CHAPTER XIV

MACHINERY OF SUPERVISION

The work of the machinery of supervision can broadly be divided into three main heads: (a) Organisation and supervision (b) Audit and (c) Inspection and general control. In this State while the work of organisation and supervision and audit are mostly carried out by the staff of Sub-Inspectors and a few Auditors working under the Punjab Cooperative Union, which is a non-official body of co-operators, the work of inspection and general control is in the hands of the Co-operative Department. To have an idea about the field staff employed for the performance of above functions by the Union and the Co-operative Department a glance may be had at the following table:

<table>
<thead>
<tr>
<th>Nature of Post</th>
<th>Number</th>
<th>For the Supervision of</th>
<th>Inspectors</th>
<th>Sub-Inspectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registrar</td>
<td>1</td>
<td>Cho Reclamation Societies</td>
<td>13</td>
<td>40</td>
</tr>
<tr>
<td>Financial Advisor</td>
<td>1</td>
<td>Better Living</td>
<td>4</td>
<td>61</td>
</tr>
<tr>
<td>Deputy Registrars</td>
<td>4</td>
<td>Cattle Breeding</td>
<td>3</td>
<td>61</td>
</tr>
<tr>
<td>Asstt. Registrar(Industrial)</td>
<td>1</td>
<td>Industrial</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>&quot; (Women)</td>
<td>1</td>
<td>Women</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>&quot; (General)</td>
<td>18</td>
<td>Credit including</td>
<td>77</td>
<td>-</td>
</tr>
</tbody>
</table>

Total 26  Total 104  Sub-Inspectors 120  348

* Besides these 348 Sub-Inspectors employed by the Union there were 2 auditors for the audit of those central institutions which have working capital less than Rs. 4 Lakhs

1. In case of certain non-credit societies such as industrial, forest & soil conservation etc. where the work is of a technical nature, or in certain areas where the number of other non-credit societies such as cattle breeding, fruit growing or better living is large, the supervision and audit of societies is done by the staff employed by the Cooperative Department.

2. Two qualified auditors are employed for the audit of those central institutions which have working capital less than Rs. 4 lakhs, while for the audit of other central institutions having working capital more than Rs. 4 lakhs audit is done by the firms of Chartered Accountants, employed by the Union.
Before examining the defects from which the present supervisory machinery suffers, it is advisable to give a short account of the actual working of the Punjab Co-operative Union.

The Punjab Co-operative Union

The Union, which was registered in 1918, is the chief non-official democratic institution in the State and is responsible for developing and fostering the co-operative movement in close cooperation with the Co-operative Department. Its membership consists of central co-operative banks, banking and other central unions, commission shops and mortgage banks, while all the gazetted officers of the Co-operative Department are its ex-officio members. The Registrar is the ex-officio president of the Union, and the working of the Union is controlled by the Executive Committee (elected in the general meeting) with the help of a permanent office secretary.

Its Functions: The chief functions of the Union are, the organisation, supervision and audit of societies for which the Union maintains a staff of Sub-Inspectors and a few Auditors along with some office staff at the headquarters. In addition to this the Union also performs the function of purchase, printing and publishing of registers and forms for the registered societies in the State and also works for a diffusion of better knowledge of co-operation.

Funds of the Union: The funds of the Union are drawn from (i) Contributions by the societies as audit fee, (ii) Government grants-in-aid and (iii) surplus funds of liquidated societies. The paucity of the funds of the Union have been a serious problem since its inception, and it would therefore, be necessary to discuss them in detail. In the beginning when the Cooperative Movement was expanding, a great difficulty was experienced to supervise, audit and organise new societies with a scanty

1. The Union has been publishing a weekly Journal since 1924 and has translated some books on Co-operation in the local language. It is also a member of certain leading economic and cooperative associations like the International Co-operative Alliance, Horace Flancket Foundation and the Indian Co-operative Institute etc.
staff of the Co-operative Department, because little help in this respect was forthcoming from the non-officials. To remove this difficulty it was decided in 1914, to levy a contribution fee of 5% on the annual net profits of the societies to employ additional staff. It was also decided to establish District Unions for administering these funds and to employ field staff from them. However, later on the proposal of starting District Unions was dropped, and on the recommendation of the Maclagan Committee, the Co-operative Union for the whole state was formed, which took up these functions in 1918. This rate of contribution was raised from 5% to 7½% in 1920 to meet the rapid expansion of the movement. But in spite of this increase in fee the Union was still in deficit. A special levy was therefore imposed upon the societies in 1921 to make up this deficiency. This method was, however, resented by the societies and had to be given up. Later on, to meet the growing expenditure on staff the Government was approached for a grant-in-aid and the Government later agreed to give an annual grant on the basis of new societies organised during the year. But the Union was still not in a position to make up the deficit as it had to employ more staff for the closer supervision of the societies, because the managing committees did not perform their duties properly. To meet the growing expenditure the rate of contribution was raised from 7½% to 10% in 1930. But this also could not solve the problem for a long time. With the advent of Depression the business of the societies decreased and thereby the profits fell, while the Government grant gradually decreased due to slow increase in the number of new societies. To check any further fall in income of the Union it was

1. From 1914 to 1918 this fund was administered by the Registrar pending the registration of the Union.
2. Rs.51 thousands were collected as levy.
3. The grant from Government gradually fell from Rs.1.32 lakhs in 1929 to 0.94 lakhs in 1937.
decided in 1935 that the societies should contribute on the basis of profits that accrued in the year 1933-34. In addition to that a special levy was imposed upon the central banks to meet the deficit. But this step also failed to give the desired effect. In 1939 the Government agreed to change the basis of grant from the number of new societies registered to a percentage of total amount contributed by the societies. Inspite of all this the financial position of the Union has continued to be weak even after the partition. The result of this has been, that the Union has not been able to keep an adequate and a well paid up staff for the organisation and supervision of the societies. With the result that these functions have not been performed efficiently.

**Effect of Partition:** As the headquarters of the Union were situated at Lahore (West Punjab) its funds could not be divided at the time of partition while there was no such registered body in the East Punjab. The Registrar was authorised by the Government to administer the funds and carry out the work with the office staff migrated from the West Punjab till a new union was registered. The new Union was registered only in 1952 with its headquarters at Jullundur and since then is performing its normal functions.

(a) Organisation and Supervision

As stated earlier the work of organisation and supervision of the societies is carried out by the staff of Sub-Inspectors employed by the Punjab Co-operative Union. The work of these Sub-Inspectors is supervised by the Co-operative Inspectors and Assistant Registrars of the Co-operative Department.

1. This decision was greatly resented by the societies because in certain cases this fee took away the whole of their annual profits, as the business of societies had decreased.

2. This percentage was 50% of the total amount contributed by the societies and the amount of the grant increased from Rs.1.13 lakhs in 1939 to 2.38 lakhs in 1941.

4. At the time of partition the funds of the Union, viz; the reserve fund, the building fund and other such funds amounting to Rs.9.44 lakhs, could not be divided and they still remain undivided. The matter has been referred to the Government of India to be taken up at higher level as the West Punjab Government has refused to divide these assets.
It has repeatedly been pointed out in the foregoing pages that one of the main causes of the failure of the movement in the State has been the lack of adequate supervision\(^1\) of the societies and the same continues even now to a great extent. The three causes which are mainly responsible for the lack of proper supervision are:

(1) The Sub-Inspector is not well qualified and is ill paid, both of which have a cumulative effect. In view of his low qualification he is unable to perform his duties well and because of this low pay he is unable to develop that sense of responsibility which is expected in proper discharge of his duties. Therefore on account of the above two shortcomings he only pays formal visits to the societies to complete his diary without caring to discharge his duties properly.

(2) There is no immediate check over him. This is because the Cooperative Inspector who has to supervise his work, has got an extensive area of operation and cannot supervise his work closely. So the Sub-Inspector hardly attends to his duties for 10 to 15 days in a month and for the rest of the days remains at home.

(3) The area of his jurisdiction is very extensive, having 25 to 40 societies, within a radius of 7 to 10 miles, which he cannot supervise properly. So much of the time for which he works (i.e. 10 to 15 days in a month) is lost in going from one place to the other.

It is therefore, not possible to have better supervision of societies unless all the above three defects are removed. No committee or commission seems to have given a serious thought to this matter up to now. It is due to the fact that so far the co-operative societies have been regarded as a mere money lending agencies where the questions for proper utilisation of these loans for raising the incomes of the members and

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\(^1\) According to Macleagan Committee in the case of supervision the Supervisor has not only to see that the society works on sound lines, but also to help it in making it efficient and teach the members the principles of co-operation. (P.56).
their all round development have been left to the members themselves. Various other Development Departments like the Agricultural, Public Health, Veterinary, Panchayat and Publicity with a large\(^1\) staff in the fields have also been working for the uplift of the illiterate cultivators but the results have been meagre. The reasons for this are similar to those of Co-operative Department; i.e. ill paid and less qualified staff at the lower level having no sense of responsibility with extensive area to look after. Secondly, there has been no fixed\(^2\) responsibility for specific work with any department due to overlapping of duties. It is therefore, necessary to have a single and well knit Rural Development Department, which should perform all these functions with the help of capable and intelligent staff at the lower level having a compact area. The staff at the lower level will not only supervise the societies, but also educate the members in the principles of co-operation, render them technical guidance for raising agricultural production by the correct use of their money, help in planning of their families and imbuing them with the spirit of raising their standard of living. They would thereby serve as their true guide, friend and philosopher.

1. One really wonders to find so much of staff working in the rural areas without doing any tangible work. I felt this defect to a very great extent. But I have avoided to give details of their work because this question has already been fully realised by the Planning Commission. However for the sake of information the approximate number of persons working in each District is given below:

<table>
<thead>
<tr>
<th>Name of Department</th>
<th>District Officers</th>
<th>Inspectors</th>
<th>Field Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Co-operative Department</td>
<td>1</td>
<td>5</td>
<td>30</td>
</tr>
<tr>
<td>2. Agricultural Department</td>
<td>1</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>3. Health Department</td>
<td>2</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td>4. Publicity Department</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>5. Panchayat Department</td>
<td>1</td>
<td>8</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>24</td>
<td>103</td>
</tr>
</tbody>
</table>

None of them is doing any technical work which cannot be taken up by the one single Department. In addition to the above noted staff employed by the Agriculture Department, there is one separate Agricultural Research Assistant in each District to carry-out the research work.

2. For example digging of manure pits in the villages is taken by a number of departments but no one department actually takes the responsibility. The result is that pits are dug temporarily only at the time of inspection of some big officer and the work done is found noted in the Progress Report of each department. With the lapse of time, there will be no trace of those pits in the village, because of the division of responsibility while the illiterate cultivators do not feel their due necessity unless reminded constantly.
Before suggesting a right type of machinery in detail, it is necessary to examine the two important points which have a vital bearing upon the new rural development machinery. Firstly it is going to be suggested that the work of supervision of the co-operative societies which at present is entrusted to the non-official body should be entrusted to the new Rural Development Department. But it is likely that a great criticism may be levelled against such a course by the academic co-operators who are more concerned with theoretical dogmas than with practical considerations. To them it may appear that such a step will lead to the turning of the Co-operative Movement into a simple Government Department, but in reality this will not be so. The significance of such a step should be understood by them in its true prospective. As a matter of fact it is not the control of the societies which will pass into the hands of the Government employees, but their business will only be to guide and direct the societies whereas actual control will necessarily remain in the hands of the managing committees of the societies. Even at present the same thing is happening. The only difference is that the supervisors are the employees of the Union instead of the Government. These supervisors work under the direction and control of the Inspector who is the Government servant and the Union is simply an appointing authority having no close contact with the members. The various committees on Co-operation such as the Macalagan Committee (1914), the Co-operative Planning Committee (1946), and the other Provincial Committees which recommended

1 Even in the case of Madras and Bombay where the Unions have closer contact with the members, this system has failed. During my tour to these States, I carefully studied the working of these local unions. Their practical working shows that these have completely failed in their task, because non officials on the committees of the unions, who are supposed to help the supervisors in their task, have not been doing this duty. On the other hand these unions have not been able to employ sufficient qualified staff due to their poor finances, inspite of getting substantial help from the Government. So much so that in Bombay State after an experience of 40 years, the supervisors have been made employees of Government since 1948 and the Government is now bearing the full cost of supervision.
that the function of supervision of societies should be undertaken by societies themselves, by employing supervisors of their own, had one thing in mind that the representatives of societies in the Boards of supervising unions will be a great helping hand to the societies in their supervision work. They would thereby reduce the burden of the supervisors. The practical experience of last 40 years has however totally exploded this notion. Moreover the co-operative societies have so far been looked upon as mere money lending agencies apart from taking into account the whole life of the members. The ideas of multipurpose society and of rendering necessary technical guidance to the cultivators in their other problems are of recent origin. The supervision of multipurpose societies and envisaging an all round development amongst the cultivators, cannot be undertaken by an ill qualified and poor paid staff, particularly when the supervisors expect no help from the non-officials. The poor financial position of the Co-operative Union has already been discussed. This work can only be undertaken by the Government and not by the societies as the former alone can employ such a large qualified and well paid staff for intensive work. It is not right to insist simply on theoretical grounds that supervisors should be the employees of the Union, but hard facts must be faced. The village people are hardly interested to know nor do they care to know whether the Sub-Inspector is an employee of the Union or of the Government, what they are really interested in good guidance. They take him as the agent of "Sirkari Bank" and look to him for every difficulty. It should not however be concluded that there is any prejudice against the non-officialisation of the movement. The work of audit, education, and propaganda can easily be taken up by the Union and should rightly devolve upon it. Moreover if the

1. The reference to lack of cooperative spirit among non-official was made in Chapter II. The future relations between officials and non-officials has been examined in Chapter XV.
work of supervision passes to the Government, the union will be able to save funds and carry out other functions efficiently which are also very important but are at present being neglected. On the other side even if it is granted that the supervision of the societies should be the responsibility of the societies themselves, the Government will have to bear double the cost of the rural machinery—One for the supervisors of the co-operative societies and the other for keeping efficient staff for various other development departments—which the present finances of the Government may not be able to bear. Besides that even if the Government bears the cost of both these machineries there will be again inefficient and less qualified staff, working on extensive scale. The results will be meagre. There may again be over-lapping and the two machineries may conflict as at present it exists to a great extent. It is, therefore, desirable that there should be only one well qualified man at the lower stage who will be the common agent of all the development departments as recommended by Fiscal Commission (1950), Grow More Food Enquiry Committee (1952) and the Planning Commission.

Only One Development Department: The second important point which need attention is that there should be only one department for the all round development of the villages. Of course, there will be technical departments such as Education, Medical, Veterinary, Industries and Agricultural Research, but so far as the general development is concerned, there should be only one department combining the activities of Panchayat, Co-operatives, Agriculture, Public Health, Civil Supplies and Publicity. This is because there is nothing technical in them and their work can easily be taken up by one department. This new department should work on an intensive scale with the close co-ordination of the other technical departments concerned with the rural areas. The practical working of rural administrative machineries working for the intensive development in the States of U.P., Bombay and Madras were thoroughly studied by me
and from these it has been found that there is still a large duplication of staff in the various departments and wastage of money and energies. There are too many village level workers at the lower level who are not well qualified, and poorly paid while the staff at the upper level is too heavy having extensive area of operation, bringing in again the same defects which the Planning Commission wanted to avoid. In this machinery the expenditure is much more in relation to the actual work done. Similar is the position in the Community Projects and the Extension Service Scheme. It is also a matter of great doubt if states will be able to continue these Community Projects for a long time due to the large expenditure on their administrative machinery when the Central Government withdraws its assistance after 3 years as recommended by the Planning Commission. The same thing which happened at the time of Mr. Brayne in 1929 may be repeated again. At that time the work of rural reconstruction was started with a large staff in the initial stages, but the work had to be stopped later on due to the lack of finances and the results achieved till then were all nullified.

Taking all these considerations into view it may be suggested that the machinery should be such as can take up all the activities of rural development and which at the same time is less expensive and within the reach of the finances of the states. It should be simple, having no red-

1. For instance in Bombay where intensive work is being done under the Sarvodaya Plan and in Madras under Pirka Development Scheme, there are separate Sub-Inspectors for social work, cooperation and agriculture etc., having their respective heads, while in U.P. in the Etawah project the number of village level workers is very large i.e. one village level works for two to three villages.

2. Under the Extension Service Scheme the Planning Commission has suggested for each Development Block three Extension Officers, one for agriculture, one for social education and one for cooperation and Panchayat. The officer for cooperation and panchayat can easily be given training in agriculture and social work also, for imparting instructions in agriculture and social work to the cultivators, while there should be one Agricultural Research Assistant in each district carrying research and explaining the results to these officers at occasional meetings.

3. It is expected that in so far as the community project areas are concerned, the expenses will be borne entirely by State Governments after the third year". The First Five Year Plan. P.230.
tapisin in the work. The work should be done on intensive basis. The staff at the lower level coming in direct contact with the villagers must be intelligent, well qualified and well trained, who should be able to change the psychology of the people. No progress will be possible, unless such a staff is put at the lower level and this is the serious lacuna in all the rural machineries working at present.

Proposed Machinery: On the lines of Extension Service Scheme suggested by the Planning Commission and from the practical experience gathered from the study of various development machineries working in the States, the following suggestions may be made for the proposed set up.

Development block: All the development departments such as Panchayat, Co-operatives, Public Health, Publicity and Agriculture including Civil Supplies should be combined into one department known as the Rural Development Department. At the Tehsil level or Taluka level there should be one Rural Development Officer in charge of the whole Tehsil consisting of about 300 villages, with 5 to 6 Rural Development Inspectors in charge of 50 to 60¹ villages i.e. of one development Block, working under him. The Rural Development Inspector should preferably be a graduate in Agriculture, failing this a graduate in Economics should be selected. He should be imparted with the thorough training of at least 2 years, before his appointment in the work of Agriculture, Co-operation, Panchayats, rural economics and social work. His headquarters should preferably be in a big village rather than in a town. That place should be connected with the town by a paccia road and as far as possible should be electrified. The Government should provide the Inspector with his residence and office. It may be pointed out that if we have to arouse interest in the people, we must stay with them. The present practice of running back to the towns after a day's work will have to be given up. It is at night hours that we can call the people in a gathering and talk to them. We must

¹. The Planning Commission has suggested a development Block of 100 villages, but again the work will be extensive and the inspector (or Extension Officer) will not be able to cover such a wide area.
make our villages attractive and that can be possible only if the educated people begin to live there.

**Duties of the Inspector**: Now coming to the various duties of the Rural Development Inspectors, which should be as follows:

1. He should look to the all round development of the villages in his charge and should closely supervise the work of the Sub-Inspectors working under him. He must come in close contact with the villagers and should render advice to them in all matters, giving special lectures to them on improvement of agriculture, cattle breeding, better living, sanitation and other allied matters of their interest and well being. The benefits of family planning should also be freely explained to them.

2. He should have two bodies of non-officials for consultation to chalk out development programmes for his block. One of these bodies should be representative of co-operative societies and the other of panchayats. The former will be concerned with the economic life of the people while the latter with the social activities. Duplication of such bodies will have to be avoided in view of the facts that (1) only a limited number of intelligent personnel are available in the villages and (2) the life of the villagers is simple and needs avoidance of complexity which generally lead to confusion and distrust among them.

3. He should be in constant touch with other technical Departments such as Veterinary, Education, Medical and Industries. This should be through his immediate officer at the Tehsil level for all round development of the villages and no aspect should be ignored.

4. He should see to the implementation of the Agriculture Labour Minimum Wage Act for the protection of agriculture labour and also watch the activities of the money lenders.

One dispensary should be set up by the Government at his headquarters. A Basic High School should also be set up with Government aid and public contribution. Similarly a veterinary hospital and if possible a Supply and Marketing Union may also be set up.
Jurisdiction & Duties of the Sub-Inspector: Under the Rural Development Inspectors, there should be 5 to 6 Rural Development Sub-Inspectors each in-charge of 10 to 12 villages depending upon the population of those villages. The minimum qualification for the Sub-Inspector should be Intermediate but preference should be given to a graduate. He should also be provided with a residence. It is often experienced that quite a large number of enthusiastic workers give up their jobs owing to the difficulties of finding accommodation in the villages. His pay should be sufficiently attractive and there should be scope for his higher promotion. It will be preferable if the Inspectors in the latter stages are promoted from the lower ranks. In the interest of efficiency and honesty this method is most essential. The duties of the Sub-Inspector will be similar to that of an Inspector and may be enumerated as below:

(1) He should closely supervise the work of all Panchayats and multipurpose societies in his charge and must make the members learn at least the basic principles of co-operation¹ noted in the pass book and induce them to thrifty habits. He should also give them instructions in public health, sanitation and birth control. He should make them realise the havoc which the growing population is causing to the country at present.

(2) He should give practical demonstrations in agriculture and advise them on all matters connected with its improvement. He should also arrange for supplies of good seeds, better implements, and manure through the co-operative societies.

(3) He should arrange for adult education in each village with the help of Panchayat, the Cooperative Society and the village school teacher.

(4) He should arrange for recreation and games.

(5) He should have close contact with the staff of the co-operative medical society and ask the people to derive medical facilities provided there.

¹ See Chapter IV.
(6) He must have at least one co-operative society and one Panchayat of the ideal form in his jurisdiction, which would serve as an example for the other villages. He should also have one demonstration farm in his jurisdiction but it should not be a Government Farm and instead of an intelligent farmer, under his close guidance. This farm will also serve as an example for others. It will be better if all these three, exist in the village where he stays, because he can in that case devote more time at that place. That village should also serve as a model for other villages in all other respects. As nothing attracts an illiterate person more than the practical demonstration. Stress therefore must be laid on this. Mr. H.W. Wolff has remarked "In dealing with backward population and ingrained prejudices the best school master of all is demonstration". The Agricultural Research Assistant at the district level should visit these farms off and on and advise them for its improvement.

We have dealt in brief as to how the work should be carried out at the village level and the type of machinery required for the same. The detailed programmes can be made by the authorities concerned on these lines. But it may be seen that no side of the villages is left undeveloped.

**Tehsil and District levels:** At the tehsil level there should again be two bodies of officials and non-officials corresponding to the similar bodies with the Inspector. They should formulate the future programme and discuss the present difficulties. At the district level there should be one District Development Officer who should coordinate the activities of Rural Development Officers at tehsil headquarters, with the technical departments at the district level. But as regards Agriculture, Cooperatives, Panchayats, and Public Health, the Rural Development Officers should have direct contact with the Provincial Offices to avoid confusion.

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1. Annual Report of the Cooperative Department, Punjab, Year 1917-1918, p.16.
and red-tapism leading to undue delay. The important matters only should pass through the District Officer. At the tehsil level there may be one Industrial Inspector under the Rural Development Officer, who should take up intensive work in any one of the development blocks which is most suited for industries and then after sometime proceed to the next. At the district level there should again be a Rural Development Board representing non-officials and officials of the various Development Departments in the district. The appointment of special staff for Agriculture, Cooperative and Panchayat etc. at tehsil levels should be avoided the presence of which is a serious defect in the present set-up of the machinery.

**Provincial level**: At the provincial level, there should be a Provincial Rural Development Council, which should include both officials and non-officials with Rural Development Commissioner as its Secretary and the Minister for the Development Departments as its chairman. It should include all the heads of the various Development Departments at the provincial level and non-officials from various organisations, such as Provincial Cooperative Union, Provincial Panchayat Union and other such bodies, and two or three well known economists who are expert in rural problems. There should also be separate sub-committees working on each subject, such as cooperation, panchayat, etc. for the development of activities in those particular spheres.

Only with such a type of comprehensive machinery as has been noted above that the real progress will be possible. The target fixed by the Planning Commission for such an extension service throughout the State, is 10 years, but that is too long a period. We cannot wait for such a long time for setting up such a machinery which is most urgent and immediate. The main difficulty pointed out by the Commission is that it will not be possible to provide enough trained personnel for covering the whole area. But there appears to be some ignorance of the actual facts.
There are enough personnel already working in the rural areas, but the only difficulty is there is confusion and overlapping in the various departments. Those who are not trained in certain subjects can easily be trained in them within a year. It is a question of re-organisation only and does not mean the setting-up of a new department. Such a re-organisation can take place within two years, if the Government is serious about it. The early re-organisation of the various departments will not only help the people in raising their standard but will actually save the Government expenditure which can be utilised for constructive purposes as on roads, education, etc.

**Supervision of Non-Credit Societies**

As stated earlier the supervision of non-credit societies such as Industrial, Forest, Soil Conservation and Women, where the work is of technical nature, is done by a separate staff of Sub-Inspectors employed by the Cooperative Department. The supervision of other non-credit societies as cattle breeding, better living, veterinary first-aid centres fruit growing and bee-keeping, in areas where there number is large is also carried out by the Sub-Inspectors employed by the Co-operative Department. In the case of former societies where the work is of technical nature, this staff should continue to supervise their work till special departments are set up for the supervision of those societies as suggested in the foregoing pages. But in the latter types of societies such as cattle breeding, better living etc. where that work is to be taken by the multi-purpose society or the panchayat, this separate staff should be removed. In future no such staff should be posted unless the work is of highly technical nature, and the area of that work is so compact that it can be closely supervised. Otherwise, as has been seen in the past, the number of bogus societies is bound to increase.

1. We have seen in previous pages of this Chapter that there is already enough staff for this work. We require approximately for each District 5 Officers, 24 Inspectors and 120 Sub-Inspectors against 5 Officers, 24 Inspectors and 103 Sub-Inspectors already working.
AUDIT

To ensure successful working of any business undertaking, proper auditing\(^1\) is most important. Its importance can be well understood from the fact that suitable provision for it has been made in the Cooperative Societies\(^2\) Act, (1912) itself. Under the present system the Sub-Inspector who supervises a certain number of societies ranging from 20 to 40 in his jurisdiction, also audits all those societies annually with the exception of 5. These 5 societies are audited by another Sub-Inspector working in the same district. This system of auditing few societies in exchange with one another is called inter-audit. No doubt, this system of inter-audit is useful as it avoids the mistakes in auditing done by the same person who supervises them but as the total number of such societies which are inter-audited is small i.e. 15\(^3\), the present system does not ensure the proper audit of all the societies. The importance of an annual audit by an independent authority has been greatly stressed by various committees and is considered essential from a financial point of view. The Co-operative Planning Committee has rightly observed\(^4\) "The practice of combining the functions of audit and supervision in one person is undesirable and it is likely to lead to in-efficiency. If the person who supervises the working of a society also audits its accounts, many defects in its working are likely to remain undetected." It has also been observed during my tour that the quality of audit of the primary societies is very poor. The Annual balance sheets had wrongly been drawn up, because the same Sub-Inspector audited those societies who supervised them

1. Audit means thorough scrutiny of accounts to see that all the transactions are in order, according to rules and Acts and no misappropriation of funds has been made.
2. Section 17 of the Cooperative Societies Act, 1912, prescribes that the Registrar shall audit or cause to be audited by some person authorised by him by general or special order in writing in this behalf the accounts of every registered society once at least in every year.
3. Every Sub-Inspector is generally incharge of 30 societies, and out of these 30, 5 societies are audited by another Sub-Inspector i.e. 15%.
and no check was performed by another person. It is therefore absolutely necessary that the audit should be carried out by an independent staff. This function should rightly devolve upon the State Co-operative Union. The present staff of Sub-Inspectors which is performing this duty is not up to the standard. As the work of audit is of technical nature, persons having higher qualifications will be needed. For that it will be necessary to have more funds to attract suitable persons. It is however hoped that when the work of supervision of societies is transferred to the Government, the Union will be able to save that much of expenditure and be in a better financial position to employ more qualified staff for this purpose. This staff, while appointed by the Union, should work under the District Central Banks to have closer supervision over their work. This procedure will give an additional advantage to these banks in knowing the financial position of the societies affiliated to them.

**Inspection and General Control**

While the supervision of the societies is carried out by the Sub-Inspectors, the inspection is done by the higher officers of the Cooperative Department, i.e. Cooperative Inspectors, Assistant Registrars and Deputy Registrars. The real purpose of the inspection is to examine the general condition of the Society, and if any defect is found, to make suggestions for their removal. The classification of each society is also fixed at the time of inspection after seeing its general condition.

1. The system of independent audit was introduced in the year 1926, but was given up in 1932, due to certain difficulties viz (1) the societies were scattered and both supervisors and auditors were to be given a larger area and spend most of their time in travelling. (2) With the onset of Depression the transactions in the societies became small, with the result that the work of the auditors became light and large areas had to be given to them which meant more travelling allowances. (3) There was the financial difficulty due to small income of the Union. Now all these difficulties will be absent because the programme is to have one society in each village, and the funds of the union will be more and the transaction of the societies will be large.

2. The audit fee levied on the societies has also been revised recently, which may also increase the income of the Union.

3. The difference between supervision and inspection is, that, while supervision is carried out regularly, the inspection is done periodically. Generally, each society is visited once a year while a 'D' class and a society under liquidation is inspected twice in a year.
As in the case of supervision, the inspection also includes the duty of teaching to members the principles of cooperation. At the time of each inspection the general meeting of the society is called and it is expected that the members will remove their doubts. But at present this important function of teaching to members and removing their doubts is generally ignored, because the Inspector has got such a wide area of operation that he hardly finds time to do this duty. Hence the real purpose of inspection is altogether lost. In one of his reports the Registrar has rightly remarked 1 "There is a general criticism that departmental inspections tend to be more and more perfunctory and superficial and for this criticism I am afraid there are good grounds in some areas."

The chief reason for this is only his extensive area of operation. It is, however, hoped that under the new development machinery, he will be able to perform this function well, mix with the people freely and remove their doubts in all respects.

Registration and Cancellation

It has been stated that there is a large number of societies, which are either bogus and merely exist on papers e.g. cattle breeding, better farming etc. or they are not cooperative in character e.g. transport, non-agricultural multipurpose etc. These societies continue to be on the register of the Cooperative Department only because the cooperative staff does not want to cancel them for fear of their own posts. This state of affairs not only lead to the wastage of energy and time of the cooperative staff, but gives a very wrong impression to the public at large about their correct position. This tendency of registering such societies even when they may not have any prospects of success or may be associations is probably to continue for a long time. The reason for this is that the movement is a Government sponsored one, and the staff appointed by the Government always try to increase their number to get credit. It is

therefore, necessary to see that all those societies which are existing on papers only or are mere associations should be cancelled and in future a strict check should be kept on the registration of new societies. This work can only be taken by an independent authority. A special officer, having the same status as the Registrar of Joint Stock Companies, should be appointed. He should have thorough knowledge of cooperation and have the powers to register and cancel a society. Before the registration of a new society, he should personally visit the place and see to the following:

If (1) The proposed members understand the principles of cooperation, (2) the society is really cooperative and all the members are actual workers, and (3) there is reasonable possibility for the success of the society.

A society should not be registered unless all the above three requisites are fulfilled. In the case of existing moribund societies, which are to be cancelled, viz. cattle breeding, better farming etc. these have already been mentioned. The special officer should personally visit two or three societies of each kind, study their working and thereby judge the condition of all other societies belonging to that category. On finding that most of the societies are actually bogus without any future prospects, he should order for their cancellation. For future registration of societies, two suggestions may be made - (1) In the villages, no society, except the credit should be, registered, unless it is of highly technical nature i.e. forest, industrial, soil conservation, etc. (2) In urban areas special care should be taken because the businessmen are very shrewd and may use underhand means to take undue advantage of the cooperative concessions. So in towns no society should be registered unless it is really cooperative and all members are its actual workers. Aftercare of the societies particularly of the new ones is most essential and it should be the duty of that special officer to visit two or three societies of every kind once in a year.
Selection and Training of the Staff

The proper selection and adequate training of the staff hardly needs any emphasis in a backward country, where the entire progress of the movement depends upon the administrative machinery. That is why great stress over the selection of staff and their adequate training has been laid by the Reserve Bank of India\(^1\) and the Planning Commission.

The Cooperative Department keeps a separate educational staff\(^2\) for the training of Inspectors, Sub-Inspectors and Secretaries of the societies. But this staff will hardly be adequate for our future needs, while their pay and qualifications are also not satisfactory. For the training of departmental staff and other employees in cooperative institution, it will be necessary to start a cooperative college as recommended by the Cooperative Planning Committee and the Planning Commission on the lines of colleges in Madras and Poona. It will be better if this college is situated at the same place where there is the Agricultural College as new trainees will also need training in agriculture. The college should be affiliated to the State University.

Training of the Inspector and Sub-Inspectors: The present system of training of the Inspector appears to be satisfactory\(^3\) but the system of his selection is defective. To avoid such favouritism in future, it will be better if such staff is recruited through the State Public Service.

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1. The Reserve Bank of India have laid great stress over this point time and again in its various bulletins and reviews and has recently started a training college for the training of higher personnel in Cooperatives at Poona.
2. At present there are 1 Educational Assistant Registrar, 6 Educational Inspectors and 6 Sub-Inspectors for this work.
3. Training of Inspector: - The candidates for Inspectorship whether departmental or direct (for direct candidates minimum qualification is B.A.) are recruited by the Registrar and after their selection, they are given preliminary training for 1 month in theory, then 9 months training in the field in various capacities, such as Inspector, Sub-Inspector and in the Central Bank, and then 5 months theoretical training (in rural economics, cooperation and book-keeping) after which the examination of B.A. Hons. standard is held; and this training is sufficient. However, in future they will have to get additional training in subjects like Agriculture, Public Health, Panchayats etc. For this the period of training should be increased from 15 months to 2 years. They are paid a stipend of Rs.75/- p.m. during the period of training.
Commission by competitive examination, and preference is given to men with rural background.

In the case of Sub-Inspectors, neither the training nor the system of recruitment is satisfactory. This staff in future should be recruited by a Board whose two members should be the Rural Development Commissioner and the Registrar Cooperative Societies. They should be given training on the same lines as in case of Inspectors.

Training of Employees of Cooperative Institution: To the employees of the primary institution, the training should be given by the educational staff working under the Registrar as at present. After the training, an examination should be conducted, and then certificates should be issued to the successful candidates. The employees of secondary institutions and auditors of the Punjab Cooperative Union should be given training in the Cooperative College.

Registrar and other Officers: The present procedure of promotion to higher ranks from the ranks of Inspector appears to be satisfactory and should continue. In the case of Registrar selection from the I.A.S.Cadre does not appear to be quite satisfactory. It is better if it is replaced by persons having special qualifications. In this connection proposals for Economic Civil Service also deserve consideration.

Research: The subject of research, which has been ignored in the past, should also receive due attention. Cooperation is being tried in various new fields and it is essential that the results of experiments should be watched with great care and if succeeded it should be demonstrated to others. In the past the neglect of research has led to the

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1. Sub-Inspector: They are recruited by the Punjab Cooperative Union on the recommendations of the Assistant Registrar. The minimum qualification for them is matriculate, at present some of them are non-matriculates. After their selection they are sent for field training in their home district for 3 months and then after this there is 3 months training class, and at the end of 6 months an examination is held. As they do not get anything during their field training, they hardly work and remain at their home and thus the purpose of training is lost. So in future they should also be given stipend during training period, and the period of training and subjects should also be increased.
wastage of much energy because even in those fields where cooperation failed, the cooperative staff continued to keep the societies without any possibility of success. So this research should be carried out by the research students by first hand enquiry, not only in cooperative but also in other rural development activities. These results should be published in a journal started by the Research Department. The Research Department should be attached to the Cooperative College. The proposed officer for Registration and Cancellation of Societies should have close touch with this department.

Writing of Annual Report: At present the Cooperative Department writes the annual reports each year which indicate the progress made by the Cooperative Movement during any year. But these reports are generally exagerating and do not indicate the correct progress. Therefore it is desirable that in future these reports should be issued by the proposed Research Department after actually visiting a certain percentage of societies at random every year, to give an accurate idea of the development. The audit classifications which are now assigned to the societies by the Cooperative Inspectors are also not correct and generally give very wrong impression. To have the correct position of the societies in future this work of classifying societies should be entrusted to the independent auditors, who would be in a better position to classify the societies strictly according to the conditions laid down. Both these steps will go a long way in giving correct information about the movement.

Conclusion: To sum up we may say that the supervision of societies which is entrusted to a staff of Sub-Inspectors employed by the Punjab Cooperative Union has been most inadequate. The three main reasons for this are; the low qualifications and low pay of the Sub-Inspectors, their extensive area of operation, and lack of proper supervision over their work. This is, because, the Union has not been able to employ well qualified and sufficient staff due to its poor finances. On the other side better and closer supervision of societies in a backward country hardly
need any emphasis. So, in future, if the societies are to be properly supervised, specially when these have to take up multifarious activities and guidance to members is also to be provided for their all round development, the recruitment of better qualified staff having compact areas, is most essential. Such a huge and qualified staff can only be recruited by the Government and for this a Rural Development Department combining the activities of Agriculture, Panchayat, Publicity and Cooperative Departments should be set up on the lines of Extension Service Scheme. However those defects which exist in the present Rural Development machineries like Community Projects will have to be taken care of. The inspection of societies is also unsatisfactory at present, and can be improved only after the whole rural machinery has been organised. The present system of auditing by the same Sub-Inspector who supervises those societies is very defective. This can be set right if the audit is carried out by qualified independent auditors. The arrangements for the training of supervisory staff, and employees of secondary institution are not adequate, for which a separate Cooperative Training College should be set up, where research work should also be carried out. At present there is neither any check on the registration of bogus societies nor any proper machinery for the cancellation of useless societies. For this, a Special Officer for Registration and Cancellation of Societies should be appointed. The system of making assessment of the progress of the movement is also not correct. To have correct assessment in future the Annual Report should be written by the Research Department instead of the Cooperative Department, after visiting a certain number of societies every year.