CHAPTER II

SMALL INDUSTRIES AND INDUSTRIAL CO-OPERATIVES

EVOLUTION:

2.1 Indian sub-continent is the seat of wealth and grandeur in the field of small scale and cottage industries. Artistic skills and craftsmanship involved in them have been well known right from early civilization. As far back as in 1787 exports of Dacca muslin to England amounted to Rs. 30 lakhs. This shows our rich cultural heritage and tradition. The cottage industries thrive because of the patronage of royal families, aristocrats and the association of religious sentiments. For instance, the decoration of houses with handicrafts articles of exquisite skill and wearing silken brocades of unique preparations by the rich clan and the use of silk for religious and wedding ceremonies etc., bear testimony to the above fact.

2.2 The concept of giving importance to the decentralised cottage handi-crafts, village and small-scale industries for rural industrialisation has gained grounds because (a) the excessive pressure of population on agriculture with its ramifications of sub-division and fragmentation of land holdings, low yields, primitive methods of cultivation etc. Proverbially, Indian peasant is born in debt, lives in debt and bequeaths debt (b) the agriculturists are under-employed and thus they need to convert part-time job into full time avocation (c) agriculture and small industries are inter-dependent (d) cottage, handicrafts industry only can provide employment to artisans because the goods are not made by machines but by excellent finishing touch given by human hand with artistic skills (e) the over population with educated unemployed, uneducated unemployed and artisans can we fruitfully utilised in the labour-intensive industrial development (f) with the scarcity of capital and plentiful
natural resources of land, labour, water, etc. occupation is found only in small industrial sector. The returns on investment are also quick when compared to any other endeavour (g) the small industries can be organised more successfully as they do not require sophisticated qualifications, experience and training (h) the availability of the inputs for production and marketing is easier because the operations are local and do not depend on import potentialities (i) the development of small industries makes for a balanced economy (both in terms of industrial and agricultural developments) (j) with the growth of the sector, common production programmes and working together of many industries integrating vertically and horizontally, become possible. The industrial estates also come into being with many sided facilities and advantages in the interior parts of the country. In this connection, it is observed that the age-old traditional handloom industry which can answer many of the above ills, has got to be developed, because of certain additional merits. It does not require huge capital for production or for import of machinery etc. to run the unit, besides its employment potential. It earns foreign exchange of the order of about Rs.200/- crores per annum through export of fabrics, ready made garments etc. For purpose of our further understanding let us attempt here a brief resume of the cottage, village and small industries as they have undergone change over the period.

A. COTTAGE AND VILLAGE INDUSTRIES:

2.3 In cottage industries the process of production is only through manual labour and a simple machinery or none is used. There are household industries depending upon more or less local resources, catering to limited local market.

1 Source: Tamil Nadu Journal of Co-operation Vol.68, No.11 May 1977 Page 274 - Handlooms in Tamil Nadu by Thiru J. Narayanan, Joint Director, Handlooms
A Cottage industry can be in urban, rural areas. In the case of the latter, it is known as "Village Industry" because it is located in the village. The village industry can be a household industry or it may be run on a common work-shed basis.

2.4 Generally, these cottage, village industries are classified into four groups:

(a) Those facing competition from factory, products (e.g.) hand spinning in the cottage vs yarn produced by spinning mills (raw materials).

(b) Those whose products (non-agricultural) more of hand and less of machines competing with goods produced adopting high technology and automation (e.g.) Handlooms vs Powerlooms, Textiles, hand made chappals and machine made chappals (finished goods).

(c) Those whose products (agricultural-oriented) are given shelter to compete with complementary goods (e.g.) Gur and Khandasari vs Sugar; Sericulture vs synthetic fabrics etc.

(d) Those industries producing artistic, decorative products which do not compete because of their exquisite individuality with factory products (e.g.) pottery, mat, bamboo products etc.

These industries can also be classified occupation wise:

(a) Providing whole time occupation (e.g.) pottery, blacksmithy, carpentry, tanning etc.

(b) Providing supplementary occupation to agriculture (e.g.) Handloom weaving, beedi making etc.

(c) Urban rural seasonal industries (e.g.) bricks, oil ghani, pottery, gur-khandasari etc.

(d) Providing part or whole time occupations (e.g.) toy-making printing, cart-making, wood or ivory carving, etc.
2. SMALL SCALE INDUSTRIES:

2.5 Small scale industries are more or less semi-factories using machinery, power depending upon resources coming from outside and more often depending upon large scale industries for the supply of either raw materials, semi-finished products to them.

2.6 The small scale industries can be grouped into three major types:
(a) Those which are subsidiary to large scale industries (e.g.) manufacturing spare parts for a large industry
(b) Those engaged in the manufacture of finished goods (e.g.) soap making, hosiery, ornaments, etc. and
(c) Those engaged in the supply of repair services (e.g.) service workshops, engineering establishments, etc.

Thus, the small-scale industries include cottage and village industries also. But in the wake of industrial development, criteria have been developed to classify these small scale industries as distinct from large-scale industries. This becomes inevitable to foster these small industries from the competitive forces i.e., from the large scale enterprises by giving discriminating protection and paternalistic assistance.

2.7 The criteria developed to classify an industry and to define it as small enterprise or otherwise are:
(a) Use of power, (b) Number of workers and (c) money invested in fixed assets.

DEFINITIONS:

2.8 Before the World War-II, a small scale industry was defined as a unit having capital invested upto ₹30,000/-.

Up to early 1960, a small scale industry was defined as an establishment having not more than 50 workers with power
or 100 without power and not more than Rs.5 lakhs invested on fixed capital.

In 1960, the limit as to the number of workers was dropped so that all small factories having less than Rs.5 lakhs of fixed capital investment only were termed as small scale industry.

A slight modification to this definition was made with regard to ancillary industries in early sixties. The maximum capital for an ancillary industry in small scale sector can have a fixed capital up to Rs.10 lakhs.

In 1967, a small scale industry was defined as one having capital investment on fixed assets less than Rs.7.5 lakhs. In the case of ancillary industry the maximum was raised to Rs.10 lakhs.

In 1974, again the criteria changed from Rs.7.5 lakhs to Rs.10 lakhs in the case of small scale industry and from Rs.10 lakhs to Rs.15 lakhs in respect of ancillary industry.

2.9 The benefits and privileges given to small scale industrial sector are made available by the Government only to those industries which fall under the ambit of this definition. For getting assistance, the industries are again classified

1. On the basis of capital:
   (a) Capital intensive (machine-oriented)
       (e.g.) Printing Press
   (b) Labour intensive (e.g.) Coir
   (c) Skill-oriented handicrafts
       (e.g.) Ivory, Wood carving, etc.

2. On the basis of activity:
   (a) Manufacturing industries (e.g.) Bricks
   (b) Processing industries (e.g.) Tea, Cloth processing
3. On the basis of materials:
(a) Engineering
(b) Agro-based industries
(c) Chemical industries
(d) Ceramic industries, etc.,

2.10 The development of small industries is a State subject. National level policies and directives are issued from Ministry of Industrial development. The Development Commissioner of this Ministry coordinates the activities of small scale industries in the country. All the small industries are registered with the Director of Industries and Commerce of every State.

WHY INDUSTRIAL COOPERATIVES?
2.11 The cooperative sector has a very vital role to play in the upliftment of the weaker sections and in the total economic growth of our country. Cooperation as an economic system has proved as the most suitable medium in improving the economic conditions of mainly agriculturists and to some extent individual artisans who have nothing except their inherited skills. Even though, the system did not come up in its spontaneity and suffered from (if not inherent) fortuitous weaknesses, the oft-quoted slogan "Cooperation has failed but it must succeed" has become the eye opener to the Government. Governments, both Central and States, have endeavoured and are endeavouring earnestly to extend unstinted support to the cooperative movement in our country. There are certain advantages of the cooperative form of small enterprises over the private, individuals/partnership form of enterprises.

2.12 Etymologically a small scale venture suffers from the disadvantages of economies of scale owing to small size, little finance, employment of small machines, uneconomic production with high cost of production,
limitations on quality of raw materials etc. As an individual entity it can not also effectively market its products and employ the modern management practices. These handicaps can be overcome in a substantial way through a cooperative form of organisation. The organisation of individuals into societies and combination of societies at horizontal and vertical levels manifests itself into a net-work which ultimately enables it to benefit from economies of scale. Because of the association and mutual linkage, division of work becomes possible, leading to greater efficiency, innovations and larger turnover. This individual stake in the organisation vividly brings out the latent talents and devolution of responsibility among the members which otherwise might not have been possible for these entrepreneurs. Mustering finance from the individual members and Governments' participation are like small drops to make an ocean. Thus, under the cooperative legal framework borrowing power increases for a Co-operative. The financing agency also repose confidence because of the soundness of the entity. Once the much needed finance is secured, then it follows that the cooperative organisation is able to purchase the raw materials in bulk at an advantageous price, appoint technicians and necessary experts, maintenance of accounts and other paraphernalia, go in for installation of up to date machinery, take up modern and improved process of production and in the process command a good share in the market for its ultimate products. Collaborative and mutual arrangements between a producers' cooperative and service or marketing or consumers' cooperative would provide immense opportunities to reach the goal set before the business enterprise.
2.13 Removal of the modern business handicap of malign employer-employee relationship is possible in a cooperative owned and managed by workers. It develops the assiduity and faculties of the common man in the running of an industry, who has little opportunity otherwise. The legal status acquired with limited liability, statutory audit and supervision by the Government apparatus infuses confidence in the minds of the people to come together and serve for the common weal of the community at large. Paternalistic assistance from the Government in the form of granting facile credit, managerial and other subsidies, grants, exemption from stamp duties and income tax, sales tax and other taxes, makes cooperative as an attractive form of organisation over a small scale private venture. Thus, the industrial cooperatives can constitute the strongest link of the cooperative movement in our country drawing in the weak members of this sector who are economically poor.

ROLE OF THE STATE AND OTHER AGENCIES IN THE DEVELOPMENT OF INDUSTRIAL COOPERATIVES:

Role of the Registrar of Cooperative Societies:

2.14 "In the West cooperatives had grown up with good deal of spontaneity and normally without the help of the State. It was decided in India that to begin with, in a way, cooperatives would have to be actively fostered from above. In the Indian situation it came to be believed that the only body suitable for this task was the State. It is

1 Rural Credit in Western India by I.J. Catapan-Oxford University Press, Bombay.
said that the cooperative movement in India is the "Registrar's Movement". With the growth of the Movement and diversification into various fields of activity, it always remained as the handmaid of the Registrar of Cooperatives of the time. The development and growth of the Movement in a particular area depended very much on the personality of the Registrar, who was the Creator, the Preserver and the Destroyer, as it were, of the Movement as also its friend, philosopher and guide. The truth behind the statement can be understood if one looks into the origin of the cooperative movement in India.

2.15 The Movement took a legal sanction and birth in India only in 1904 when the First Co-operative Societies Act was enacted. Later, the Movement passed through various stages of growth. In the first phase of 1904-12, Cooperatives were organised only for promotion of primary cooperatives for agricultural credit. In the second phase of 1912-19, a good deal of expansion of the Movement necessitated a new Act rectifying the defects of 1904 Act and introducing important changes over the 1904 Act and was passed in 1912. This Act of 1912 enabled the registration of non-credit cooperatives and central societies.

2.16 The Registrars of Cooperative Societies are implementing policy frame work specified by the Governments. The State Governments are solely and wholly responsible for the development or otherwise of the Movement and lay down the policies, schemes and other directives conducive for the growth and progress of the cooperatives in the respective States. The Constitution of India enjoins upon the State to seek for its citizens environments for healthy
growth of activities based on voluntary association and mutual help principles.

2.17 The Directive Principles of State Policy in the Constitution\(^1\) are, however, a little more explicit on this point.

Article 38 states:

The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice-social, economic and political shall inform all the institutions of the national life.

Article 39 (a, b & c) States:

The State shall in particular direct its policy towards securing (a) that the citizens men and women equally have the right to an adequate means of livelihood; (b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good; (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

Article 43 states:

"the State shall endeavour to secure by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial and otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities and, in particular, the State shall endeavour to promote cottage industries on an individual or cooperative basis in rural areas."

Thus, the Constitution does provide for the creation of environments conducive for the organisation and growth of cooperatives under the paternalistic care of the State.

2.18 Factors such as (a) absence of genuine and powerful leadership (b) indifference of the elite and rank and file towards cooperative movement (c) socio-political forces in operation etc. were responsible for evolution of this traditional paternalistic attitude. As late Prof. D.R. Gadgil put it "poverty, backwardness and antiquated social structure gravely hampered the progress of the cooperative organisation and the emergence of cooperative leadership."\(^2\) Divergent views are often heard on the aspect of State help/patronage to cooperatives. "State help, therefore, it was of the opinion can ill-afford to be merely of an administrative or guidance nature as hitherto. It has so far been over administration and underfinancing. The total programme henceforth needed to meet the situation may be described as one of rural orientation of the operative forces of the country's administrative and financial organization. In other words, it would mean a combination of rural conscience, rural will and rural direction and such combination to be really strong and effectively operative must come from the Government."\(^3\)

**STATE AND INDUSTRIAL COOPERATIVES:**

**Set up:**

2.19 Even though 'Cooperation' is a transferred subject and the concerned State Government has the main responsibility

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2 Cooperative leadership in South East Asia-International Cooperative Alliance, New Delhi 1964 - Page 69.

of promoting, supervising, controlling, developing the industrial cooperatives, at the Government of India level, there is a standing Committee under the Ministry of Industrial Development which gives overall guidance, policy frame work, streamlining the licensing system and so on. Due representation is given to the Ministry of Finance, Planning Commission, Reserve Bank of India, Khadi and village Industries Commission, All India boards like Handloom Board, Coir Board, Silk Board, Handicrafts Board, Small Scale Industries Board etc.

2.20 In so far as the structural organisation at the State level is concerned different states follow different pattern. There is lot of controversy over the control or jurisdiction over industrial cooperatives. The Cooperative Planning Committee headed by Shri R.G. Saraiya in its report of 1945 asserted that the administrative control of the industrial cooperatives should be vested in the Registrar of Cooperative Societies and not in the Director of Industries and Commerce as they would not have necessary qualifications, equipment or time to look-after the many-sided activities of industrial cooperatives. But many States like U.P., Punjab, Kerala, Andhra Pradesh, Tamil Nadu and West Bengal have transferred the industrial cooperatives from the Cooperative Department to the Departments of Industries and Commerce while in the rest the industrial cooperatives are taken care of by the Department of Cooperation. Even among the latter, few types of industrial cooperatives are with the Department of Industries like those in Maharashtra, Orissa, (Mysore) Karnataka, etc.

2.21 One school of thought favours the control over the industrial cooperatives by the Department of Industries equipped with cooperative staff because, the officers of the Industries Department are technically qualified persons
having control over the small scale industries in the State, arranging the distribution of scarce raw materials, import licences and funds under State Aids to Industries Act. It has also the access to training through Small Industries Services Training Institute and the National level bodies like the National Small Industries Corporation etc.

2.22 Yet another school of thought favours control by the Registrar of Cooperative Societies equipped with technical staff needed who is more competent to apply the legal provisions of Cooperative Societies Act and may be in the know of the problems of these societies which would be more or less similar to the ones encountered by the other cooperatives under his control. In matters of audit, supervision and cooperative management he will be a better guide than the Director of Industries and Commerce. Again one cannot forget the most crucial aspect of finance, which is expected to come from the cooperative banks under the control of the Registrar. If the Industrial cooperatives are with the Director of Industries, perhaps the niggardly treatment by cooperative banks may result in starvation of funds for industrial cooperatives as it had happened in Punjab.

2.23 Similar to the recommendations made by the Cooperative Planning Committee (1945) headed by Shri R.G. Sariya, the Second Working Group on Industrial Cooperation (1963) headed by Shri B.P. Patel recommended that the balance of advantage lies in having industrial cooperative societies under the aegis of the Cooperative Department rather than the Industries Department. This however, should be left to the State Government concerned
to take a decision. But the Working Group recommended that in either case, there should be close coordination between these two departments in all matters relating to industrial cooperatives and must be assisted by the Department officer drawn from the other for efficient running. The two departments must preferably be under one minister. In Tamil Nadu, the Industries and Commerce Department has control over almost all factory type of industrial cooperatives; the cottage, khadi and village industrial cooperatives come under the purview of the State Khadi and village Industries board and the handlooms and the powerlooms cooperatives are under the jurisdiction of the Director of Handlooms and Textiles.

STATE AID TO INDUSTRIES:

2.24 For industrial cooperatives financial assistance broadly comes from two sources; viz. Governmental and Institutional. Under the category of financial assistance from Government (Central/State) the aid is available for the following:

STATE AID TO INDUSTRIES ACT, 1922:

Under this Act provisions are made for the development of industries through:

1. (a) Loan (b) Subsidy (c) Grants-in-aid
2. Share capital loans for different types of cooperative institutions in the industrial sector.
3. Share capital participation in industrial cooperatives.
4. Guarantees given by the Government for certain advances given to cooperatives from cooperative financing agencies.
POLICIES AND PROGRAMMES:

2.25 Despite the above mentioned potentialities and dire need for adopting 'Industrialise or perish' concept, the small and cottage industries could not survive in the pre-Independence era because of the policies of the alien rule bringing in the machine-made goods to compete with the handmade goods in India and the deliberate attempt to ruin our traditional heritage of cottage industries made by them.

Before the advent of Industrial Revolution, the textile industry of India constituted hundred percent Indian handloom cloth. The superfine Dacca muslin, the banarasi brocades, the eye-catching forms and designs of the chintzes of Machulipatnam and the sarees of Kancheepuram had been symbolising the unique cultural ethos of ancient India. It is said that Dacca used muslin yarn upto 500 counts. It is also reported that muslin cloth measuring several yards had been drawn through a finger ring and parcelled in a match box.

The British rule in India and the establishment of textile mills in Calcutta and Bombay marked the beginning of the sad tale of handloom Industry in the country. The Industry was deteriorating because the weavers were not organised and no nation-wide contacts were there between one another. Their illiteracy, ignorance and poverty added to their miseries. The Industry which supplied hundred percent cloth requirements of the people till the middle of the last century and about 60% around the year 1900, produced and supplied only 16% of the total cloth requirement in 1951.

1 Indian Cooperative Review, April 1978 (vol. XV. No.3) Page 36.
The dawn of Independence resulted in a fresh wave to get over the untold sufferings of the weaker sections. The Directive Principles of the Constitution of India laid down the responsibility of the State that "it shall endeavour and promote cottage industries on cooperative basis in rural areas."

PRE-INDEPENDENCE PERIOD:

2.26 Industrial cooperatives in India have been almost as old as the agricultural cooperatives. Initially they were organised only for the purpose of providing credit on reasonable terms to the artisans and craftsmen in villages and towns. They could not be otherwise as the Act of 1904 had made provision for registering only credit cooperatives. Even so, some of the cooperatives had ventured into non-credit activities like purchasing and supplying to the members raw material on credit or advancing loans to them against the pledge of their finished products and in some cases arranging to sell on behalf of the members the finished products received from them as pledge. These activities were given the legal basis by the Act of 1912.

2.27 Cottage industries faced the problems in the matter of procuring raw materials, securing improved yet comparatively inexpensive equipment, finding the resources, long-term and reasonable terms for financing block capital and working capital requirements and marketing the finished products. It was expected that organising the artisans and handicrafts-men into cooperative for providing the needed services in all the different directions would help them overcome these difficulties. But the artisans and craftsmen, being mostly poor, could not raise from among themselves the minimum capital necessary for starting and working of such cooperatives. These cooperatives, wherever organised, experienced the same
difficulties as were faced by their members and were not strong enough to overcome them successfully. Government wedded to the policy of laissez-faire did little to help these cooperatives, though it was known that in the countries like France and Italy, industrial cooperatives had achieved some measure of success because of the support extended to them by the Government.

The Indian Industries Commission of 1916-1918 and the Royal Commission on Agriculture both endorsed the organisation of industrial cooperatives. But the real impetus came in 1923 when the Government of India started financing handloom cooperatives. In the Forties (1939-40), World War II broke out and large scale industries looked into the production of war material and small scale industries to the mass consumption goods because the imports were cut off.

2.28 During economic depression when agricultural prices fell steeply, the income of the rural population and consequently their purchasing power had been adversely affected. This hit severely the cottage industries catering mostly to the rural markets. Artisans and handicraftsmen were in great distress. Handloom weaving industry being the most extensive industry in the country, distress of the handloom weavers leading to widespread discontent attracted the attention of the Government. In 1934, the Government of India introduced the handloom development scheme under which provincial Governments were given grants for programmes of assistance to the handloom industry. Some provincial Governments as in Madras, utilised the grants for helping the handloom weavers cooperatives. Later, on the recommendation of the Fact Finding Committee constituted the All India Handloom Board in 1945 to advise the Government on the problems facing the handloom industry and the lines of assistance necessary and possible.
2.29 In 1943, the then Bombay State organised an industrial cooperative organising committee. It sponsored a number of societies among tanners, carpenters, smiths, potters, etc. A Joint Registrar of industrial cooperatives was appointed in the Department of Cooperation. Similar industrial cooperatives were started in Madras, Uttar Pradesh, Saurashtra, Delhi and other places.

2.30 During World War II, conditions of scarcity had developed in the matter of supply of many essential commodities. Yarn required by the weavers was one such commodity. Government first introduced price control and later physical control on distribution. At that time the handloom weavers cooperatives were preferred by the Government to other agencies for allotting licences to handspun yarn distribution work. This acted as an incentive for the formation of weavers cooperatives.

2.31 The Cooperative Planning Committee (1945) headed by Shri R.G. Sariya had made recommendations and measures of assistance to industrial cooperatives such as (a) under the control of the Registrar of Cooperative Societies, Regional Promotional Agencies should be established in each province to survey, plan and organise industrial cooperatives. These should be headed by Promotional Officers aided by Deputy Promotional Officers (b) Industrial cooperatives should only be under the control of the Registrar of Cooperative Societies (c) Government should give financial resources to central cooperative banks to provide loans and subsidies to industrial societies. If the banks are weak, separate industrial cooperative banks may be established (d) Government should accord preference to the products of industrial cooperatives in its purchasing programmes (e) Short-term finance should be made available from the Reserve Bank of India for industrial cooperatives and so on.
Immediately after the dawn of Independence, the Government of India declared its industrial policy in April 1948. The First Industrial Policy Resolution (1948) stated, "Cottage and small scale industries have a very important role to play in the national economy, offering as they do scope for individual village or cooperative enterprise, and means for rehabilitation of displaced persons. These industries are particularly suited for the better utilisation of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods like food, cloth and agricultural implements." Dealing with the form of organisation for these industries, the Government proceeded further to state in Resolution, "One of the main objectives will be to give a distinctly cooperative bias to this field of industry" and visualized... having recourse to small industrial cooperatives through out the country."

For the coordinated development of all types of cottage industries, the Government of India set up in August 1948, the All India Cottage Industries Board in the place of All India Handloom Board set up in 1945 and one of the sub-committees of the new Board was to attend to the industrial cooperative workers. Government also set up the Cottage Industries Directorate within the Directorate General of Industries and Supplies under the Ministry of Industry and Supplies. In 1948 the Government of India passed the Central Silk Board Act and in April 1949 constituted the Central Silk Board to promote the development of silk industry in the country.
PLANNING ERA:

2.34 With the setting up of the Planning Commission in 1950, the Five Year Plans gave a face lift to the developmental activities in the country. Priority sectors were identified and programmes and policies chalked out towards the growth and development of the economy. Though the major emphasis of the I Plan was to develop the agricultural sector, the Plan recognised that the village industries had a central place in rural developmental programmes and therefore their development should be "as much a matter of State action as the increase in agricultural production". Besides technical improvement, research and other measures for improving efficiency, the Plan visualised that the primary objective of the State policy should be "to provide a field within which each cottage industry may be able to organise itself." Wherever there was competition between the small scale cottage industry and big/large scale industry, common production programmes were contemplated for the small scale sector. For the purpose of relieving the cottage industry workers of their dependence on the middlemen and to ensure that technical guidance and other measures of assistance would reach the village artisans, it was considered necessary to organise these artisans into industrial cooperatives. It was also envisaged that with well-marked fields reserved for cottage and small scale industries and other measures of assistance to these industries there would be greater scope for successful operation of industrial cooperatives.

2.35 To pay more concentrated attention to different categories of industries within the broad class of cottage and small scale industries, the Government of India replaced the Cottage Industries Board by four Boards. All India
Handloom Board (October 1952), All India Handicrafts Board (November 1952), All India Khadi and Village Industries Board (January 1953) and Small Scale Industries Board (November 1954). Besides these, the Coir Board was set up in July 1954 like the Silk Board under a special statute, the Coir Industry Act of 1953.

2.36 The then Ministry of Commerce and Industry requested the Industrial Planning Team—The Ford Foundation (1954) to investigate into the feasibility of effecting improvement in the existing small-scale industries in India and to suggest methods of improvement. Mr. Douglas Ensminger was the Ford Foundation representative in India who carried out investigations and made suggestions such as (a) basic training (technical) needs of the small scale sector must be met squarely (b) creative signs to meet the changing fashions should be developed through design centres (c) export development officers should be created as a contact agency for foreign buyers and so on.

2.37 The Second Five Year Plan devoted concerted attention to village and small scale industries development (side by side with heavy industries) because of the major recommendations of the Village and Small Scale Industries Committee (October 1955) headed by Prof. D.C. Karve. Thus, a distinct bias was introduced to organise industrial cooperatives in the small scale, village and cottage industrial sector.

2.38 The Industrial Policy Resolution of 1956 was passed which again supported the industrial cooperatives form of organisations for the workers, artisans and weaker sections of the small scale industrial sector. A separate cell in the Ministry of Industrial Development under the Commissioner for small scale industries to advise the State Governments
for promoting small scale industries was set up. A network of Small Industries Service Institutes and Extension Centres was set up to provide technical guidance to small units.

2.39 The Government of India from time to time appointed Experts/Working Groups to review the position the industrial cooperative movement with reference to the growth, progress, needs, etc., and indicate the lines of development in various plan periods through specific policies, programmes and schemes. The I Working Group on industrial cooperatives was appointed in September 1957 under the Chairmanship of Shri M.R. Bhide and subsequently on his resignation under Shri J.C. Ryan, I.A.S. and it submitted its report in July 1958 with as many as 120 recommendations. The recommendations covered organisational problems with reference to registration, procurement of raw materials and equipment, provision of credit, marketing of industrial products, training and education and administrative matters. Nearly 50 percent of them were accepted by the Government of India for implementation.

2.40 The II Working Group on industrial cooperatives was appointed by the Government of India in September 1962 under the Chairmanship of Shri B.P. Patel and the report was submitted in May 1963 with 41 vital recommendations, majority of which were accepted by the Government. The broad coverage of recommendations was as under.

2.41 The Report enumerated the various financial needs of the industrial cooperatives and how that should be met by various financing agencies. It pinpoints the need for feasibility reports and working of norms for viability before registering the cooperatives and programme of action to revitalise the dormant/sick societies. In this regard more training programmes for the staff incharge of this activity was suggested. The need for single, multi-industry
federation at State level for marketing the goods of industrial cooperatives was also made.

2.42 The Government of India appointed a special Working Group on Financing Industrial Cooperatives by cooperative banks (in June 1966) to examine the State Aid to cooperative banks, possibilities of extension of credit facilities under Section 17(2)(bb) of the Reserve Bank of India Act and suggest programme of action for cooperative banks to expand their finance to industrial cooperatives. The Reserve Bank of India also set up the Working Group on Industrial Financing through cooperative banks in June 1967 under the Chairmanship of Shri P.N. Damry, the then Deputy Governor of the Reserve Bank of India. The final report was submitted in August 1968. It expressed concern over the dormancy problems of industrial and weavers cooperatives and highlighted the need for finding out norms for viability criteria for these industrial cooperatives before they are registered.

2.43 The Khadi and Village Industries Committee under the Chairmanship of Shri Ashok Mehta submitted its report in 1968. It has spelt out some very important suggestions with reference to organisational restructuring. The Khadi and Village Industries Commission should be converted into a Rural Industries Commission. The statutory all India Boards should be coordinated by a Central Ministry and so on.

2.44 In order to improve productivity of the handloom sector, the Ashok Mehta Committee (1968) suggested conversion of 35000 handlooms into powerlooms. This resulted in technological unemployment and therefore conversion policy was abandoned in 1971. Many unauthorised powerlooms came up and in the market powerloom cloth was
cheaper than handloom cloth. So the excise benefit given to the powerloom was withdrawn in 1964-65. In 1966, certain varieties were prohibited for powerloom sector. Reservation of certain varieties like colour sarees, dothis, etc., was made for handloom sector and the powerloom and the mill sectors were prohibited from producing such items.

2.45 A High power Committee headed by Shri Sivaraman examined the position of handloom industry and made certain far-reaching recommendations to rejuvenate the handloom sector in 1973. An exclusive Development Commissioner for handlooms; 60 percent of the weavers to be brought under the cooperative fold in V Plan as against 30 percent coverage now; setting Rs.105 crores target for export of handlooms; 25 percent production of the spinning mills should be given at cost price to weavers; National Cooperative Development Corporation should help in setting up of 25 more cooperative spinning mills with 2500 spindles each; setting up of Intensive Development Projects covering 5000 to 10000 handloom weavers; setting up of pilot projects for marketing of handloom goods; exclusive reservation of 8 items of cloth (Dothis, chaddars, table cloth, napkins, plain cloth, sarees other than cotton coloured sarees with borders exceeding 2½ inches width, etc.) for handloom sector; need for fixing minimum wages for handloom weavers, etc. were some of the main suggestions.

**INDUSTRIAL POLICY OF 1977**

2.46 After the Industrial Policy Resolution of 1956, for the past two decades the economy has been plagued with

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the maladies like increase in unemployment, widening of the rural urban disparities, stagnation of real investment, widespread industrial sickness, slow dispersal of industrial activity, distorted pattern of industrial costs and prices and so on. In order to remove the economic distortions and bring about economic development the Industrial Policy of 1977 was announced by the Minister of Industry in Parliament on December 23, 1977.

2.47 The main thrust of the Industrial Policy was laid on the promotion of cottage and small industries widely spread in rural areas and small towns. The list of industries exclusively reserved for the small scale sector has been significantly expanded and it numbered 500 items as compared to about 180 items earlier. Within the small scale industries, the tiny sector i.e., those with investment in machinery and equipment upto Rs.1 lakh and situated in towns with a population of less than 50,000 according to 1971 census was given special importance. Introduction of special legislation for protecting the interest of the cottage and household industries was contemplated. In each district there will be one District Industries Centre to deal exclusively with the requirements of the tiny sector. The Director of Industries and Commerce will establish close linkage with the development blocks and the Small Industries Service Institutes for bringing about integration and growth of the tiny sector.

2.48 For financial support for these industries, separate branches of the Industrial Development Bank of India and cells in the Nationalised banks will be opened. For the products of these industries the Government will survey the market and marketing arrangements will be made. Purchase preference and reservation for exclusive purchase by Government departments and public sector undertaking will also be used to support the marketing of these products.
Under this policy, Government is committed to providing maximum support (both financial and marketing) that is needed for promotion of khadi and handloom programmes within the tiny sector. The Government will not permit any expansion in the weaving capacity of the organised mill and power loom sector in meeting the clothing needs of the masses. Delineation of the areas between the large scale and small scale sector is done and the appropriate technology for the small scale sector has also been suggested.

The Policy spells out the licensing policy to regulate the activities of the large houses in their expansion programmes so that prevention of monopolies becomes possible. It also emphasises the need for the professionalisation of management, besides enumerating a host of aspects like foreign investment policy, import and export liberalization, location of industries, workers participation, pricing policies, streamlining administrative procedures, and so on, which is outside the purview of our discussion in the existing context. Thus the Government efforts to help and improve the sector has been appreciable.

However, we can not feel complacent about the various exercises done in this regard as there is much to be done to keep up the promises of the various Governmental policies and programmes. While the need for developing cottage and small scale industries is urgent from the point of view of contributing to increased production by utilising more man power and less capital, many of these industries do not have technical or economic viability. Many of these cooperatives have proved to be
too weak and the large extent of dormancy amidst them is a clear indication of the failure of the Industrial cooperatives. This ought to be made good by organising cooperatives for providing service to the units in these industries or for undertaking joint production. It is more than a decade and half now that an exercise of reviewing and suggesting measures for future development was done in this sector. Moreover, all studies are on all India level and further micro level reports at State levels should emerge to enrich proper understanding of the lines of development of Movement.

POSITION OF INDUSTRIAL COOPERATIVES IN INDIAN ECONOMY

2.49 The Cooperative movement launched in 1904 in our country has had a phenomenal growth over the seven decades and made strides in all directions. The planned efforts, the appointment of various Expert Committees, Working Groups etc. to assess the growth of the cooperative movement and recommend measures for accelerating the further growth and rectifying the lacunae existing in the Movement have paved way for the growth of the Movement. In addition, the increasing attention to convert the economic activities into Cooperative system by the Government and its policies gave an impetus and cooperatives in agricultural, consumer, marketing, housing, industrial production and credit sectors have made considerable headway in the country’s economy.

2.50 The expansion of the Movement in the country has thrown up many a significant problem. To meet those problems squarely and effectively professionalised cooperative management has been advocated more and more in the present day.

Since the main thrust of the thesis is to focus
attention on the industrial cooperative movement in one of the States (viz. Tamil Nadu) it is proposed to look first into the general pattern of growth and development of this sector in the country vis-a-vis Tamil Nadu.

The Statistical Statements relating to Cooperative Movement in India published by the Reserve Bank of India (Vol.II Non-Credit Cooperatives) give a picture of industrial cooperatives under two main heads viz. weavers' cooperatives and other than weavers cooperatives. Let us examine the overall position of industrial cooperatives.

**WEAVERS COOPERATIVES (NATIONAL LEVEL):**

**STRUCTURE:**

2.51 At the all India level, the weavers cooperatives are classified in a four tier structure. There was an apex society at National level (All India Fabrics Marketing Cooperative Society) and each State was having an apex, central and primary weavers cooperative societies.

**GROWTH:**

2.52 The trend of growth of these weavers' cooperatives over 5 years from 1969-70 to 1973-74 was both quantitative and qualitative as can be seen from Appendix No.II-1 (Page 485)

All through there had been only one National level Apex Society which was in working condition throughout the 5 years of our study.

In the case of State level apex societies, there were 22 societies in 1969-70 and their number went up to 26 in 1973-74. Of these societies, only one society (Delhi) was not functioning and remained dormant, which formed 3 to 4% of the total number of societies registered in the country.
The membership of dormant State apex societies remained at 13 (0.16%) in 1969-70 and increased to 125 (1.19%) in 1973-74. The active membership increased from 7821 in 1969-70 to 10,455 in 1973-74.

Similar to the State level apex societies, the central weavers cooperative societies did not register any substantial growth. In 1969-70 there were 100 central societies which have gone up to 102 in 1973-74. Nonetheless, the percentage of dormancy went up gradually from 65 in 1969-70 to 75 in 1972-73 and came down to 63.72 in 1973-74.

The percentage of membership of dormant central weavers cooperative societies was not steady. It varied from 3089 members (32 percent to total) in 1969-70 to 2165 members (26.07 percent to total) in 1973-74. The reduction in membership may be due to (a) the entry of sympathiser members are discouraged; (b) newly organised/reorganised societies could have restricted their admission of members only to those who are active artisans, whom they could employ; (c) members might have left the societies because they could not get satisfactory work/wages and so on.

In the case of primary weavers' cooperative societies the position was far from satisfactory with regard to their working. The total number of registered societies in 1969-70 was 12219 and it went down in 1970-71 and 1971-72 and went up again from 1972-73 onwards. The percentage of dormancy of primary weavers cooperative societies was 52.37 in 1969-70 and it successively went down to 49.66% in 1973-74. Similarly the total membership of the primary weavers cooperative societies also slowly registered a fall from 8.59 lakhs in 1969-70 to 8.22 lakhs in 1973-74.
percentage of membership of primary societies was 32 in 1969-70 and it fell down progressively and reached 30.58 in 1973-74. From the above analysis, it is seen that primary weavers cooperative societies and central societies were in bad shape in terms of their number and membership but for a slight decrease in their percentage over 5 years.

STATE FEDERATIONS:

2.53 Out of the total number of 26 State level federations working almost in each State/Union Territory, each State/Union Territory had a single society at the apex/State level excepting the States of Andhra Pradesh, Karnataka, Orissa, West Bengal which had 3 societies each at State level. The membership of State federations consisted of societies and individuals. There were 7038 societies and 3282 individuals as members of 26 State federations as on 1973-74. In Uttar Pradesh, Bihar, Karnataka, Andhra Pradesh, Tamil Nadu and Assam there were more number of societies as members of State federations. The State federations at Tamil Nadu, Madhya Pradesh, Andhra Pradesh, Jammu and Kashmir, Bihar and Pondicherry had maximum number of individual members in the descending order during the year 1973-74. As a matter of fact the federations should never enlist individuals as members as they are federations of primaries or central societies. This practice of individual membership in federations need to be discontinued.

CENTRAL FEDERATIONS:

2.54 In the middle tier of the three tier structure of weavers cooperatives there were 102 central federations in India as on 1973-74. They were in Assam, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and
West Bengal. The maximum number was in Uttar Pradesh followed by West Bengal, Karnataka and Assam. Out of 102 federations, only 37 were active federations and the remaining 65 federations were dormant. Out of the 8 States in which the Central federations were situated, Uttar Pradesh had 49 federations defunct out of 60 total federations. Rest of the States did not show such a disappointing position.

The Central federations also had both societies and individuals as their members. As on 1973-74, the 102 central federations had 1778 societies and 4360 individuals as their members. An examination of the membership of the Central federations revealed that the maximum number of societies were members of the federations in the State of Maharashtra, Karnataka, Uttar Pradesh and West Bengal respectively. The maximum number of individuals formed the membership of the Central federations in the States of Karnataka, West Bengal and Uttar Pradesh respectively. As already discussed above, the practice of individuals finding place in the membership of Central federations need to be stopped. The Central federations should only have membership of Primary societies and not individuals. Otherwise the mixed membership of primaries and individuals might lead to the overlapping of membership and conflicting interests being developed in the federations.

PRIMARIES:
2.55 In the whole of India, as on 30.6.74 there were 12,861 primary weavers cooperative societies and 6,474 (53.4%) were working and the remaining societies (46.6%) were dormant. Maximum number of societies were registered in the States of Uttar Pradesh, Assam, Bihar, West Bengal, Andhra Pradesh and Maharashtra respectively during 1973-74. The maximum number of dormant societies were found in Uttar Pradesh, Assam, Rajasthan, Bihar, Andhra Pradesh, West Bengal respectively over the last 5 years (1969-70 to 1973-74).
The primary weavers cooperative societies also had the membership of individuals in general and in 9 States/Union Territories the membership consisted of individuals and societies. The 1286 primary societies had 792 societies and 8,21,338 individuals as their membership. Large number of societies were members of the primaries in the case of Andhra Pradesh, West Bengal, Orissa, Haryana and Karnataka whereas maximum number of individuals were found to be the members of the primary weavers cooperatives in the States of Andhra Pradesh, Tamil Nadu, Maharashtra, Bihar, Uttar Pradesh, etc.

Primary societies normally should have only the individuals as members and not societies as their members. For proper understanding of the structure it is essential to point out here that individuals alone should form the membership of primary societies and primary societies may join and form central or apex level federations. This has to be made clear for proper understanding of all concerned.

In the pyramidal structure, the primary weavers cooperative societies at the lowest level were in a very bad shape but showed a steady growth during 5 years from 1969-70 to 1973-74.

The maximum number of weavers cooperatives were registered and maximum number of societies were found dormant in the States of Uttar Pradesh, Assam, Bihar, Andhra Pradesh, West Bengal and Rajasthan in the descending order respectively. However, in the all India-level the maximum percentage of dormancy was found in the State/Union Territory of Andaman, Rajasthan, Assam, Uttar Pradesh, Tripura and Himachal Pradesh during 5 years (1970-71 to 1973-74).
Even though large number of societies were registered and also large numbers were found dormant during the last 5 years in Handloom cotton, Handloom wool, Handloom silk respectively, there was high incidence of dormancy and maximum percentage of dormancy found in Khadi wool, Khadi cotton and Handloom wool respectively.

FINANCIAL POSITION OF WEAVERS SOCIETIES (NATIONAL LEVEL):

2.56 The financial position of the weavers cooperatives on all India level remained far from satisfactory during the last 5 years (1970-71 to 1973-74). Nonetheless, the total number of societies incurring loss and the amount of loss in respect of the State level apex societies, central societies and primary societies showed a declining trend. The number of societies showing profits and the amounts of profits achieved by the three level structure registered an improving trend over the last 5 years and reached a new high in the year 1973-74. But the position with regard to the societies which were on 'not profit no loss position' showed that such societies were increasing in number in all the three levels of societies year by year over the last 5 years of the study.

POSITION OF WEAVERS COOPERATIVES IN TAMILNADU:

A (i) STRUCTURE:

2.57 There is a two tier structure of weavers cooperatives in Tamil Nadu as compared to the three-tier structure as obtained in some other States of India. There is one apex level society (Tamil Nadu State Handloom Weavers Cooperative Society) to which all the primary weavers cooperative societies were affiliated.
A (ii) GROWTH:
2.58 During the years taken up for study (viz. 1969-70 to 1973-74) the primary weavers cooperatives showed much progress in their quantitative and qualitative growth. Statistics for the last 5 years showed that quantitatively there were more than 1200 primary weavers cooperatives in the country and Tamil Nadu had more than 700 primary weavers cooperatives which means roughly 58 to 60 percent of the total primary societies in India.

If we look into the qualitative position of weavers primary cooperatives vis-a-vis All India level, Tamil Nadu occupied the 5th place in 1969-70 (I Maharashtra, II Delhi, III Jammu and Kashmir, IV Haryana), 3rd place in 1970-71 (I Delhi, II Maharashtra), 5th Place in 1971-72 (I Delhi, II Meghalaya, III Haryana, IV Maharashtra) and it occupied the First place in 1972-73 and 1973-74 in terms of minimum percentage of dormancy found among all the States in the country (Vide Table II-1 Page 58).

Owing to many reasons, the percentage of dormant primary weavers cooperative societies progressively reduced year by year from 1969-70 to 1973-74 from 26.67% to 10.75% in 1973-74 in Tamil Nadu as against the rising tendency of percentage of dormant societies at all India level (Vide Appendix II-1 Pages 485).

A (iii) MEMBERSHIP:
2.59 The membership of the apex federation consist of societies and individuals. In so far as the maximum number of individuals and societies' membership of the apex federations were concerned, Tamil Nadu occupied the I and V place respectively at all India level in 1973-74.
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<th>(i) Position of Weavers Cooperative Societies in Tamilnadu Vis-a-Vis India as on 30th June</th>
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<td><strong>In respect of</strong></td>
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<td>1. Total No. of societies</td>
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(ii) Position of (other than Weavers Societies) in Tamilnadu Vis-a-Vis India as on 30th June

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Source: Extracted from RBI statistical statements relating to cooperative movement in India Part -II Non-Credit Societies.

N.B: Position (Grade/Rank) of Tamilnadu is indicated in roman figures among the 29 State/Union Territories of India.
With regard to the primary weavers industrial cooperatives Tamil Nadu took the VIII place in the total number of societies registered (2476 numbers) and occupied the III place with 672 societies next to Maharashtra (827 numbers) and Uttar Pradesh (789 numbers) in the total number of active societies at all India level in 1973-74. In so far as the individual membership of primary weavers cooperatives was concerned Tamil Nadu occupied the 2nd place (1,59,600 members) next to Andhra Pradesh (with a membership of 1,63,214).

Statistics given above reveal that during the period of study (i.e. 1969-70 to 73-74), there was stable progress in the growth of number of societies, their membership and equity position without much variation. Juxtaposing the progress of weavers cooperatives in Tamil Nadu with that of other States in India, the quantitative and qualitative progress registered by Tamil Nadu is encouraging. Like any other State in the country where handlooms are in plenty, Tamil Nadu also had the two tier structure with primaries at the grass root level and State apex Society at the State level. From the functioning of the State apex society (viz. Cooptex) it appears that it has grown too unwieldy in catering to the 672 societies with regard to supply of inputs, marketing and other coordinating activities. (The detailed working of Cooptex is given in Chapter V of the thesis). In order to do full justice to all the affiliated societies, it might be worthwhile to split this apex society into two parts for the convenience of handling the input services and marketing activities, of course with a central coordination of these vital functions.
A (iv) **FINANCIAL POSITION OF WEAVERS COOPERATIVES IN TAMILNADU:**

Appendix (II.2) (Page 486) gives the capital structure of the weavers cooperatives vis-a-vis other than weavers cooperative societies in Tamil Nadu. Statistics for 1969-70 to 1973-74 revealed that the percentage of paid up share capital of the weavers societies to their working capital varied approximately from 9 to 21. The Government had also supported the weavers cooperatives to a great extent. This is proved from the fact that the percentage of Government participation (and assistance) to the paid up share capital of these societies varied from 19 to 34 over the past 5 years 1969-70 to 1973-74. Perhaps owing to the paternalistic assistance and attitude of the Government only the societies have shown a little improvement as discussed above.

B. **POSITION OF OTHER THAN WEAVERS COOPERATIVES IN TAMILNADU VIS-A-VIS NATIONAL LEVEL:**

B (i) **STRUCTURE:**

2.60 According to the Reserve Bank of India statistical statements relating to the cooperative movement in India, the industrial cooperatives other than weavers cooperatives in 9 to 10 States including Tamil Nadu had a three tier structure (i.e. State level, Centre level and primaries) Rest of the States have only primary societies.

B (ii) **GROWTH:**

2.61 During the last 5 years (i.e. 1969-70 to 1973-74) there were in all 18 to 20 state level apex societies in the country for industrial cooperatives other than weavers. The percentage of dormancy among them varied from 20 to 52
during the years under study. There was too much of variation in their number over 5 years, which did not function and remained dormant. The percentage of dormancy was 30, 5, 44, 52 and 44 respectively in the five years (1969-70 to 73-74) Vide Appendix No.II-1 (Page 475.)

The Central societies showed a perceptible decrease in their total number. There were 132, 13, 106, 99 and 106 societies respectively during 1969-70 and 73-74. With regard to the percentage of dormancy, the central societies maintained their position from 42 to 54 during the 5 reference years.

In so far as the primary level industrial cooperatives were concerned, there were 3400 to 3600 societies registered in the country during the 5 years and roughly 56 percent of the societies remained dormant in the country.

The incidence of dormancy among primary industrial cooperatives (other than weavers) was higher than the other 2 levels (State and Central levels) perhaps because of their non-viable bases. The high percentage of dormancy in all the three levels existed because there existed a mutual linkage effect. If the primaries were dormant, naturally the apex, service organisations could not function well. Corollary to this argument, even if the primaries have potentialities assistance/they can not effectively function in the absence of assistance/help forthcoming from the apex organisations in terms of raw material, financial, marketing etc. Since the artisans cooperatives form the weakest link of the cooperative movement, adequate institutional support from above should come in a big way to sustain them. Therefore, viable apex
bodies with branches wherever necessary should be established to closely coordinate and help the primaries in their proper functioning.

**DORMANCY-STATE WISE ANALYSIS:**

2.62 The maximum number of industrial cooperative societies other than weavers was registered in the States of Andhra Pradesh, Uttar Pradesh, Bihar, Punjab, Tamil Nadu, Haryana respectively over the five years (1969-70 to 73-74). The maximum number of dormant societies were also found in the States of Uttar Pradesh, Andhra Pradesh, Rajasthan, Bihar, Kerala, Punjab and Karnataka respectively. With regard to the maximum percentage of dormancy, the States of Rajasthan, Uttar Pradesh, Assam, Andaman, Madhya Pradesh, Andhra Pradesh, West Bengal found their places in the order of priority descending from maximum percentage of 94. In terms of minimum percentage of dormancy found among the industrial cooperative societies (other than weavers cooperatives) on all India basis, Tamil Nadu occupied the second place (next to the Union Territory of Delhi) all through the 5 years of our reference study (viz. 1969-70 to 1973-74). In so far as the maximum number of societies registered, Tamil Nadu occupied fifth place and in respect of maximum number of societies in working condition also it was placed in second position among the 29 States/Union Territories of India (Vide Table No.II.1 (Page No.?? ). This shows that the performance of these societies progressive on the overall position of the country's industrial cooperative development.

**DORMANCY INDUSTRY-WISE:**

2.63 Industrial cooperative societies other than weavers cooperative societies were divided under two major heads viz. Weaving (hand spun 6 types and powerloom) and other
village industries of 17 types. More than 12000 societies in the former and 35000 societies in the latter have been registered and organised and the number of each type of industry varied so widely that no comparison could be attempted. Similarly the dormancy found among them was also extremely high ranging from 38 to 90 percent. The 5 years statistics (from 1969-70 to 1973-74) reveal that maximum number of societies were registered and large number of them remained dormant in Handloom cotton, Handloom wool, Powerloom, Khadi silk and Khadi cotton respectively. However, the maximum percentage of dormancy was found in Khadi wool, Khadi cotton, Handloom cotton and Handloom wool. The powerloom sector was extremely well-run with least number of inactive societies.

In so far as the industrial cooperatives other than weavers cooperatives are concerned large number of societies were registered in miscellaneous categories, palmgur, other village industries and oil crushing industries respectively. But large number of societies became dormant in other village industries, miscellaneous industries, palmgur, oil crushing, handicrafts and flaying and tanning respectively. However, the percentage of dormancy was more, in the case of canning of fruits and vegetables, chemical engineering, flaying and tanning, leather goods, sericulture, handpounding of paddy and cereals etc., respectively. This is more than that obtained in the handloom sector. As these industrial cooperatives have proved no better than each other and there was alarming rate of dormancy found among them, concerted action is called to remedy the situation.
MEMBERSHIP:

2.64 The total membership of the State level societies varied from 3500 to 5000 members. There was too much of variation of the percentage of membership of the dormant State societies which were reported as 0.22, 22.76, 33.51, 36.97, 39.02 respectively during 1969-70 and 1973-74.

The State, central and primary level societies had societies and individuals as members. In 1973-74, at the apex level there were 18 societies registered and only 10 were functioning. Out of 28 States/Union Territories, 12 States/Union Territories had State level apex federations each not having more than one or two (excepting Tamil Nadu which had a total number of 3 apex level societies) Of all the States, Haryana had the maximum number of membership in its apex society followed by Andhra Pradesh, Tamil Nadu and others.

The total membership of the central societies showed a declining trend over the 5 years. The position of membership in absolute numbers remained 19013, 17143, 14320, 14749 and 15673 respectively from 1969-70 to 1973-74. The percentage of membership of dormant societies declined rapidly from 30 to 16 over the 5 years.

The decline in the number of membership could be on account of various factors. It need not be a mere indicator of overall deterioration in the working of these societies. Firstly, sympathiser members are being discouraged and their number is being kept as low as possible. Secondly as only a percentage of worker members of artisans could be provided with work by production type societies on their own which was considered undesirable, it is likely that newly formed/reorganised societies of this class restricted their membership mostly keeping in
view the number whom they could employ. Some of the older societies under this category might have tried to reduce their membership by eliminating some of the members who were not provided with any work by them. Thirdly, some of the members who failed to get work or satisfactory services might have resigned resulting in reduction of membership.

Nearly 9 States had central societies. Uttar Pradesh, Gujarat and Punjab were the States which had maximum number of Central societies. So far as the maximum number of membership is concerned the States of Maharashtra, Gujarat, Punjab, Tamil Nadu respectively had the largest membership.

There were as many as 17 lakhs members in the primary industrial cooperative societies (other than weavers) during the 5 years of our reference study. The percentage of membership of dormant societies remained almost constant during the 5 years. It was 38 to 49 percent and in terms of absolute numbers it stood between 6 and 11 lakhs of members.

The maximum number of primary societies was situated in the States of Andhra Pradesh, Uttar Pradesh, Bihar, Tamil Nadu, Haryana, Karnataka respectively followed by other States/Union Territories. Out of the total 28 States/Union Territories only 9 States had the societies as members of the primaries. Andhra Pradesh, Karnataka, Bihar, Madhya Pradesh, West Bengal, Maharashtra had the maximum number of membership composed of societies. So far as individual membership is concerned the States of Tamil Nadu, Karnataka, Kerala, Maharashtra, Bihar, Andhra Pradesh respectively led in the maximum number of individuals forming the membership of the primaries.
B(iv) **FINANCIAL POSITION (OTHER THAN WEAVERS COOPERATIVES):**

2.65 The profit and loss position of the industrial cooperatives other than weavers cooperatives at the three levels of societies (viz. apex, central and primary) showed fairly a good picture. The total number of societies running at a loss in the three-tier structure declined and the amount of loss incurred showed a considerable downfall in the case of apex and central level societies while the primaries had not progressed very well. The percentage of societies running at a loss in respect of apex, central and primaries declined from 45 to 16, 46 to 22 and 33 to 26 respectively.

The percentage of societies running in profit to the total number of societies went up from 25 to 33, in respect of apex level societies and in respect of central and primary societies there was a declining trend and registered a fall from 41 to 35 and 27 to 22 respectively during 1969-70 to 1973-74.

During 1969-70 and 1973-74 majority of the societies all over the country were in bad shape as revealed by the statistics given by the R.B.I. The miscellaneous industries had been suffering from huge losses consequitively and followed by it, the coir, other village industries, handpounding of paddy, construction material industries, respectively had maximum amount of loss when compared to all other industries. Spinners societies, palm gur, sericulture, pottery industries respectively showed maximum profits among the 18 different types of societies.

C. **FINANCING OF INDUSTRIAL COOPERATIVES:**

2.66 As finance oils the wheel of an industry, it forms the bed rock on which the edifice of industrial cooperatives has to be built up. Since the members of the industrial cooperatives were too poor and weak, concessions were
extended by the Government to these industrial cooperatives under the State Aid to Industries Act from 1950s. Loans on personal sureties and securities were granted up to 10 years at a very nominal rate of interest. The discretionary powers to sanction loan were decided by the concerned Departmental heads and delegations done differently in various States. The loan amounts were generally shared between Central and State Governments in the ratio of 2:1 while the losses were borne in the case of industrial societies as 3:1.

For financing small scale industries there were number of central financing agencies like the nationalised commercial banks, State Finance Corporations, Industrial Financial Corporation of India, Industrial Development Bank of India, etc.

2.67 The State and Central cooperative banks were the principal financing agencies for all the cooperatives in the country. Naturally, it is expected that the industrial cooperatives also should get their financial requirements from the same source. But unfortunately, these banks were more agriculture oriented and did not find sufficient resources because of targets set for agricultural lending and also could not take the risk of financing these non-viable enterprises, found from experience. Thus, the role of these banks for industrial finance (except handloom finance and Reserve Bank of India recognised 22 artisans cooperatives) was not significant. After careful study and analysis of the cooperative central banks financing industrial cooperatives, the Damry Committee (on financing of industrial cooperatives by cooperative banks) and the Working Groups on Industrial Cooperatives (1958 and 1963) recommended that in the absence of an exclusive industrial
cell in the central cooperative banks and their active role in financing the industrial cooperatives, formation of separate industrial cooperative banks was extremely important to provide facile credit to the industrial cooperatives. The Cooperative Planning Committee (1945) headed by Shri R.G. Saraya also endorsed this view. The seminar on industrial banks held at Sholapur in 1955 also suggested that (a) all States should be free to organise district, regional or State level banks according to their needs (b) these banks should effectively work for revitalising the industrial cooperatives in their area of operation (c) funds of the Government, All India Boards etc. should be routed through these banks to various industrial cooperatives (d) Government should provide funds to appoint managers, inspectors, technicians at Government cost for these banks and so on. But the Reserve Bank of India strongly opposed this because parallel agencies at district/State level exclusively for industrial cooperatives may not be viable and will lead to unwanted competition and overlapping of activities. It is true that the industrial banks have stepped into a vacuum created by the inadvertence, incapacity or even default of central cooperative banks.

2.68 Despite the resistance of the Reserve bank of India, industrial cooperative banks were established exclusively for financing industrial cooperatives in a few States. These banks were not a speciality of India but were found in many countries of the world. The Banca Nazionale Del Lavora of Italy, workers productive societies' bank of France, cooperative and workers bank of Denmark, etc. cater to the needs of industrial cooperatives in those countries.

2.69 The first regional industrial cooperative bank in India was started at Surat in 1949 followed by a few more in
Gujarat, Maharashtra, Karnataka, Rajasthan, Tamil Nadu and Punjab. In Gujarat at Surat and Baroda, in Maharashtra at Sholapur, in Punjab at Jullunder, in Tamil Nadu at Madras, in Rajasthan at Jaipur and 24 District level banks at Karnataka are functioning to-day.

2.70 Though the banks have come into play, they were not free from problems and drawbacks. Wherever a single bank was registered and functioning in a State, they found it difficult to supervise and coordinate the activities as their area of operation was unwieldy. Moreover, the concessional credit from Reserve Bank of India was not available to these banks and they were not in a position to give cheap and adequate credit to the needy industrial cooperatives.

C (i) FINANCE FOR HANDLOOM SECTOR:

2.71 The State and central cooperative banks are provided finance 2½ percent below the bank rate by the Reserve Bank of India under section 17(2)(a), 17(2)(bb) and 17(4)(c) to finance weavers cooperative societies. Under the 90 percent Guarantee Scheme of the Reserve Bank of India, the losses of the weavers cooperatives were shared by the Central and State Governments in the ratio of 50:40 and the remaining borne by the societies themselves. Under section 17(2)(a) finance was made available for 90 days for purchase and sale of yarn; under section 17(2)(bb), it was available for production and marketing for one year on the strength of 2 signatures, one being State Cooperative Bank or the State Finance Corporation. The principal and interest was fully guaranteed by the Government and Sec.4(c) deals with the discounting of hundis.
2.72 As per the 1961 Credit Guarantee Scheme, the credit provided to weavers cooperatives by the central cooperative banks was guaranteed by the Government up to 90 percent in case of default by the borrowing societies. Originally the working capital loan to weavers cooperative societies was provided on the basis of loom (Rs. 300 to 500 per loom) and now they are getting on the basis of production. Credit to the extent of 25 percent of previous years production plus a reasonable increase in production expected during the year, (in the event of the sales during the previous year was at least 75 percent of the goods produced) is provided to the societies. The society was also entitled to additional finance against pledge or hypothecation of cloth or against bill drawn on and payable by apex societies for cloth purchased on credit. These facilities were made available to cotton, silk, woollen weavers cooperative societies and also powerloom societies.

2.73 The National Co-operative Development Corporation (N.C.D.C.) has evolved the following schemes for the development of handloom industry in the cooperative sector:

(1) **STRENGTHENING OF SHARE CAPITAL BASE OF APEX/REGIONAL WEAVERS COOPERATIVE SOCIETIES**:

The Corporation under this scheme provides financial assistance in the shape of long term loans to the State Governments for increasing the share capital base of Apex/Regional Weavers cooperative societies to be used by these societies as margin money to enable them to raise the requisite working capital finance from banking institutions.

*Extracts from: (1) Programmes for weavers prosperity-The Cooperator Vol. XVI-February 15, 1979: No.16-Pages 490-491 and
for their supply and marketing activities. The Corporation provides the entire assistance under the scheme without any contribution being required to be made by the State Governments. The quantum of loan assistance for each society is to be determined on the merits of each case, but the State Government will provide the loan assistance received from the Corporation in the form of clean share capital contribution or as share capital refundable in annual instalments or quasi-equity long term loan for 14 years. But the State Government will not prescribe any condition for minimum rate of dividend or interest. The assistance to the society will be released on approval of the proposal and further assistance to the society will be provided only if it raises matching share capital from its members (other than the State Government) to the extent of at least 5 percent of the earlier Government share capital contribution and also achieves the targets of business prescribed.

(ii) CREATION OF PROCESSING FACILITIES:

2.74 The scheme has been formulated to increase both pre loom and postloom processing facilities such as dyeing, sizing, calendering, bleaching, mercerising, finishing, printing, garment manufacturing, etc. for handloom sector. The NCDC provides financial assistance to the Apex/Regional weavers societies for establishment of such units for processing facilities listed above. The Corporation provides 80 percent of the block cost as loan to the State Government and the State Government provides 60 percent as loan and 35 percent as share capital making a total of 95 percent. The remaining 5 percent is to be contributed by the members. The Corporation will provide 25 percent of the assistance as ways and means advance on purchase of land, placement of orders for machinery and collection of at least 50 percent of the margin of security. The Corporation will further lend
assistance with reference to progress of expenditure adjusting ways and means advance proportionately. The assistance is provided by the Corporation to the State Government in the form of reimbursement finance i.e. the Corporation will release assistance only after the State Government have financed the beneficiary society.

(iii) CONSTRUCTION OF GODOWNS, OPENING SHOW ROOMS; SHOW ROOM-CUM-GODOWNS, ETC.:  

2.75 The Corporation provides financial assistance to the Apex/Regional level weavers cooperative societies for construction of showroom, central godowns and show room-cum-godowns. The Corporation provides to the State Government 75 percent of the cost as loan and the State Government will pass on 75 percent as loan, 25 percent clean share capital or subsidy, 50 percent of the amount is released on approval of the programme and that is, when the concerned society has acquired the land. The remaining 50 percent for the construction is released when the State has paid the full share to the society and when the construction work reaches the plinth level. The State Government is required to ensure that the concerned society is in a position to make optimum utilisation of the godowns.

(iv) TECHNICAL AND PROMOTIONAL CELLS:  

2.76 In order to increase the marketability of the handloom cloth by introduction of new designs, the Corporation provides financial assistance under the scheme for creation of technical and promotional cells in the Apex weavers societies. The Corporation provides subsidy upto 90 percent of the cost for a period of 5 years for the technical and other experts appointed in the cell subject to the ceiling of Rs.1 lakh per annum and Rs.7.5 lakhs to each federation for the entire period. The State Government will pass on the total assistance i.e. 90 percent of
the cost for a period of 5 years for technical and other experts appointed by the concerned society in the cell with the prior approval of the Corporation.

(v) FEASIBILITY STUDY/PREPARATION OF PROJECT REPORTS FOR ESTABLISHMENT OF PROCESSING UNITS:

2.77 Under this scheme, the Corporation provides 100 percent subsidy for undertaking feasibility studies/preparation of project reports for establishment of processing units by the Apex/Regional weavers cooperative societies. Prior approval of the National Cooperative Development Corporation (NCDC) is to be obtained before entrusting the work to the consultants.

(vi) ADOPTION OF WEAVERS SOCIETIES:

2.78 Based on the recommendations of the All India Conference of Cooperative Spinning Mills held in May 1976, the NCDC has selected spinning mills for providing margin money assistance to them in order to take up a few societies within their reach and provide all services required by them. These mills will progressively take over the functions of the master weavers minus their malpractices.

C (ii) FINANCE FOR OTHER INDUSTRIAL COOPERATIVES (OTHER THAN WEAVERS):

2.79 Since 1967, 22 additional broad groups of cottage and small scale industrial cooperatives have also been made eligible for accommodation under the scheme of concessional finance by the Reserve Bank of India. The maximum credit limit of district industrial cooperative banks or urban banks has been increased to 4 times their owned funds.

The present facilities of handloom finance should be extended to all industrial cooperative societies, the emphasis being not on type of society but on performance and soundness of individual units.
The Cooperative Industries Commission was established in 1960 in the Maharashtra State Cooperative Bank. It is engaged in the study of new proposals for establishing processing industries (i.e. feasibility, project reports) in the small scale industries sector. It conducts surveys and recommends sound projects to the banks for industrial finance. A panel of experts drawn from Universities, technical institutes etc., renders service to the industries cell by preparing technical feasibility and economic viability reports. Similar industrial cells need to be established in other States also.

At places where there are no industrial cooperative banks and where the Central Cooperative banks are not in a position to finance industrial cooperatives, they should not hesitate to issue "no objection" certificate to them so that they may be able to borrow from other commercial banks.

Inadequate security, their unstable and precarious existence catering to an uncertain market, inadequate and unaudited accounts, difficulties about verification of title deeds and valuation of assets and absence of machinery for proper investigation of the financial condition of units and further supervision after the issue of loans etc. of the industrial cooperatives provide a backdrop for rejection of their loan applications by the commercial and other financing agencies. Because of lack of managerial and technical abilities, the societies could not submit the detailed information about several aspects of their working, which form often a base for returning the same and refusal of loan. There is a need to simplify proforma for application and the time lag in sanctioning.
The quantum of loan generally supplied by these financing agencies was by and large inadequate for meeting the individual needs of these societies and they were forced to seek additional finance elsewhere. To avoid this, endeavour should be taken to provide finance to meet the complete needs of the borrowing industrial cooperative societies.

The banks/central agencies should shed excessive security consciousness and accept security of whatever assets available with smaller safety margin.

There should be adequate supervision to see that the credit is utilised for the purpose for which it is sanctioned.

**D**

**COOPERATIVE EDUCATION AND TRAINING:**

**D(A) EDUCATION:**

2.83 The Cooperative movement is a mass movement and there is no meaning if the Movement grows unilaterally without the people understanding the principle and philosophy behind it. It can be averred without any possibility of denial that the present plight of industrial cooperative movement in the country (where the majority of them are either running at losses or becoming defunct) due to the ignorance of the members regarding the motto and avowed objectives behind the Movement. Thus, the awareness of the rank and file about the ideology to which they are wedded is of utmost importance if the Movement is to deliver goods.

2.84 In order to impart the basic education to the masses, especially the members of industrial cooperatives with reference to the principles, philosophies, duties, rights and responsibilities, the provisions in bylaws, the
various aspects of accounts keeping and operations of the society, proper way of conducting of general body and other committee meetings, a member education programme is evolved and undertaken by the National Cooperative Union of India. As the apex body of Cooperatives in the country, the National Cooperative Union of India is charged with the responsibility of Member Education and Training of Cooperative personnel besides many a developmental activity.

2.85 The member education programme was launched in 1964 and is being financed by the Ministry of Industrial Development. In the first instance 7 pilot projects were started at Delhi, Poona, Madras, Indore, Patna, Surat and Ahmedabad. Subsequently projects at Bangalore Trivandrum, Calcutta, Agra, Guwahati, Ludhiana and Srinagar followed suit. Zonal Educational Officers and Industrial Instructors are employed by the National Cooperative Union of India and are attached to the respective State Cooperative Unions. Women Educational Instructors are looking after the member educational programme (MEP) of women industrial cooperatives. In Tamil Nadu also there is one industrial Instructor attached to Cooperative Training College, Madras, who looks after the member education programme of industrial cooperatives in the State.

2-86 Classes are held for 10 days duration for the ordinary and managing committee members. Refreshment charges @ 50 paise per member per day are paid to the members of the societies where classes are conducted at the headquarters of the society or @ Re.1/- per day is paid to the members who come from a distance to the classes arranged outside the society's premises.
The meetings of the educational instructors are convened by the National Cooperative Union of India periodically to review the progress and chalk out future course of action. They are also trained at the All India Educational Instructors Training Centre located at Delhi. Refresher and orientation courses are held to enable them to have a better grasp of the subject. Frequent seminars and conferences on industrial cooperatives are convened to review the progress, identify the bottlenecks and chalk out plans to improve the industrial cooperative movement in the country.

D. (B) COOPERATIVE TRAINING:

It is not sufficient if the members of the Movement understand the ideologies, but for achieving success their pooled ideas/knowledge should be refined and skills imparted through various types of training. Training is an important input of efficiency and is considered to be key to the success of any organisation. The members/employees of the industrial cooperative societies therefore not only need member education but training in (a) Technical aspects and (b) Management aspects.

(a) TECHNICAL TRAINING:

To train the artisans/worker members of industrial co-operatives large number of Governmental and semi-Governmental organisations (Technical Centres, Institutes etc.) are available. The statutory bodies like Khadi and Village Industries Commission, Handloom Board, Coir Board, Silk Board, Handicrafts Board, Small Scale Industries Board, and the Development Commissioner for Small Scale Industries Organisation (DCSSIIO) are arranging training centres, common facility workshops at industrial estates, model workshops etc., and they have come up throughout the length
and breadth of the country. The Small Industries Service Institute and Extension Centres help in imparting knowledge to the small entrepreneurs. Technical courses in subjects like machine shop practice, feasibility reports, tool room practice, blue print reading, foundry practice, heat treatment etc., are conducted by the DCSSIO for small scale industries.

(b) MANAGEMENT TRAINING:

2.90 Under the aegis of the National Cooperative Union of India, the National Council for Cooperative Training (NCCT) New Delhi looks after the training needs of the cooperative movement (including industrial cooperatives in the country). The top level executives are trained at Vaikuntha Metha National Institute of Cooperative Management, Poona, intermediary level personnel at 16 Cooperative Training Colleges in the country while the Cooperative Training Centres train the grass roots level cadres of cooperative movement in the country.

The Vaikuntha Metha National Institute of Cooperative Management (VMNIC) Poona conducts seminars, conferences and short programmes for senior executives in charge of developing industrial cooperatives in the country.

Out of 16 Colleges, 8 Cooperative Training Colleges are imparting training to personnel of industrial cooperatives in the country. There is a 18 weeks Diploma Course and on successful completion of it, the trainees are awarded Diploma in Industrial Cooperative Management. Matriculates who have had 3 years of working experience in an industrial cooperative society or Industries, Handloom/Khadi Departments are deputed by their organisations to the Cooperative Training colleges where they get stipends.
T.A. and D.A. during practical training tours and free tuition and hostel facilities. The core subjects taught are Industrial Development and Industrial Cooperation, Cooperative Management, Cooperative Law and Allied Laws, Cooperative Accounts and Audit and Industrial Cooperative Management. There are also short duration skill-oriented management programmes for the executives and personnel of industrial cooperatives.

D (c) RESEARCH AND CONSULTANCY:

2.91 Though the training institutions are striving hard to take up research and consultancy work for the cooperatives, much remains to be done in the field of industrial cooperatives. The present thesis forms a part of this activity in this direction. The literature published in this field is also too meagre and lot of efforts are yet to go in this sector.

E GOVERNMENT CONTROL:

E(a) STATUTORY CONTROL:

(i) Audit:

2.92 The Registrar of Cooperative Societies take up the statutory audit of all the cooperatives including all industrial cooperatives in the respective States. The Cooperative Audit Officer with supporting staff audit the industrial cooperative societies annually to see whether they are working well and following the rules contained in the bylaws, Rules, Act and general principles of cooperative business management.

(ii) SUPERVISION AND ROUTINE ADMINISTRATION:

2.93 Regarding the supervision of these industrial cooperatives, the offices at the District level have supporting supervisory staff to supervise them. The responsibilities of the development of industrial cooperatives
rest with different officers of the departments in different States. At the State level either the Cooperative Department or Industries Department looks after the industrial cooperatives in the respective States. Similarly at the District level also the District Industries Officer or Assistant Registrar or Deputy Registrar of Cooperative Societies or Assistant Director of Industries and Commerce as the case may be is charged with the responsibility of registering and looking after the industrial cooperatives along with the small scale industries.

Thus, the Registrar of Cooperative Societies is looking into the audit of industrial cooperatives and the registrar of Industrial Cooperatives function as the Brahma (Creator) Vishnu (Protector) and Rudra (Destroyer) of these industrial cooperatives discharging the functions of registration, decision on disputes, general superintendence, guidance and control and enquiry/liquidation of the societies.

E (b) INPUT CONTROL:
2.94 In addition to providing financial assistance through the State and Central Cooperative Banks and other central financial agencies the Government also helps the industrial cooperatives in supplying the other input such as rationed raw materials like sugar, rava, madia, cement, coal etc. through imposition of quota system. The concerned department in the State is directed by the State Governments to regularise the supply of controlled commodities needed by the small scale industries and industrial cooperative societies. The Director of Handlooms and Textiles controls the yarn production of the spinning mills and supplies the same by fixing the rates to all the
weavers both within and without the cooperative fold (in Tamil Nadu), cement for housing cooperatives sulphur for match cooperatives etc., are supplied at controlled rates on quota basis by the Government of Tamil Nadu through the Department of Industries and Commerce.

E (c) MARKETING ASSISTANCE:
2.95 The Government have by and large exempted the industrial cooperatives in the matters of sales tax, excise duties while marketing their products.

The Government Departments and the public sector organisations have been instructed by the Government to purchase the goods produced by the industrial cooperatives and to entrust the work to the industrial cooperatives (like stitching of police garments etc.) the organisations need not call for quotations from open market and they can straightaway place orders with industrial cooperatives while purchasing their requirements. The Government of Tamil Nadu provide the rebate facilities for the weavers cooperative societies in order to dispose of the handloom goods and to help the weavers cooperatives to withstand the onslaughts of private competition.

E. (d) REGISTRATION:

The powers of registration to liquidation of the industrial cooperatives are resting with the Registrar of Cooperative Societies, Director of Industries and Commerce as the case may be in different States. In Tamil Nadu, the Industrial Cooperatives are under three Registrars of Industrial Cooperatives in whom the powers of the Registrar are vested. The Director of Handlooms and Textiles, the Director of Industries and Commerce and the Chief Executive Officer, Khadi and Village Industries Board, Tamilnadu are the Registrars for the handloom
cooperatives, industrial cooperatives and khadi and village industrial cooperatives respectively.

**Summing up**

2.96 At the outset the evolution of small scale industries and the need for rural industrialisation is briefly noted. The distinction between the cottage and village industries, definitions and classification of small scale industries, the need for institutionalisation and cooperativisation of the artisanal activities followed by the role of the State, the Registrar of Cooperative Societies in fostering and developing the cooperatives (especially industrial cooperatives) together with the State policies and programmes for industrial cooperatives are brought out.

2.97 The various hall-mark events in the history of industrial cooperatives in India till the latest industrial policy of 1977 (covering Pre-Independence, Post-Independence and Planning Era) are succinctly traced.

2.98 The position of industrial cooperatives (both weavers and other than weavers cooperatives) with reference to the structure, numerical growth, membership, financial position and State-wise and industry-wise dormancy of industrial cooperatives is analysed in detail. It was noted that the position of primary societies were in very bad shape both in weavers and other than weavers. The overlapping of membership of individuals and primaries in the central and apex federations was found and it is suggested that the basic principle of individuals forming primaries and primaries forming central and central in to apex federation should be followed. The existing arrangement for cooperative education, training, research and consultancy and other control mechanism of
the Government with regard to audit, supervision, input control and marketing of the products of industrial cooperatives are also briefly mentioned.