CHAPTER VI

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

6.1 The opening chapter highlights the importance of the study and the methodology adopted for the study. Since there is lot of controversy and mis-understanding of the terms industrial cooperative and dormancy, an attempt to define them have been made. (Pages 54-55)

6.2 The Chapter II succinctly traces the evolution, importance and growth and development of small enterprises and industrial cooperatives in Indian economy. This overview provides a base for the micro analysis attempted later. It is noted that although industrial cooperatives are best suited organisations for the growth and development of our economy, especially the rural areas, all is not well with them in their growth and progress. This overlapping of membership of individuals and primaries in the central and apex federations was found and it is suggested that individuals should form primaries, primaries should form central and central societies make apex organisation. (Pages 54-55)

The incidence of dormancy is high in industrial cooperatives (Other than weavers) in primary and apex level. This is because of the mutual linkage effect between them. The success or otherwise of the primary and apex societies results in vicious circle as they are mutually inter-dependent. To help the primaries to function well, apex societies with necessary branches have to be established. (Page 6)

The industrial cell in the Maharashtra State Cooperative Bank help the processing industries in preparation of feasibility reports so that industrial finance was easily made available by the financing agencies. Similarly, a
technical cell need to the set up in Tamilnadu State Cooperative Bank/ Tamil Nadu State Industrial Cooperative Bank. (Page 74)

6.3 Chapter III is devoted for a general description of the profile of the industrial cooperatives in Tamilnadu covering the aspects of origin, structure, growth and progress, location, policies in plan periods, etc., in general.

Since the Government department defined and classified industrial cooperatives contrary to the accepted definitions, a rational classification of industrial cooperatives is attempted. (Pages 91-94)

Though the growth of the societies have been impressive over a period of time, their performance is not encouraging. It was therefore suggested that for the village industrial sector (a) reservation of areas of production exclusively for village industrial cooperatives should be made (b) organisation of ventures in organised / large scale sector should not be encouraged. (c) imposition of tax or cess on the production of the organised sector should be thought of (Page 126)

In order to achieve proper results from the Savings and Security Scheme introduced in the weavers cooperative societies, regulations in the issue of yarn and fixing the norms of production per loom per member is recommended. (Pages 103)

Taking into the vast area of jurisdiction, more number of societies, etc., the handloom Circles should be re-organised and managed by officers in the rank of Deputy Director of Handlooms and Textiles (Pages 104-106)

FINANCE

In the case of share capital loans to members the method adopted by the department of Industries and Commerce is worth considering for emulation by the departments of Handlooms and Textiles and the Khadi and Village Industries Board. This method of providing share capital loans to members of the societies and getting the bond executed by the Government fixes the responsibility on the members
and the societies collect the dues from the members.

(Pages 123 & 124)

For extending financial assistance (especially for share participation) to the societies, the practice obtained in Maharashtra is worth emulating by the Government of Tamilnadu. The society and the Government share participation was 1:3 in the former and not even 1:1 in the latter (Page 124). In the case of financing of weavers societies also the practice of giving 5 percent subsidy to the societies in Maharashtra is worth emulation by the Government of Tamilnadu which gives only 3 percent now. (Page 125).

For financing of industrial cooperatives working under the jurisdiction of the department of Industries and Commerce, uniform pattern and norms have not been fixed (unlike the Khadi and Village Industries Board and the department of Handlooms and Textiles) because sufficient resources are not there. It is suggested that this gap needs to be bridged. (Page 126).

The practice of investing the reserve fund subsidy (granted by the Government) outside the business of the societies requires to be discontinued as it is not helpful in the proper functioning of the societies. (Page 127)

When State participation is there to augment the share capital base of the societies, providing reserve fund subsidy is superfluous. Granting too many/much grants and subsidies did not provide results and therefore only concessions in the form of lesser rates of interest, etc., should be given and repayment should be insisted (Page 129).

The working capital assistance was made available to the industrial cooperatives (Groups A, B and C) with different rates of interest and terms and conditions.
As these societies are more or less of the same nature in their size and their operations, uniform pattern of financing without much discrimination should be worked out for societies of similar nature and size. (Page 31)

The Reserve Bank of India working capital finance to weavers cooperative societies need revision as the cost of materials have considerably gone up. In the case of going societies from 25 percent of anticipated production to 50 percent and in the case of new societies liberalisation of per loom amount is suggested. (Page 34)

To coordinate the financing and other needs of the industrial cooperatives, the present National Federation of Industrial Cooperatives should diversify its functions by opening branches in different zones similar to the National Cooperative Development Corporation financing the processing cooperatives. (Page 34)

For channeling the credit, instead of different financing agencies for the industrial cooperatives mentioned under Groups A, B and C, only one agency is recommended. The Tamilnadu State Industrial Cooperative Bank should be affiliated to the State apex bank and the money should flow through the district central cooperative banks with exclusive cells in them for looking into the financial requirements of the industrial cooperatives. (Page 34)

There was hardly any uniformity found in fixing the norm for maximum borrowing limit in the industrial cooperatives. Hence, it is suggested that 10 times owned funds plus reserve funds would be alright for the industrial cooperatives. (Page 37)

As individual artisanal activity is not generally economically viable and when the Government have wedded to the cooperative ideologies, financing individual artisans should be discontinued by the Khadi and Village Industries Board. The units of the Board should also be
converted into cooperatives in a phased manner in the long run.

Except for the industrial cooperatives working under the Director of Industries and Commerce there was no goal setting done for the societies by the other departments and it is essential that similar to the costing cell of the department of Industries and Commerce, others should also attempt the goal setting and performance evaluation of the societies under their control.

Identification of job requirements and training needs in respect of personnel working in industrial cooperatives and the staff working in the concerned controlling departments has to be done. Then only meaningful training programmes suited to the job requirements of the personnel can be attempted.

Though the Government departments/ organisations have been instructed by the Government to patronise the products of industrial cooperatives, they have been assigned the fourth place next only to the Jail department, Government run organisations and Tamilnadu Small Industries Corporation Ltd. (TANSL). It is suggested that the products of industrial cooperatives should be given the first place of preference instead of assigning the last place as this is the neglected sector.

To increase the sales, publicity drive, improving the salesmanship, relief through tax exemption, etc., are suggested.

Looking to the mushroom growth of industrial cooperatives and multitudes of membership involved, the present arrangement for member education programme is too meagre and inadequate. In 1973-74 there were about 30 lakhs of members of all the industrial cooperatives (weavers and other than weavers) in the country. In Tamilnadu alone roughly about 5 lakhs members were there in the industrial
cooperatives. For these people engaged in the workers and artisans cooperatives of Tamilnadu, only one instructor is employed for conducting the member education programme by the National Cooperative Union of India. It is beyond anybody's guess as to how much time it will take for him to make a complete one round coverage of these members of the various industrial cooperatives in the State. Therefore, the machinery to deal with this job needs to be strengthened and peripatetic instructors at the rate of one for 15 to 20 societies at least may be necessary to enlighten the masses and bring about proper awareness and create loyalty on their part. (Page 35) This should be done by the National Cooperative Union of India in close collaboration with the respective State Cooperative Unions.

6.4 In Chapter IV a micro analysis of the factual position of the industrial cooperatives functioning under the three Registrars of Industrial Cooperatives is made with reference to the data culled from the sample societies studied. The various aspects of industrial cooperatives examined provide reasons for their dormancy. These aspects are: the important details of the various societies under study such as their age composition from the year of registration up to 1978, the area of operation, profile of the chief executives, membership and share capital position, management of the societies, role of the staff, raw materials procurement, production and marketing, storage, stock control, supervision, audit, financial position, etc.

6.5 In order to overcome the sufferings of the artisans and usher in efficiency and control into the cooperatives, common workshop type societies are suggested. (Page 33)

REGISTRATION:

6.6 Preparation of feasibility study/project reports were not given adequate attention and neglected by the registering authorities. The apex bank or Industrial Cooperative Bank should develop expertise in this regard as in the case of Maharashtra State Cooperative Bank mentioned earlier.
It is also suggested that formal registration with fees and then final registration of the societies should be done. The Registrars of Industrial Cooperatives should introduce suitable provisions/amendments needed in this regard to the Rules and Regulations. (Page 327 & 345)

**AREA OF OPERATION:**
6.7 In the absence of appropriate norms to fix the area of operation by the registering authorities, mushroom growth of societies in an area came up. This resulted in overlapping of membership and cut-throat competition. Therefore, reasonable area of operation is to be fixed by the organisers of the societies and the registering authorities and strictly adhered in practice. (Page 344)

**CHIEF EXECUTIVES:**
6.8 For efficient management, separation of the functions of decision making and execution is necessary. In the case of Groups A and C, this was absent and hence suggested the demarcation of these functions. Moreover, the profile of chief executives revealed that they can not manage properly the business enterprises within/ following the legal frame work. Therefore, creation of common cadre of professional executives and training them in cooperative management is suggested for Groups A and C similar to Group B industrial cooperatives. (Page 343)

The Government policy of making one executive to hold additional charge of more than one society and frequent transfers of the executives proved to be detrimental to the effective functioning of the societies. Hence it is suggested that the Government have to modify its policies in this regard. (Page 344).
MEMBERSHIP & SHARE CAPITAL:

6.9 Coverage of membership and mobilisation of share capital was not encouraging in the societies. The management of the societies should be motivated to identify the potentialities and do the needful. The thrift fund from wages should be collected (as many societies did not practice this.) The difficulty in augmenting membership and share capital in Group A was because of inadequacy of working capital finance. The Reserve Bank of India has to modify its present norms as suggested. (Page 346)

PROFILE OF MEMBERSHIP & BOARDS OF DIRECTORS:

6.10 The profile of membership revealed that young blood was not attracted by the societies, majority of them were illiterates, socially and economically backward belonging to the lowest strata of the community with poor wages, ignorant of the basic philosophy and principles behind the societies. Therefore, member education programme is suggested for them. The Tamilnadu Cooperative Union with due consultation with the departments should initiate vigorous programmes in this regard in addition to the National Cooperative Union of India (Page 346, 349, 150)

The number of Boards of Directors, their duration of office, election practices, etc., were different in the industrial cooperatives. Therefore, it is suggested that the registering authorities should bring about uniformity in this regard and introduce democratic management with the dichotomy of decision making and execution. (Page 350)

STAFF:

6.11 The societies could not employ qualified, experienced and trained staff. Their salaries were poor and did not get any welfare measures or other incentives to motivate them to work well in the societies. Of course, the soundness of the organisation and the perquisites go hand in hand. Therefore, proper persons should be selected and trained to
manage the societies efficiently which ultimately take care of the latter aspects. The existing training arrangements for the personnel of the industrial cooperatives is far too inadequate when compared to the vast scope and need. As such the machinery for training them has to be geared up with necessary resources.

**RAW MATERIAL:**

6.12 The procurement of raw materials and marketing of the finished goods posed a big problem for the industrial cooperatives. As such it is suggested that a raw material bank / multi-industrial federation for other than weavers cooperatives should be established.

**PRODUCTION & SALE:**

6.13 Since the minimum levels of production and sale was not worked out to make the societies into viable ones, many of them were experiencing the trial and error method without knowing their Break Even Point. They proved to be non-viable units. (Illustrations to workout the Break Even Point is also attempted in the thesis.) The apex societies in respect of Groups A and C could not squarely meet the needs of the respective industrial cooperative societies with reference to raw materials and marketing of finished goods. Hence, a marketing strategy for them is suggested.

**STOCK & STORAGE:**

6.14 Piling up stock in certain industries like handloom weavers cooperative societies and stock deficit in almost all industrial cooperatives was a major problem and too much of reserves created by the auditors. Therefore, streamlining the system of stock verification, surprise check by supervisory machinery are suggested to minimise the mal practices.
SUPERVISION & AUDIT:

6.15 Too wide a jurisdiction, large number of societies and few staff loaded with too many duties and responsibilities gave way to inadequate supervision. Hence, reasonable norms should be developed for supervisor-society ratio (say 1:10) according to the type, nature and size of the societies and an officer exclusively for the industrial cooperative societies in each district/circle/region is suggested. The staff transfers should be minimised to once in 5 years or so. Instead of routine review/inspection, test checking of actual transactions is to be done by the supervisory mechanism to detect frauds and take timely action. Though all the societies were audited up to date, the mounting of audit defects in them show that the above suggestion should be implemented soon. (Page 343-345)

6.16 In fine, it is an undisputable fact that cooperatisation of small and individual artisanal activities can go a long way in developing, uplifting and relieving them from the hands of the exploitative tendencies and provide remedies for the maladies retarding their growth. Instead of creating too many societies, revitalising the societies in a phased manner by either amalgamating, reviving or liquidating them after knowing their potentialities to become viable ones would only fortify the Movement. If the above suggestions are properly implemented by the Government, registering authorities concerned, the organisers and those involved in the developmental activities of this sector, it would strengthen the foundations of these societies in future.

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