CHAPTER IV

PART I

CAUSES FOR DORMANCY IN INDUSTRIAL COOPERATIVES IN CHITTOOR DISTRICT
INTRODUCTION

The major objective of the thesis is to find out the causes for dormancy in the Industrial Cooperatives in Chittoor District. For this purpose empirical data from 62 selected Industrial Cooperatives (as per the methodology and research design explained in Chapter-I) were collected and analysed group-wise in Part-I and summed up in the Part-II of this Chapter.

Since this study includes different categories of societies like Handlooms, Village Oil, Coir, Gur and Khandasari, Mat, Leather, Hand pounding of Paddy, Bricks, Pottery, etc. and they are grouped under two administrative heads, the analyses of the various aspects of functioning of these societies are discussed in three major groups. Group-A includes Handlooms functioning under the control of the Assistant Director of Handlooms and Textiles; Industrial Cooperative Societies under the control of Assistant Director of Industries and Commerce are further classified into two groups (B&C). From registration to liquidation the Assistant Director of Industries and Commerce looks after the affairs of these societies. For study purpose the total societies are divided into Group-B and Group-C. Industrial Cooperatives of Group-B are Handicraft type like Bronze Sculpture, Mat, Coir, Wooden Combs, Toys, Brass and Copper vessels, Glass beads and seamless quilts etc. Industrial
Cooperatives of Group-C are Khadi and Village Industries type i.e. Village Oil, Gur & Khandasari, Handpounding of Paddy, Pottery, Bricks & Tiles etc.

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

GROUP 'A' HANDLOOM COOPERATIVES

A1. INTRODUCTION

The structure and classification of the Weavers' Cooperative Societies have already been discussed in Chapter I and III. It is started that all the Primary Weavers' Cooperative Societies having individuals as members are affiliated to the Apex Society at the State level that is, the Andhra Pradesh State Handloom Weavers' Cooperative Society, popularly known as the APCD. For purpose of
intensive study only the Primary Weavers' Cooperative Societies were selected as per sampling procedure explained in the introductory Chapter. Out of the three divisions in the District sample societies were selected.

The details of Primary Handloom Weavers' Cooperative Societies selected for study are given in Appendix 1.1.

The Primary Weavers' Cooperatives in Chittoor District are undertaking production activities and providing employment to the weavers who weave cloth mostly in their homes. These can be called Handloom Weavers Production and Sales Cooperative Societies. Another type of societies have common work-shed where production takes place. These can be called as Industrial Weavers' Cooperative Societies. They are seen in Tamil Nadu. If the weavers do not have proper residence and loom facilities to carry on their livelihood, they come to the Industrial Weavers' Cooperative Society and earn their wages by working in the common workshop which provides them the looms. By and large, it is found that the weavers are not inclined to work in the common workshed as the entire family including children and ladies are employed in the industry. Generally, they look after the domestic duties besides attend to the weaving activity. Hence, it is rather difficult for them to work in workshed atmosphere.
Therefore, "workshed" facility is not utilized by the weavers, unless they are compelled by circumstances.

This industry is basically skill-oriented, hereditary and based on family employment. The capital cost of a handloom is meagre and the weaver works in his home assisted by his wife and children. The working funds required for carrying on handloom weaving are also not high. A loom provides employment (on an average) to 189 Weavers.1 There are workers engaged in ancillary operations like warping, sizing, dyeing and other processing activities. Work is provided to carpenters who manufacture weaving appliances, Jacquards, etc. Thus, the industry provides employment directly and indirectly to a large section of the population of the State. Constituting about 10 per cent of the working population of Andhra Pradesh, on an average there are about 5 dependents per weaver and the total number of persons depending upon the industry for their livelihood are of the order of 40 lakhs as per the Department statistics of 19912.

The Weavers' community has been suffering silently for centuries and its plight is really pathetic. An extract from The Hindu dated 26.02.71 reproduced below would reveal its poverty stricken position.

"In the best of times the weavers lead a hand to mouth existence. Notwithstanding the fact that all the
members in a family, from 9 years old to nonagenarians, work from six in the morning to ten in the night. Their earnings hardly exceed Rs.100/- per family per month. For weavers' children continued beyond the primary school, for by working on the looms, they can supplement the parents' income in these days of soaring prices. And their income varies, depending on the health of the family members. If any of them falls ill, to that extent, the income goes down because the out-turn is adversely affected.

25 per cent of the weavers are found in rural areas and they semi-starved, ill-clad and badly housed in old huts with rusted looms. In Chittoor District, the cost of a pit-loom approximately works out on an average Rs.1000/- as reported by the societies in 1991. They are unable to replace even the loom because of abject poverty. The average earning of a weaver is approximately Rs.30 per day minus regular deductions by money lenders/master weavers. The balance is insufficient to have a square meal. Nearly 100 to 150 days in a year the weaver is left without earnings because of non-supply of yarn, unsold stock, vagaries of monsoon, etc. The available yarn was sufficient for 200 days. Thus, on an average 3 to 4 months in a year they remain unemployed. It is therefore, necessary that the Wages Committees to be set up to go into the wage structure prevailing in Andhra Pradesh and prescribe a minimum wage of
say Rs. 1000/- per month for these workers. This legislation of fixing minimum wage for workers was passed already in Kerala and Tamil Nadu and it is worth emulating in Andhra Pradesh also.

For creating proper working conditions at the weavers' houses and also changing the affairs of the societies effectively, it is essential to create more workshed type societies. To avoid child labour-exploitation, male and female members of the community should be made to work in the workshed.

A.2. REGISTRATION

Out of the 21 Handloom Weavers' Cooperative Societies studied, only 11 societies were registered 6 to 19 years ago i.e. in 1990-91, 6 societies 20 to 35 years ago, 2 societies 36 to 45 years ago and 2 societies were started more than 46 years ago (see Table A.IV.1). The recently registered societies as well as those which were long back registered did not formally prepare any feasibility reports before starting the ventures. All the executives said that there had been no such project report prepared by the promoters/organisers of the society. Simply because there were some weavers available, the societies were registered. This fact was corroborated by the answers received from the members of the dormant Handloom Weavers' Cooperative Societies. 90 per cent of the members interviewed said that
they just came to know that there were weavers' societies organised by the Government for helping the weavers by supplying yarn, financial assistance, etc. and came forward to join the society as members. For instance, 6 societies were registered just in the 4 streets of a hamlet Narayanavanam in the Puttur Mandalam of Chittoor Revenue Division. All of them were started by the persons belonging to different political parties like Congress, Telugu Desam and so on. Thus, the ritual of registration of the societies was done without much serious thought about potential for the survival of the societies in terms of genuine interest and involvement on the part of the members and adequate leadership, managerial talents, and so on.

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

Moreover, the mushroom growth through hasty registration and multiplication of societies in order to avail of the facile credit, rebate and other paternalistic assistance of the Government can also be arrested to some extent by just introducing some fee for registration. (At present there is no fee prescribed for registration of societies). This fee may be ploughed back to the cooperative development by adding this money to the Cooperative Union of the State. This is just as analogy to the remittance of 5 paisa while purchasing the money order form and adjusting the same while actually sending the money order proper. This serves only as precaution against casual and ill conceived formation of societies by irresponsible organisers.
To implement the above suggestions, the Registrar of Handloom Cooperatives should introduce suitable provisions/amendments to the Rules and Regulations/Bylaws of these cooperative societies.

A.3. AREA OF OPERATION

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

In Chittoor Revenue Division, Putter and Nagari Mandals have 28 Handloom Weavers Cooperatives covering roughly 20,000 members. Each of these societies has a minimum of 300 and a maximum 900 membership. There is no appropriate yardstick to regulate the multiplication of such societies within the same area of operation. Similarly, in Putter and Nagari Villages which had the maximum number of dormant weavers' cooperative societies taken up for our study, there were only 6 streets. But there were as many as 12 to 13 societies formed at an average rate of not less than 2 societies per street. With the result, there is acute competition among cooperative societies themselves, not to talk of private competitors in the same place. It was given to understand that the indiscriminate growth of societies was largely due to political considerations and pressures. The administrative apparatus working under the thumb of the political leadership could not resist pressures and thus it became an inevitable and inescapable factor. Out of 21 societies, 6 have only 4 streets each as their area of operation, 5 societies 2 kilometres radius, 7 societies 5 to 12 kilometres and 3 societies 20 to 25 kilometres radius (see Table A.IV-1). It is imperative to arrest the overlapping of membership in an area and as far as possible the number of societies in a restricted area should be limited in order
to achieve the viability of each society. Besides elimination of unhealthy competition and other possible evils arising out of such concentration of societies can also be avoided.

A.4 PROFILE OF THE CHIEF EXECUTIVES

Out of 21 societies selected in the sample 21 provided information. Therefore, the details of the 21 Executives of the 21 Primary Weavers' Cooperative Societies are presented as follows.

6 out of 21 persons were appointed by the societies themselves through direct recruitment, 3 handloom inspectors were deputationists from the Department of Handloom and Textiles and the remaining 12 non-officials elected presidents who worked in the societies in honorary capacity. Thus, 9 societies were managed by full-time paid employees of these societies. Out of the 9 paid Executives 3 were Handloom Inspectors having less than 2 years experience each, 3 managers 16 to 30 years, 2 clerks 2 years and one Secretary 15 years. All these 9 persons had studied SSLC (Secondary School Leaving Certificate). The 12 honorary Presidents included 2 illiterate persons and the remaining 10 studied upto IX Standard. (see Table A.IV).
Thus, one can imagine the standard leadership, capacity to administer the societies, etc., given the low level of education/literacy, experience etc. It is, therefore, necessary to create a common cadre of personnel and train them in cooperative management and recommend them for appointment in such societies. As per the present arrangements, for keeping the spirit of cooperative character, the owners of the society, namely the members themselves elect their Boards of Directors and manage the affairs of the Cooperative Societies. The Chief Executives of these Weavers' Cooperatives are the kingpins on whom depend the success or failure. If they are committed, loyal to the institutions to which they are selected, complied with some expertise in the management of the Weavers' Cooperative, the organization certainly will come out with success. In the 21 societies studied, 3 (A7, A8 & A-21) societies became defunct (out of the 3 dormant societies studied) because of misappropriation of funds by the Presidents. The skill to manage the affairs can be imparted through training but loyalty to the organization cannot be infused by anyone, that comes out of in-born qualities. The functions of decision-making and execution should always be entrusted to different functionaries and should not be combined as in the case of some of the Handloom Cooperatives and the non-weavers cooperatives.
It is, therefore, necessary to appoint a professionally qualified executive for each society. For retaining expertise, the Government may recruit qualified candidates through appropriate examinations, tests, etc., and give them training in cooperative management by sending them to the cooperative training colleges/centres/institutes etc. They should be equipped with necessary background, skill, knowledge, etc., and exposed to the theory as well as practical aspect of managing the cooperative enterprises.

In Andhra Pradesh the practice of appoint paid Secretaries to Industrial Cooperatives as it exists in Tamil Nadu may be followed. In Tamil Nadu the Department of Industries and Commerce recruited qualified candidates under (10-A) (Temporary) schemes through Tamil Nadu Public Service Commission and got them trained at Cooperative Training College (and in the erst while departmental training arrangements made by the department to train its own personnel). After the training was imparted, the Department posted them to various Industrial Cooperative Societies.5

A.5. MEMBERSHIP AND SHARE CAPITAL

All the artisans in an area may not join the cooperative venture to start with. But with the good working results of the society or with the approach by the leadership of the society the remaining artisans in the area should be drawn into the cooperative fold. Thus, there
should be progressive increase in the membership so as to reach the optimum size for the cooperative and attain the economic viability and ultimately economies of scale. Moreover, in the present context of Government policy of increasing the coverage of membership of Weavers' Cooperatives from 30 per cent to 60 per cent, it is desired on the part of the management of these societies to extend the coverage slowly by including more members into their fold. When this issue of action taken to increase the membership of the societies came up while interviewing the Chief Executives of the Weavers' Cooperative Societies, it was learnt that the production finance given based on 25 per cent, the previous year's production was a limiting factor that stood in the way of enlisting new members. If new members are to be included, they should be given yarn wages etc., for which the current production finance made available is inadequate. Therefore, it is suggested that the production/working capital finance should be increased from the present rate of 25 per cent to 50 per cent or so by the Reserve Bank of India. (This aspect is discussed under working capital/finance for weavers cooperatives).

Out of 21 societies studied, 5 societies had 51 to 100 members, 10 societies between 101 and 200, 2 societies between 201 to 300 and 4 societies above 300 members. Only 5 societies had growth of membership over 5 years, 6 reported
decrease in membership and 10 had stagnant membership over the last 5 years, which was not a healthy sign.

Two Weavers' Cooperative Societies had share capital over Rs. 500/- and below Rs. 10,000/-, 6 above 10,000/- but below Rs. 20,000/-, 8 societies above Rs. 20,000/- but below Rs. 50,000, and 5 societies reported more than Rs. 50,000/- (see Table A.IV.3). From 1986-87 to 1990-91, 8 societies registered an increase, 3 showed decrease and 10 had stagnancy in their share capital position.

The value of the share capital of the societies deferred from each other. Only one society had rupee one as share value and 3 societies Rs. 100/- other 13 societies reported Rs. 10/- and 4 societies had kept Rs. 25/- per share. (see Table A.IV.4).

Similarly the maximum number of shares that could be purchased by each member was also limited in the Weavers' Cooperative Societies. The ceiling on maximum share holding was prescribed and Rs. 20/- in respect of one society; Rs. 40/- in the case of 2 other societies; Rs. 50/- in 3 societies and Rs. 100/- in 15 societies.

Though there is a provision in the by-laws of the Weavers' Cooperative Society to deduct Thrift Fund from the payment of wages paid to the members, only a few societies translated this provision into action and inculcated the
habit of thrift in them. Out of 21 societies studied, 10 working societies and one dormant society reported that they had collected thrift deposit and converted them into share capital.

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

Secondly, looking at the membership growth, these societies have hardly striven to enlist more members into the cooperative fold. The management of the societies should be motivated to introduce an element of dynamics so that the membership also goes up to the desirable limit in all the societies within the area of operation.

**Mutual Linkage**

The concept of cooperation unfolds the ramification of the effects of mutual linkage. The
underlying idea behind this is that the horizontal and
vertical affiliations resulting in the formation of single/
multi level federations infuse more and more strength in the
process. Therefore, the success of the cooperative venture
depends more on their following the principles of
cooperation among cooperatives, as to finance, purchase,
selling etc. A look into the functioning of these Weavers'
Cooperatives reveals that all the societies stated that they
were members of the Apex Society (i.e. APCO). The Apex Society
procured yarn from the 8 Cooperative Spinning Mills in the
state and supplied to all the Weavers Cooperatives. The Apex
Society procures production from all the Weavers'
Cooperative Societies at the price fixed by the Department
of Handlooms and Textiles. It procures roughly 50 per cent
of the production of cloth of the societies and market them.

A.6. THE PROFILE OF THE BOARD OF DIRECTORS

The general practice observed in Weavers' Cooperative Societies is that the new societies are normally
managed by the Department of Handlooms and Textiles, through
the nominated Board and deputation of Chief Executives.
Subsequently, elections are conducted and the affairs of the
societies are democratically managed by the elected body.

Out of the 21 societies studied, all societies had
elected Board of Directors. The total number on Board of
Directors was registered to 7 members in each society (as
per the model bylaw introduced by the Director of Handloom and Textiles) and it was followed in practice. However, there was a wide range of difference in the duration of the office of the Board of Directors among these societies studied. One society had fixed the duration of the office of the Board of Directors as 5 years, 18 societies had 3 years each fixed. One society 2 years and remaining one new society had nominated Board and were renewed every year by the nominating authorities.

Thus, there is uniform practice in prescribing the duration of the office of the Board of Directors in these societies. To infuse new blood in the management of the societies 1/3 of the Board of Directors should retire every year and this rotation appears to be reasonable. This can be advocated to introduce uniformity in all these societies and the nomination practice may be discontinued after the first term of the registration of the societies as this practice infringes on the sacred principles of cooperation (viz. Democratic management).

2 out of 9 dormant societies remained dormant for more than 12 to 22 years and therefore particulars of Board meetings and their quorum were not available in their cases. In the case of active societies, on an average 2 general body meetings per year and a minimum of 5 and maximum of 27 meetings of the Board of Directors per year were reported to
have been conducted in those societies. The average attendance in the Board meetings and General Body meetings was above the quorum required and varied widely. Roughly the percentage of attendance varied from a minimum of 45 to 75 in the case of Board meetings and 40 to 70 per cent in the case of General body meetings. Thus, the active participation of the members and the role of Boards of Directors in the working societies reveal that this is one of the main reasons for the successful working of the Weavers' Cooperative Societies undertaken for study.

BACKGROUND OF BOARD OF DIRECTORS

21 societies provided information regarding the background of the members of the Board of Directors. In all, details of 147 Board of Directors were obtained and the same is given as follows. (see Table A.IV.5).

a) 50 persons were below the age of 40 and 97 individuals above 40 years old.

b) 32 persons had studied up to SSLC, 87 of them knew only to read and write and 28 were illiterates.

c) All the 147 belonged to the backward community and they belonged to the weavers families and were hereditary weavers; 69 were Mudaliars, 36 Chettiaras, 35 Devangas, 3 Kallars and Kaikara each and one belonged to Yadava caste. The profile of the management of the weavers
revealed that they were placed in the lowest rung of the community with the highest percentage of illiteracy. One can imagine the level of proficiency that they can claim given their background.

The reasons for the dormancy of the weavers cooperatives as revealed by the Appendix IV-A. 1 and A.3 point out that out of 9 dormant societies studied one society came to inactiveness because of the conflicts among the Directors (Society A1); each of the 4 societies suffered the vested interest developed by the Chief Executives (Societies A2, A3, A5 and A6) and inefficient management practices followed by the Board of Management and Chief Executives (societies A-3, A-4 and A-7).

Vested interests developed by the leadership by remaining on the Board for more than 12 to 18 years by virtue of their influence and wealthy background etc., appointed their own relatives in the societies and worked hand-in-glove with them and misappropriated the funds and so on. The 4 societies (A4, A8, A8, & A21) suffered because of inefficient management practices such as appointing staff without following proper recruitment procedure, failing to collect the dues pending for more than 14 years, not keeping records properly and losing some of the records, not taking interest in the business of the society, etc.
The loopholes can be corrected only by the registering/controlling authorities through effective supervision, posting trained paid staff to manage the affairs of the societies.

MEMBERSHIP INTERVIEWS

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

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

The reasons for dormancy in the Weavers' Cooperatives as per the available records-enquiry reports were collected out and extract given in Appendix IV.A.3. Out of 9 dormant societies studied 2 suffered the disloyal attitude of the members (Societies A1 and A6) wherein the members never took initiative in prompt repayment of their dues and arresting the various malpractices like misappropriation by Chief Executives, etc. Moreover, in the membership of these societies, the Master Weavers were in large numbers and they not only dominated the scene but also wrecked the societies without allowing them to grow. 4 out of the 9 dormant societies suffered this domination of Master Weavers (societies A2, A4, A5 and A7).

The members should be enlightened about the sanctity behind the formation of such societies through Member Education Programme and once they become loyal to
their organization, they can easily detect the Master Weavers and with the help of registering authorities, they can get over the unscrupulous domination of the Master Weavers to some extent.

**A.7. STAFF IN THE SOCIETIES**

Except the dormant societies (which have only a Chief Executive each), all the working societies have a minimum of a manager, a clerk and an attender as paid staff. The total working staff of the societies studied varied from 3 to 10 in each of these societies. Generally the manager and the clerk had studied upto SSLC and were paid from a minimum of Rs. 450/- to a maximum of Rs. 900/- per month in these societies. That is to say, on an average the minimum salary per day was anything between Rs.15/- and Rs.30/-. In this connection it is interesting to note that the wage for the unskilled labourer in the same locality was in the range of Rs.30/- to Rs.40/- per day.

Out of 66 persons working in 12 societies only 10 had undergone training in cooperation, accounts keeping etc., at the concerned cooperative training centre/institutes in the respective nearby areas. 4 persons were trained at Hyderabad, Rajendra Cooperative Training College, one at Dharmavaram in handloom management technique and 5 at the office of the Assistant Director of Handlooms and
Textiles, Tirupati in the science of accounts keeping. The
Secretaries-Managers and appraisers did not undergo any
training. All of them were recruited from the open market
by the concerned societies management. This apparently
looked like an illiterate boss trying to teach an educated
servant.

In view of this fact, the development of entire
staff through, proper training is a must for successful
running of Weavers’ Cooperative Societies. After identifying
their needs, the scheme and syllabus have to be prepared and
training should be imparted to them by the Cooperative
Training Centres/Institutes/Colleges as the case may be.
Provident Fund benefits, (bonus benefits upto three months
pay), etc., should be generally given to the staff by the
active Weavers’ Cooperative Societies.

Out of 9 dormant societies studied 3 societies
(A4, A6 and A8) experienced the misappropriation by the
staff engaged in the societies. This was one of the main
reasons for the non-functioning of the societies. In 2 out
of 3 societies, the staff in collusion with the President
misappropriated and in one case the President was illiterate
and he was cheated by the paid part-time clerk. The staff
did not have a stake in the organization and they fell an
easy prey to the Chief Executive’s whims. They were poorly
paid and were at the mercy of the Chief Executives.
Prescribing good service conditions, welfare measures such as extension of gratuity benefits, death cum-retirement benefits, promotional avenues, incentive schemes, etc., which are pre-requisites for motivating the employees and retaining them in the organizations and to get maximum productivity should be introduced. This is possible if the societies achieve viability and become profit making entities. Running the societies successfully involves right personnel and retaining and motivating them depend on the soundness of the organization. Therefore, the two aspects are mutually interdependent and create a vicious circle. Under the circumstances the Government may think of providing grants-in-aid to create a welfare fund scheme for these Weavers' Cooperatives from which educational, tuition fees for children of weavers defraying the medical expenses for the family members etc., can be met along with the other incentive schemes and welfare measures.

A.8 PROCUREMENT OF RAW MATERIALS

The major source of procurement of raw material for the 21 weavers cooperative societies was the Apex (APCO) Society. Roughly 80 per cent of their requirement was met by the Apex Society which collected yarn and distributed the same through its retail depots scattered throughout the State. The price of yarn was also fixed by a Committee formed by the Director of Handlooms and Textiles. Nearly 20
per cent of the needs of these societies was procured from
the open market/spinning mills directly. The societies
procure dyes, chemicals etc. from the open market/private
merchants without any difficulty. Dyeing of yarn is done by
these societies from the dyers approved by the
Government/Director of Handlooms and Textiles. The list of
approved dyers is intimated by the concerned Assistant
Directors of Handlooms and Textiles to the societies.

The yarn is distributed by the Apex Society
through its network of depots on cash and carry basis. But
procurement of finished goods for sale by the Apex Society
from the primaries is only on credit basis. The final
settlement of bills takes not less than 3 months from the
date of despatch of goods from the societies to the sales
depots of the Apex Society. Yet another difficulty reported
by the Weavers' Cooperative Societies is that the quality of
yarn supplied by APCO is often found poor which ultimately
affect the quality of the finished goods. In such cases, the
societies are compelled to go to the open market for
procurement at a higher rate.

The Government of Andhra Pradesh have taken
efforts to set up 5 more cooperative spinning mills in 5
districts of the State with the idea that these cooperative
mills would cater to the needs of all the Weavers' Cooperative Societies in and around the respective districts
at least. However, certain mills either did not produce the counts of yarn required by the Weavers' Cooperative Societies in the area or did not meet the entire demand of these societies squarely. For example, the societies at Chittoor Revenue Division reported that the cooperative spinning mill in their area sold only a meagre percentages of its yarn to the cooperative societies at rates fixed by the Government (Director of Handlooms and Textiles), rest of its production was sold at higher prices in the open market on purely commercial basis. The spinning mill wanted to earn profit by selling the yarn at higher prices defeating the very idea behind establishing such cooperative spinning mill as a venture to help the Weavers Cooperative Societies. The coordination council meeting consisting of the Assistant Director of Handlooms and Textiles of the Division, Managing Director of the Spinning mill, selected representatives of the Weavers' Cooperative Societies etc., could not solve this problem as spinning mill insisted on its commercial approach.

A.9. PRODUCTION AND SALE
(a) PRODUCTION

The cost of a loom including healds, reeds, shuttles, etc., ranged between Rs.500/- and Rs.1000/- and differed from place to place and they were manufactured by the societies in their respective areas according to their
specification. Standardisation is necessary in the manufacture of modern looms. The looms and the small tools and implements used in the Handloom Industry may be got done in the Industrial Cooperative Societies (by procuring wood/timber at cheaper rates from the forest cooperatives) and supplied by the Apex Society. As already suggested this function can be part of the raw material bank. This can be an experimental measure and perhaps will go a long way in helping the weaver members. Even when the implements tool subsidies are sanctioned and given to the members of these societies the same may be given in kind so as to avoid misutilisation of money on the part of the weaver members.

The size of minimum production by the dormant societies studied indicated that they were uneconomical units producing below Rs.1000/- per month. In the case of 21 (9 dormant and 12 active) cooperatives societies which have provided the data for 5 years, only one society was producing a minimum of below Rs.1000/- per month, 8 societies produced between Rs.5000/- and one lakh, 4 societies between Rs. 1 lakh and 1.5 lakhs; 4 societies above 1.5 lakhs; but below 2 lakhs and the remaining 4 societies above Rs. 2 lakhs (see Table A.IV-6). More often the members of the societies took the yarn and sold to non-members and procured only the finished goods from them and supplied to their societies. In the process they not only
evaded working and producing but they tried to earn more in the form of contribution from savings and security schemes wherein the Government contributed at the rate of 3 paisa per rupee of wages earned by the members. This might have also increased the production and ultimately stagnation crept in because of the quality, market trend, etc. The Government also incurred unnecessarily a huge amount on account of contribution towards the savings and security scheme, which was intended for the real workers on the looms. Similarly, when the thrift deposit of 6 paisa per rupee was deducted, the society had to contribute 3 paisa and thus, the society also parted with money which was intended for the members but went to big merchants or middlemen in the process.

These incentive schemes were reported to have been misutilized in some cases, defeating the idea behind them. Therefore, the issue of yarn, payment of wages and contribution of the society towards the thrift contribution, etc., should be regulated in such a fashion that norms of production for each member over a period of time should not exceed at any rate. In the present the issue of yarn is regulated in such a manner that yarn is made available to all the members of the societies. In addition, if the norm per day production also is laid down, no one can escape the system.
(b) SALE

Similar to production, out of the 21 (9D+12A) societies studied only one society sold its produce above Rs. 1000/-; 7 societies above Rs. 5000/- and below 1 lakh; 5 societies registered a sale of more than Rs. 1 lakh but below Rs. 1.5 lakhs; four societies above Rs. 1.5 lakhs and below Rs. 2 lakhs and four societies more than Rs. 2 lakhs worth handloom cloth produced by it. In all, 9 dormant and 12 working societies provided the statistics pertaining to the production and sales for the past 5 years. The minimum sale registered among the three dormant societies was Rs. 104 per annum in the 5 years and the maximum Rs. 181794/-. In order to breakeven and come to profit, the societies have to fix the minimum level of production and sale. In the case of dormant societies, even though there are potentialities for more production and sale, the wiping of accumulated losses and other extraneous factors like vacillation in yarn price, market slump for the particular variety of handloom product etc., are stated to be stumbling blocks in registering a progressive growth in production and sales. Some of the working societies too have these problems they are not so acute as to show losses and that is why they could show some profit.
DISTRIBUTION CHANNELS

The major outlets for the products of the Primary Handloom Weavers' Cooperative Societies are

(a) APCO

(b) Handloom House, the All India Handloom Fabrics Marketing Cooperative Society, Cooperative Super Markets, etc., and

(c) the private merchants. While looking into the share of purchase by these agencies/channels, the societies reported their sales as follows:

(i) Sales to APCO

<table>
<thead>
<tr>
<th>Number of Societies Reported</th>
<th>Percentages of Sales to APCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5 to 10</td>
</tr>
<tr>
<td>4</td>
<td>10 to 50</td>
</tr>
<tr>
<td>5</td>
<td>50 to 85</td>
</tr>
<tr>
<td>5</td>
<td>85 to 75</td>
</tr>
<tr>
<td>6</td>
<td>75 to 85</td>
</tr>
</tbody>
</table>

(ii) Sales to Institutions

<table>
<thead>
<tr>
<th>Number of Societies Reported</th>
<th>Percentage of Sales done</th>
<th>Institution to which sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>10</td>
<td>All India Fabrics Society</td>
</tr>
<tr>
<td>4</td>
<td>15</td>
<td>Super Markets</td>
</tr>
<tr>
<td>5</td>
<td>25</td>
<td>Handloom House</td>
</tr>
</tbody>
</table>

Apart from this, the rest of the sales was done with the private merchants in the open market. Out of 9
dormant societies studied, one society became dormant because of the cut-throat competition of the private merchants which was so acute that could hardly stand it (society A3).

The existing channels of marketing of cloth by APCO are as under

As on 31.08.1991

<table>
<thead>
<tr>
<th>Channel</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling units in Andhra Pradesh</td>
<td>232</td>
</tr>
<tr>
<td>Selling units in outside Andhra Pradesh</td>
<td>151</td>
</tr>
<tr>
<td>Agencies</td>
<td>104</td>
</tr>
<tr>
<td>Godowns</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>503</strong></td>
</tr>
</tbody>
</table>

The quantum of selling by APCO has been increasing year by year and in the context of aiming at more production, it is necessary that the sales outlets outside Andhra Pradesh has to be increased and all the states should be fully covered, especially the Northern region of the country. Agency outlets may be increased so that it would not be uneconomical to cover the far-flung area. Out of 503 selling units, 104 are agencies and 399 direct outlets of APCO. The expenses incurred in maintaining the direct outlets are more than that of the agencies appointed on commission basis. Since APCO is a big organization with more than 1720 (as on June 91) staff/employees, the annual increments, P.F. gratuities, bonus etc., escalate the expenditure burden year by year for APCO. Therefore,
depending upon the demand concentration, large-sized godowns can be opened and wholesale can be encouraged.

On an average, it is stated that the APCO procures about 50 per cent of the total handloom production for sale through its sales depots spread throughout the country. Nonetheless from the statistics collected from the societies, it may be concluded that the Apex Society has to concentrate more on the sales by collecting at least 50 per cent of the total production of handloom goods from the primary cooperatives. Moreover, the cooperative super markets should also be directed to purchase from the Weavers’ Cooperatives so that the stagnation of goods with the primaries can be reduced to a great extent.

When the societies take up the sales activity, they encounter many a difficulty like the pressure and cut-throat competition from private merchants, misappropriation of the sale proceeds by sales staff, the societies not possessing the capacity to hold and sell the products where there is great demand for them, etc. Therefore, the Apex Society should procure almost all the goods from the primaries and evolve a marketing strategy as under:

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

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

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

4) In order to clear the stock expeditiously through the sales emporia/units and image building of APCO, the sales force should be exposed to the fundamentals of salesmanship viz., identifying the customers, knowing their needs, treating them according to their behaviour etc. There are 1205 marketing staff of APCO as on June 91 and they are to be trained as per the scheme and syllabus prepared by the Cooperative Training College, Hyderabad.

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

Margin

In so far as the fixing of selling price for the handloom goods is concerned the respective Assistant Directors of the Districts issue instructions to the societies as to how much percentage of margin should be added to the cost of production and fix the selling price. The data collected indicate that the profit margin varied from 2 to 10 per cent and that too, varied from place to place and year to year depending on the market situation.
6) The pricing policy of handloom fabrics should be reviewed by the APCO. So far, the cost of production of the product plus 10 per cent margin is uniformly kept by APCO while procuring cloth from primaries and it adds 25 to 30 per cent margin and sells the goods through its sales depots/units. For sales outside Andhra Pradesh nearly 5 per cent more margin is added. Instead of this cost plus approach, active price policy should be adopted by APCO. For this, price survey should be made product-wise for all the products from the important competitors like Handloom House, big textiles selling shops and accordingly the price of the goods should be revised in tune with the market trend.

PROMOTIONAL ACTIVITIES

The Primary Weavers' Cooperative Societies generally do not take up any sales promotion activities like, publicity, advertisement, etc. The general rebate policy of the Government is applicable to the societies and sales depots of the APCO. The Apex Society takes the sales promotion activities after pooling centrally all the handloom goods from all the societies and as such there is not special drive exclusively meant for a particular society and its products. However, a few societies in order to project and popularise their image and products issue special bags (paper/cloth), calenders etc., with their
blem, name, address, etc., which are used as package while selling their products. They seldom advertise the products in magazines/journals. On some festival occasions, a few societies resort to special display practices, distribution of bit notices etc. Apart from these, there is no sales promotion campaign. The Apex Society participates in fairs, exhibitions, inserts advertisements in leading dailies, T.V., Radio, etc., and carves out a name from itself in the textile industry in general and handloom sector in particular. It may, in addition to these, advertise in the youth magazines (because they spend major time in selecting the fabrics) and popular women magazines (in which sarees and other ready-made garments made by APCO). The bed sheets, bed spreads, pillow covers, towels etc. can be displayed and also sold through mobile vans at important railway stations/junctions, airports etc. For instance, the bed sheets, covers etc., are displayed and sold at Sholapur railway station by the producers of these items. This may be followed on a larger scale by the APCO.

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

The business of Handloom Cooperatives is subjected to heavy seasonal variations besides public competition from textile goods. It has three important seasons when there are bulk sales on July to October (Diwali), December and January (Christmas and Pongal) and April (for handloom week). As such when the societies produce continuously, a huge stock piles up.

Though the Government helps the societies by announcing the (10 to 30 per cent) rebates on sales, the societies have to wait for realization of money from the Government on account of rebate sales roughly between 3 and 6 months. This delay becomes an unavoidable gamble in the business. It is learnt from the societies studied that the practice of giving rebate though has a major advantage of
attracting the consuming public and disposing of the piled
up stock, it has its disadvantages. The public wants to make
purchases of handloom cloth mostly in rebate seasons and
therefore this concession creates stagnation of cloth in
periods other than the 3, 4 festival seasons. More often,
the vested interests crop up in the societies and they sell
and goods at ordinary times, keep the sales proceeds under
the suspense head and prepare bills for these amounts in the
rebate season/periods. Right from the Government
officials/non-officials down to many interested influential
parties involve themselves in this type of transactions.
Moreover, the private merchants made way while the sun
shone. The Private merchants purchase with rebate or
wholesale commission basis from the societies and sell at an
advantageous price once the rebate season is over. Thus, the
societies become vulnerable and are unable to compete with
private merchants in the off-season (i.e., non-rebate
periods).

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

EXPORTS

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

A recent attempt in this direction was made in Andhra Pradesh and a month's tour was arranged to New York, London, Paris and Milan for the Chief Officer of the Apex Weavers Cooperative Society and the Director of Handlooms and Textiles in October-November 1980.6
The export of cotton handloom goods from Andhra Pradesh through Visakhapatnam Port is given in Table IV-1. The export figures for the last three years (1987-88 to 1989-90) reveal that out of Andhra Pradesh Handloom exports, Cooperative Weavers' Societies export 18 to 20 per cent through APCO International and this has increased to 50 per cent in 1990-91. The total Andhra Pradesh Handloom exports have increased from 14 to 28 per cent of all India export performance. Thus, there is enough potential for the products of weavers' cooperative societies and APCO has been attempting to push the export sale of the goods from the societies. Modern design centres and weavers' service centres have come into being and lot of novelties in designs are being introduced in the handloom weaving. But many weavers especially in the cooperative fold have not seen or had the opportunity of going to these centres to learn these new models. Therefore, appointment of peripatetic demonstrators who would go to the villages or weavers' cooperative societies to give on the spot demonstration and explanation of the improved designs, to produce new varieties is the prime need of the hour.
Table IV-1

Export of Cotton Handloom Goods from Andhra Pradesh

(Amount in 000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>16,889</td>
<td>27,014</td>
<td>64,777</td>
<td>72,272</td>
</tr>
<tr>
<td>Africa</td>
<td>23,725</td>
<td>34,287</td>
<td>53,808</td>
<td>58,193</td>
</tr>
<tr>
<td>Europe</td>
<td>6,710</td>
<td>13,596</td>
<td>32,352</td>
<td>54,320</td>
</tr>
<tr>
<td>Oceania</td>
<td>382</td>
<td>762</td>
<td>4,371</td>
<td>5,233</td>
</tr>
<tr>
<td>America</td>
<td>1,970</td>
<td>6,443</td>
<td>20,332</td>
<td>17,573</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49,456</strong></td>
<td><strong>84,044</strong></td>
<td><strong>1,75,638</strong></td>
<td><strong>1,87,591</strong></td>
</tr>
</tbody>
</table>


With the increase in indigenous sales turnover, the APCO had recently started its export activities from 1965-66. It has an exclusive wing known as "APCO International" with head office at Hyderabad and 3 branches at Madras, Bombay and New Delhi. It procures cotton handloom goods from cooperative societies of Andhra Pradesh and exports directly as well as through its branches separately. The total exports of handloom fabrics by APCO are given as follows:
### Table IV-2

**Export of Handloom Goods by APCO**

(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct export through branches/agencies</th>
<th>Total export from Andhra Pradesh (Rs. in crores)</th>
<th>India's total exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86</td>
<td>N.A.</td>
<td>54</td>
<td>30.17</td>
</tr>
<tr>
<td>1986-87</td>
<td>0.54</td>
<td>107.46</td>
<td>108</td>
</tr>
<tr>
<td>1987-88</td>
<td>48</td>
<td>110</td>
<td>156</td>
</tr>
<tr>
<td>1988-89</td>
<td>97</td>
<td>249</td>
<td>246</td>
</tr>
</tbody>
</table>

Source: APCO, Andhra Pradesh - Figures in parentheses show the percentage of APCO export to total export of Andhra Pradesh.

N.A. - Indicates not available.

The Weaver's Cooperative in general cannot thrive in the fierce competitive situations obtaining in the market because:

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

b) The Master Weavers and other competitors try to undercut the Weavers' Cooperatives by adopting tactics like using cheap quality dyes, cheaper yarn, paying as far as possible less wages to the weavers to exploit the situation etc., and bringing the final price of the finished goods cheaper than others.

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

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

e) Many of the Weavers' Societies are required to participate in a big way in the shares of the District Central Cooperative Banks, Apex Society, Cooperative Spinning Mills etc., and bulk of the resources are
locked up in these sister organizations. This can be minimised if at all this is a must provision for these societies. In fact, only big societies showing sizeable profits should be required to do so by fixing minimum shares.

A.10. STORAGE AND UNSOLD STOCK

The seasonal rebate attraction, competitive mill made goods, durability and economy if not the cheap price of textile fabrics, production of varieties of cloth without looking to the market demand etc., resulted in the piling up of handloom goods in major part of the year. Against the poor holding capacity, the Weavers' Cooperative Societies stored the huge stock in small rooms in the wooden or some times in steel almirahs. The minimum stock value of handloom goods held in one society per year was Rs. 78,667/- and the maximum stock valued Rs. 1.04 lakhs was stored in a society as per the statistics collected for 5 years. In one society out of 9 dormant societies (i.e. A6) the manager and appraiser of the society in collusion with the President of the society misappropriated and sold the stocks without bringing into the accounts of the society. Stock deficit to the tune of Rs. 5000/- in 3 months time occurred. Because of such stock deficit in the societies, the auditors recommended creation of reserves and the much needed finance
was locked up. This was one of the reasons for 2 societies' dormancy. Because of stock piling up, occurrence of stock deficits etc. the societies insured themselves against fire, theft, burglary etc.

Stock Verification and Leakages

The stocks of the Weavers' Cooperatives are checked once in three months by the Board of Directors, the supervisory staff once in six months, and the auditor once a year. For the stock deficits occurred, 1/2 to 1 per cent leakage is allowed by the societies and the rest is recovered from the concerned staff incharge of goods. They are required to pay the deficit amount by sharing among them equally. Only 5 societies reported leakages about 1 per cent, 4 societies below one per cent and 2 societies did not maintain proper records for stock verification. In all the societies even though audit was conducted upto date, there was no audit enforcement found in the stock registers for having verified the stock as per books of accounts by the auditors concerned.

A.11 SUPERVISION AND AUDIT

As discussed in chapter III there are 3 Revenue Divisions in Chittoor district. These three revenue divisions (Chittoor, Madanapalle and Chandragiri) are headed
by an Assistant Director of Handlooms and Textiles. Each Division has 20, 31, 15 Revenue Mandals respectively in the District. The number of societies functioning under each division also varies. By comparing the societies in the three divisions it appears that the number of societies and their areas of activity also vary. However, the staff for supervising the societies should have some basis and there must be some rational in appointing the supervisory staff and allotment of societies for supervision. In this respect there appears to be no uniform norm as to the average number of societies that each supervisor is supposed to inspect, guide and supervise. On an average, each inspector (Handloom Inspector) is to look after 4 to 9 societies in the three revenue divisions from where the sample was made (see Chart IV-1, 2 & 3).

The Assistant Director of Handlooms and Textiles in charge of these three divisions was responsible for the growth and development and liquidation of not only Weavers' Cooperative Societies but the Weavers coming outside the purview of the cooperatives. For instance, in Puttur Mandalam alone there were in all 500 handlooms. The Assistant Director of the District had 3 Development (Handloom) Officers and 4 Assistant Development Officers to supervise the 29 cooperative societies in the District along with private looms and powerlooms who looked into the
powerloom checking, supply of yarn, issue of new permits etc.

In this connection, it is pertinent to recall the recommendations of the First and Second Working Groups on Industrial Cooperatives which have recommended the supervisor society ratio 1:20. If that is the norm of standard, the present position of the supervisor society ratio is found somehow better 1:13, 1:1, 1:2. Out of 21 societies studied, only two societies reported that the supervisor (ADO) inspected the society once in 8 months; 5 societies reported that the inspection was done by the supervisor (ADO) quarterly and the remaining 14 societies had stated that inspection was carried out every month by supervisors (ADO). From this, it may be considered that although the supervisor society ratio is sufficient, the inspection should be done invariably every month so that the erring societies can be put on the right path. Out of 9 dormant societies studied five have the problem of inadequate supervision as one of the main reasons for their dormancy (societies A1, A2, A3, A4 and A5). But for the follow-up action and guidance by the supervisory staff, they would not have gone to morbid condition.
All the Primary Weavers’ Cooperative Societies studied were audited up to date (i.e. till 1990-91) by the audit staff of the Registrar of Cooperative Societies, Chittoor.

Only 6 working handloom weavers' cooperative societies were placed in "B" class, the remaining 6 were classified as "C" class, while the 9 dormant societies fell in class "D".

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

In the case of "B" class societies, the audit fees levied were considered as a heavy burden cost on them while the other classes of societies did not face such a problem because they were not required to pay audit fees.
CHART IV-1

Assistant Director of Handlooms & Textiles

CHITTOOR REVENUE DIVISION

PUTTUR MANDAL

Development Officer (T)

<table>
<thead>
<tr>
<th>Assistant Development Officer</th>
<th>Assistant Development Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 Societies</td>
<td>13 Societies</td>
</tr>
<tr>
<td>Working (16)</td>
<td>Dormant (8)</td>
</tr>
</tbody>
</table>

Supervision (ADO): 1. Assistant Development Officer for 13 Societies

Source: Assistant Director of Handlooms & Textiles, Tirupati.
CHART IV-2

Assistant Director of Handlooms & Textiles

MADANAPALLI REVENUE DIVISION

Madanapalli Mandal

Development Officer

Assistant Development Officer

One Society (Dormant)

Supervision (ADO): 1. Assistant Development Officer for one Society Officer

Source: Assistant Director of Handlooms & Textiles, Tirupati.
CHART IV-3

Assistant Director of Handlooms & Textiles

CHANDRAGIRI REVENUE DIVISION

Chandragiri Mandalam

Development Officer

Assistant Development Officer

2 Societies (both working)

Supervision (ADO): 1. Assistant Development Officer (ADO) for Two Societies

Source: Assistant Director of Handlooms & Textiles, Tirupati.
A.12 FINANCE

NEED FOR WORKING CAPITAL

Working capital is the soul of any enterprise and it is much more for a handloom society. The working capital required for a handloom is around Rs.1000/- per month. In olden days this was much less. Before the middlemen came into the picture and took these weavers into their grip, the handloom weaver himself was carrying on weaving in his village home by making or drawing yarn by hand and himself was selling the cloth directly. But, with the increasing competition and complexities of the modern textile industry, a neo-handloom industrial sector has set in, wherein the weaver is dragged into the market right from purchase of inputs, yarn, etc., processing them, weaving and disposal of the same. Therefore, the meagre resources are not enough if he has to purchase, preserve the stock, weave, hold the finished goods and dispose them off. The main supplier of yarn viz. APCO supplies raw materials only on cash basis to the Weavers' Cooperative Societies. The Reserve Bank of India and the District Central Cooperative Banks have restricted the societies to make credit purchases, whereas the APCO purchases the cloth produced by the Weavers' Cooperatives only on credit and makes payments after 3 to 5 months.
The District Central Cooperative Banks sanction cash credit accommodation to the societies based on 25 per cent production of the previous year. The facile credit was made available to the Weavers' Cooperative Societies by the District Central Cooperative Banks at the rate of 9.5 per cent interest and 3 per cent of it was subsided by the Andhra Pradesh State Government. (From 1.4.1976 the Weavers' Cooperative Societies were required to pay only 6.5 per cent interest on cash credit accommodation made available to them through the District Central Cooperative Banks). The State Government gave 3 per cent subsidy to the financing agencies and that was how the interest burden on the societies was minimised to 6.5 per cent. In this connection, it may be noted that the Weavers' Cooperative Societies in Maharashtra (Sholapur) also get the Reserve Bank of India concessional finance under section 17(2) (bb) 1/2 per cent below the bank rate (i.e. 9.5 per cent in 1978). However, the Government of Maharashtra subsided 5 per cent and the remaining 4.5 per cent interest alone was paid by the Weavers' Cooperative Societies in Maharashtra. This concession can well be extended to all the Weavers' Cooperatives in Andhra Pradesh to help them in getting over their financial stringencies. In case there is shortfall in the production owing to any reason (may be one account of yarn fluctuation, stock piling up etc.) by applying the above mentioned norm of one-third
production of the previous year, the next year's cash credit will be severely affected.

There is too much of vacillation in the yarn market during a year and the once allowed cash credit accommodation has got to be evenly spread through to get over the wide fluctuations, lest the societies should experience financial stringency to run the societies throughout the year. Though the Government helps the societies by announcing the fabulous rebate on sales, the societies wait for the realization of money from the Government on account of rebate sales roughly between 3 and 5 months.

Since APCO takes only 50 per cent of the production of the Weavers' Cooperative Societies for marketing, the societies struggle to dispose off their remaining 50 per cent of the production both in the internal, local markets and markets outside the State. In the latter case, the transit and the time lag involved is more and generally there is hardship experienced by the societies in realizing the money to plough back in the business.

Due to fluctuations in the price of raw materials, there is more vacillation in the demand for handloom goods, only on occasions/festival seasons etc., there are good sales, otherwise goods are accumulated. The result is that
there is always circulating capital starvation experienced among the societies. Moreover, as already discussed the increase in membership of Weavers' Cooperatives is a big problem for the societies. To include more number of members in the cooperative fold is found to be difficult since the production finance is inadequate to meet the requirements of even the existing members. Therefore, the cash credit accommodation limit needs to be enhanced from 25 per cent to 50 per cent of production to save the societies from financial crisis. To get over the financial difficulties, loan on the stock on hand can be thought of both for Primary Weavers' Cooperative Societies and the Apex Society by the financing agencies. In the case of the latter, this loan can be immediately released to flow to the primaries for the cloth purchased from them. Out of the 9 dormant societies studied 3 had financial bottlenecks and ultimately failed (Societies A4, A7, and A8); One society borrowed 14 years ago from D.C.C. Bank Chittoor a sum of Rs. 10000/- and not repaid and the President had also died. None came forward to finance this society. In another society loss accumulated, the President of the Board was indifferent towards the business of the society and hence finance was not available. In yet another case, the society invested its funds imprudently and misappropriation and other factors ultimately made the society to suffer and became dormant.
The Profit and Loss position of the Weavers' Societies (in the case of active societies the figures for 1980-91 and in the case of dormant societies the figures for the year of their dormancy was taken into account) reveals that 2 societies sustained loss over Rs. 1 lakh, 5 societies between Rs. 20,000/- and Rs. 1 lakh; 1 society between Rs. 10,001/- and Rs. 20,000/- and two societies in the range of Rs. 1,001/- to Rs. 10,000/- (see Table A.IV.7(1)).

A. 13 CAUSES FOR DORMANCY

CHITTOOR DIVISION

In 1991 among the 3 divisions of Chittoor District, Chittoor division had the maximum number of weavers cooperatives and also had the maximum number of percentage of dormant societies. In Chittoor District, Puttur village alone had 6 dormant societies and these societies came into the sample selected as per the methodology adopted to choose the societies. It was estimated that there were about 3000 weavers in the Puttur village which is 40 kilometres away from Tirupati headquarters. There were about 12 organised rows of houses in 6 streets, and nearly about 80 to 90 per cent of the households depended on the weaving profession.

During the past two decades as many as 12 to 13 weavers cooperatives were organised in this village and almost all have become dormant and some of them have
remained on the record for more than a decade as dormant societies. At the time of visit for study in 1990-91 only a few handful of societies and that too, recently started were working. Since the societies outnumbered the streets, it is suspected that there must have been lot of duplication or overlapping of membership in these societies, organising, closing and restarting of more number of societies in the same place had become a routine and strictly speaking organising similar/same type of societies in the same area of operation and undercutting/ cut-throat competition among themselves were against the very principle of cooperative ideology.

The population of the village can be divided into two categories, viz.

(i) Weavers who did not own anything else except their skills, representing more than 90 per cent of the population and

(ii) Master weavers who owned some looms and engaged weavers to work on them and or supplying yarn, getting the finished cloth and paying wages to the weavers. They generally had some business or agriculture as their main source of income. But both categories belonged to the same community and were more or less related to one another.
The Master Weavers induced the weavers, majority of whom were illiterates and they became disloyal to the societies in which they were members. The better yarn received from the societies was woven and fine cloth supplied to the society. Sometimes because of abject poverty the weavers took the inputs supplied by the societies and pledged them with the Master Weavers and borrowed money from them to get over their immediate problems/requirements.

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

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

More than 50 per cent of the societies at Puttur area have given wages advance and yarn to the members in gross violation of the bylaws of the societies. Even when the members did not bring the finished goods of the first installment of yarn supplied and advances paid, further wage advances and yarn were supplied deliberately to favour their
own kinsfolk. Not much could be done in these cases by the Department of Handlooms and Textiles.

The Puttur Division has 3 Mandals under the control of one Development Officer (Handlooms) and Two Assistant Development Officers. At the time of study visit to this village in November 1991, one Assistant Development Officer was holding charge of 13 societies in Puttur Mandalam, out of which 6 were dormant. He was also holding additional charge of another 13 societies (because the another ADO was on 3 months leave). There were hardly any infrastructural facilities available for the ADO to visit various villages and take up supervision. Hardly did buses go to the villages from Tirupati town and no board and lodging facilities was available in the villages. . . . . . The Presidents of many of the societies were so powerful and influential that they hardly obliged the ADO'S in showing the records for explaining the details of the working of the societies. A few cases were in the court because of non-production of records by the Presidents of the societies. 5 out of 9 dormant societies have come to grief owing to inadequate supervision as revealed by the statement given in Appendix-IV A1 and A3. Government nomination of the Board of Directors of certain societies ended in faction and non-cooperation among the members whose party interests were different. Thus, the politicisation and the private Master Weavers exploitative tendencies have
marred the name of the cooperative movement in this area and people have almost lost faith in the working of cooperative societies as revealed by their deposition at the time of interview.

OVERCOMING DORMANCY

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

MADANAPALLI DIVISION

In Madanapalli Division, only one societies was registered. This society was dormant and taken up for study as per the sampling procedure adopted in the methodology. The society was registered in 1965 and had been working well. From 1975-76 it started incurring losses. The society stopped working completely in 1987-88. The following were the reasons for dormancy of society.

a) Cash credit loan was outstanding in 1975-76 to the tune of Rs. 45,000/-.

b) Stock deficit was mounting year by year from 1981-82 to 1987-88 to the tune of Rs. 5,224/-

c) The President and the clerk worked hand-in-glove and misappropriated stocks. There was too much of stock deficit as revealed by the enquiry report on the society.
d) Reserves created by the audit up to 1987-88 were to the tune of Rs. 22,310/-.  

e) Investment of reserve funds was as under:

- Spinning Mills Rs. 2000/- shares in APCO,
- Rs. 2300/- District Central Cooperative Bank Rs. 550/-
- and so on.

Instead of investing the money in so many sources, if the same were allowed to be ploughed back in the working capital of the society, much hardship could have been avoided in easing the financial stringency. Thus, owing to misappropriation by the leadership in collusion with the staff working under him, creation of too much of reserves by the audit to safeguard against the stock deficit/misappropriation investment of owned funds in different organizations without propriety led the affairs of the society to come to a grinding halt.

**SUGGESTIONS SHOULD BE IN RELATION TO THE PROBLEMS IDENTIFIED**

Unless effective supervision by the inspectors of the supervisory machinery is done to detect the mismanagement in time and good leadership is created through Member Education Programme etc., the society cannot survive and grow.

A resume of the society's position and the reasons for the dormancy in respect of the Weavers' Cooperative Societies as drawn from the various reports/documents (see Appendix IV-A1) reveal that the societies have by and large
suffered from more than one problem which were not uniform in all the cases. The societies studied reveal that they have remained dormant for more than 4 to 15 years. Though enquiry reports were prepared in majority of the cases, in a few cases, enquiry could not be conducted because the records were not made available by the leadership/President of the societies and as such action to revitalise/liquidate the societies was not taken by the registering authorities. This was reported as due to work load on the administration which could not pay adequate attention to this aspect.

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

To trace the reasons for losses and moribund conditions of the societies, the records of the societies, enquiry/audit reports, interviews of the Chief Executives/Boards of Management/members, etc., would give a clear picture.
For purpose of comparative study, 12 working societies (reported) in the vicinity of the dormant societies were taken up as explained in the methodology. But, surprisingly, the information collected from these societies revealed that they were no better and were just existing because of one or more factors like good leadership, loyal membership, Government nomination of the Board, the staff managing the societies on deputation, trained staff discharging their duties effectively and so on. The contributing factors for the survival of the societies are listed in detail in the Appendix No. IV A2. It is learnt from the Assistant Director of Handlooms and Textiles of the district that some measures to revitalise the dormant cooperative societies are in the offing. The Government have sanctioned loan from the Reserve Fund at the rate of 11.25 per cent interest payable in 10 equal installments in order to revive a few societies.

CHANDRAGIRI DIVISION

In Chandragiri Mandalam at the time of survey only two weavers societies were working successfully from the date of starting without any break (A18, A20 Vide Appendix IV.A2). No dormancy among them was noticed. As per the methodology procedure two working societies were taken for study and analysis.
INDUSTRIAL COOPERATIVES FUNCTIONING UNDER
THE CONTROL OF THE ASSISTANT DIRECTOR OF INDUSTRIES
AND COMMERCE (GROUP B AND C).

GROUP - "B"

B.1 INTRODUCTION

Appendix 1.4 reveals that there were 37 Industrial Cooperatives as on 30th June 1991 under the control of the Assistant Director of Industries and Commerce, Chittoor (Handicraft type Societies). There were 19 dormant and 18 working Industrial Cooperatives. The societies comprise as many as 9 types of Industrial Cooperatives spread out in 8 Mandalas of Chittoor District. However, only 6 types (Coir, Toys, Bronze sculpture, Glass Beads, Mat weaving, and Seamless quilts) of industries spread out in 3 Divisions (Chittoor, Chandragiri and Madanapalli) and from that 7 dormant and 2 active ones were selected for study as per the sampling procedure adopted.

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

The action taken by the Department in revitalising the Industrial Cooperatives is mentioned and the suggestions for rejuvenating the moribund societies are discussed as well.

8.2 REGISTRATION

None of these Industrial Cooperatives had shown a copy of the feasibility study or project report, which should have been prepared before the starting of these societies. However, the registering authorities said that they insisted on a formal in a standardised proforma before issuing a registration certificate.

It may be from TableAIV.1 that out of 9 Handicraft Industrial Cooperative Societies only 3 were registered between 6 to 19 years age i.e., in 1990-91. 6 societies 20 to 35 years age. Among the 7 dormant societies chosen for study, 2 societies had been registered 14 years ago and the remaining 5 societies had been registered between 26 to 32 years ago. Thus, the old societies should not have been allowed to linger and remain dormant for long. They should have been either revitalised or liquidated in a phased manner.
B.3 AREA OF OPERATION

Four societies have their area of operation up to 4 kilometres radius and 5 societies beyond 4 kilometres but below 10 kilometres. The area of operation of these societies appeared to be compact. But, the coverage of artisans within the area of operation is hardly 5 per cent. This poor coverage may be partly due to the ignorance of the members and absence of efforts too, on the part of the management to disseminate information about their societies to others and partly to the poor working of the societies which discouraged many from becoming members of such organizations. This requires more dynamism on the part of the Executives and proper understanding of the principles and philosophy of cooperation on the part of the members.

B.4 PROFILE OF CHIEF EXECUTIVES

The success or otherwise functioning of any business enterprise largely depends on the type of executive the organization could attract and the management practices prevalent in the organization. It was this view in mind, the information regarding the Chief Executives of the societies studies were collected and discussed briefly as follows:
Out of the 9 societies studied under Group "B" the 9 executives of the 9 societies formed the respondents for collecting information for the study.

These societies are managed by the Government staff on deputation. The Assistant Director of Industries and Commerce appoints candidates and get them trained in the Cooperative Training College, Hyderabad. After successful completion of training, they are posted as supervisors of Industrial Cooperatives at various places in different parts of the district.

In order to lend a helping hand to the newly organised Industrial Cooperative Societies, the Government provided the staff on cost bearing terms. The cost of the staff deputed by the Government is borne by the Government for 4 years on a sliding scale basis. 100, 75, 50 and 25 per cent of the cost of the deputed staff for the first four years is met by the Government and the rest by the society. From the fifth year onwards the full cost of the staff is borne by the society. If not, the Secretary of good working society is posted to hold additional charge of the society which can not meet the cost of the deputation. On exceptional circumstances, the Government considers to subsidise and extend the period of deputation according to special circumstances.
In the selected sample of 9 societies, 3 societies had full time Secretary/Assistant Secretary each and the remaining 6 societies were managed by Secretaries who were holding additional charge of some more societies (see Table A.IV-2). Some of the Secretaries of Industrial Cooperative Societies at times were posted for more than 3 or 4 societies. If the societies are not able to meet the cost of staff or incurred continuous losses, they are clubbed under one Secretary according to the convenience of the Department.

Instead of giving more effective, concentrated attention by one man to revive the affairs of the society which is on the verge of dormancy, the society is brought under the control of a secretary who already holds the reins of a dying society/societies. This often means that he cannot do justice either to the dying society or to the societies which are already under his control. In the sample, 2 Secretaries of Industrial Cooperative Societies were holding additional charge and 2 Assistant Secretaries additional charge and thus 6 societies were under additional charge and only 3 societies had full time Secretaries to look after the management of the societies. All the 9 societies were managed by the Government staff only.
Out of 9 Executives only one was a graduate, one intermediate, four were SSLC and 3 studied up to VIII Standard (see Table A.IV-2). Thus, one can imagine the educational standards of the persons managing the affairs of the business institution. A peep into the background of the Executives of these 9 Industrial Cooperatives revealed that they were young, did not possess much experience and were put in a maximum of 3 years of service.

B.5 MEMBERSHIP AND SHARE CAPITAL

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

The study reveals that as on 1990-91, 5 societies had membership in the range of 51 to 100, 2 societies 101 to 200 and 2 societies above 200 but below 300. Over the 5 years ending 1990-91, only 2 societies had registered an increase in their membership and the remaining 7 had stagnant membership.

Only two societies raised share capital of more than Rs. 10,000, five societies mustered from Rs. 501 to Rs. 10,000 and two societies collected below Rs. 500. 2 to 3 societies received share capital loan from Rs. 2000 to
Rs. 7000 and the remaining amount was raised from members' own money (see Table A.IV-3). But the Government did not participate in the share capital structure of these societies excepting giving share capital loan to the members of the societies. The members were required to pay the loan amount to the Government through the societies concerned. From 1965-66 to 1990-91 only one society showed an increase in the share capital mobilisation and the share capital in the remaining societies was stagnant. This obviously shows that there was no initiative or drive on the part of the Chief Executive as well as the management of the societies to bring in more members in the societies.

Four societies reported Rs. 5 as share value and 5 societies Rs. 10 as share value. Similarly regarding the ceiling on maximum number of shares, 2 societies prescribed Rs. 25/-, five Rs. 50/- and another two societies Rs. 100/- (see Table A.IV-4).

It may be determined that share value must have a ceiling limit in such a fashion that they do not overburden the members and at the same time do not affect the proper functioning of the societies. Artisans being poor class can afford to pay a minimum of Rs. 10 per share and a maximum ceiling of 100 shares appear to be ideal for any Industrial Cooperative society.
The bylaws of the Societies provide a provision for collection of Thrift Fund of 6 paise per rupee of wages earned in respect of each member in order to inculcate the spirit of thrift and saving habits. However, 3 out of 9 societies studied only had collected "Thrift Fund" from the members. One society adjusted the fund against the outstanding dues to be recovered from the members to the society and 2 societies had converted them into shares and adjusted towards repayment of share capital loan due to Government by the members. The remaining 6 societies did not collect thrift for reasons best known to them.

This particular provision in the bylaws has to be respected and practised. The members should be persuaded and enlightened on this aspect.

The reasons for dormancy culled out from the records/enquiry reports of the 7 dormant societies studied are given in Appendix IV-B1 and the extracts in Appendix IV B2. Three societies (B1, B8 and B9) had the domination of master craftsmen and two societies (B4 & B6) experienced conflict owing to vested interest developed by the leadership; 6 out of 7 societies (B1, B2, B4, B8, B9 AND B9) came to grief because of the disloyal membership and not even one society was properly managed by the Executives with the support of the Boards of Management. This trend is a
clear indication that the members should be enlightened in the basic idea behind the concept of cooperation and the executives/managements of the societies should be trained to manage the societies, besides strengthening the supervisory machinery, etc.

B.6 THE PROFILE OF THE BOARD OF DIRECTORS

Quite contrary to the concept of cooperative ideology, the Handicraft Industrial Cooperatives did not follow the democratic process of managing their own affairs. The Assistant Director of Industries and Commerce nominated the entire Boards of Directors for more than 15 years, perhaps as a prerogative by virtue of his position as controlling authority of Industrial Cooperatives in the District. Since the Executives of these Industrial Cooperatives were also drafted from the common cadre created by the Department of Industries and Commerce on deputation to these societies and the entire Boards of Directors were also nominated for pretty a long period, it appears that there was no concept of cooperation in these societies except that there was a banner or board outside the societies. The Government had also provided paternalistic assistance through subsidies, grants and loans, in addition to managerial assistance.
Out of 9 societies studied, 5 societies had seven persons in their Boards and 4 societies 9 persons in their Boards. The quorum required for legalising the resolution was more than 50 per cent i.e., 4 in the former and 5 in the latter cases.

Regarding the duration of the Board, 5 societies reported that the Boards were nominated every year and 4 societies once in 3 years. The Boards of Directors were changed and nominated by the Assistant Director of Industries and Commerce.

In order to infuse the spirit of cooperation among the members of the society, the Government i.e., the Assistant Director of Industries and Commerce should not nominate the entire Boards of Directors, that too for 15 years. The standard prescribed by the National Cooperative Development Corporation is that one-third of the Board of Directors may be nominated for 3 years and the elected Board should manage the affairs of the societies. Unless this is done, there can be no spirit of cooperation found among the members. The societies studied (Handicraft) were registered between 1960 and 1970 and there were no elections. The Board of Directors were nominated. Since 1985 onwards the department is conducting elections. In 1992 also, the elections were held and the Directors were elected.
A probe into the General Body/Board meetings of these societies, corroborated this view. Except one out of the 9 societies, the General Body meeting was seldom held and none showed interest in the proper running of the affairs of the societies. By and large, the Board meetings were conducted one to three times in a year except in the case of one society which conducted one General Body and 12 to 13 meetings over the last 5 years ending 1990-91. One society (B4) out of 7 dormant societies studied had come to grief/dormancy because of the misappropriation of the President who exploited the illiterate and ignorant members by virtue of his position as local ruling party chief and his well-to-do position when compared to the other members of the society. Out of the members interviewed 50 per cent did not know why such societies have come up and the basis of the organization. However, 70 per cent of them expressed that the reasons for the dormancy of the societies were well known to them and they could not help the situation.

BACKGROUND OF THE BOARDS OF DIRECTORS

In all, background of only 61 Board members could be obtained from all the 9 societies studied. Roughly 50 per cent of their age was below 40 years and the remaining 50 per cent above 40. Only one had SSLC, 43 of the studied upto SSLC and 17 of them knew only to read and write and did not get any specific education at all. (Table: A. IV-5).
All the 61 belonged to Backward and Scheduled Castes and were workers. They represented different religions as well. 18 were Muslims, 9 Harijans, 33 Hindus and 1 was Christian. Their income was around Rs. 400 to 600 per month on an average. The minimum shares held was one and the maximum 10.

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

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

8.7 Staff in the Societies

Unless an organization attracts trustworthy and loyal staff, it would be extremely difficult to run on smooth lines. A look into the staff employed in the societies reveals the following facts.

Except one society, all the 8 societies have employed a clerk and an attender in addition to the
Secretary or Assistant Secretary of Industrial Cooperative Societies. All of them are matriculates and below. Their salaries range between Rs. 400 and Rs. 600 per month depending upon the societies' turnover, qualification and experience of the personnel, etc.

The enquiry reports of the dormant societies reveal that more often the societies came to grief only because of the untrustworthy staff and the meagre salary they receive. Because of sheer frustration in life, they get into such employment quite contrary to their hopes, aspirations and expectations. In addition, they got poor remuneration which tempts them to manipulate or misappropriate the accounts.

Again the bylaws of the societies clearly say that the employees of these societies should not be the relatives of the Presidents or the members of the Board. Notwithstanding this provision, the relatives of them were appointed in the societies as employees. To a great extent this had ultimately resulted in misappropriation and fraudulent activities in the societies as they worked hand-in-glove with the leadership. The stock deficits experienced were mostly due to this fact.

The reasons for dormancy of the 7 societies studied are given in Appendix IV-B1 and Appendix IV-B(2) which are based on the facts culled out from the
records/enquiry reports of these societies. Not only the 7 dormant societies but also one working society in the middle (B3) suffered a lot because of the Secretary of the Society was transferred too often by the Department of Industries and Commerce. Within 21 years, 21 secretaries were changed for managing the society. One Society (B5) experienced misappropriation by the paid staff of the society and 2 more societies (B2 and B3) could not bear the salary of staff deputed to the societies by the Department of Industries and Commerce. In such cases the Societies were clubbed and held on additional charge by one person at a time. In the case of transfers and the staff cost, the Department can remedy the situation. In the case of misappropriation by the staff, it must be proved as to what prompts the individual to do so and necessary measures to rectify the mistakes should be taken.

Due to the above mentioned fact to manage their own affairs the Government have helped majority of them by giving the qualified, trained staff. But, some of the societies have come to grief because of the Government staff who have acted against the interest of the societies. However, the statistics collected by the Department in 1991 shows that the societies managed with the help of the Government staff have better performance than others.
Table IV-3

PERFORMANCE OF SOCIETIES UNDER GROUP B WITH
AND WITHOUT GOVERNMENT STAFF
(Figures for 1991)

<table>
<thead>
<tr>
<th>Total No. of Societies</th>
<th>With Dept. Staff</th>
<th>Without Dept. Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Societies in Neither Profit Loss</td>
<td>Societies in Neither Profit Loss</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>4</td>
</tr>
<tr>
<td>75%</td>
<td>20%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: As per records of Assistant Director of Industries and Commerce, Chittoor.

Although there was a provision in the bylaws of these societies that only trained personnel should be appointed, all the 9 societies reported that excepting 3 persons who got themselves trained in cooperative training institutes, rest of them were not subjected to any sort of training. The authorities and the management of the societies should realise that training is the most important input of efficiency, unless they are trained and guided properly any amount of Government help and effort will be negativted. There is no substitute for proper training of the manpower in the Industrial Cooperative sector in improving their image in the cooperative movement of the nation.
Yet another disturbing feature was that there were no welfare measures, amenities, incentives, etc., available to the personnel in the Industrial Cooperatives to motivate them to work hard and bring name and fame to the Movement. Similar to the Handloom sector, a special committee should go into the working and living conditions of these artisans in various Industrial Cooperatives and suggest measures for legalising and implementing the same by the Government.

B.8. PROCUREMENT OF RAW MATERIAL

The ultimate quality of the finished goods and their salability at the acceptable price to the consumer depends upon the procurement canons followed in the business enterprises. (viz. right quality, right quantity, right place, right time and the right price). If these are not complied with, the quality of the finished goods may be extremely poor, and the cost of production will be high and the ultimate consumer goods will not be more in the market. The Industrial Cooperatives studied had the problems of procuring the raw materials by applying the 5 R's, some of which are explained as follows.

a) Bronze Sculpture

The Bronze Sculpture Industrial Cooperative Society studied gets raw material (Bronze) imported from Tamil Nadu 90 per cent of the needed raw material from Madras (Tamil
Nadu) and 20 per cent from local private merchants. This has many times resulted in high cost and quality of the product also was not up to the mark because of the long distance, time taken, packing done, etc. This had adversely affected the society and the society started treading in the slippery path.

b) Mat

The Industrial Cooperative Society at Vayalpad Mandalam had to procure the raw material (viz. Korai) from Madanapalli Mandalam. Purchase of uneconomic lots from far off places added to the high cost of production and thereby disabled to compete with its counterparts in the business from Tamil Nadu and places where they were better placed in this respect.

c) Coir

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

Many of the Coir cooperatives had come to grief
because of the imprudent purchase of raw material and the
difficulties involved thereof. In the sample of societies
taken up for study, out of 7 dormant societies, one Coir
society experienced this problem of procurement of raw
material and this was one of the major reasons for its
dormant condition. Though the raw materials (husks) were
available in plenty locally, the cut-throat competition from
private traders made the primary societies to experience
severe hardships. The local merchants paid advance in
lumpsum to the coconut growers and booked the husks in
advanced. This could not be done by the primary society
because its money was already locked up in the raw material.
This is to say that the raw material had to be soaked in
water for six months and then only finished products could
be manufactured. Thus with the given resources, the
financial inadequacy stopped in for the society. Hence, the
societies at times had to purchase from far off places at
higher rate plus transportation and the yield was lower than
the local varieties. Thus the cost of production went up.
B.9. PRODUCTION AND SALE

Production

As already stated, there was not worthwhile exercise done to know the feasibility of the functioning of these societies and therefore, the Point of Break Even was not known to them. The Societies started producing arbitrarily and tried to sell whatever they could.

During the 5 years of 1985-86 and 1990-91, the minimum production among the 9 societies was to the tune of Rs. 734 and the minimum sales affected was Rs. 677 by same society. Similarly the maximum production and sales were to the tune of Rs. 12,570 and Rs. 30,826 respectively (Table AIV-8). Thus, in the absence of the determination of minimum levels of production and sale, the societies had groped in the dark. The total business turnover of all the societies in a year fell somewhere between Rs. 5000 and Rs. 10,000 as seen from the statistics furnished for 5 years. It can therefore be concluded that the societies had not only planned their production and sale properly to the Break Even Point but failed to reach self-reliance and self-sufficiency in the survival.

Sale

The capacity of selling products determines the capacity of production of that industry. Therefore, before
starting the production, the societies have to look for the market as to where, to whom, at what time and price and how much quantity of which quality of products the societies can afford to sell. In so far as these societies are concerned they simply overlook these basic factors and started producing whatever they could and then look for the market. Fortunately, the market for these societies selected for study was so active that they could push them off in the local market itself without much difficulty. For instance, 90 per cent of the Coir produced by the societies and the Mats manufactured by them were consumed in Tamil Nadu and Karnataka (border states). Of course, mats had more market at Madras (Tamil Nadu) and Bangalore (Karnataka). The Coir society had sent only 10 per cent of its production outside the state of Andhra Pradesh. The demand for the rest of the products was in spate.

All the nine societies studied indicated that they had kept a margin of 7 to 10 per cent over the cost of production and sold them in the market. The societies did not create any price fluctuation fund to safeguard themselves from the onslaughts of prices vacillations in the market.

B.10. STOCK STORAGE AND LEAKAGES

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

In the 9 societies studied there was no huge stock unsold and unstored. The minimum stock held was to the tune of Rs.435 and the maximum stock balance was Rs.3,475 worth of goods at the end of 1990-91 as reported by the societies. None of these societies owned any godown facility, but in 2 to 3 societies, a separate room was allotted for storing the raw material, finished goods, etc. Only 1 society had insured the building and assets and the remaining 8 societies did not do so.

In these societies, the assistant or the clerk is expected to help the secretary, who is otherwise incharge of the stocks of the societies. The stock deficit mainly occurred because of

(a) damaged goods were purchased,

(b) improper method of storing was followed (mat, seamless quilts products were extremely susceptible for rodents, white ants destruction) and (c) the assistant/clerk in the societies manipulated the accounts books. The clerk and the Secretary are supposed to verify the stock once a month to detect the stock deficits if any. The boards
of Directors are expected to check and verify the stock once in three months. But, seldom they did discharge this responsibility. The auditors are also expected to verify and check the stock and the registers once a year. As indicated earlier there were no symptoms of audit or verification done by them because there was no audit enforcement in the registers and no where objected items were indicated in the registers or other concerned documents.

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

One out of 7 dormant societies and one out of 2 active societies studied suffered the problem of stock deficit which ultimately contributed to the inactivity of the societies (societies b6 and b3).

BILL INSPECTION, SUPERVISION AND AUDIT

Since Handicraft and village Industrial Cooperatives of D and C are under the control and supervision of one Assistant Director of Industries and Commerce, the aspects like inspection, supervision and audit are discussed in Group-C vide Page No. 401.
B.12. FINANCE

The Industrial Cooperatives studied are small ventures and do not require huge capital for acquiring assets and meeting the working capital needs. But at the same time, they can not even muster sufficient finance from among themselves to manage those small ventures. Even for equity augmentation, the Government has to help through the share capital loan assistance to the members of those societies and share capital participation in the societies. Then only their borrowing power increases and becomes possible to borrow/from either the District Cooperative Banks or Nationalised Banks.

Out of 9 societies studied, only one society did not take any loan, the remaining 8 had availed themselves of the working capital loan from the Government and invariably defaulted and had overdues. Only one society took long term loan for purchase of machinery and equipments.

Out of 9 societies studied 7 were dormant and two in working condition. Seldom did the societies start with profit at the end of their first year of working. Societies began with loss initially ended in heavy loss and ultimately in moribund condition. The so called working societies also accumulated loss year after year and were on the road to oblivion. The magnitude of loss sustained by the societies
over 5 years from 1985-86 to 1990-91 may be gauged from the figures given below. The profit and loss position show in Table A.4.7(i) shows that all the 9 societies studied were in loss. The loss was from a minimum of Rs. 500 to a maximum of Rs. 35,000.

B.13 CAUSES FOR DORMANCY

All the 9 societies studied registered losses during the 5 years of study and 7 were dormant owing to many reasons. A probe into the business activities of these societies revealed that

(a) Although finance was made available by the Government to the societies at the concessional terms, the societies in their anxiety took the loans before the actual production and sale took place. As such they were required to pay interest from the date of withdrawal of the entire loans of cash credit given to them.

(b) The societies were unable to meet the staff cost (i.e., the salary of the Secretary, on deputation from the Government department). They draw a salary of Rs. 450 per month on an average to start with plus their travelling allowances.

(c) The Auditors have created much reserves to make good
the mis-appropriation or general business loss that would occur in future.

(d) And high cost of production ultimate business loss.

The reasons for dormancy of these Industrial Cooperatives are summed up in the Appendix IV-B1. Out of 9 societies covered by the study, 7 reported dormant and 2 as active societies as they were not perhaps completely without any transaction. Though production and sale business activities were not there in the so called active societies, there were some transaction (other than business) like getting interest on investments, payment of rent, etc. Otherwise those 2 societies were also as good as dormant as they did not engage themselves in the business activity for more than 5 to 6 years respectively. The societies remained dormant with a minimum of 3 years to a maximum of 8 years. All the 7 societies suffered problems of different nature and magnitude as revealed by Appendix IV-B1.

The major reason that can be attributed was the bad leadership under which they were functioning. Naturally when the leadership is disloyal, the members become disloyal to the society and the vicious circle sets in. In 2 societies studied the disloyalty started from the members and the leadership did not correct it and it resulted in non-functioning of the societies. One society each suffered by
the misappropriation by the President and Secretary respectively and other problems followed as to make the societies in morbid condition. In one society the Government have transferred the Secretaries 21 times in 21 years of its working. Credit sales, stock deficits, etc., followed this and the society became dormant.

The Industrial Cooperative section of the Department of Industries and Commerce has identified the viable, potentially viable and non-viable societies and listed them for appropriate action. Section 65 enquiry report as per Cooperative Societies Act was prepared in the case of dormant societies and the Assistant Director of Industries and Commerce has to take action to review/liquidate the societies not functioning for long.

The prime need of the hour is to bring about good leadership and bring the sense of responsibility among the members through

(a) Member Education and

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

VILLAGE INDUSTRIAL COOPERATIVES

C.1 INTRODUCTION

Appendix 1.8 of Chapter 1 reveals that in the 30 Mandalas of Chittoor District of Andhra Pradesh there were as many as 179 village industrial Cooperatives as on 30-6-1991 functioning under the control of the Assistant Director of Industries and Commerce (coming under the purview of Khadi and village Industries Board). Village oil, Gur and Khandasari, Handpounding of paddy, Pottery and Bricks Industries had the largest number of cooperatives and had the maximum percentage of dormancy among the village Industrial Cooperatives. Among these 5 types, 32 societies were selected for study as per the sampling procedure explained in Chapter 1.

The list of societies selected for study is given in Appendix 1.1 and 1.9.

All the 5 types of societies selected were organised on "Common workshed" basis. The societies were organised on the basis of coming/working together in one common workshed of the society. The risk of business was with the societies, the raw material, finished goods, implements, etc. were owned by the societies and the members
received wages for the work they did in the common workshop. In the case of pottery societies, out of 3 societies selected for study 2 were having common workshop and 1 society allowed individuals to work at home and bring the products to the society for sale.

It is suggested that the village industrial cooperatives should be normally organised only on workshop basis so that the risk of production/business may be with the societies, the ownership of the material and implements will be with the societies and there will be less chance of misuse or misappropriation by the individual members. In some cases where the members are extremely loyal to the organization and have sufficient scope for producing at their own dwelling place, they can be allowed to produce at their homes and bring the finished goods to the societies. But even then, instead of allowing all the members to produce at their homes, a combination of common workshop for some members may be thought of and a few can be allowed to produce at their houses.

C.2 REGISTRATION

Table A.IV.1 reveals that out of 32 societies studied 23 were registered more than 20 years ago; especially out of the 10 village oil societies 3 were
registered nearly three decades ago. All the handpounding of
paddy societies were also registered more than 20 years ago.
Out of 7 bricks societies 6 societies were registered more
than 20 years old; 3 pottery societies more than 20 years
old, 8 out of 7 Gur and Khandasari Societies three decades
ago. None of the societies were of recent origin. Hence,
these oldest societies should not be allowed to linger long
and their problems have to be studied and remedial action
should be taken to put them on the progressive path.

None of these societies seemed to have prepared
formal feasibility/project report before registration. Based
on the Government policies, targets were set and societies
sprang up. That is how 3 societies with code numbers C-28,
C-27 and C-30 have become dormant as the raw material was
either not available locally or the available one was unfit
for production. Moreover, under the Harijan development
schemes, some societies like brick and pottery were started.
But the members of these societies did not know the how
of the industry and the societies came to grief (societies
code numbers C-28 and C-27).

Thus, out of 24 dormant societies studied under
Group-C 3 suffered on account of not preparing a proper and
systematic project report/feasibility report before they
were started/registered. (Vide Appendix IV-C(1) IV-C(2) 8
societies became dormant because the members of the societies found the occupation other than the present one more beneficial and economical to them and so left the societies for better earning in alternative occupations. In addition, 3 active societies studied in the sample were also experiencing their problem of non-remunerative occupation in which they were engaged and were trying to shift to other fields of activities rendering the societies towards dormant condition.

The societies have come to be registered because of target oriented approach of the Khadi and Village Industries Board which is again mostly due to policy directives of the Government. In this connection, it is appropriate to note that the Chief Executive Officer of the Khadi and Village Industries Board was a non-official leader nominated by the party in power. Therefore, the dictates of the top man representing the aspirations and interest of the party were uppermost in organising and managing the cooperatives of all types, especially the cooperatives for weaker sections. The officials overlooked feasibility and procedural formalities were fulfilled for establishing a society as they were at the mercy of the non-official leaders. This has put a curb on the mushroom growth of uneconomic and spurious societies under the Khadi and Village Industries Board.
Yet another example to cite for having overlooked the viability aspect is that in Chittoor District within 10 miles radius there were as many as 5 to 6 Village Oil and Gur and Khandasari Societies, and all of them had become defunct and were under liquidation at the time of study visit to the district in 1991.

In the name of employment oriented schemes, for instance, Chittoor District alone had 78 societies registered out of which more than 52 were dormant, 2 were liquidated and majority of the working societies were at a loss. Hardly 5 per cent of the working societies could show some profit. The commercial nature of business with erratic nature of price trend and competition from organised sector poses a threat to these village industries. Therefore, instead of having too many societies "one Mandalam one Society" approach may be desirable and the membership could be increased and directed with effective supervision of the societies.

C.3 AREA OF OPERATION

A look at the area of operation of these societies reveals (as seen from the Table A.IV-1) that 22 societies had their area of operation within 5 k.m. radius and only 10 societies had beyond 5 to 10 k.m. As suggested above, instead of creating too many non-viable societies 'one
Mandalam one Society's approach would be suitable for making them viable.

C.4 PROFILE OF CHIEF EXECUTIVES

Out of 32 Village Industrial Cooperatives studied, only one society (Handpounding of Paddy at Chittoor Mandalam) had a paid Manager (B.Com degree qualification) as the Chief Executive and the rest had the Presidents as Chief Executives working in their honorary capacity. Their educational background is shown in Table A.IV-2; 9 out of 32 persons were found as illiterates. 12 persons knew how to read and write and did not possess any formal school education/certificates. Majority (i.e., more than 50 percent) of the interviewed respondents were non-matriculates occupying the position of Chief Executives (viz. Presidentship of the Village Industrial Cooperatives). This implies that unless they are given proper qualified and trained staff, they can not really function/follow the rules of the business, within the legal framework, within which the cooperatives have to function as business enterprises. The rising audit objections and failures can be attributed to this aspect of illiteracy found among the Chief Executives of those societies.

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

Out of 24 dormant Village Industrial Cooperatives studied (under Group-C) 2 Village oil societies (Societies code numbers C1 and C16) became dormant because of the disloyal attitude of the Chief Executives. In the case of the C1 society, the President of the society distributed the loans to 3 near and dear members but showed in the records of the society as distributed to 88 members. In the case of the society C16, the President was an educated man and did all the business by committing the resource of the society including members, but never brought the transactions on paper/records of the society of the Appendix IV-C(1).

Unless and until the Chief Executives are honest, committed to the well-being of the societies, the societies can never function properly. This gap can be bridged by educating them and the members of the societies through regular member education.

C.5 MEMBERSHIP AND SHARE CAPITAL

Table A.IV-3 indicates that the majority of societies had been started by fulfilling the statutory minimum of 10 members. Over the 5 years ending 1990-91, 15
societies showed increase in the membership, and 17 remained stagnant. No efforts were made to activate and strengthen the number of membership of these societies. In more than 7 to 8 active Village Oil Cooperative Societies, 60 to 70 per cent of the membership composed of sympathiser members. The sympathisers' share capital did not form even 2 per cent of the total capital. Only one society had 300 per cent increase in its number of members and 200 per cent increase in the share capital held by them in the society. This trend of sympathisers' playing increasing role should be avoided. As per the Cooperative Societies Act, they should not exceed more than one-tenth of the total number of members.

19 societies had stagnant share capital, 13 societies had increased their share capital base since their inception to 1990-91. Majority of these societies had share capital below Rs. 500 and only 10 had Rs.500 to Rs. 10,000. After working out the Break Even Point (i.e., no profit no loss position), minimum working capital requirements can be found out for each type of industry and accordingly share capital be mobilised by resorting to share capital loans from the Government.

SHARE VALUE

10 Societies reported their share value as Rs.1/- and 20 as Rs.5/- and two Rs.10/- (see Table A.IV-4).
Regarding maximum shares one can hold in the societies, 7 village oil societies mentioned that Rs.50 was the maximum share per head; while 3 others reported Rs.20 as maximum share. In the case of societies other than the village oil 5 reported Rs.100 as the maximum share value; 5 societies had Rs.50/-. Four each had Rs.10, Rs. 20 and Rs. 25 and so on.

Majority of the societies (22 out of the 32 studied) had their share capital below Rs.500. Only 10 societies had above Rs.500 but below Rs. 10000 (this share capital included the Government loan participation). 1985-86 to 1990-91, 13 societies had attempted to increase the share capital marginally but 19 of them remained stagnant in their share capital position. This obviously calls for more dynamism on the part of the Chief Executives/ Presidents to augment share capital base of the societies.

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

The members of the primary societies often sold their produce to the private dealers and never paid their dues to the societies promptly. The interview of 45 members of the village oil revealed that they were not aware that the society was organised for the members, by the members and of the members. They were under the impression that it was the Government activity and they were paid the dole as they belonged to poorer sections. A few of them had borrowed money from nationalised commercial banks and repaid the dues without default. However, the money that was given as loan by Khadi Board was not at all repaid by them and majority were defaulters. This want of loyalty on the part of the members affected the volume of trade by the societies. The fall in the volume of trade led to losses and incapacity of the societies to repay the loan taken from the K.V.I.B./District Cooperative Banks. Failure to repay the loan/dues to the Financing Agencies caused the stoppage of further assistance.
Out of 10 Village Oil Cooperative Societies studied, 7 were dormant. The various reasons for their dormancy and the number of societies suffered from such of these problems were culled from the data collected from the societies/enquiry reports, etc., and were briefly summarised in Appendix IV-(C1) and extracts tabulated in Appendix IV-C(2). Out of 7 dormant societies, 5 have suffered the problem of disloyal membership. This is the first and foremost problem plaguing the Industrial Cooperatives in general and the village oil societies are not immune from this vital problem. Therefore, it becomes extremely important to make the members realize first as to their role, rights, responsibilities and commitment in the societies and the basic philosophy behind organising such societies. This will inculcate the right spirit in them and enlighten them to come closer to the cooperatives in the successful running of such societies. Given the literacy conditions and socio-economic background of the members, the successful working of the societies largely depends on the enlightened membership and competent Executives which is possible through a well planned programme of education and training for them.

The existing arrangement for Member Education, one industrial Instructor attached to the Cooperative Training College, Hyderabad is looking to a few Industrial Cooperative Societies in the Twin cities of Hyderabad is far
too inadequate compared to the number of Industrial Cooperatives and their membership in the State.

Hence, this programme needs to be strengthened by recruiting and posting more peripatetic instructors (including women industrial instructors for cooperatives formed for women artisans). To meet the various special programmes like organising Weavers' Cooperatives in the Eighth Plan and the development of Khadi and Village Industrial Cooperatives as per the present policy of the Government at least an industrial instructor for 10 societies is needed and a class for 10 days duration for members and committee members would be enough to initiate the members in the why and how of cooperative action and their rights and responsibilities. Study circles can be organised more for them with some resource persons and thus the imparting education should be a continuous process. The Andhra Pradesh Cooperative Union/Cooperative Training College, Hyderabad can take up the evaluation of such education programme for Industrial Cooperatives so as to know their strength and weaknesses of the methods of imparting education and the study should form the feedback for future programmes on Member Education.
C.6 THE PROFILE OF THE BOARD OF DIRECTORS

All the 32 societies studied had elected Boards of Directors which were supreme bodies of management of these societies. The President was the Chief Executive for each society. The functions of decision-making and execution by one and the same person, that too, in the case of Industrial Cooperatives where the membership and their elected management consisted of laymen are not desirable. As owners of the enterprise, the members should reserve their rights to approve decisions taken and executed by the paid Chief Executives, who is appointed by them for looking after the day-to-day affairs of the society. All the societies had 5 members elected to the Board of Management in each case, excepting all the 4 handpounding societies, 2 bricks and 2 pottery societies which had 7 members elected to their Board of Directors.

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

Barring 2 brick and 2 pottery societies which prescribed the term of the Board for 4 years, the rest of the societies had kept 3 years as the duration of one set of Directors elected to the Board of Management. The idea behind adopting different norms for the total number of
Directors on the Boards and 2 different duration for the Village Industrial Cooperatives is not known. In order to have similarity and uniformity this can be changed to one uniform pattern. Recently, in 1992 all cooperative societies held elections. The duration is uniform.

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

Table A.IV-5 reveals that out of 183 respondents 45 were below the age group of 40 and the remaining 138 above 40 years adorning the seats in the managing body of these societies. This shows that the youth had no representation in the affairs of these societies who could work with greater Zeal and Zest.

Among 183 respondents 35 were illiterates, 15 only knew to read and write but had no formal school education and 133 studied in the school upto matriculation and below. This again indicates the level of literacy prevailing among the decision makers in these business organizations. To follow the Rules and Act, to write the accounts, to keep the records of these societies either by themselves or advice or direct the work force working in the societies, they should have minimum qualification of education at least. The pity is that they themselves were involved in the entire running of the societies without knowing even the basic knowledge of the management of the societies. 2 societies out of 28 dormant societies could not produce the records or any information because of their ignorance of the way in which they were to be maintained.
CASTE AND PROFESSION

All 163 respondents were drawn from Backward/ Scheduled Castes. The following data reveals different occupations.

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

Their society-wise break was as under

<table>
<thead>
<tr>
<th>Village</th>
<th>Number of persons</th>
<th>Agriculturists</th>
<th>Tappers</th>
<th>Government Service</th>
<th>Weavers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khandasari</td>
<td>130 persons</td>
<td>21</td>
<td>109</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Handpounding of paddy</td>
<td>14 persons</td>
<td>Agriculturists</td>
<td>3</td>
<td>Govt. Service</td>
<td>1</td>
</tr>
<tr>
<td>Bricks</td>
<td>15 persons</td>
<td></td>
<td></td>
<td></td>
<td>Weavers</td>
</tr>
<tr>
<td>Pottery</td>
<td>24 persons</td>
<td>Business</td>
<td>1</td>
<td>Labourers</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agriculturists</td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Workers</td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Potters</td>
<td></td>
<td></td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>153 persons</strong></td>
<td><strong>Total</strong></td>
<td><strong>183</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thus, their background, age, education etc., were varied and they could not really manage their societies.
without any formal education and training in management of these societies in the context of fierce competition of substitutes available for the products of the societies. The minimum were earned by one individual was Rs. 250/- p.m. and the maximum by another was Rs. 590/- p.m. among the persons studied. 2 dormant societies and 3 active societies had suffered the lack of leadership as revealed by the study (vide Appendix IV-C(2)).

One of the major reasons for dormancy of those Industrial Cooperative Societies was the disloyalty found among the leadership and the members as well. As revealed by the Appendix IV-C(2) and Table A.IV-12, 2 societies out of 24 dormant societies studied under Group-C had suffered on account of disloyalty on the part of Chief Executives and 17 out of 24 societies on account of loyalty on the part of members. In some way or the other they had not fruitfully engaged themselves to help in the normal running of these societies. The leadership had developed vested interest (2 societies in the sample study) and many a time misappropriated the funds of the societies (4 societies out of 24 studied).

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

Interview with a few members of the brick societies (3 members of 3 brick societies in Chandragiri Division, Chittoor District) revealed the following facts.

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

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

Caste conflicts affected the functioning of the societies (e.g. Madanapalli Bricks society). In a society which was registered for the Harijans, a Brahmin was nominated as the President and a Pillai (Backward community) was nominated as Vice-President by the Department of Industries and Commerce. Eventhough a subsidy of Rs. 15,300/- for shed, for tools and a loan of Rs.3000 was given
by the Khadi and Village Industries Board, there was a clash of interest between the management and the members because of caste. The society was running at loss and a Harijan became the President who was doing other business (agriculture and running of a printing press of his own). He also could not do anything for the society and it became defunct.

Although the members belonged to the same community/caste, creed and religion, there was lot of heart-burning among them to see that their own kith and kin in the village became the President. By virtue of the presidency he handled the money of the society, distinguished himself in his attire, enjoyed travelling allowance benefits and at times commanded the members in the normal run of the business. Because of lack of appreciation of the cooperative concept, members were under the impression that the running of the society was Government's job and the President was the nominee of the Government and treated him like any other private businessman in the locality. The members, therefore, demanded more wages than the market rate and required the advances as a matter of right because the money came from the Government to be given to the members of the society. They never bothered to work sincerely even at crucial times (for instance, when there were rains, the bricks were to be safeguarded from the open yard to shed only by the
President and no member came forward to his rescue to work in the interest of the society. The President could not command them to do the work and at the same time could not refuse the payments (wages/advanced) as they treated him as one among equals for this purpose only. This is because he had purchased the same amount of share in the society like any other member and had to pay the Government money intended for them according to their concept.

It was learnt that by and large the Presidents of the Societies felt the pride of their position and as far as possible kept themselves away from other members. They also kept the members in the dark with regard to the business operation, money raised/received from the Khadi Board etc. Even if there was natural calamity like heavy rains, floods, etc. in the village, the Presidents made use of the situation as the adage goes, "Make hay while the Sun Shines", fabricated the records, showed heavy losses and perhaps kept themselves sufficiently equipped even to face surcharge (leviable for misappropriation etc. under the Cooperative Societies Act) if any, at a later date. Because the members were severally responsible for the affairs of the societies normally no one came forward to take the risk of occupying the Presidentship. Majority of them wanted not only to absolve but shelve all the responsibilities on someone else's shoulder.
In fact when approached the members of the societies many did not accept in the first instance that they were members, even though they were actually the members of the societies. After due motivation, half way they shared their experiences and narrated the problems of their societies at the time of members interviewed.

In agricultural season, invariably the members of the brick societies went for paddy harvesting operations. They got the wages in kind which was stored for sometime and the money that was earned out of brick work could supplement to eke out their livelihood. Thus, the travails of the industry were such that it could not provide full time occupation to its members partly because of agricultural operation and partly because of the rainy season when the industry could not work as there was no adequate shed for drying and firing the bricks. But, there was adequate demand for the bricks throughout the year. Therefore, right from procurement of raw materials like firewood, proper storing, selling to the right person, control of waste, etc. require constant attention and that too personal care. These things certainly warrant a trained Chief Executives for the purpose of running these societies and the administration of these societies should not be left to the Presidents as is done today.
Though many societies incurred wastages and losses and came to a standstill, no modern methods of firing the raw bricks (in brick clin) were available. Therefore, appropriate methods of storing of the bricks, etc. were introduced in the region where these types of societies sprang up more in number. The Khadi Board has to do something in this direction and revive the societies. On top of it, all the societies suffered because of non-cooperation found among them and many of them had not understood the basic idea of registering a cooperative society but took the assistance of the Government as a dole given to them.

In one Brick society of Chandragiri Mandalam, Industries Department Centre instructed the society to give group loans at Rs. 1000 for each group of members to manufacture bricks as the individual loans were not repaid and remained over dues. The group leaders utilized the loans and the remaining innocent persons were facing the arbitration cases. Thus the big fish eating the small fish was not at all overcome with the organising of Industrial Cooperatives.

Thus, basically the societies suffered because of

(a) insincerity on the part of the members,
(b) caste creed feuds,
(c) absence of professionalised executives to man the societies and

(d) inadequate supervision.

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

Owing to the above background, the members of the societies could not manage the societies properly and it will take a long time to impart the necessary skill and expertise to manage their affairs themselves in an organization like the Industrial Cooperative Society. 13 out of 24 dormant societies studied had suffered because of the inefficient management practices as revealed by the Appendix IV-C(1) and (2). In the meantime (before imparting the requisite knowledge and training) a common cadre trained in Industrial Cooperative management, accounts, audit and cooperative law should be created. The societies should be allowed to select their executives and manage the affairs of the societies from the common pool cadre or they may be
deputed. These trained executives will run the societies properly, guide the management in proper decision-making and help in the proper functioning of these societies.

C.7 STAFF IN THE SOCIETIES

As already stated, a sound organization is possible only on the basis of its staff and their morale. The Chief Executives of the Industrial Cooperatives coming under the purview of the Khadi and Village Industries Board are elected who are decision makers and administrators working in honorary capacity. In the working societies because of financial help from the Khadi and Village Industries Board, one clerk, one manager and an attender were employed. The staff were not trained in any programme, excepting one clerk who underwent training at Tirupati conducted by the Khadi and Village Industries Board in improved methods of manufacturing pottery articles. They were matriculated and less qualified in their education. The minimum salary paid to the staff appointed in the societies was Rs.300/- and the maximum Rs.500/- per month on all these societies studied. None of them were given any benefits other than their regular salary earned in their temporary capacity.

Thus, a detailed programme of training for all these personnel should be drawn and conducted on a continued
basis by an organization like the Cooperative Training College, Hyderabad. The syllabus for such training should not only cover the technical/production aspect but the commercial and marketing aspects. A system should be evolved by which the training can be evaluated by finding out whether the staff trained are adequately equipped to supervise, guide and manage these industries properly. Even for the artisans there are no technical institutes to train them all in different types of industries. It is also necessary to have a technical institute at a central place nearer to all types of industries to train them all in different types of industries. Once these societies are brought out of the dangers of loss and threat of liquidation, then attractive scales of pay, incentive schemes, welfare measures can be extended in order to create spirit in them to work well for the up-bringing of these societies and in the process of self-actualisation and self-development also will take place. Now as it is, the Khadi and Village Industries Board, Andhra Pradesh has given a serious thinking in getting its personnel trained in cooperative management at Cooperative Training College, Hyderabad and a few have already been sent for training and the action is in progress.
Similarly all the personnel working in the Khadi and Village Industries Board and staff working in the societies should be trained on a war-footing and that could form the starting point of efficiency in administering the societies. Of course, the Member Education Programme will be the bedrock for constructing the edifice of the societies and the training of staff would be the concrete supplied for their construction on sound basis.

The records of many of the societies were in pell mell condition and many a time were not traceable. Even the audit reports were not self explanatory and the information thus available about the functioning of these societies was incomplete and inadequate. For instance, some of the defects found were not rectified by the societies for a long time. Since the records were not kept properly or some times not traceable in the societies, such remarks did not help in understanding the functioning of the societies.

The staff of the Cooperative Department (Cooperative Sub-Registrar and Senior Inspectors) were borrowed on foreign service terms to the Industries Department to look after the Industrial Cooperatives. As per the terms and conditions of foreign service, they have to go back after the completion of 3 years or so. This temporary phase of work of these personnel did not make any impact in the work
expected of them. Moreover, the higher officers above the Cooperative Sub-Registrars in the Industries Department were not having any cooperative background or training in cooperation and they depended mainly on the advice of the Cooperative Sub-Registrars (C.S.Rs).

C.8 PROCUREMENT OF RAW MATERIAL

Out of 28 dormant Village Industrial Cooperatives studied, 3 suffered from the problem of procurement of raw material (Vide societies code No. C-20 Handpouding of paddy, C26, C27 Brick societies) as revealed by the data culled from the societies and furnished in Appendices IV-C-1 and AJV-12.

In the case of Village Oil, Bricks and Pottery, the raw material was locally available and the cost of the raw material was also not much. Of course, 2 Brick Societies were started under the Harijan Welfare Schemes without looking into the feasibility aspect and the societies had to get the raw material from far off places (say, 18 miles away from the society) and moreover, the members did not know the knowhow of manufacturing bricks, which had resulted in a thorough failure of the societies. In yet another case the pottery society was started but the local soil was unsuited for making pottery articles and then it was converted into a brick making society. Therefore, there was actually no need
for central purchase of raw materials and implements (which were also available easily and locally) in these cases. There was no need for sophisticated purchase procedures or bargaining involved in procurement of raw material in these societies.

The handpounding industry generally suffered from the problem of procurement. Since larger quantities of paddy were to be procured for getting handpounded rice, the Executives of these societies were cheated by the paddy sellers by mixing mud, soil, at one and other foreign materials in the paddy while the bulk purchases were made. This ultimately affected the out-turn of rice and the societies came to grief. Unless the Chief Executives of these societies were extraordinarily prudent in detecting this type of adulteration practices, there was no way out for this problem. The Handpounding Cooperatives have failed mainly because of this type of wrong purchases. The paddy procured in bulk directly from the farmer merchants by the societies could not be checked 100 per cent to find out the adulteration and the result was poor out-turn of rice and high cost of rice which showed the seed for deterioration of these societies.

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

NEED FOR RAW MATERIAL BANK

Inadequate supply of raw materials at reasonable
prices was a serious problem that confronted some of the
village industries. Moreover, there had been a flight of raw
materials from the rural areas to the urban areas to feed
the urban industries (e.g. timber, leather, oil seeds, coal
for brick societies, construction materials etc.) Yet
another problem faced by the rural artisans was the wide
ranging and erratic fluctuations in the prices of both raw
materials and finished goods. Therefore, the need of the
hour is to start a Raw Material Bank at the District level
with expert purchasers to procure different types of raw
materials of good quality in bulk from the production
activities and supply them to the needy Village Industrial
Cooperatives at reasonable rate on getting their orders. The
purchasing industrial Cooperatives should place their
indents (quantity as well as specifications and quality) for
a year or so and the Raw Material Bank should consolidate the indents and make procurement and supply.

The Government may provide the necessary organizational, financial and other supports to establish such Raw material Bank, which will be the Central Purchase Organization for Village Industrial Cooperatives till such time the Bank stands on firm footing and becomes self-reliant.

C.9 PRODUCTION AND SALE

Out of 32 societies studied under Group C, 25 societies provided the details of production and sale particulars which are tabulated in Table A.VI-6.

The production and sale details of the working societies for 5 years ending 1990-91 (in the case of dormant societies for five years ending the date of their dormancy) were collected for study. Out of the collected details of production and sale in respect of the 21 societies over the period of 5 years, the minimum and maximum amount of production and sales in respect of each society were tabulated and the range of the amounts of production and sales were worked out as shown in Table A.IV-6.
1. VILLAGE OILS

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

2. GUR AND KHANDASARI

Out of 3 selected societies studied, 2 active and 6 dormant societies have provided the production and sale details. 2 societies produced and sold in the range of Rs.5000 to Rs. 1,00,000; 2 societies Rs. 1 lakh, 3 societies between Rs. 1000 and Rs. 5000 and the remaining society above Rs. 2 lakhs.

3. HANDPOUNDING OF PADDY

4 societies studied provided the production and sale details. One society produced and sold in the range of Rs. 500 and Rs. 100000 and the remaining 3 societies had transaction above Rs. 2 lakhs per annum. Because of massive financial assistance from the Khadi and Village Industries Board, these societies could increase their business
turnover many fold unlike any other Village Industrial Cooperatives taken up for study.

4. POTTERY

Particulars of production and sale of 1 working and 2 dormant pottery societies were available for study. Out of these 3 societies, one was a (working) purchase and sale society which sold the articles procured from its members between Rs. 5000 to Rs. 1 lakhs. Remaining 2 societies registered a maximum production of above a lakh of rupees per annum and also showed similar sale position.

5. BRICKS

Out of 7 bricks societies from which production and sales details were culled two societies purchase and sale was between Rs. 5000 to 1 lakh. The particulars provided by the remaining 5 dormant societies revealed that they were producing and selling between Rs. 1000 to Rs. 5000 per annum.

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

MARKETING

Competitors: Societies can justify their existence only if they could market their product to their best advantage as production organizations. In the case of societies selected except brick industry, all the other four (viz. Village Oil, Gur and Khandasari, Handpounding of Paddy and Pottery) extremely suffered at the hands of stiff competition from the substitutes in the market. Without the Government's patronage they cannot survive in the normal situations.

Thousands of people depended on the handpounding industry three decades ago. Slowly power driven mills came in a big way and dispensed the hand operation in milling the paddy into rice. It was estimated that rice mills of about 13000 with a capacity to hull 10 million tonnes of paddy have come into existence in the state whose annual production was around more than 8 million tonnes. The milled rice in hullers, though less nutritious than the handpounded
rice was cheaper and better looking and hence the polished rice from the mill was favoured and preferred by many people. Thus, the Handpounding Cooperative Societies had to largely depend upon the Government patronage. The jails, hospitals and hostels, etc. were compelled to buy the handpounded rice from the cooperatives by the Government. The present trend is that even these organizations under some plea try to switch over to the milled rice. Therefore, the handpounded rice too suffered while vying with the polished and milled/hulled rice in terms of appearance, colour, price, etc. That is why all societies in the district have became dormant. The KVIC also stopped finance from 1970 onwards.

Likewise the Pottery Societies also lost ground because of their products' fragile property changing fashions/ trends in modernising the household industry, etc. Perhaps the only village industry that was spread for sometime was bricks which was in common demand for construction purposes in spite of the hard rock, jelles, etc. competing side by side.

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

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

At present there is no sales promotion activity taken up for the products of the Village Industrial Cooperatives.
CHANNEL OF DISTRIBUTION

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

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

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

The products of Departmental units of Khadi and Village industries were mostly sold through the departmental selling units like Khadi crafts, gramodyog sales depots, etc. The products of the Village Industrial Cooperatives were disposed off by the societies themselves. In some cases their produces were taken up by the departmental selling units but it seldom happened. The products of the cooperative societies, of course, were given preferential treatment because articles like oil, soap, handpounded rice, Khadi and handloom cloth, etc., were patronised by the Government Departments and the Institutions like jails, hospitals, hostels of the Government run schools etc. The existing Government orders indicating the graded preference for purchase of articles/goods should be revised. The Village Industrial Cooperatives should be given the first preference. The handicrafts articles from all the artisans were normally procured and sold by the Government-run emporia in a selected few places. The emporia seldom procured the products of the Village Industrial Cooperatives. The reasons were best known to them.

Out of 24 dormant societies studied under Group-C 2 failed because of marketing problem, which was one of
their major problems which led them to dormant condition. This is to be done by the Khadi and Village Industries Board by creating some apex multi-industrial federation, on the lines of the Handloom Sector where APCO goes in a big way to help the primaries in procurement and marketing. Establishment of such a federation/ sustained market in outlets/agencies will go a long way to boost up the morale of the Village Industrial Cooperatives.

For marketing of the products of Industrial Cooperatives other than the Weavers' Cooperative Societies, a three-tier structure of multi-industries federation with suitable staff is suggested and their functions would be based as follows.

(i) NATIONAL FEDERATION OF INDUSTRIAL COOPERATIVES

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

MEMBERSHIP

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

FUNCTIONS

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

(ii) STATE FEDERATION OF MULTI-INDUSTRIAL COOPERATIVES

Membership

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

Functions

It might act as a link between the District Level Federations and All India Federations. It would provide services to the District level federations by procuring, storing and distributing the raw materials; disseminate information with regard to design, technology, use of tools, technical advice through technical staff; extend guidance needed by the members and take up the marketing of finished goods to the national level federations as well as in the open market on wholesale and retail basis.
(iii) DISTRICT MULTI-INDUSTRIAL COOPERATIVE FEDERATION

Membership

All the primary Industrial Cooperatives affiliate themselves to this district level federations. If each district does not have adequate number of societies, then 2 to 3 districts may be grouped under one federation.

Functions

It would arrange for common production programmes/ workshop type societies, provide common packaging facilities, arrange for transfer of technology from state level federations, carry on extension work and member education, provide technical training and other help needed by the member societies. It would collect the demands of the societies and supply materials from the State Federation, pool the finished goods from the primaries and market through the State Federation and of its own.

C.10 STORAGE AND LEAKAGE

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

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

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

The audit reports revealed that majority of the societies (more than 7 out of 24 dormant societies studied i.e. 30 per cent) became dormant because of stock deficit which was one of the major reasons attributed. In anticipation of it, reserves were created by the auditors (vide societies code numbers C-5, 6, 11, 14, 19, 21 of Appendix IV C(2)).

C.11 INSPECTION, SUPERVISION AND AUDIT

The Assistant Director of Industries and Commerce of the district is a technically qualified person charged with the responsibility of conducting feasibility study for
small scale industries (including cooperatives), registration, application scrutiny, verification of imported commodities/machinery, capacity utilisation report, liquidation of societies by conducting enquiries, scrutiny of loan applications submitted by the small scale industries/industrial cooperatives to recommend the same to the finance agencies and a host of such other administrative and technical functions involved in the normal-run of small scale industries including Industrial Cooperatives in the district. As such he is overburdened with the duties and responsibilities and hence his special interests can not be attracted by any particular problem of an Industry whether Cooperative or otherwise.

The Assistant Director of Industries and Commerce of the district with an Industrial cooperative officer and two Secretaries of Industrial cooperatives have to look after a number of organizations, the magnitude is mentioned as under in the areas where the study was undertaken.
**TABLE IV-4**

**NUMBER OF SMALL INDUSTRIES/INDUSTRIAL COOPERATIVES UNDER THE CONTROL OF ASSISTANT DIRECTOR OF INDUSTRIES AND COMMERCE**

<table>
<thead>
<tr>
<th>Revenue Division</th>
<th>Industrial Cooperatives</th>
<th>Small Scale Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group B, Group C, Total</td>
<td></td>
</tr>
<tr>
<td>Chittoor</td>
<td>19</td>
<td>74 93</td>
</tr>
<tr>
<td>Chandragiri</td>
<td>9</td>
<td>32 41</td>
</tr>
<tr>
<td>Madanapalli</td>
<td>9</td>
<td>73 82</td>
</tr>
<tr>
<td></td>
<td></td>
<td>37 179 218</td>
</tr>
</tbody>
</table>

*Under registration at the time of study visit.*

In order to have effective control and supervision there should be an officer in the rank of Assistant Director exclusively to look after the Industrial Cooperatives in the district. He should be assisted by at least one Industrial Cooperative Officer and one Secretary (SIC) for every 10 societies. This will enable to take up follow up measures in respect of the neglected aspects of the Industrial Cooperatives in the district.
Since the Handicraft Industrial Cooperatives were managed by the Government staff, the district inspection/supervisory authorities did not have adequate staff to inspect the societies. The district officer (viz., the Assistant Director of Industries and commerce) had normally one Senior Inspector of Industrial Cooperatives for inspection/supervision work.

The secretaries of the societies are charged with the responsibility of preparing the monthly progress reports of each society for perusal of the Assistant Director of Industries and Commerce and monthly meetings of the secretaries are held at the head quarters. Similarly the Regional Deputy Director of Industries and commerce conducts quarterly meetings and goes for test checking of the working of the societies.

All the 9 societies reported that quarterly checking/inspection was done by the supervisory staff of the office of the Assistant Director of Industries and Commerce, Chittoor.

Sometimes, the societies were by and large held as additional charge by the Secretary of Industrial Cooperatives. Being labour intensive and time consuming process involved in these Industrial Cooperatives, they
require full time, concentrated attention by the Executives. Otherwise, supervision becomes remote. All these societies are not adjacent to each other but are spread out in areas and directions. Clubbing societies of small and big size business and in different areas makes supervision ineffective. Moreover, the societies clubbed are not of the same type. Each type of society requires different treatment and to grasp and understand the business practices and secrets of each type of industry again requires more accumulation and time.

The Government frequently transfers these Secretaries from one place to another. In one society within a period of 21 years of its working, minimum of 21 times the Secretaries have been transferred. The frequency of transfers related to 4, 6, 7, 15 days to 3, 6, 12, 30 months as revealed by the records of the society. The cases of other societies were also not much different from that. The Secretaries normally take some time to gain full grasp of affairs of the societies. This adversely affects the business affairs of the societies under their management.

AUDIT

All the 9 societies studied were audited upto date (i.e. 1990-91) by the concerned District Audit Officers
functioning under the Registrar of Cooperative Societies, Chittoor District.

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

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

Unlike the other Industrial Cooperatives coming under the purview of Group "A" and "C" follow up action was initiated to rectify the defects because of the Government staff working in the societies.
50 per cent of the working societies reported that quarterly inspection was done by the supervisory staff of the district. No information could be collected from the dormant societies in this regard.

At district headquarters under the control of Assistant Director of Industries and Commerce, one Officer with one Senior Inspector (CSRs cadre) were there to look after the entire district Khadi and Village Industrial Cooperatives. And also there were three Extension Officers (E.O. for Industries) for three Revenue Divisions to look after these Industrial Cooperatives (both B and C) along with the other small scale and cottage industries. These three inspectors sent proposals and annual reports to the District Headquarters.

More than 4 out of 24 dormant societies studied under the Village Industrial Cooperatives had come to grief because of falsification of accounts, fabrication of records in the absence of proper supervision. (Vide Appendix IV C(2) and Table A. IV-12.) In one case (society code C-29), though number of times the Supervisory staff/Officers paid inspection visits, bogus transactions could not be identified. In the first place, the society-supervisor ratio should be increased to bridge the gap by following some norms (1:10 as
suggested by the working groups). Second in order to make the supervision effective, instead of mere test-checking and ticking the credit, debit transactions on paper, actual transactions should be test-checked by contacting parties involved in the transactions at random. This might minimise bogus transactions and fabrications of records (societies with code numbers 0-1, 8, 19, 20) suffered on account of such problems.

Chart IV-4 reveals the position of set-up of the District Officer with the number of societies and the Supervisory staff thereof.

CHART IV-4

Assistant Director of Industries
(Industrial Cooperative Wing)

Industrial Cooperative Officer

Secretary of Industrial Cooperatives (SIC) I
(Handicraft Cooperatives)

Secretary of Industrial Cooperatives (SIC) I
(Village Industrial Cooperatives)

37 Societies

179 Societies

Supervision 1:37

Supervision 1:179

Source: Assistant Director of Industries and Commerce, Chittoor.
AUDIT

All the societies were audited up to 1990-91 by the auditors working under the control of the Registrar of the Cooperative Societies. All the working societies came under the classification "C" category and the dormant area under "D" category.

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

This situation can be met only if there are either deputationists from the Department or paid Executives
appointed to exclusively run the affairs of the societies or alternatively more number of visits to these societies should be arranged as already stated. The present arrangement is too inadequate to supervise/control the large number of Village Industrial Cooperatives.

C.12 FINANCE

(1) Village Oil Industry

Finance was channalised from the Khadi and Village Industries Board to the primaries through the Assistant Director of Industries and Commerce. The rate of interest paid for the loan by these societies was from 2.5 per cent 4 per cent (old rates). The period of repayment was 5 years, 3 installments at 30 per cent were paid at the end of 3rd and 4th years, and the balance (40 per cent) at the end of the fifth year from the date of sanction of finance. As per the norms of Khadi and Village Industries Commission with regard to financial assistance of 8 to 15 per cent per annum interest is charged on defaulted loans.

All the 10 societies studied provided information. 2 out 10 societies did not borrow and they remained dormant, after sometimes. Only 4 societies received loans for the purposes of building and implements. Rest of them received working capital loan. Out of 8 societies that availed
themselves of loans, only 2 had repaid with no balance. The remaining 6 had outstanding overdues as on 1990-91.

(2) Gur and Khandasari

6 out of 8 societies availed themselves of KVIC loan facilities. All societies had 75 per cent loan amount as outstanding upto the year 1990-91. Due to disinterest the members left and chose another profession as agricultural labourers after consuming societies funds without repaying.

(3) Handpounding of Paddy

2 out of 4 societies studied had received loans and grants from the Khadi and Village Industries Board. 2 societies were provided with massive financial assistance in lakhs of rupees towards building, implements, workshed, stocking loans, godown, drying yard and so on. They worked for some years because of more financial assistance liberally sanctioned by the Khadi Board.

(4) Pottery

Out of 3 societies 2 had received loans and grants from the Khadi and Village Industries Board. Only one society showed symptoms of success and was provided with large sum of financial assistance towards working capital, implements, etc. As on 1990-91 more than 50 per cent of the
financial assistance to this type of societies was outstanding.

From the details as furnished and seen it is evident that whenever massive financial assistance was provided either liberally or free of interest, the societies showed symptoms of survival by just rotating the money in the business. Finance was the only link between the societies and the producers/members. But for commercial business between them there was no involvement/commitment of the members in the business activity of the cooperative as real owners of the enterprise. The feeling of oneness of the members with the cooperative organization did not come spontaneously because they were ignorant of their role and responsibility. All that they knew was that the Government had come in a big way to help the artisans by distributing the dole in the form of grants, subsidies and concessional finance. To bridge this gap and make the organizations work well, there cannot be a better solution than enlightening through Member Education and guiding/helping them in their endeavours by the Registering authorities/Government that give tremendous assistance/support. If there is a "will" created on the part of the artisans, there can be always "the way" say "the successful way".
PROFIT AND LOSS POSITION OF VILLAGE INDUSTRIAL COOPERATIVES

The Table A.IV-76 reveals the number of societies running on profit and loss, industry wise as per the financial details collected for 5 years of their working (in respect of working societies for 1985-86 to 1990-91 and in the case of dormant societies for 5 years before their dormant condition).

Out of 32 societies taken up for study, 8 had profit and 24 incurred loss.

The amount of loss or profit incurred by these societies is given in the Table A.IV-76. The figures reveal that the handpounding of paddy industry only had some potential which had earned more profits in the range of Rs. 29,000/- and above over the reference period of 5 years. There were 2 Village Oil Societies which had profits upto Rs. 1000/- and only one Pottery Society which had earned a profit between Rs. 10,000 and Rs. 20,000.

In respect of loss the maximum was incurred in the case of all types of societies in the range of Rs. 1000/- and Rs. 20000/-. Two societies incurred losses between Rs. 20000/- and rupees one lakh.

C.13 CAUSES FOR DORMANCY

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

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

The important suggestions made for Group "C" are follows.

Common workshop type of production by societies is suggested for organising Industrial Cooperatives. Before registration, feasibility reports should be prepared and 'One Mandalam One Society' approach is suggested. Increasing in membership and mobilising share capital are to be done to make the societies viable. Member Education drive and training of staff and higher officials responsible for the organization and development of these cooperatives are suggested. Centrally located technical institute to train the artisans is recommended. The functions of decision-making (by the Board) and the Executive (by the paid Executive) should be demarcated in Village Industrial Cooperatives. To market the products and procure raw materials wherever necessary multi-industrial federation is recommended. More publicity is advised for the products of these cooperatives and reservation of production activities for village industries is suggested. Their products should be given first preference by the Government while purchasing. Supervisory staff society ratio norms should be developed @ 1 Supervisor for 10 Societies.
REFERENCES


5. Director of Handlooms and Textiles, Government of Andhra Pradesh : Agenda and Notes, 18th June, 1980, p.16 to 18.