CHAPTER X

FINDINGS AND CONCLUSIONS
The State shallendeavour
to promotecottage industries on
individual or co-operative basis
in rural areas.

Constitution of India.
This has been a study of industrial co-operatives in the State of Andhra Pradesh restricted only to industrial societies registered under the co-operative societies Act, 1964. The main aspects examined in the present study have been the ways in which they have been formed and organised, their sources of capital, marketing and their financial performance. The major findings are in respect of origin and performance of various industries in the co-operative sector. It was found that the artisans who constitute the member-workers of the societies hail from varied economic and social backgrounds. The bulk of the industrial societies are agro-based and are on a large scale, while the handloom and village industrial societies are cottage ones. The important occupational groups among the members are agriculturists, craftsmen, rural artisans.

The co-operative movement started in India in 1904 with the passing of the first co-operative credit societies act, 1904. It was passed with the avowed object of relieving the ryots from the clutches of village money lenders by providing facilities for the registration of the primary credit
societies. The 1904 Act provides only for the registration of credit societies. The Act does not give any statutory recognition or protection to non-credit societies, like industrial societies, among others. In order to remove this lacuna, the said Act was duly amended by the Co-operative Societies (Amendment) Act, 1912. This marked the beginning of the industrial co-operative movement in India. In the Industrial sector in the State to-day, they are concentrating on handlooms of cotton, silk and wool, powerlooms, sugar, spinning, village industries like ghani oil, pottery, leather, paper etc., and processing societies.

The importance of industrial co-operatives in the industrial development of the State and the country in general is unquestioned and cannot be over-emphasized. Even in industrially advanced countries, they occupy a place of honour and play a pivotal role. In an agricultural economy like that of Andhra Pradesh, small, cottage and traditional industries in the co-operative sector can solve all the present industrial ills by fuller utilisation of local resources, skills and capital and by providing continuous job opportunities, equal distribution of wealth and income, and by removal of concentration towards decentralisation. The traditional industries like cottage and village industries had a rich past and earned fame from other countries. However, during the British Rule, these industries and other handicrafts
suffered a set back and started decaying fast. It was the co-operative form of organisation of the artisans that helped in the survival of these industries. The voluntary character of the association of artisans or producers, as the case may be, Government patronage by formulating and implementing plan programmes for the development of industrial societies, establishment of institutional arrangements specialising in co-operative finance and the emergence of apex and federation societies both at state level and national level are some of the factors responsible for the survival of these industries to-day.

It is worthwhile to mention here about the untiring emphasis by the Indian National Congress on "Swadeshi". This gave a fresh life to the cottage and village industries. It is the co-operative sector which has been playing a dominant role in industrialisation and the preservation of some decaying industries in recent years. The Government, Reserve Bank of India and other development agencies have been giving helpful support to them. No doubt, the central agencies have provided assistance to industrial societies in various forms but it is the State Governments and State level institutions which have to assume the key role in respect of their developments and help them to survive and flourish in the face of competition from the large-scale sector.

The co-operative movement in the industrial sector in the State evolved out of diverse political, economic and social
circumstances. The present Andhra Pradesh can be divided into two distinct political and geographical regions Andhra and Telangana. An integrated and newly constituted Andhra Pradesh came into being through a fusion of these diverse areas. Before a full-fledged state was constituted, the land of the state was partly included in the then Madras State and partly in the erstwhile Hyderabad State, respectively known as Andhra and Telangana. The Andhra State was formed on 1st October, 1953, by separating the eleven telugu speaking districts from the composite Madras State. The former princely State of Hyderabad of Telangana region was merged with the Andhra State in the wake of States Reorganisation, on linguistic lines. The movement, however, suffered due to lack of a uniform pattern and it had some feudal impact in Telangana region.

The financial structure of industrial co-operatives consists of share capital, internal resources like reserves and other funds, deposits from members and non-members, Government share capital participation and loans, borrowings from financial institutions and grants and subsidies. The capital is contributed by the members. The artisans are poor and as such their stake in the share capital is very limited. The capital structure of most of the industrial societies is very weak, and the members' own resources are very meagre. The State Government has been providing financial assistance to them by purchasing shares in the societies and granting loans to
the members to enable them to purchase shares to strengthen the share capital base. As per the provisions of the Andhra Pradesh Co-operative Societies Act, 1961 the societies have been building up statutory reserves and other funds. Though the mobilisation of deposits from the members constitutes a very important source of working capital, the societies, particularly of Cottage and Village industrial co-operatives, could not succeed in mobilising sufficient funds because of poor savings of the artisans and keen competition from organised financial institutions. The deposit insurance facilities and offering of higher rate of interest can attract deposits not only from members but also from non-members.

Since the share capital base of members is weak, borrowing from other agencies constitutes the bulk of production finance. Central financial institutions like the Industrial Finance Corporation of India, the Life Insurance Corporation, the Industrial Development Bank of India, etc., have been extending term finance to large-scale industrial co-operatives like sugar factories and spinning mills, but their role in the case of cottage and village societies is conspicuous by its absence or only meagre. The specialised agency, the National Co-operation Development Corporation is the only financial institution in the co-operative sector looking after the financing of industrial co-operatives, but it is a national level body, attending to the entire co-operative movement of
certain selected fields. It is, therefore, necessary to establish a State level co-operative finance corporation and a separate State Industrial Co-operative Bank of Andhra Pradesh as has been done in other States.

The Reserve Bank of India has been providing working capital to the weavers societies under section 17(2)(bb) of the Reserve Bank of India Act. The Government of India and the National Co-operative Development Corporation have been assisting in the development of handlooms and textiles. At State level, there is the Andhra Pradesh State Co-operative Bank which has recently undertaken the scheme of finance to sugar factories. The Reserve Bank of India's working capital finance to handloom societies is routed through it. The State Bank of India has been providing only insignificant financial assistance to them. The Government of India established various coordination and development boards to formulate and implement promotional schemes. They are, the All India Handloom Board, the Cottage and Village Industries Board, the Handicrafts Board, the Small Scale Industries Board, the Handicrafts and Village Industries Commission and the State Board. Besides the above, there is one Development Commissioner (Small Scale Industries) who not only acts as coordinator but also as liaison between Government departments and industries.

The Andhra Pradesh Co-operative Societies Act, 1964,
codified a self-contained arrangement for the organisation and management of co-operative societies. The ultimate authority of a society is vested in the general body. It is, of course, subject to the provisions of the Act, Rules and bye-laws. The general body is the composition of all members of the society. If its area of operation extends to one or more revenue taluks or if its membership exceeds 2500, a society may constitute a smaller general body designated as the representative general body. But it has no power to alter any provision in the bye-laws relating to its constitution or powers. The general body constitutes a managing committee in accordance with the bye-laws and entrusts to it the management of the affairs of the industrial society. Where the Government has any interest in any industrial society, it has the right to nominate to the managing committee not more than 3 persons as members or one-third of the total number of members of the committee, whichever is less. A person who is disqualified under section 21-A of the Act is not eligible to be a member of the committee. The intention of the legislature is to prevent fraudulent persons from managing the affairs of the society. To avoid the management of industrial societies by the same group, the Government in the amendment Act of 1970 stipulated that no person can, at the same time, be a member of the committees of more than two societies. Similarly, a person who has worked as a member of the managing committee for two consecutive terms is not eligible to function as a member of
the committee for a third term in continuation. Cessation of
member and re-instatement, not more than once during the term
of the committee, of a member of the committee who absents
himself from three consecutive meetings are some of the
provisions provided for sound management. The Registrar has
the power to suspend the managing committee if, in the opinion
of the Registrar, is not functioning properly, and he may
appoint special officer to manage the affairs of the society
for a period of 2 years. Thus the industrial societies are
formed and managed by the members of a particular trade or
occupation to promote their economic interest collectively by
themselves.

According to the nature of products, industrial
cooparatives are producing sugar and yarn in the large scale
sector. In decentralised cottage industries, the societies are
producing handloom textiles of cotton, wool and silk. The
powerlooms are producing textiles under the conversion scheme
of handlooms into powerlooms. The village ghami oil, leather,
pottery and handpounding of paddy, which are under this study,
are the products of village industrial societies and societies
processing agricultural commodities. They are facing basic
problems like non-availability of adequate quality and quantity
of raw materials at reasonable price and on time, lack of
technical know-how and poor infrastructural facilities. Many
of the raw materials required for village industrial societies are
being supplied on wholesale basis to the mill sector. Due to the lack of sufficient working capital, for the store of the raw materials, small societies have to pay higher price during the off-season. The financial resources are limited, and credit is not available easily to them when required. The process and method of production and appliances used are not modern. Because of outdated and traditional methods and unscientific techniques of production, the cost of production is high. Unless attention is paid to the modernization of industrial societies and unless satisfactory working conditions are provided, the industrial societies in the state cannot be put on sound lines. Allocation of raw materials is a distribution of valuable privilege and has been subject to corrupt practices. This ought to be checked.

The various industrial co-operatives have their own marketing arrangements. The handloom weavers societies established sales depots to sell their finished goods. The Andhra Pradesh State Handloom Weavers Co-operative Society is an apex body of primary weavers societies. The object of the apex society is to market the cloth produced by the primary societies. It has opened sales depots within the state and outside it. The powerloom societies do not have their own marketing arrangements and are depending on master weavers. In fact powerloom societies are still in an infant stage, and have not been able to establish scientific marketing arrangements.
They have been facing many problems in their working, including marketing. The village industrial societies are mostly selling their products locally for local consumption. Khadi Bhandans and Bandars are the specialised sales depots for marketing the Khadi and Village Industries products, but they do not have well-organised marketing and publicity network to market their products. The Khadi and Village Industries Board of the State has been organising the marketing of village industries goods. The marketing of sugar is highly controlled and regulated by the Central Government. The co-operative spinning mills are organised in the State to produce and supply yarn to the handloom weavers societies and powerloom weavers societies.

The various facts relating to the working of the industrial co-operatives clearly indicate that the present position of Industrial Co-operatives in Andhra Pradesh is not satisfactory. The financial soundness of the societies may be considered as a measure of their financial performance and the operating efficiency. These aspects have been discussed at length in the seventh chapter. It reveals that the bulk of the industrial societies have been running and operating on losses continuously for several years. The analysis of financial statements disclosed unsound and unbalanced relationship between various component parts of their financial statements.

It is fairly clear that the promotion of good relations
between labour and management in co-operative enterprises is not a serious problem. The Registrar of co-operative societies has powers under the Act to settle any dispute touching the constitution, management or the business of a society. But he has no jurisdiction over labour problems or industrial disputes which come under the purview of the Industrial Disputes Act. The trade unions play a crucial role in the promotion of good relations and labour-management co-operation. Success in their co-operation means success of the industrial co-operative movement itself.

The co-operative industrial sector has to play a very prominent role in the balanced regional development and creation of employment opportunities. If the State Government, the co-operative department and the office bearers and members of these industrial co-operatives make sincere efforts for improving the working of industrial units, this would certainly help in bringing about a basic change in the operational efficiency and financial performance of industrial co-operatives. The basic objectives of co-operation could also be achieved if the industrial co-operative function on a sound footing.