any systematic approach followed in knowing whether the industrial cooperative society proposed would function/thrive or not. This fact was corroborated by the answers received from the members of the dormant industrial cooperatives at the time of personal interview with them.
The discussions under Group-C reveal that a few societies were registered where the raw materials were not available locally and the members lacked the knowhow of the industry. Some of the Palmgur societies were registered and they became dormant because the occupations other than the one for which the societies were registered proved to be more remunerative in terms of wage earning and were within their reach. Therefore, they shifted to other occupations and the societies were defunct. This amply proves to show the importance of the project report/feasibility study. The societies in large numbers sprang up either because of the target-oriented approach of the Department or the political pressure of the party in power which perhaps made the registering authorities to neglect the aspect of looking into the prospects before the societies were registered.

4.150 It is therefore, suggested that preparation of project planning, project report and an examination into it would go a long way in knowing what sort of input and support would be necessary to make the societies function on a sustained basis. The registering authorities should not yield to political pressures or fall in line with vested interests while registering the societies. The societies should not be registered unless the prerequisites for success are testified in advance. A newly proposed society should conform to the viability criteria and hold out premises for future development. The minimum levels of production, sale, etc. should be determined by working out the Break even Point for each enterprise. Thus, the method of registration of the societies needs to be rationalised instead of making it a ritual.

At the outset, the society may be registered formally and if it works for 3 to 4 years and crosses the gestation period and shows some hope of success in its survival capacity, final registration certificate may be issued; otherwise the formal registration certificate may be cancelled without any hesitation. This will avoid creation
of more societies on the one hand and liquidation or growth of dormant societies on the other hand which ultimately mar the name and image of the cooperative movement as a whole and vitiate the atmosphere.

Moreover, the mushroom growth through hasty registration and multiplication of societies in order to avail of the facile credit, rebate and other paternalistic assistance of the Government can also be arrested to some extent by introducing some fee for registration (At present there is no fee prescribed for registration of societies). This fee may be ploughed back to the cooperative development by adding this money to the Cooperative Union of the State. (This is just an analogy to the remittance of 5 paise while purchasing the money order form and adjusting the same while actually sending the money order proper to avoid misuse). This serves only as a precaution against casual and ill-conceived formation of societies by irresponsible organisers.

To implement the above suggestions, the Registrars of industrial cooperatives should introduce suitable provisions/amendments to the Rules and Regulations of the cooperative societies.

ABC 3. AREA OF OPERATION:

4.151 Though the bylaws of these societies spelt out the area of operation by mentioning the streets, places (villages) in actual practice it appeared that the same was not strictly followed by many of the societies. The idea behind fixing such area of operation is that the members should within the reach of the society and actually participate in the day to day business of the society. Moreover, there should not be more than one cooperative society within the same area of operation and there by cause unhealthy competition among the cooperatives.

In the case of handloom weavers cooperative societies in Podathur peth area, in the 6 streets of the village
12 to 13 societies were organised and all of them became either completely dormant or were on the verge of dormancy. In Kancheepuram also the 16 silk weavers cooperative societies covered roughly 5000 members. The societies had a minimum of 200 to a maximum of 700 membership; and no appropriate yardstick was developed to regulate the multiplication of such societies. In Group - C (i.e., village industrial cooperatives) in Tirunelveli district there were 400 Palmgur societies registered with an area of operation of 5 to 10 kilo metres radius for each society and out of them 225 were on loss. 7 liquidated and hardly 5 percent of the working societies showed some profit. Yet another example to cite is that in Nanguneri Taluk of Tirunelveli District within 10 miles radius there were as many as 5 to 6 Brick industrial cooperative societies started at Nanguneri, Arupadi, Vijayanagaram, Moolakadai, Chidambarapuram etc., and all of them had become defunct and were under liquidation the time of study visit to the district in 1977.

Because of the clustering of too many societies in an area, there was cut-throat competition found among them. Sometimes there were overlapping of membership and members might have taken advantage from more than one society. It would be extremely difficult for the supervisory machinery to find out this overlapping of membership. These practices of cut-throat competition and overlapping of membership are the negation of the principles and philosophies of cooperation. Therefore, it is suggested that appropriate yardsticks/norms be developed for each type of society according to situation and the dormant societies amalgamated keeping in view the probable area and membership can be covered by the concerned industrial cooperatives.

In the case of Group B industrial cooperatives, though the area of operation was within 4 to 10 KM radius hardly 5 percent of the artisans in the area of operation were covered by the cooperatives. Membership drive will
increase their resources and business receipts eventually making them profitable and self-reliant.

**ABC 4. PROFILE OF THE CHIEF EXECUTIVES:**

4.153 The success or otherwise functioning of any business enterprise largely depends on the type of executive the organisation could attract and the management practices prevalent in the organisation. It was with this view in mind the information regarding the chief executives of the societies studied was collected and it is discussed briefly as under:

For efficient management of these industrial cooperatives or for that matter any cooperative enterprise, the functions of policy making and its execution should be demarcated and entrusted to two different functionaries and these two should not be combined in one person.

In the case of Group - A, 60 percent of the weavers cooperative societies and in Group - C, 99 percent of the village industrial cooperatives were managed by the Presidents themselves without paid chief executives. In the case of Group - B, all the societies had the chief executives appointed by the department of Industries and Commerce from the common cadre system (vide Table IV.2. page 322).

75 percent of the persons occupying the chief executive positions of the cooperatives societies had studied up to matriculation and below. Illiterates and those who could only read and write formed roughly 20 percent. Majority of the executives (more than 50 percent) had working experience of 10 to 15 years.

4.154 Thus, one can imagine the standard of leadership, capacity to administer the societies, etc., given the low qualification, literacy, experience, etc., It is, therefore, necessary to create a common cadre of personnel and train them in cooperative management and recommend them for appointment in such societies. As per the present arrangements, by and large the owners of the societies namely, the members themselves
elected their Boards of Directors and managed the affairs of the cooperative societies. In the case of Group B, nominations of the Boards and chief executives were done by the department. The skill to manage the affairs can be imparted through training but the loyalty to the organisation cannot be infused or given by any one; that comes out of in-born qualities.

It is necessary therefore to appoint professionally qualified executives for each society who are trained in cooperative management. For making available such expertise, the Government should recruit qualified candidates through appropriate examinations, tests, interviews etc., and give them training in cooperative management by sending them to the Cooperative Training College/Centres/Institutes, etc. They will be equipped with the necessary background, skill, knowledge etc., to manage the societies once they have grounding in theory as well as practical aspects of managing the cooperative enterprises. From this pool of selected, trained common cadre, these societies may be allowed to select the candidates they need for manning them. This practice is prevalent in the Department of Industries and Commerce. The Department of Industries and Commerce recruited qualified candidates under (10 A1) (temporary) scheme through the Tamilnadu Public Service Commission and got them trained at the Cooperative Training College. (Prior to the college coming into picture, training arrangements were made by the Department to train its own personnel). After the training was imparted, the Department posted them to various industrial cooperative societies from out of the common cadre of personnel created and provided managerial subsidy initially.

Some of the Secretaries of industrial cooperative societies at times were posted for more than 3 to 4 societies. If the societies were not able to meet the staff cost or incurred continuous loss, they were clubbed under one Secretary according to the convenience of the Department. Instead of
giving more effective, concentrated attention by one man to revive the affairs of the society which was on the verge of dormancy, the society was brought under the control of a Secretary who was already holding the reins of a dying society/societies. This often meant that he could not do justice either to the dying society or to the societies which were already under his control.

Therefore, the holding of additional charge of 2 or more societies by a single executive should be avoided, as far as possible.

ABC 5. MEMBERSHIP AND SHARE CAPITAL:

4.155 The physical strength and financial soundness of the enterprise largely depend upon the coverage of the members and their contribution to the owned funds of the society.

All the artisans in an area may not join the cooperative venture to start with. But with the good working results of the society or with the approach by the leadership of the society, the remaining artisans in the area should be brought into the cooperative fold. Thus, there should be progressive increase in the membership so as to reach the optimum size for the cooperative and attain the economic viability and ultimately economies of scale. In the context of the Government’s policy of increasing the coverage of membership from 30 percent to 60 percent of the handloom weavers cooperative societies before the end of the Fifth Five Year Plan and also multiplying the number of village industrial cooperatives as per the industrial Policy of 1977 of the G.O.I., action should be taken to increase the membership and augment the share capital base of these societies. In the case of 21 weavers cooperative societies studied only 4 societies and had shown increase in membership and their share capital position was also not quite encouraging because only 8 societies had more than Rs.50,000 each as their share capital (vide Tables IV (2)-(3) Page 313).

In the case of Group B, out of 7 societies studied, only 2 societies registered a slight increase in membership
and 5 societies experienced stagnancy over 5 years ending 1974-75. 5 societies had the share capital below Rs.10,000, one society below Rs.500 and yet another above Rs.10,000. One society only had increased its share capital over 5 years ending 1974-75.

In the case of Group 'O', majority of the societies had the statutory minimum of 10 members as their membership. From 1970-71 to 1974-75, out of 53 societies studied 15 societies showed slight increase in the membership, 35 showed stagnancy and 2 showed decrease in membership (one society did not report). In 25 percent of the palmgur societies, 60 to 70 percent of the membership was composed of sympathisers. Out of 53 societies, 40 societies had stagnant share position and hardly 10 societies had share capital above Rs.500.

Thus, the increase in the membership and share capital mobilisation was not encouraging in these industrial cooperative societies.

Looking into the share value of these societies, there was a wide range of variation. It was from one rupee to Rs.100. It varied from society to society and even within the same type of societies. Similarly, the maximum ceiling limit on the share holding of these societies varied from Rs.20 to Rs.100.

From the above analysis it is clear that there is enough of scope for bringing about increase in the membership and share holding pattern in the industrial cooperative societies. Taking into consideration an average member of an industrial cooperative society and his economic background, the share value can be fixed anywhere between Rs.10 and Rs.25 instead of allowing the extremities of rupee one to hundred rupees. Of course, the maximum share holding ceiling limit can be increased to, say, 100 shares, in all the societies uniformly without much variations excepting where the society has grown unwieldy and requires more share capital base to increase the borrowing power of the society.
Secondly, looking at the membership growth, hardly these societies have striven to enlist more members into the cooperative fold. The management of the societies should be motivated to introduce an element of dynamism so that the membership also goes up to the desirable limit in all the societies within the area of operation. This is in tune with the policy directives of the Government. The production finance from the Reserve Bank of India also should be increased from the present rate of 33 percent to 50 percent or so, which might facilitate the societies to include more members and increase the size of production also.

Mere giving of share capital loan is not sufficient to increase the membership. Once the membership is added, the raw material, wages, etc., are to be given. Therefore, the production finance also should be made available to the extent needed by the weavers cooperative societies.

There was provision in the bylaws of these industrial cooperative societies that from the wages paid, 6 paise per rupee shall be collected towards thrift fund and it should be converted into shares of the members. In practice, in the case of Group 'A', 11 out of 21 societies, in the case of Group 'B' 3 out of 7 societies and in the case of Group 'C' 2 out of 53 societies only had collected the thrift fund; thus, the idea of inculcating thrift habit remained a far cry in these industrial cooperative societies. The provision in the bylaw has to be followed and practised in these societies by persuading and enlightening the members in this regard. The member education programme as suggested under paras 4.24, 4.74, 4.108 page 324 should be taken up vigoursously.

ABC 6. THE BOARD & MEMBERSHIP PROFILE:

(a) MEMBERSHIP:

4.157 In Group 'A' out of the total members studied, 60 percent of them were above 40 years old and 70 percent of them illiterates (knew to read and write but had no formal schooling). (Table IV 5 Page 324). All of them were from weavers community/backward community with different castes like Mudaliars, Chettiars, etc., Their income range varied
from Rs. 90 to Rs. 270 per month. They held from a minimum of one share to a maximum of 7 shares. 70 percent of them did not know why the cooperative was organised and the idea behind it. They deposed that they came to know about the societies through friends/Government officials that some services were made available from the societies and therefore they joined them. They also said that the cooperative societies paid more wages than the private entrepreneurs (from rupee one to five more). 90 percent of the members interviewed were aware of the reasons why the societies became dormant. But because of their fear about the master craftsmen/weavers who were again their own kinsmen involved in the affairs of the societies, they also had fallen in line with them. In 4 out of 7 weavers cooperative societies the sympathiser members dominated.

In the case of Group 'B' 50 percent of the members were above 40 years old, more than 70 percent of them studied up to matriculation and all the religions were represented. In 2 out of 5 societies master craftsmen dominated. The individual income was around Rs. 200 to 300/= per month on an average. They reported that the wages received by them were on par with the market rates. They held a minimum of one to a maximum of 20 shares. More than 50 percent of them did not know the principles and the philosophy behind the starting of those societies. 70 percent of them reported that they knew how the societies had decayed but expressed their helplessness as everybody was non-committed and felt that it was the Government's business to run the societies. That is how they did not try to save the societies but became party to the further worsening of the situation.

In the case of Group-C, more than 70 percent of the members were above 40 years and 75 percent of them studied up to matriculation. All of them belonged to backward community representing different castes and religions as well. In few palmgur and brick societies, the sympathiser members dominated.
The wage earning capacity of the members of the village industrial cooperatives was no better than those in the groups 'A' and 'B'. The minimum wage earned by a village artisan in the interview sample was from Rs. 100 per month to a maximum of Rs. 428 per month. The opinion survey revealed that the members could not get better wages than the market rate and the societies hardly helped them in better wage earning. In the palmgur societies almost everyone held 10 shares and below. The maximum shares held in village industrial cooperatives were 50. 90 percent of them were ignorant of the basis of the societies and how they should be looked upon by them.

Some of the members of the palmgur societies took loans from the commercial banks and repaid without any default whereas they did not do so in the case of the palmgur societies and the money given was never repaid by them because they were under the impression that the Government had come to help them by distribution of dole to them. Majority of the members were quite aware of the reasons as to why the societies had become dormant but took it lightly because it did not affect them very much.

Thus, the profile of the membership revealed that persons with young blood were not attracted by the societies in general, majority of them were just literates (studied up to school final), socially and economically backward as all of them belonged to the backward community and were getting wages so as to have hand-to-mouth living, the master craftsmen entered into their web and tried to shatter them to grounds and almost all the members were fully aware of the pitfalls in the affairs of the societies and the reasons for their dormancy. But they were non-committed and showed luke-warm attitude towards the societies because they were ignorant of the basis of starting of such societies apart from that they were promised some dole by the political leaders of the area. Hence, member education programme perhaps may bring about an awareness and enlightenment to those who have some urge to work together and might bring life back to such societies. The
dormant ones can also be revived and the light of the candle of cooperation can be lighted in the rural areas.

The artisans even when joining in a group with all their social and economical backwardness could not earn reasonable wage and reach a better standard of life. If they are left alone it would be rather impossible for them to take out their livelihood and they have to struggle for their existence. Therefore, as stated in one of the hypotheses these poor artisans cannot make their living condition better (given their socio-economic background etc.,) by working individually. As such they have to be institutionalised. That is why cooperativization of their efforts is recommended and joining together and bringing the resources together and committing them properly will certainly make the effort rewarding.

(b) BOARD OF DIRECTORS:

4.159 In Group 'A' barring one society all the societies were managed by the elected Boards and the Boards of the societies had 7 members in each society. But the duration of the life of the Boards was different varying from 2 years to 5 years and the Board members were eligible for re-election. The Boards by and large did not meet with required quorum. But the General Body of the societies met 1 to 2 times a year in all cases. The attendance varied from 45 percent to 75 percent. The profile of the Boards of Directors was almost the same as that of the members because they were elected Boards.

In the case of Group 'B' all the Boards of Directors were nominated by the Director of Industries and Commerce and they had 5 to 9 members each. Boards were nominated in 5 societies and renewed every year and in few cases (2 societies) every 3 years it was done. The meetings of the Boards of Directors and the General Body were seldom held and the attendance was also too poor. The profile of the Boards of Directors was no different from the profile of membership already discussed.
In the case of Group 'C' all the societies had elected Boards of Directors comprising of 5 to 7 members. The duration of the office of Boards of Directors was from 3 to 4 years. To follow the rules the General Body meetings were conducted by the societies once a year with just minimum attendance to have the quorum. But Board meetings were seldom held. The background of the Boards of Directors was the same because they were the replica of the members already discussed.

4.160 Thus, in all the societies studied, there was no uniformity found among the number of Board of Directors, their duration of office, election practices, etc. This can be brought about by the registering authorities. To infuse new blood in the management of the societies, one-third of the Board of Directors should retire every year and a rotation appears to be reasonable. In the case of Groups A and C, the functions of decision making and execution was left in the hands of a single person in each of the societies. This is not desirable. As owners of the enterprise, the members/the Board should reserve their rights in decision making but execution of the policies in day to day management (with in the frame work laid down by the Board) should be left to the chief executive who should be a paid, professional person. The non-convening of the meetings of Board/General Body, the mounting audit objections, improper maintenance of records, etc. can certainly be got over by appointment of a professional who will translate the decisions/regulations into practice. The misappropriation, fraudulent activities can be minimised if there is a counter check on the persons taking decision and executing the same.

The irregular meetings of the Board/General Body with the poor attendance reveal the lack of interest on the part of the members. The socio-economic background coupled
with the ignorance of the basic idea behind the starting of such cooperatives on the part of the members had led to this situation. This situation was further worsened and deteriorated by the development of disloyal attitude on the part of the leadership as well as members.

As in 1973-74, as per the R B I statistical statements there were 5 lakhs of artisan members in the industrial cooperatives of Tamilnadu. There is one industrial instructor appointed for member education programme in the state. So, one can easily imagine the magnitude of the member education to be covered in the State. It is therefore suggested even peripetatic instructors and lady instructors should be recruited more and trained for the job (Also refer pages 275 & 276)

To guide these persons proper member education, leadership building through training etc., should be organised more and more by the Tamilnadu Cooperative union in collaboration with the respective departments in charge of the different industrial cooperatives in the State. This suggestion stems from the fact that the department and the Coop. Union have the developmental role and the latter receives money from all the societies towards the education and development fund and hardly anything has been done for them with the money received from them.

ABC 7. STAFF:

4.161 Unless an organisation could attract trust-worthy and loyal staff, it would be extremely difficult to run the organisation. Therefore, a sound organisation is possible only on the basis of its staff and their morale.

In the case of Group A, all the active societies had one manager, a clerk and an attender each as minimum paid staff. There was a minimum of 3 to a maximum of 10 staff. They were matriculates, drew a salary ranging from Rs.49/-
to Rs. 409/- per month in these societies. 15 percent of the staff were exposed to some sort of cooperative training. 33 percent of the dormant societies studied became dormant because of misappropriation by the staff, mostly in collusion, with the Presidents. They did not enjoy any welfare benefits except bonus in the case of the active societies.

In the case of Group 'B' the number of staff employed, salary received by them, their educational background, welfare measures etc. were similar to the Group 'A'. Quite against the provisions of the bylaws of these societies, the staff were employed and this paved way for collaboration between the staff and Presidents and misappropriation, fraudulent activities etc., took place. The Department of Industries and Commerce transferred the Secretaries of the societies too often (e.g. in the case of society B-5, the Secretary was transferred 21 times in 21 years). Secondly, the Secretaries of Industrial cooperatives were required to hold additional charge of different types of societies in different places, because the cost of the staff on deputation could not be met by the societies. This had ultimately led to inadequate attention by the chief executives in managing these societies. As per the bylaws of the societies, trained Secretaries should be appointed in them; but only 4 percent of the chief executives out of the societies studied were trained in some sort of training and the remaining 66 percent were not trained.

In the case of Group 'C' all the societies were managed by the Presidents themselves and in active societies there were staff employed and in all respects the situation was similar to the societies studied under Groups 'A' and 'B'. None of the staff was trained in cooperation.

In all these industrial cooperative societies, the dormant societies did not have any staff other than the chief
executives/Presidents. But in active societies on an average a clerk and an attender were employed. The staff were matriculates and below, the salary paid to them ranged from Rs.50/- to Rs.450/- per month. The staff in many cases acted in collusion with the chief executives/Presidents and misappropriated. Very few persons were trained in cooperative management. Training can bring about many achievements besides maintenance of proper records, reduce the irregularities pointed out by the audit, etc. Since training is an important input of efficiency, the training of the staff of the industrial cooperative societies should be given utmost importance. The training organisations, the industrial cooperative societies and their controlling officers should meet periodically to prepare the schemes and syllabi to suit the need and background of the different staff and train them. The Government policies with reference to the staff transfer, ordering the chief executives to hold additional charge of the societies, imparting training to them, etc., should be re-oriented so as to bring about efficiency on the part of staff employed in the societies.

4.163 As already discussed under Group 'B' (Page 244 Para 4.74) the appointment of Government staff to manage the societies proved better results. However, common cadre should be created by recruiting qualified candidates and training them in cooperative management. From this pool, the societies should be given the option of selecting their executives. They should be continued to be given the first four years managerial subsidy and the Secretaries/executives should be made as paid employees of the societies without any link with the department.

Understanding the importance of education, training and research more skill improvement programmes based on the job requirements of various industrial cooperatives should be organised on a massive scale at various levels. For registering authorities training programme on preparation of feasibility report, project evaluation, management programme in operational
problems, proper methods of setting the targets for the various Industrial cooperatives, revitalisation programmes for industrial cooperatives etc., should be organised and conducted at the appropriate training institutions like Vaikunth Mehta National Institute of Cooperative Management (VMNICM), Poona or Cooperative Training College in the state. The senior officers in charge of the development of Industrial Cooperatives should be trained in refresher courses and it should be a continuous process. Similarly, identifying solutions should be a constant endeavour of the researchers and trainers in the Cooperative Management Training and Education field.

4.164 During 1973-74 in Tamil Nadu there were nearly 3500 societies (both weavers cooperatives and other than weavers Cooperatives) according to the Reserve Bank of India statistical statements. As per the existing arrangements, the Cooperative Training College, Madras which is the only training agency for these industrial cooperatives has to cover the training needs of the inter-mediary level personnel of these societies. The College can take up at the rate of 30 candidates in each of the Diplomas and 3 to 4 Diploma Courses in a year can be conducted at best, given the enough resources to the College. This means that a maximum of 120 candidates per year only can be trained as against a very great demand from all the 3500 societies. Even at the rate of one executive per society to train the 3500 personnel at the rate of 120 candidates per year by the Cooperative Training College, it would take about 30 years for one round training. Therefore, a sincere attempt should be made to find out the number of personnel to be trained as against the scope for training, the existing arrangements for training them and adequacy of the available resources and the plan to bridge the gap.
Even after the training potentials are assessed, needs identified and training programmes organised, when the trainees go back from training institutions to their respective parent cooperatives/departments, by and large they are not posted to positions for which they have been trained. This defeats the purpose for which the training was imparted. Therefore, the effectiveness/feedback or impact of training, the utilisation of the knowledge or skills imparted by the training organisations to various personnel need to be assessed through empirical studies. The underdeveloped regions of the country also should be taken up on priority basis for empirical studies so that it may help the policy makers and planners of the country to plan for balanced growth.

Running the societies successfully involves right personnel and retaining and motivating them depend on the soundness of the organisation. Therefore, the two aspects are mutually inter-dependent and create a vicious circle. Under the circumstances, the Government may think of providing grants-in-aid to create a welfare fund scheme for these various industrial cooperatives from which educational-tuition fees for the children of the members of the societies can be met as well as medical expenses of the members of the societies and other welfare measures.

ABC 8. RAW MATERIAL:

4.165 The quality of the finished goods and their saleability at the acceptable price to the consumer depend much upon the procurement canons followed in the business enterprise (Right quantity, quality, price, place and time). If these were not complied with, then the quality of the finished goods might be extremely poor, the cost of production
high and the good will not move in the market. The industrial cooperatives studied had faced the problems of procuring the raw materials which are summed up below:

In the case of Group 'A' 80 percent of the yarn requirements of the societies were met by the apex society which secured the indents from them, consolidated and the Director of Handlooms and Textiles who was the controller of the cooperative spinning mills allotted the quota for each spinning mill to supply yarn to various depots of Cooptex (the apex society). The yarn was distributed by the various depots/godowns of the society after receiving from the spinning mills in the respective areas. Based on the market trend, the price of yarn was fixed by following the active price policy. However, almost all the societies studied expressed that the quality of yarn supplied was poor and cost high when compared to the open market situation. The cooperative spinning mills in the respective districts were supposed to produce the yarn requirements of all the societies in the area. But normally it did not happen and the Director of Handlooms and Textiles allotted the yarn production from the various mills to different societies through the depots/godowns of the apex society. The other raw materials like dyes and chemicals were purchased by the societies from the open market at retail rates. To supply these raw materials also, the apex society should start a Raw material Bank which can concentrate the purchases in wholesale and distribute them along with yarn through its depots. All that is needed is a separate section with necessary staff in the Headquarters to exclusively look after this function of raw material procurement and distribution.

In the case of Group 'B' all the societies studied suffered from the procurement problem of raw material. They had to procure from a far off place/distance and this had ultimately increased the cost of production. In the case
of coir societies, the centralised production of fibre has been suggested and the twisting operation of fibre into yarn can be carried on by the production societies and the marketing can be easily taken up by the central coir marketing society. In the case of other societies, a multi-industry federation should be formed which can help them in procurement of raw materials and also take up marketing of their products.

In the case of Group 'C' one handpounding of paddy and two brick societies became dormant because of lack of raw material problem. It was not locally available and what was available was unsuitable and the artisans also lacked the knowhow of making the products. Raw materials procured from the far off places resulted in high cost. Therefore, it was suggested that the handpounding of paddy societies should procure paddy from the cooperative marketing societies. For the other industrial cooperative societies similar to the Group 'B', a multi-industries Village Industrial Cooperative Federation can help these societies in solving their procurement and marketing problems.

Thus, the need for a Raw material Bank/multi-industry Federation in respect of the industrial cooperative societies suggested (Page(s) of this chapter). The need for such organisation has been elaborately discussed under the respective headings of Groups A, B and C, individually.

ABC 9. PRODUCTION AND SALE:

For production in these industrial cooperative societies the tools, implements, etc., needed did not require much capital. But with the increase in modern technology, improved tools and techniques are available. For example, the ordinary wooden loom needed by a weaver was around Rs.100 or so. Now with jacquard weaving, etc, the cost of the loom ranges from Rs.500 to Rs.1000 in many places. Therefore, to introduce modernisation, standardisation, etc., in the
production processes, the tools and implements can be got produced through the industrial cooperatives like carpentry and blacksmithy societies. This was not followed in practice in all the 3 groups of industrial cooperatives studied. This means the cardinal principle of Cooperation, "Cooperation among Cooperatives" was not practised in these societies. Along with yarn, dyes, chemicals and other raw materials supplied by the apex societies, the tools and implements can also be taken up for distribution. In the case of Group 'A' the apex society was already there and for the industrial cooperatives other than weavers, raw materials bank—multi—industry federation was recommended earlier. in the previous paragraph.

4.168 As already stated there was no worth while exercise done to know the feasibility of the functioning of these societies and therefore the point of Break Even was not known to them. The societies started producing arbitrarily and tried to sell whatever they could. The minimum and maximum production and sale reported in these 3 Groups indicated that the Break Even Point was not worked out before they started functioning and hence found to be uneconomical and non-viable units. Therefore, they incurred losses and became dormant. This corroborates the point formulated in the hypothesis of the study. Hence, the minimum levels of production and sales to be effected should be worked out and in the case of handloom societies the production was sometimes high because of the introduction of the Saving—Security Scheme. To avoid misuse of the scheme there is a need to prescribe norms of production per individual and production should be related to the possible sale that can be effected by the society.

The costing cell of the department of Industries and Commerce had started fixing the targets for every society under its control and performance appraisal done. The Breakven
point is worked out and targets fixed to achieve profits. Therefore, it is suggested that the department of Handlooms and Textiles and the Khadi and Village Industries Board should emulate the practice of the department of Industries and Commerce. An attempt to work out the Break Even Point of two societies are made by collecting information from the societies studied and the same is appended at Annexure (Pages 382-386). A common proforma may not be applicable as the societies are producing single product, multi-products and some are service societies (Purchase and sale function, etc.)

Of all the industrial cooperative societies, the handloom and palmgur societies only had apex societies at district and State levels, in the case of coir, central society at the district level was there. The federations hardly procured 50 percent of the products in these cases. The societies had to look to private merchants/middle men to sell their products. The Government extended its help to these industrial cooperatives by passing orders but the patronage extended by the Government organisations/departments did not form even 30 to 45 percent of their production.

If the consumer cooperatives/super markets and other public sector organisations purchase the products of these industrial cooperatives, there will be hardly any difficulty in the marketing front. However, as already suggested if a multi-industry federation is established, then the marketing problem can be tackled for the societies. It should also be impressed upon all these agencies to follow the Government instructions in this regard.

4.169 In so far as promotional activity was concerned excepting Group 'A', hardly any effort was made in this direction by the societies in Groups B&C. Group 'A' societies had the rebate sales, advertisement/publicity drive taken by the apex society, fairs, exhibitions conducted and the societies were also keen in publicising their products through paper/cloth bags, calenders, advertising in magazines,
etc., In the case of Group 'B' a few societies like match, lock, etc., took part in sales campaign in leading exhibitions, etc. Apart from that in the absence of an apex society the industrial cooperative societies in Group B & C could not popularise their products for sale.

The major disadvantage suffered by the village industrial cooperatives are that they are becoming out-dated in the changing conditions, too many rivals have come to play and the tastes of the consumers are also so diverse and fast changing. But there is scope for them to withstand these dynamic environments. Only through constant endeavour of hammering through publicity/propaganda/advertisement regarding the strength of the properties of these articles, the demand has to be created and the consumers are to be roped into the use of the products of these societies. Since poor artisans may not withstand the competition of the mill/large scale sector, certain village industries like oil, leather, etc., should be reserved for village industrials cooperatives similar to the reservations made for dhoties, sarees, etc., between the powerlooms and handlooms in the textile sector.

Improving the colour of the handpounded rice through polishing would help to push the rice more easily in the market. Of course, more polishing means too much of broken rice and less of vitamins and the quality of handpounded rice reduced to that of milled rice in terms of nutritive contents. However, to suit the taste of the consumer, the industry will have to change itself and try to have more mass contact and establish its premises.

In the case of bricks and pottery societies, 80 percent of their production was sold on wholesale basis to private merchants and 20 percent in retail to the consuming public. To avoid the middlemen and save the commission from flowing to the middlemen, some central organisation should be thought of.

Excepting the handlooms, no products of the other societies studied have entered into export market. This is
again owing to the absence of vertical and horizontal structure/federations.

4.170 The marketing strategy for weavers and other than weavers cooperatives has been suggested with reference to conduct of market research, making ready made garments, finding alternative new uses for the products, training the sales force in the fundamentals of salesmanship, publicity in popular magazines, deputing delegations abroad to survey the market and keep rapport with them, reorient the pricing policy, modernisation of retail outlets, etc., are given at pages 203-214. The need for multi industries federation, set up, functions, etc., are also covered.

ABC 10. STOCK, STORAGE AND LEAKAGE:

4.171 In Group 'A' the societies did not have adequate holding capacity and stored the goods in wooden/steel almirahs and kept in the room of the societies premises. The stock piled up in major part of the year owing to seasonal rebate attractions, fierce competition from the textile goods, etc. In all 3 out of 21 societies studied experienced stock deficit and half to one percent leakage was condoned/allowed by the societies and the rest of the deficit amounts were recovered from the concerned staff in charge of stock. There was not much stock deficit because the stock was checked once in 3 months by the Boards of Directors, once in 6 months by the supervisory staff and by the auditors once a year. Though the societies reported that there was such system of checking the stock, there were no remarks found in the stock registers to the effect. Even the audit enfacement was not there and objected items indicated in the relevant places of the registers, etc.

In the case of Group 'B' there was hardly any storing facility for stocking raw materials/finished goods and the storage of stock was not heavy as revealed by the statistics supplied by the societies. However, the stock deficits occurred because in some cases improper method of
storing was adopted, in some cases damaged goods were procured and in some other cases the staff in-charge of the stock manipulated the accounts. However, similar to Group 'A' proper system of checking was not followed, and the records did not reveal that somebody had checked them.

In respect of Group 'C' though there was not much stock piled up in these societies, they were also facing the inadequate storage space and stocking arrangements. The reasons for not storing much stock were:

(a) Some of their products like neera, handpounded rice, etc., could not be kept for long as they got spoiled;

(b) The pottery and bricks articles were occupying too much of space and the spoilage/wastage/pilferage was easy in these cases;

(c) the natural calamities caused much damage to the products of the societies through rains, floods, etc.,

Therefore, the products of the village industrial cooperatives were disposed off to the middlemen without keeping them for long with the societies. Moreover, the societies needed the circulating capital and they could not afford to wait till the final products were sold by them directly to the consumer. Thus, the societies were compelled to sell to the private merchants on wholesale basis and the latter ate the cream arisen out of the labour of the artisans of these societies by making a margin of their own and exploited the situation. 80 percent of the societies studied did not keep the stock registers properly by completing them in all respects as was expected of them. Excepting the auditors who verified the stocks once a year, none appeared to have checked the stock position. Stock deficits were recovered from the store-in-charge, i.e., Presidents of the societies. 79 percent of the societies studied under this Group reported that they had stock deficits and this was one of the reasons for dormancy of these societies. In anticipation of the stock deficit, the auditors recommended creation of sufficient reserves in these societies.
Therefore, stock verification, surprise check by the supervisory machinery, etc., only can detect the malpractices and minimise the stock deficits. As already suggested if central/apex society/societies are established the stock will move constantly and the stock deficits can be minimised and the societies can hope to get better prices also for their products.

ABC 11. **SUPERVISION & AUDIT**

4.173. The span of control exercised by the registering authorities through constant supervision was one of the factors determining the proper functioning of the societies. In Group A the controlling Officer of the circle had a very vast area and the number of societies were also too many. More than 2 to 3 districts were combined under one Asst. Director for controlling weavers cooperatives. Moreover, the cooperatives and weavers outside the cooperative fold also were looked after by the same officer. Because of this too wider jurisdiction and numerous societies and coverage of weavers, effective supervision became difficult. The staff available for supervision also proved inadequate.

In the 3 circles studied the society-supervisor ratio was 1:4, 1:9 and 1:9 as against the norms indicated by the Working Groups on Industrial Cooperatives as 1:20. The frequency of visits to the societies by the supervisory staff varied from one to six months as indicated by the societies.

4.174. As such it is suggested that the jurisdiction for the controlling officer should be confined to a limited area (at the most a district as in the case of Groups B & C) and norms should be developed to post supervisors for the societies taking into consideration the size of the societies, the distance the supervisory staff has to travel, etc., The audit was done up to date and the defects rectified by the societies with the help of the supervisory staff. The audit fees charged for the active/working societies were felt as a heavy burden cast on them. This requires sympathetic consideration by the Registrar of Cooperative societies in charge of audit of the societies.
In Group 'B', although there was one Assistant Director for each district to look after the industrial cooperative societies functioning under the control of Director of Industries and Commerce in each district, similar to Group 'A' he had to look after all aspects involved in the growth and development of Industrial Cooperatives and Small Scale industries thereof. Therefore, he could not devote any special attention to the industrial cooperatives. The chief executives of these societies were recruited and posted by the Director of Industries and Commerce and were transferred too often or ordered to hold additional charge of more than one society. This also created the problem of inadequate supervision.

In the 3 districts wherein the study was conducted the supervisor-society ratios were 1:11, 1:10 and 1:14. The Assistant Director incharge of the district and the Deputy Director incharge of the Region convened monthly and quarterly meetings of the chief executives of the societies respectively to review the progress registered by them. The costing cell of the Department of Industries and Commerce set the targets and the field officers watched the progress. The audit was completed upto date (i.e., upto 1975-76) and defects rectified promptly because the chief executives were departmental candidates and the supervisory staff also helped in this regard.

In order to provide adequate attention required by the industrial cooperatives, an officer in the rank of Assistant Director of Industries and Commerce with supporting staff to exclusively look after the industrial cooperatives in the district is recommended. The staff transfers should not be done frequently but may be normally done once in 5 years or so. Instead of more routine reviewing and inspecting the societies, actual transactions should be test checked so that the fraudulent transactions can be detected and timely action can be taken.
In respect of Group 'C' similar to Group 'B' there were Assistant Directors and Deputy Directors in each district and Regions respectively to look after the village industrial cooperative societies developments and their growth. There was too much of variation in the number of societies spread out in each district and there appeared to be no norm behind the appointment of the supervisory staff for these societies. The society-supervisor ratios were 1:50, 1:45, 1:23 and 1:8 in the districts in which the study was conducted. Since the Presidents of these societies were managing their affairs, the supervisory staff had to shoulder enormous responsibilities in respect of each society; also they could not devote much attention, because of the distance and the number of too many societies that they had to look after. That was how the audit defects mounted and many societies became dormant.

4.175 Though the societies were shown as audited upto date till 1975-76, the defects were too many and were not rectified by the societies in the absence of adequate guidance and supervision. Therefore, the common cadre system similar to Group 'B' may have to be introduced here and the society-supervisor ratio should be developed with proper norms. It may be 1:10 if not 1:20 as recommended by the Working Group on Industrial Cooperation.

ABC 12. FINANCE:

4.176 Soundness of the organisation very much depends upon its financial base. Finance of the industrial cooperative can be divided into two parts; owned funds and borrowings from the external agencies. To build up the owned funds of the societies the Government participate in the share of the societies as a member which enables the societies not only to increase the paid up share capital but it enables the societies to borrow more from outside financial agencies.
In order to help the individual members to become the member in the societies and participate more in the share capital of the societies, the Government give share capital loans to the members and that is repatriated in small instalments by the members over a period of time. In addition to these, the societies borrow from the financing agencies to acquire the fixed assets and to meet the working capital requirements.

In the case of Group 'A', in order to enable the poor weavers to come into the cooperative fold, the Government gave share capital loan to a maximum of Rs.75 per head to the members and this had subsequently been increased to Rs.100 per head. This interest-free loan was to be repaid in 4 annual instalments. The Government also participated in the share capital of the weavers cooperative societies to strengthen their financial position and enhance their borrowing power. The maximum amount the Government could invest was fixed in each society as Rs.25,000.

The weavers societies required working capital rather than fixed capital to keep their business on. The Reserve Bank of India refinance was made available under section 17(2) (bb) and 4 (c), 1.5 percent below the bank rate (i.e.11-1.5= 9.5. percent). The State Government further subsidised 3 percent interest and thus the weavers societies paid only 6.5 percent interest in 1976. In this connection the practice prevalent in Maharashtra for helping the weavers cooperatives societies is worth emulating. The Government of Maharashtra gave a subsidy of 5 percent to the societies and thus the societies paid only 4.5 percent interest. This may be followed in Tamilnadu also in order to help the societies from their financial stringencies.

4.177 Finance was made available to the societies based on one-third production of the previous year. The societies had to purchase raw material for cash, market their goods and realise cash, pay advance of wages meet the price vacillation of raw materials and stock piling of goods in other than rebate seasons, bear with the Cooptex policy of taking time to settle
the bills of the finished goods sold to it and the time lag involved in realisation of rebate amount from the Government etc., have put the societies in financial crisis. They could not also increase the membership on account of this constraint. Therefore to help the societies in this regard it is recommended that the working capital finance should be given at least 50 percent of the previous year's production instead of the present 33.33 percent.

In the case of Group 'B' the amount of share capital loan varied from Rs.100 to Rs.2000 (in the case of societies registered under the half-a-million jobs programme, 10 times the share capital contributed by the members) was given by the Government. The loan was given at the interest based on the prevailing bank rate and the repayment was fixed from 5 to 10 years. The Government participated in the share capital structure of the societies generally on 50:50 basis. This basis was changed according to the needs of the societies. In the societies formed under the half-a-million jobs programmes, the Government participated three times the share capital collected by the societies.

For working capital assistance to the industrial cooperatives, the Government was advised by the Department of Industries and Commerce in each case and accordingly the loan was made available. The Tamilnadu State Industrial Cooperative Bank gave term loans to the societies at the ruling market rates of interest. Since this bank is not recognised by the Reserve Bank of India for refinance facilities, the rate of interest is high when compared to the rates charged to Groups 'A' and 'C'. The nationalised banks came forward to finance these societies in a small way from 1974-75. Very few (6 to 8) societies had received loans from them.

In the case of Group 'C' financial assistance was made available to different types of village industrial cooperatives according to the Khadi and Village Industries Commission's norms. The norms fixed differed for each type
of society. The amount of share capital loan varied from 75 percent to 87.5 percent of the value of shares held by a member irrespective of the number and value of each share, subject to a ceiling of Rs.500. Instead of participating in the share capital structure of the societies, the Khadi and Village Industries Board granted loan for capital formation in the societies, up to 4 times their owned capital with a ceiling of Rs.1,50,000 subject to the condition that the total borrowings of the societies did not exceed 10 times their owned assets including capital formation loan.

For working capital finance help was extended by the Khadi and Village Industries Board for different purposes like production, sale, purchase of tools and implements, etc. The percentage of assistance varied from 5 to 100. The rate of interest payable by the societies was according to the percentage fixed by the Khadi and Village Industries Commission. It was the lowest when compared to the market lending rates. It was 2.5 to 4 percent for the last 10 years. The repayment schedule fixed varied from 18 months to 10 years. The penal interest of 6 to 15 percent was chargeable on defaulted amounts of loans.

4.178 Looking to the share capital loan and State participation in the industrial cooperatives of Tamilnadu it differed in terms of size of assistance and terms and conditions thereof for each other as discussed above. 60 societies out of 81 studied had share capital below Rs.10,000 as in 1974-75 (vide Table IV 3 Page 323) which was inclusive of the Government share capital loan and equity participation. Any viable society in the present day living standards might need working capital to the tune of Rs.5000 to Rs.10,000. As such the present share capital position of the societies is not conducive to their growth. In this connection the recommendations of the Working Group of Industrial Financing through Cooperative Banks with regard to share capital needs to be considered. It has recommended that the societies should raise the share capital which should be at least equal to 20 percent of the estimated
requirements of the working capital and block capital.

4.179 The Industrial cooperatives studied differed much in their operational standards. Streamlining and developing the norms for share capital loans and share capital participation should be done so as to apply them without much difference for various types of societies. Thrift Fund collection from wages and conversion of the same into share capital was not followed in many of the societies. This has to be done. The financial assistance of the Government of Maharashtra to the industrial cooperatives in the ratio of 1:3 is worth emulation by Tamilnadu, where it was not even in the ratio of 1:1

4.180 The Government sanctioned Reserve Fund subsidy to the societies functioning under the control of the Department of industries and Commerce, Tamilnadu for acquiring fixed assets. This was invested along with the other reserves created by the societies elsewhere in other cooperative institutions. The latter paid interest on the investment by the societies around 2 percent whereas the market interest rate was 14 to 18 percent. Therefore, the present practice of reserve fund investment requires modification. Part of this amount can be as well invested in the fixed deposits in the cooperative banks and the rest ploughed back into the business.

Now it is more than 6 decades that the Government have helped the industrial cooperatives through subsidies and grants-in-aid for machinery, implements, tools, construction of godowns, etc. This liberal attitude by and large did not bring about much involvement and sense of belonging on the part of the members. Therefore, when share capital participation is in vogue, it is better that the concessional loans only are given may be at subsidised interest rates, provision of inputs in kind, etc., and repayment should be insisted and recovery watched. Since the rebates and subsidies were misused more often the assistance can be extended in the form of subsidised raw materials, managerial assistance, supply of machinery, contribution to provident fund and so on.
4.181. Inadequate working capital for the weavers cooperative societies had prevented them from admitting more members in the cooperative fold, created financial stringencies as the goods stagnated owing to several reasons. As already stated the present norm of one-third of the previous years production limit should be changed to at least 50 percent of the previous years production. The norms adopted to finance the newly organised weavers cooperative societies (per loom finance) have to be changed in the context of the present day living index. For instance, Rs. 1000 per cotton loom is quite inadequate and requires to be raised at least to Rs. 1500 per loom.

The Reserve Bank of India refinance facilities should be made available to all the industrial cooperatives in the State including all the cooperatives mentioned in the Groups A, B and C. The rates of interest paid and the terms and conditions were so wide between these three Groups, that an appropriate policy of financial pattern of assistance has to be worked out which can be applied to all the industrial cooperatives more or less uniformly.

4.182. The District Central Cooperative Banks, the Tamil Nadu State Industrial Cooperative Bank and the nationalised banks were the three different financing agencies through which credit was funneled to the industrial cooperatives functioning under the three Groups respectively. Instead of having too many financing agencies, an apex body at the national level (viz., the National Federation of Industrial Cooperatives) with branches in different regions can be established to look into the development aspect of the industrial cooperatives in the country.

It is also suggested that the Tamilnadu State Industrial Cooperative Bank should be affiliated to the Tamilnadu State (apex) Cooperative Bank as a separate wing of it and separate cells in all the District Central Cooperative Banks
created for financing industrial cooperative societies through out the State under the respective jurisdiction of the District Central Cooperative Banks, which are affiliated to the State apex Bank. The separate wing of it and separate cells in all the District Central Cooperative Banks created for financing industrial cooperative societies through out the State under the respective jurisdiction of the District Central Cooperative Banks, should review and coordinate the financing of the industrial cooperatives in the State. All the money for the industrial cooperative societies coming from the Reserve Bank of India, Khadi and Village industries Commission, Government of India, Khadi and Village Industries Board, State Government etc., should be routed through this channel. This can effectively function and streamlining of the existing procedures for the financing of industrial cooperatives can also be done by this arrangement.

4.183 The maximum borrowing limit was differently fixed for the societies studied under the 3 Groups. The limit was from 5 times to 20/30 times the owned funds and the Reserve Funds in these societies. As already mentioned, since the industrial cooperatives did not differ much in their size and operational frame work, the borrowing limit may also be uniformly fixed at say, 10 times the owned funds and reserve funds, after taking into consideration the average economic viability of the industrial cooperative societies.

PROFIT AND LOSS POSITION:

4.184 Tables IV 7 (i) & 7 (ii) at pages reveal that all the societies studied under group 'B' were in loss. In the case of Group 'A' out of 21 societies studied 2 did not provide information. Out of 19 societies 9 were in loss and 10 were in profit. The loss sustained was indeed alarming when compared to the profits achieved. In the case of Group 'C' out of 41 societies provided information, 33 were in loss and only 8 societies showed profit, that too very meagre amounts. Excepting the handpounding of paddy cooperatives, the rest were in very bad shape in their performance.
4.185 The statistical data/information culled from the societies studied under Groups A, B, and C & are given in Appendices IV A(1). IVB(1) and IV C(1). Based on those facts the various reasons for the dormancy of societies under study have been exhaustively listed out and the different number of societies suffering from each of those problems leading to dormancy of those industrial cooperatives are tabulated in Appendices IVA(3), IVB(2) and IVC(2) respectively in respect of the three groups of societies under study. These Exhibits also give the age of these societies reckoned from their date/year of registration up to 1978 and the number of years they have remained in dormant condition (reckoning from their date of dormancy till the year 1978).

4.186 All these societies it was noticed had suffered from a minimum of 2 to 3 problems before they became dormant. For purpose of proper understanding and further discussions, the connotations of each of the problems as mentioned in Table IV 12 (Page 35) that have led the industrial cooperatives to inactive condition are given in the following pages. The contributing problems of dormancy listed are inter-dependent and are listed out as under:

1. **Absent of Feasibility (Report/Project)**

   Without preparing feasibility reports the societies were registered. This could be due to target mindedness and various pressures. Feasibility takes note of technical, economic and resource feasibilities to determining ultimate viability of the societies concerned.

2. **Inadequate Supervision:**

   The societies could not be timely and properly inspected and guided by the supervisory staff may be because of inadequate staff-society ratio.

3. **Inadequate Finance:**

   Finance was not made available to meet the requirements of the societies on time from cooperative financing agencies.
(4) **MARKETING PROBLEM:**

The industrial cooperatives lack improved tools and appliances for their production. The members of the Cooperatives being less educated also lack adaptability of latest techniques and knowledge to use the modern implements. These limitations result in low production and poor quality of the goods produced, in addition to high cost. The goods of the societies faced fierce competition in the market and the societies could not stand it on the basis of quality, price and distributive efficiency.

(5) **INADEQUATE RAW MATERIAL SUPPLY:**

The societies could not purchase raw materials advantageously when compared to their private counterparts (private entrepreneurs). The raw materials were either not available locally or the available one was unsuited to produce the goods expected of the society; the restrictions in the society's rules, bylaws, etc., did not permit them to pay advance and procure the raw material as done by the private entrepreneurs.

(6) **DISLOYALTY OF CHIEF EXECUTIVES.**

(7) **DISLOYALTY OF STAFF**

(8) **DISLOYALTY OF THE MEMBERS.**

Not loyal to the societies with reference to their commitment to them. This covers a number of aspects like members taking raw materials and not bringing the finished goods to the societies; not repaying the dues to the societies on time; not being regular in coming to the societies and transacting/doing business/working (e.g. industrial weavers societies); illiteracy/ignorance of the members which was exploited by the leadership and due to their ignorance, not cooperating in the proper running of the societies as expected of a genuine member, etc.,
(9) **VESTED INTEREST OF LEADERSHIP:**

By virtue of their holding the reins of the societies, mixed-used the power and authority so as to promote their self interest in managing the affairs of the societies. This is covered by the aspects like continuing in the power position for a long time by hook or crook; appointing kith and kin in the societies deliberately against the provisions of the bylaws of the societies in order to work 'hand in glove' with them; favouring near and dear in passing on the benefits/concessions of the societies; transacting business through societies by utilising the resources but not entering the same transactions in the books of accounts so as to enjoy the benefits in a self-centered way, etc.,

(10) **DEFECTIVE POLICIES OF THE GOVERNMENT:**

The Government too often transferred the staff given on foreign service to these societies and not allowed them to concentrate their attention fully to develop the societies—Ordered them to hold additional charge of the societies which were on the verge of dormancy and not able to bear the staff cost etc.

(11) **NATURAL BUSINESS LOSS:**

Because of unforeseen circumstances like rains, flood, havoc, etc., the societies such as brick, pottery etc., had suffered loss in the absence of proper sheds/buildings; because of the heavy fluctuation in the price of raw materials (the societies might have suffered) resulting in high cost of production at any particular point of time.

(12) **INEFFICIENT MANAGEMENT:**

Not following the scientific management practices involved in managing the industrial cooperatives. This covers aspects like giving indiscriminate advance to the members; not taking appropriate action to recover the dues/outstanding from the members; selling too much on credit
sales making payment of wages in such a way that it affected
the business operations, many defects indicated in audit and
irregularities not rectified; executives not trained in
cooperative management; under-staffing of the societies,
employment of untrained staff and so on.

(13) **CONFLICTS AMONG THE BOARD OF DIRECTORS:**

Misunderstanding and fighting among the members
of the Board led to cleavage in the Board and obstructed
decision making. With the result the societies came to a
grinding halt.

(14) **DOMINATION OF MASTER CRAFTSMEN:**

Among the members of the societies, the sympathiser
members enter stealthily in large numbers and deliberately
bring the societies to inactive condition so that they might
have a free market for them and have the poor artisans under
their thumbs. They wield influence owing to affiliation to
political parties or otherwise by virtue of their wealthy
background over the poor artisans and dominate the situation.
This background brings them to adorn the seat of power in the
societies. It is with this view in mind that the Govt. has
introduced policy of increasing the membership of the weavers
cooperative societies from 30 percent to 60 percent before the
end of V Five year Plan. If more number of weaver artisans
are brought into the cooperative fold, then there may be some
unity among the individual artisan weavers so that they can
fight against the exploitative tendencies of the master weavers.

(15) **RECORDS NOT AVAILABLE:**

The records of some of the societies were in pell-mell
condition and some societies did not possess the records as
they had been lost or they had not been preserved or the
President left the society/died and the records were lost.
(16) **MISAPPROPRIATION BY THE CHIEF EXECUTIVE:**

(17) **MISAPPROPRIATION BY THE STAFF:**

Putting the resources of the societies to wrongful use more so for one's own self against rules. It might be done by the chief executive/President or by the paid staff of the societies. Manipulating the accounts, misusing of money for self and not producing the cash balance on demand for inspection etc.,

(18) **STOCK DEFICIT:**

(19) **CREATION OF RESERVES:**

Stock deficit may be on account of negligence of the staff or wilful neglect of the stores-in-charge or may be on account of poor storage. Because of stock deficits, objections raised by the auditors and reserves created to offset such deficits and misappropriation also.

(20) **ESTABLISHMENT COST:**

The societies suffered and come to loss owing to their inability to meet the salary of the staff deputed to work in them by the concerned Register of industrial cooperative societies.

(21) **LOPSIDED BUSINESS OPERATION:**

The palmgur societies were organised and registered only to issue licences to the neera tappers. Once the licence was issued, the members have to pay certain percentage of commission of their earnings (during the season) to the societies. But for this, the societies did not transact any business activity. Therefore, barring the commission earned in the seasons, they remained dormant. One palmgur society was allotted land free of cost and finance was provided at concessional rate by the Khadi and Village Industries Board and it constructed buildings and rented them out to its members. Majority of the members were sympathizers and were tappers and took possession of the buildings and were paying only rent. This was the only income/transaction shown in the records of the society.
(22) **ALTERNATIVE OCCUPATION MORE BENEFICIAL:**

The members of the societies felt that the occupations other than the one for which the societies were organised in the area proved to be more economical/paying in terms of earnings and therefore switched over to agriculture, fishing, beedi making and similar other occupations.

(23) **LACK OF LEADERSHIP:**

If once elected/selected leader was gone/dead, there was nobody coming forward to manage the affairs of the societies. This may be due to their poor educational background, experience, ignorance of the philosophy behind the organisation of such societies, non-committed attitude, lurking fear to hold the leadership position and so on.

4.187 Based upon the empirical data/information collected from the various records of the societies and the enquiry reports (wherever available) of the dormant and liquidated societies, the problems are listed out in the Appendices IVA (3), B (2) and C (2). (Pages 324-324)

The number of societies which had experienced each of these problems are culled, extracted and tabulated in Table IV 13 (Page 326) in order to get a total perspective of the magnitude of the problems suffered by the various societies under the Groups A, B and C.

**GROUP A:**

4.188 As seen from the Table IV 11 (Pages 330) the age of Group A (i.e., the weavers cooperative societies) from the date of registration till 1978 reveals that they were sufficiently old and remained in dormant condition for long. In order not to keep them remain dormant for long, the societies of 15 years old should be taken in the descending order and revitalisation measures should be taken up.

The reasons for dormancy of these societies were:
4 societies suffered inadequacy of supervision and domination of mastercraftsmen; 3 societies each experienced the problems of inadequate finance, vested interest of leadership, poor management, non-availability of records, misappropriation by the chief executives, creation of reserves by the audit respectively; one society revealed that it had marketing problem, conflict in the Board and stock deficit which were one of the reasons for their coming to grief. All these societies suffered from more than 2 problems to a maximum of 6 problems out of the 23 problems listed out.

GROUP B:

4.189 In the case of Group B (i.e. the industrial cooperatives functioning under the control of the Director of Industries and Commerce) also (as per the Table IV 11 Page 336) the societies were sufficiently old and remained dormant for about a decade or so. As stated by the Department of Industries and Commerce, revitalisation programme should be taken up immediately. It is gratifying to note that already one out of 7 societies listed was taken up for revival in 1977. Other societies should also be taken up for revival or closure as the case may be without any further delay.

The societies had come to grief by experiencing a minimum of 2 problems to a maximum of 5 problems out of the 23 problems listed (Page 335) and explained in the foregoing paragraphs. All the 7 societies suffered from one or more aspects of the insufficient management detailed out earlier. 5 societies out of 7, did not get the committed members and they proved to be not loyal to the societies. Two societies each suffered the domination of master & craftsmen, stock deficit and establishment cost respectively. The rest of the societies (each one of them) faced the problem of inadequate finance,
raw material, vested interest, defectives policies of the Government/department, natural business loss, conflicts in the Board, misappropriation by the chief executive by the staff, creation of too much reserves by the auditors, etc.,

GROUP - C.

4.190 Under Group-C i.e. Village industrial cooperatives functioning under the control of the Khadi and Village industries Board, there were 4 types of industries taken up for study. There were palmgur (15 dormant and 12 active), Handpounding of paddy (3 dormant and 4 active), Bricks (6 dormant and 2 active) and pottery societies (5 dormant and 5 active).

Thus, in all 29 dormant and 34 active societies were studied and the details are as under:

As revealed by the Table IV 11 (Page33) among the 4 types of societies studied, 5 were below 10 years; 13 were 11 to 20 years; 33 were 21 to 30 years and 2 were above 30 years old. Out of the 29 dormant societies studied, 4 societies had remained dormant for 5 years. 18 remained for more than 6 to 10 years, 4 societies 11 to 15 years and 3 societies remained dormant between 16 and 20 years.

Out of 14 active societies (reported by the Khadi and Village Industries Board), 3 became dormant and 4 had been liquidated at the time of study visit. Out of 29 dormant societies also 5 societies had been liquidated. However, the reasons for their dormancy have been examined from the enquiry reports conducted by the Khadi and Village Industries Board and given below:

The Table below indicates the number of societies and the problems encountered by them industry-wise. (vide Table IV 12 Page335)

The problems faced by each one of them were diverse and each society had faced more than 2 problems.
A total review of the industrial cooperatives including Groups A, B and C reveals the following reasons in the order of importance for their dormancy. These reasons by and large prove that the hypotheses formulated before the study was taken up hold good without much difference. The number of societies that had experienced each of those problems can be seen from Appendix IV C(2) and the extract of the same is tabulated in the following table (Page 336). In all 43 dormant societies (Handloom 9, industrial cooperatives 5, village industrial cooperatives 29) have been studied. Out of 43 societies, 27 revealed that disloyal membership was the prime reason for their closure. 24 had indicated inefficient management was the second reason for their dormancy. As an economic unit, it would not only be the criteria of the economic viability and technical feasibility for the society to satisfy for its success but also to adhere to the cooperative principles. Therefore, it is imperative that the members of industrial cooperatives should be imbued with the Cooperative ideology and exhibit team spirit required in their working together in a Cooperative enterprise. However, in many of these cooperatives the members lacked team spirit, sense of responsibility and the cooperative ideology to shape their working in accordance with the cooperative principles. Given the literacy conditions and socio-economic background of the members, the successful working of the societies largely depends on enlightened membership and competent executives which is possible through a well-planned programme of education and training for them.

The existing arrangement for member education (one industrial Instructor attached to the Cooperative Training College, Madras who is looking to a few societies in the
city of Madras) is far too inadequate compared to the number of industrial cooperatives and their membership in the State.

Hence this programme needs to be strengthened by recruiting and posting more peripetatic instructions (including women) as suggested in page 341. Therefore, member education programme and training are the two remedies that can be immediately prescribed to cure the ailment of these industrial cooperatives. (Page 353/354)

The third reason reported by the 12 societies is inadequate supervision. The fourth reason is stock deficit. The remaining reasons can be seen from the table given on page--354

Thus, the study confirms the hypotheses formulated.
20 bundles per day (1000 beedis per bundle) is the optimum average production.
10 persons can produce 20 bundles per day
10 persons produce per year 20 bundles x 300 days = 6000 bundle

1) Recurring Expenditure:
   A. Raw material:
      a) Beedi leaves required for one bundle
         1000 beedis 0.700 kgs.
         for 6000 bundles 4200.00 kgs.
         cost @Rs.2.80 per kg. cost for
         6000 bundles (i.e., 4200 kgs. x Rs.2.80 = Rs.11,760
      b) Tobacco
         tobacco required for one bundle 0.200 kg.
         tobacco required for 6000 bundles
         0.2 x 6000 = 12000 kgs.
         cost of tobacco @Rs.6.50 per kg.
         for 12000 kgs. Rs.6.50 x 1200 = 7,800
      c) paper required for 6000 bundles
         5 reams (cost of paper @Rs.70 per ream) Rs. 350
         Total material cost a+b+c above Rs. 19,910
   B. Wages
      Rs.2 per bundle - for 6000 bundles Rs.12000
      Total Variable cost A+B above Rs.31910
   C. Over Heads:
      Salaries one clerk @Rs.200 p.m. Rs.1200
      Rent @Rs.100 p.m. Rs.1200
      Other expenses Rs.250 p.m. Rs.3000
      5400
   D. Total recurring expenses Rs.31,910 + 5400
      Say = Rs.37,400 per annum
      Working capital required
      for 3 months = 37400 = Rs.9230/-
E. Non-recurring

Furniture Rs.2700

F. Cost of the Scheme say Rs. 12000 D+E above

G. Sales

6000 bundles @ Rs. 7 per bundle Rs.42000
recurring expenditure Rs. 37400
interest 10% of (F) 1200
depreciation 10% of (E) 275
total say 39000

Sales Rs.42000

(+) Variable cost 31900
contribution (Sales-V.C.) 10100

(-) fixed cost:
Overheads 5400
Interest 1200
Depreciation 275
7075 say = 7100
profit 3000

Output 6000 bundles
contribution per bundle Rs.10100 = Rs.1.6833
6000

Break Even Point = \[
\frac{\text{Fixed cost}}{\text{contribution per bundle}} = \frac{7100}{1.68} = 4218 \text{ bundles or 4200 bundles}
\]

Break Even Sales = 4200 bundles x Rs. 7 per bundle = Rs. 29400
The society will admit 10 coir yarn twisting societies and 100 small coconut cultivators having less than 2 acres as members and produce 2812.5 quintals of fibre and sell fibre @Rs.225 per quintal.

### A. Non-recurring expenditure

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Land and building</td>
<td>60,000.00</td>
</tr>
<tr>
<td>b) Soaking yard</td>
<td>1,000.00</td>
</tr>
<tr>
<td>c) 20 H.P. Motor</td>
<td>6,000.00</td>
</tr>
<tr>
<td>d) one beater</td>
<td>6,000.00</td>
</tr>
<tr>
<td>e) one fibre cleaning machine</td>
<td>1,000.00</td>
</tr>
<tr>
<td>f) Spares and tools</td>
<td>4,000.00</td>
</tr>
<tr>
<td>g) Erection charges</td>
<td>2,400.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80,400.00</strong></td>
</tr>
</tbody>
</table>

### B. Recurring expenditure

Each coir twisting society will require 562.50 quintals of fibre to feed 5 societies, 2812.5 quintals of fibre is required.

Value of the total number of green husk required at Rs.150 per 1000 number of husks.

- **Soaking charges @Rs.35 per 1000 husks**
  - \( \frac{2812.5\text{ quintals}}{1000} \times 35 = 98,437.00 \)

- **Power @0.35 per unit (7 units for 1000 husks)**
  - \( 6,890.00 \)
  - Total: \( 5,27,202.00 \)

### Overhead recovery establishment

- One secretary for a year: 10,000.00
- One supervisor: 10,000.00
- One clerk: 3,600.00
- One machine operator: 3,600.00
- One peon: 2,400.00

**Contingencies**
### Contingencies

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 watchman</td>
<td>2,400.00</td>
</tr>
<tr>
<td>Travelling allowance</td>
<td>3,500.00</td>
</tr>
<tr>
<td>Postage</td>
<td>500.00</td>
</tr>
<tr>
<td>Books and forms</td>
<td>700.00</td>
</tr>
<tr>
<td>Meeting expenses</td>
<td>500.00</td>
</tr>
<tr>
<td>Rates, taxes and insurance</td>
<td>200.00</td>
</tr>
<tr>
<td>Misc. expenses</td>
<td>500.00</td>
</tr>
</tbody>
</table>

**Total recurring expenditure per year**

Rs.5,27,000 + 38,000 = **5,65,000**

### Working Capital

- Minimum period of retting is 6 months. Hence finance for 6 months is required. The amount of working capital required is Rs.\(\frac{56,5000}{2}\) = **2,82,500**

### Cost of the Scheme

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non recurring expenditure</td>
<td>80,000.00</td>
</tr>
<tr>
<td>Working capital</td>
<td>2,82,500.00</td>
</tr>
</tbody>
</table>

**Total**

3,62,500.00 or 3,62,500.00

### Sources of finance

1. Share capital from 10 coir twisting societies at Rs.1000/- each  **10,000.00**
2. Share capital from 100 individual members @Rs.100 each **10,000.00**
3. State participation  **10,000.00**
4. Loan from the Govt.  **3,33,000.00**

**Total**  **3,63,000.00**
F. Sales

Sales of fibre at Rs. 2.25 per quintal
2812.15 quintals

G. Cost of construction:
1. Recurring expenditure
2. Depreciation on building
3. Depreciation on machinery
4. Interest on Government loan

H. Profits

Profit = Sales - cost of production

Sales
Variable cost
Contribution
Fixed cost:
Overhead on contingencies
Depreciation
Interest
Profit

Output 2812.5 quintals or 281250 kg.

Contribution per kg.

Break Even point

Break Even Sales

(sales @ Rs. 2.25 per kg.)