CHAPTER IV

PART II

GROUP WISE ANALYSIS SUMMED UP
GROUPWISE ANALYSIS SUMMED UP

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SUMMING UP OF THE GROUPS A, B & C

ABC 1. INTRODUCTION

In the following pages of this chapter the three board groups A, B, and C and working of these Industrial Cooperatives have been separately discussed. The aspects covered in these three groups are now summed up to confirm the objectives of the study.

The wage earning capacity, standard of living, hazards of work, etc., were more or less the same in the case of Industrial Cooperative societies functioning under the three groups. Avocations like handloom weaving and functioning of a few other village Industrial Cooperatives required the involvement of the entire family members including children and they worked according to their moods, convenience and simultaneously looked after their domestic work (cooking etc.). However, their economic background and habits were such that they could hardly repay the money taken by them from the societies as advances or loans. Sometimes they were forced to pledge even the raw materials taken from the societies with the master-craftsmen to meet their imminent needs. In the process, they fell a prey to the exploitative tendencies and became defaulters to the societies by not returning the finished foods or by not
repaying the loans and advances. Their living conditions were such that they had very little space in their homes, the tools and implements used were outdated and outmoded, and the domestic atmosphere was converted into most uncongenial to live and work efficiently. In order to get over these difficulties and provide opportunities to work in congenial environments, more number of Industrial Cooperatives with common worksheds are recommended for reorganising the Village Industrial Cooperatives. By doing this, the child labour can be removed, efficiency can be increased by introducing welfare measures like minimum wages, provide special legislation to regulate the conditions of work with reference to hours of work, holidays, leave, physical facilities like provision of urinal/lavatories, resting place, canteen, drinking water, first-aid box etc., along with all other provisions of Factories Act, etc. applicable to these small enterprises, wherever necessary.

The workshop type societies provide immense possibilities of control and the risk of business/production can be minimised and the Member Education and training of artisans in better methods of production also becomes possible. To avoid the inconvenience of house wives who form the major work force in the production activities of the
village Industrial Cooperatives, the common work sheds can be organised in such places to suit their convenience to the extent possible.

ABC 2. REGISTRATION

Majority of the societies studied were not of recent origin and were registered long ago. Their age indicated that 2 societies above 50 years old, 42 societies out of 52 studied were more than 20 years old but below 40 years as seen from Table A.IV-11. None of the societies could produce a feasibility report which ought to have been prepared before the registration of such societies. The controlling officers of Group A appeared to have introduced some structured proformas and information given in a note form for fulfilling the formality before they registered the societies. Otherwise there was hardly any systematic approach followed in knowing whether the Industrial Cooperative society proposed would function/thrive or not. This fact was corroborated by the answers received from the members of the dormant Industrial Cooperatives at the time of personal interview with them.

The discussion under Group-C reveals that a few societies were registered where the raw materials were not available locally and the members lacked the know-how of the
industry. Some of the Handpounding of Paddy Societies were registered and they became dormant because the occupations other than the one for which the societies were registered proved to be more remunerative in terms of wage earning and were within their reach. Therefore, they shifted to other occupations and the societies were defunct. This amply proves to show the importance of the project report/feasibility study. The societies in large numbers sprang either because of the target oriented approach of the Department or the political pressure of the party in power which perhaps made the registering authorities to neglect the aspect of looking into the prospects before the societies were registered.

It is, therefore, suggested that preparation of project planning, project report and an examination into it would go a long way in knowing what sort of input and support would be necessary to make the societies function on a sustained basis. This registering authorities should not yield to political pressures of fall in line with vested interests while registering the societies. The societies should not be registered unless the prerequisites for success are testified in advance. A newly proposed society should confirm to the viability criteria 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 needs to 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 ensures 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 growth of dormant societies on the other which ultimately mars the name and image of the Cooperative movement as a whole and vitiate 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 introducing some fee for registration (At present there is no fee prescribed for registration of societies). This fee may ploughed back to the cooperative development by adding this money to the Cooperative Union of the State. This is just an analogy to the remittance of 5 paise while purchasing the money order form and adjusting the same while
actually sending the money order proper to avoid misuse. This serves only a precaution against casual and ill-conceived formation of societies by irresponsible organisers.

To implement the aforesaid suggestions, the Registrars of Industrial Cooperatives should introduce suitable provisions/amendments to the Rules and Regulations of the Cooperative Societies.

**ABC 3. AREA OF OPERATIONS**

Though the bylaws of these societies spelt out the area of operation by mentioning the streets, places (villages) in actual practice it appeared that the same was not strictly followed by many of the societies. The idea behind fixing such 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 more than one cooperative society within the same area of operation and thereby cause unhealthy competition among the cooperatives.

In the case of Handloom Weavers' Cooperative Societies in Puttur area, in the 4 streets of the village 6 societies were organised and all of them became either
completely dormant or were on the verge of dormancy. In Nagiri also the 12 Handloom Weavers' Cooperatives Societies covered roughly 4000 members. The societies have a minimum of 200 to a maximum of 700 membership and no appropriate yardstick was developed to regulate the multiplication of such societies. In Group-B (i.e. other than weavers industrial cooperatives) in Chittoor Revenue Division (Irala Mandalam) there were 6 Coir Rope Societies registered with an area of operation of 5 to 10 kilometers radius for each society and out of them 5 became dormant. Yet, another example to cite is that in (Group-C) Madanapalli Revenue Division of Chittoor District, within 10 kilometers radius there were as many as 4 Brick Industrial Cooperative Societies started at Madanapalli, Thambalapalli, Ramkuppam, Chowdepalli, etc., and among them 3 had become defunct and were under liquidation at the time of study visit to the district in 1991.

Because of clustering of too many societies in an area, there was cut-throat competition found among them. Sometime there were overlapping of membership and members might have taken advantage from more than one society. It would be extremely difficult for the supervisory machinery to find out this overlapping of membership. These practices of cut-throat competition and overlapping of membership are
the negation of the principles and philosophies of cooperation.

Therefore, it is suggested that appropriate yard sticks/norms be developed for each type of society according to situation and the dormant societies amalgamated keeping in view of probable area and membership can be covered by the concerned Industrial Cooperatives.

In the case of Group B Industrial Cooperatives, though the are of operation was within 4 to 10 km radius, hardly 5 per cent of the artisans in the area of operation were covered by the cooperatives. Membership drive will increase their resources and business receipts eventually making them profitable and self-reliant.

ABC 4. PROFILE OF THE CHIEF EXECUTIVES

The success or otherwise functioning of any business enterprise largely depends on the type of executives the organization could attract and the management practices prevalent in the organization. It was with this view in mind the information regarding the Chief Executives of the societies studied was collected and it is discussed briefly as follows.
For efficient management of these Industrial Cooperatives or for that matter any cooperative enterprise, the functions of policy making and its execution should be demarcated and entrusted to two different functionaries and these two should not be combined in one person.

In the case of Group-A, 60 per cent of the Weavers' Cooperative Societies and in Group-C, 99 per cent of the Village Industrial Cooperatives were managed by the Presidents themselves without paid Chief Executives. In the case of Group-B, all the societies had the Chief Executives appointed by the Department of Industries and Commerce from the common cadre systems (vide Table A.IV-2).

75 per cent of the persons occupying the Chief Executive positions of the Cooperative Societies had studied up to matriculation and below. Illiterates and those who could only read and write formed roughly 20 per cent. Majority of the Executives (more than 50 per cent) had working experience of 10 to 15 years.

Thus, one can imagine the standard of leadership, capacity to administer the societies etc. given the low qualification, 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, by and large, the owners of the societies, namely the members themselves elected their Boards of Directors and managed the affairs of the cooperative societies. In the case of Group-B, nominations of the Boards and Chief Executives were done by the Department. The skill to manage the affairs can be imparted through training but the loyalty to the organization cannot be infused or given by any one, that comes out of in-born qualities.

It is necessary therefore to appoint professionally qualified Executives who are trained in cooperative management for each society. For making available such expertise, the Government should recruit qualified candidates through appropriate examinations, tests, interviews etc. and give them training in cooperative management by sending them to the Cooperative Training Colleges/ Centres/Institutes etc. They will be equipped with the necessary background, skill, knowledge etc., to manage the societies once they have grounding in theory as well as practical aspects of managing the cooperative enterprises. From this pool of selected, trained common cadre, these societies may be allowed to select the candidates they need for manning them. In Tamil Nadu this type of practice is prevalent in the Department of Industries and Commerce. The
Department of Industries and Commerce recruits qualified candidates under (10 A1) temporary scheme through Service Commission and get them trained at the Cooperative Training College. After the training is imparted, the Department posts them to various Industrial Cooperative Societies from out of the common cadre of personnel created and provided managerial subsidy initially.

Some of the Secretaries of Industrial Cooperative Societies at times were posted for more than 3 to 4 societies. If the societies were not able to meet the cost of staff or incurred continuous loss, they were 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 was on the verge of dormancy, the society was brought under the control of a Secretary who was already holding the reins of a dying society/societies. This often meant that he could not do justice either to the dying society or to the societies which were already under his control.

Therefore, the holding of additional charge of 2 or more societies by a single Executive should be avoided, as far as possible.
ABC 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.

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 brought 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 economics of scale. In the context of the Government's policy of increasing the coverage of membership from 40 per cent to 80 per cent of the Handloom Weavers' Cooperative Societies before the end of the Eighth Five Year Plan and also multiplying the number of Village Industrial Cooperatives as per the Industrial Policy of 1990 action should be taken to increase the membership and augment the share capital base of these societies. In the case of 21 Weavers' Cooperative Societies studied only 5 had shown increase in membership and their share capital position was also not quite encouraging because only 5
societies had more than Rs. 50000/- as their share capital (vide Table A. IV-2 & 3).

In the case of Group B, out of 9 societies studied, only 2 registered a slight increase in membership and 7 experienced stagnancy over 5 years ending 1990-91. 5 Societies had the share capital below Rs. 10,000/-, 2 below Rs.500/- and yet another two above Rs. 10,000/- one society had increased its share capital over 5 years ending 1990-91.

In the case of Group C majority of the societies had the statutory minimum of 10 members as their membership. From 1985-86 to 1990-91, out of 32 societies studied 15 showed slight increase in the membership, 17 stagnancy. In 25 per cent of the Village Oil Societies, 60 to 70 per cent of the membership was composed of sympathisers. Out of 32 societies, 19 had stagnant share position and 10 had hardly share capital about Rs.500/-.

Thus, the increase in the membership and share capital mobilisation was not encouraging in these Industrial Cooperative Societies.

Looking into the share value of these societies, there was a wide range of variation, it was from one rupee to Rs. 100/-. It varied from society to society and even within the same type of societies. Similarly, the maximum
ceiling limit on the share holding of these societies varied from Rs. 20/- to Rs. 100/-.

From the above analysis it is clear that there is enough of scope for bringing about increase in the membership and share holding pattern in the Industrial Cooperative Societies. Taking into consideration an average member of Industrial Cooperative Society and his economic background, the share value can be fixed anywhere between Rs. 10 and Rs. 25 instead of allowing the extremities of rupees one to hundred rupees. Of course, the maximum share holding ceiling limit can be increased to say, 100 shares, in all the societies uniformly without much variations 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 dynamism so that the membership also goes up to the desirable limit in all the societies within the area of operation. This is the tune with the policy directives of the Government. The production finance from the Reserve Bank of India also should be increased from the present rate of 25 per cent to 50 per
cent or so, which might facilitate the societies to include more members and increase the size of production also.

Mere giving of share capital loan is not sufficient to increase the membership. Once the membership is added, the raw material, wages, etc. are to be given. Therefore, the production finance also should be made available to the extent needed by the Weavers’ Cooperative Societies.

There is a provision in the bylaws of these Industrial Cooperative Societies that from the wages paid, 6 paisa per rupee should be collected towards thrift fund and it should be converted into shares of the members. In practice, in the case of Group A 11 out of 21 societies, in the case of Group B 3 out of 9 societies and in the case of Group C 2 out of 32 societies had collected the Thrift Fund. Thus, the idea of incultating thrift habit remained a farcry in these Industrial Cooperative Societies. The provision in the bylaws has to be followed and practised in these societies by persuading and enlightening the members in this regard. The Member Education Programme as suggested above paras should be taken up vigorously.
ABC 6. THE BOARD & MEMBERSHIP PROFILE

(a) MEMBERSHIP

In Group A out of the total members studied, 66 per cent of them were above 40 years old and 60 per cent of them illiterates (knew to read and write but had no formal schooling). (Table A.IV-5). All of them were from weavers community/backward community with different castes like Mudaliars, Chettairs etc. Their income range varied from Rs. 150 to Rs. 300 per month. They held from a minimum of one share to a maximum of 7 shares. 70 per cent of them did not know why the cooperative was organised and the idea behind it. They deposed that they came to know about the societies through friends/Government officials that some services were made available from the societies and therefore, they joined them. They also said that the Cooperative Societies paid more wages than the private entrepreneurs (from rupee one to five more). 90 per cent of the members interviewed were aware of the reasons why the societies became dormant. But because of their fear about the mastercraftsmen/ weavers who were again their own kinsmen involved in the affairs of the societies, they also had fallen in line with them. In 4 out of 9 dormant Cooperative Societies the sympathiser members dominated.
In the case of Group B 50 per cent of the members were above 40 years old, more than 70 per cent of them studied up to matriculation and all the religions were represented. In 2 out of 7 societies, master craftsmen dominated. The individual income was around Rs. 400 to Rs. 600 per month on an average. They reported that the wages received by them were on par with the market rates. They held a minimum of one to a maximum of 20 shares. More than 50 per cent of them did not know the principles and the philosophy behind the starting of those societies. 70 per cent of them reported that they knew how the societies had decayed but expressed their helplessness as everybody was non-committed and felt that it was the Government's business to run the societies. That is how they did not try to save the societies but became party to the further worsening of the situation.

In the case of Group C 75 per cent of the members were above 40 years and more than 70 per cent of them studied up to SSLC. All of them belonged to Backward community representing different castes and religions as well. In a few Village Oil and Brick Societies, the sympathiser members dominated. The wage earning capacity of the members of the Village Industrial Cooperatives was no better than those in the Group A and B. The minimum wage
earned by a village artisan in the interview sample was from Rs. 250 per month to a maximum of Rs. 590 per month. The opinion survey revealed that the members could not get wages better than the market rate and the societies hardly helped them in better wage earning. In the Village Oil Societies almost everyone held 10 shares and below. The maximum shares held in Village Industrial Cooperatives were 50. 90 per cent of them were ignorant on the basis of the societies and how they should be looked upon by them.

Some of the members of societies took loans from the commercial banks and repaid without any default whereas they did not do so in the case of the KVIB Loans and the money given was never repaid by them because they were under the impression that the Government had come to help them by distribution of dole to them. Majority of the members were quite aware of the reasons as to why the societies had become dormant but took it lightly because it did not affect them very much.

Thus, the profile of the membership revealed that persons with young blood were not attracted by the societies in general, majority of them were just literates (studies upto school final), socially and economically backward as all of them belonged to the Backward community and were getting wages so as to have their livelihood. The master
craftsmen entered into their wab and tried to shatter them to grounds and almost all the members were fully aware of the pitfalls in the affairs of the societies and the reasons for their dormancy, attitude towards the societies because they were ignorant of the basis of starting of such societies apart from that they were promised some dole by the political leaders of the area. Hence, Member Education Programme perhaps may bring about an awareness and enlightenment to those who have some urge to work together and might bring life back to such societies. The dormant ones can also be revived and the light of the candle of cooperation can be lighted in the rural areas.

The artisans even when joining in a group with all their social and economical backwardness could not earn reasonable wage and reach a better standard of life. If they were left alone it would be rather impossible for them to take out their livelihood and they have to struggle for their existence. Therefore, these poor artisans cannot make their living condition better by working individually. As such they have to be institutionalised. That is why cooprativization of their efforts is recommended and joining together and bringing the resources together and committing them properly will certainly make the effort rewarding.
b) BOARD OF DIRECTORS

In Group "A" all the societies were managed by the elected Boards and the Boards of the Societies had 7 members in each society. But, the duration of the life of the Boards was different varying from 2 years to 5 years and the members were eligible for re-election. The Boards, by and large, did not meet with required quorum. But, the General Body of the societies met 1 to 2 times a year in all cases. The attendance varied from 45 per cent to 75 per cent. The profile of the Boards of Directors was almost the same as that of the members because they were elected.

In the case of Group B all the Boards of Directors were nominated by the Assistant Director of Industries and Commerce and they had 5 to 9 member each. Boards were nominated in 7 societies and renewed every year and in a few cases (2 societies) it was done, every three years. The meetings of the Boards of Directors and the General Body were seldom held and the attendance was also too poor. The profile of the Boards of Directors was no different from the profile of membership already discussed.

In the case of Group C all the societies had elected Boards of Directors comprising 5 to 7 members. The duration of the office of Boards of Directors was from 3 to
5 years. To follow the rules the General Body meetings were conducted by the societies once a year with just minimum attendance to have the quorum. But, Board meetings were seldom held. The background of the Boards of Directors was the same because they were the replica of the members already discussed.

Thus, in all the societies studied, there was no uniformity found among the number of Board of Directors, their duration of office, election practices etc. This can be brought about by the registering authorities. To infuse new blood in the management of the societies, one-third of the Board of Directors should retire every year and a rotation appears to be reasonable. In the case of groups A and C, the functions of decision-making and execution was left in the hands of a single person in each of the societies. This is not desirable. As owners of the enterprise, the members/the Board should reserve their rights in decision-making but execution of the policies in day-to-day management (within the framework laid down by the Board) should be left to the Chief Executive who should be a paid, professional person. The non-convening of the meetings of Board/General Body, the mounting audit objections, improper maintenance of records etc. can certainly be got over by an appointment of a professional who will translate the decisions/regulations into practice. The misappropriation fraudulent activities can be minimized if there is
a counter check on the persons taking decision and executing the same.

The irregular meetings of the Board/General Body with the poor attendance reveal the lack of interest on the part of the members. The socio-economic background coupled with the ignorance of the basic idea behind the starting of such cooperatives on the part of the members had led to this situation. This situation was further worsened and deteriorated by the development of disloyal attitude on the part of the leadership as well as the members.

As in 1983-84 as per the NABARD statistical statements (Published in 1991) there were 2 lakhs of artisan members in the Industrial Cooperatives in Andhra Pradesh. There is one Industrial Instructor appointed for Member Education Programme in the State. So, one can easily imagine the magnitude of the Member Education to be covered in the State. It is, therefore, suggested even peripatetic instructors and lady instructors should be recruited more and trained for the job.

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 respective departments in charge of the Industrial Cooperatives in the State. This suggestion stems from the fact that the Department and the
Cooperative Union have the developmental role and the latter receives money from all the societies towards the education and development fund and hardly anything has been done for them with the money received from them.

ABC 7. STAFF

Unless an organization could attract trustworthy and loyal staff, it would be extremely difficult to run the organization. Therefore, a sound organization is possible only on the basis of its staff and their morale.

In the case of Group A, all the active societies had one manager, a clerk, an attender and a minimum paid staff. There was a minimum of 3 to a maximum of 10 staff. They were matriculates, drew a salary ranging from Rs.300/- to Rs.600/- per month. 15 per cent of the staff were exposed to some sort of cooperative training. 33 per cent of the dormant societies studied became dormant because of misappropriation by the staff, mostly in collusion with the Presidents. They did not enjoy any welfare benefits except bonus in the case of the active societies.

In the case of Group B the number of staff employed, salary received by them, their educational background, welfare measures etc. were similar to that of the Group A. Quite against the provisions of the by-laws of these societies, the staff were employed and this paved way for collaboration between the staff and the Presidents and
misappropriation, fraudulent activities etc., took place. The Department of Industries and Commerce transferred the Secretaries of the societies too often (e.g. in the case of society B-3, the Secretary was transferred 21 times in 21 years). Secondly, the Secretaries of Industrial Cooperatives were required to hold additional charge of different types of societies in different places, because the cost of the staff on deputation could not be met by the societies. This had ultimately led to inadequate attention by the Chief Executives in managing these societies. As per the by-laws of the societies, trained Secretaries should be appointed in them; but only 34 per cent of the Chief Executives were trained in some way and the remaining 66 per cent untrained.

In the case of Group C, all the societies were managed by the Presidents themselves and in active societies staff were employed and in all respects the situation was similar to the societies studied under Group A and B. None of the staff was trained in cooperation.

In all these Industrial Cooperative Societies the dormant societies did not have any staff other than the Chief Executives/Presidents. But, in active societies, on an average, a clerk and an attender were employed. The staff were matriculates and below. The salary paid to them ranged from Rs. 300/- to Rs. 600/- per month. The staff in many cases acted in collusion with the Chief Executives/Presidents and misappropriated. Very few persons were
trained in the cooperative management. Training can bring about many achievements besides maintenance of proper records, reducing the irregularities pointed out by the audit, etc. Since training is an important input of efficiency, the training of the staff of the Industrial Cooperative Societies should be given utmost importance. The training organizations, the Industrial Cooperative Societies and their controlling officers should meet periodically to prepare the schemes and syllabi to suit the need and background of the different staff and train them. The Government policies with reference to the staff transfer must be changed. The Chief Executives to hold additional charge of the societies, and imparting training to them, etc. should be reoriented so as to bring about efficiency on the part of staff employed in the societies.

As already discussed under Group B the appointment of Government Staff to manage the societies proved better results. However, common cadre should be created by recruiting qualified candidates and training them in cooperative management. From this pool, the societies should be given the option of selecting their Executives. They should be given the first four years managerial subsidy and the Secretaries/Executives should be made as paid employees of the societies without any link with the Department.

Realising the importance of education, training and research more skill improvement programme based on the
Job requirements of various Industrial Cooperatives should be organised on a massive scale at various levels. For registering authorities training programmes on preparation of feasibility report, project evaluation, management programme in operational problems, proper methods of setting the targets for the various Industrial Cooperatives, revitalisation programmes for Industrial Cooperatives etc., should be organised and conducted at the appropriate training institutions like Vaikunth Mehta National Institute of Cooperative Management (VMNICM), Poona or Cooperative Training Colleges in the State. The senior officers in charge of the development of Industrial Cooperatives should be trained in refresher courses and it should be a continuous process. Similarly, identifying solutions should be a constant endeavour of the researchers and trainers in the Cooperative Management Training and Education field.

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 various Industrial Cooperatives from which educational, tuition fees for the children of the members of the societies can be met as well as medical expenses of the members of the societies and other welfare measures.
The quality of the finished goods and their saleability at the acceptable price to the consumer depends much upon the procurement policy followed in the business enterprise (right quantity, quality, price, place and time). If these were not complied with, then the quality of the finished goods might be extremely poor, the cost of production would be high and goods would not move in the market. The Industrial Cooperatives studied had faced the problems of procuring the raw materials which are summed up as follows:

In the case of Group A, 80 per cent of the yarn requirements of the societies were met by the Apex Society which secured the indents from them, consolidated and the Director of Handloom and Textiles who was the Controller of the cooperative spinning mills allotted the quota for each spinning mill to supply yarn to various depots of APCO (the apex society). The yarn was distributed by the various depots/godowns of the society after receiving from the spinning mills in the respective areas. Based on the market trend, the price of yarn was fixed by following the active price policy. However, almost all the societies studied expressed that the quality of yarn supplied was poor and cost high when compared to the open market situation. The
cooperative spinning mills in the respective districts were supposed to produce the yarn requirements of all the societies in the area. But, normally it did not happen and the Director of Handlooms and Textiles allotted the yarn production from the various mills to different societies through the depots/godowns of the Apex Society. The other raw materials like dyes and chemicals were purchased by the societies from the open market at retail prices. To supply these raw materials also, the Apex Society should start a Raw Material Bank which can concentrate the purchases in wholesale and distribute them along with yarn through its depots. All that is needed is a separate section with necessary staff in the Headquarters to exclusively look after this function of raw material procurement and distribution.

In the case of Group B, all the societies studied suffered from the procurement problem of raw material. They had to procure from a far off place/distance and this had ultimately increased the cost of production. In the case of coir societies, the centralised production of fibre has been suggested and the twisting operation of fibre into yarn can be carried on by the production societies. In the case of other societies, a multi-industry federation should be formed which can help them in procurement of raw materials and also take up marketing of their products.
In the case of Group C, one handpounding of paddy and two bricks societies became dormant because of lack of raw material. It was not locally available and what was available was unsuitable and the artisans also lacked the knowhow of making the products. Raw materials procured from the far off places resulted in high cost. Therefore, it was suggested that Multi-Industries Village Industrial Cooperative Federation can help these societies in solving their procurement and marketing problems.

Thus, the need for a Raw Material Bank/Multi-Industry Federation in respect of the Industrial Cooperative Societies was suggested.

9 PRODUCTION AND SALE

For production of these Industrial Cooperative Societies the tools, implements etc. needed did not require much capital. But, with the increase in modern technology, improved tools and techniques are available. For example, the ordinary wooden loom needed by a weaver is around Rs. 400 or so. Now with jacquard weaving, etc., the cost of the loom ranges from Rs. 500 to Rs. 1000 in many places. Therefore, to introduce modernisation, standardisation etc., in the production processes, the tools and implements can be got produced through the Industrial Cooperatives like carpentry
and blacksmithy societies. This was not followed in practice in all the 3 groups of Industrial Cooperatives studied. This means the cardinal principle of cooperation, "Cooperation among Cooperatives" was not practised in these societies. Along with yarn, dyes, chemicals and other raw materials supplied by the Apex Societies, the tools and implements can also be taken up for distribution. In the case of Group A, the Apex Society was already there and for the Industrial Cooperatives other than Weavers, Raw Material's Bank, Multi-Industry Federation was recommended earlier in the previous paragraph.

As already stated there was no 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. The minimum and maximum production and sale reported in these 3 groups indicated that the Break Even Point was not worked out before they started functioning and hence, found to be uneconomical and nonviable units. Therefore, they incurred losses and became dormant. Hence, the minimum levels of production and sales to be effected should be worked out and in the case of Handloom Societies the production was sometimes high because of introduction of the savings and
Industrial Cooperatives and small scale industries thereof. Therefore, he could not devote any special attention to the Industrial Cooperatives. The Assistant Director has one Industrial Cooperative Officer to look after the entire district Industrial Cooperatives (see Chart IV-4). Under this Industrial Cooperative Officer, there are two secretaries of Industrial, one for Handicraft Cooperatives and for Village Industrial Cooperatives. In the district, the supervisor society ratio was 1:37 and 1:179.

In the case of Group B, the Chief Executives of these societies were recruited and posted by the Assistant Director of Industries and Commerce and were transferred too often or ordered to hold additional charge of more than one society. This also created the problem of inadequate supervision. The audit was completed up to date (i.e. upto 1930-91) and defects were rectified promptly because the Chief Executives were departmental candidates and the supervisory staff also helped in this regard.

In respect of Group C similar to Group B there was one secretary of Industrial Cooperatives to look after the development of Village Industrial Cooperative Societies and their growth. There was too much of variation in the number of societies spread out in each mandalam and there appeared to be no norm behind the appointment of one man to supervise these societies. Since the Presidents of these societies
were managing their affairs, the supervisory staff had to shoulder enormous responsibilities in respect of each society, also they could not devote much attention, because of the distance and the number of too many societies that they had to look after. That was how the audit defects mounted and many societies became dormant.

Though the societies were shown as audited up to date till 1990-91 the defects were too many and were not rectified by the societies in the absence of adequate guidance and supervision. Therefore, the common cadre system similar to Group B may have to be introduced here and the society/supervisor ratio should be developed with proper norms. It may be 1:10 if not 1:20 as recommended by the Working Group on Industrial Cooperation.

In order to provide adequate attention required by the Industrial Cooperatives, an officer in the rank of Assistant Director of Industries and Commerce with the supporting staff to exclusively look after the Industrial Cooperatives in the district is recommended. The transfer of staff should not be frequently done but may be normally done once in 5 years or so. Instead of more routine reviewing and inspecting the societies, actual transactions should be tested checked as that the fraudulent transactions can be detected and timely action can be taken.
Soundness of the organization depends upon its financial base. Finance of the Industrial Cooperatives can be divided into two parts, owned funds and borrowings from the external agencies. To build up the owned funds of the societies the Government participate in the share of the societies as a member which enables them to increase not only the paid-up share capital but borrow more from outside financial agencies. In order to help the individual members to become members in the societies and participate more in the share capital of the societies, the Government must give share capital loans to the members and it should be repatriated in small installments by the members over a period of time. In addition to these, the societies borrow from the financing agencies to acquire the fixed assets and meet the working capital requirements.

In the case of Group A in order to enable the poor weavers to come into the cooperative fold the Government gave share capital loan to a maximum of Rs. 75 per head to the members and this had subsequently been increased to Rs.100 per head. This interest-free loan was to be repaid in 4 annual installments. The Government also participated in the share capital of the Weavers' Cooperative Societies to strengthen their financial position and enhance their
borrowing power. The maximum amount of the Government could invest was fixed in each society at Rs. 25,000/-.

The Weavers' Societies required working capital rather than fixed capital to keep their business on. The Reserve Bank of India refinance was made available under section 17(2) 1(b) and 4(c), 1.5 per cent below the Bank Rate (i.e. 11-1.5=9.5 per cent). The State Government further subsidised 3 per cent interest and thus the Weavers' Societies paid only 6.5 per cent interest. In this connection the practice prevalent in Maharashtra for helping the Weavers' Cooperative Societies is worth emulating. The Government of Maharashtra gave subsidy of 5 per cent to the societies and thus the societies paid only 4.5 per cent interest. This may be followed in Andhra Pradesh in order to help the societies from their financial stringencies.

Finance was made available to the societies based on one-third production of the previous year. The societies had to purchase raw material for each, market their goods and realize cash, pay advance of wages, meet the price vacillation of raw materials and stock pilling of goods in other than rebate seasons, bear with the APCO policy of taking time to settle the bills of the finished goods sold to it and the time lag involved in realization of rebate amount from the Government etc. All these have put the societies in financial crisis. They could not also increase
the membership on account of these constraints. Therefore, to help the societies in this regard, it is recommended that the working capital finance should be given at least 50 per cent of the previous years production instead of the present 25 per cent.

In the case of Group B, the amount of share capital loan varied from Rs. 100 to Rs.2000. In the case of societies registered under the Half a Million Jobs Programmes, 10 times the share capital contributed by the members, was given by the Government. The loan was given at the interest based on the prevailing Bank Rate and the repayment was fixed from 5 to 10 years. The Government participated in the share capital structure of the societies generally on 50:50 basis. This basis was changed according to the needs of the societies. In the societies formed under the Half-a-Million Jobs Programme, the Government participated three times the share capital collected by the societies.

For working capital assistance to the Industrial Cooperatives, the Government was advised by the Department of Industries and Commerce in each case and accordingly the loan was made available.

In the case of Group C, financial assistance was made available to different types of Village Industrial Cooperatives according to the norms of Khadi and Village
Industries Commission. The norms fixed differed for each type of society. The amount of share capital loan varied from 75 per cent to 87.5 per cent of the value of shares held by a member irrespective of the number and value of each share, subject to a ceiling to Rs. 500. Instead of participating in the share capital structure of the societies, the Khadi and Village Industries Board granted loan for capital formation in the societies, up to 4 times their owned capital with ceiling of Rs. 1,50,000 subject to the condition that the total borrowings of the societies did not exceed 10 times their owned assets including capital formation loan.

For working capital, finance help was extended by the Khadi and Village Industries Board for different purposes like production, sale, purchase of tools and implements etc. The percentage of assistance varied from 5 to 100. The rate of interest payable by the societies was according to the percentage fixed by the Khadi and Village Industries Commission. It was the lowest when compared to the market leading rates. It was 2.5 to 4 per cent for the last 10 years. The repayment schedule fixed varied from 18 months to 10 years. The penal interest of 5 to 15 per cent was chargeable on defaulted amounts of loans.

Looking to the share capital loan and State participation in the Industrial Cooperatives of Chittoor
District it differed in terms of size of assistance and terms and conditions thereof for each other as discussed above. 41 societies out of 62 studied had share capital below Rs. 10,000 in 1990-91 (vide Table A.IV-3) which was inclusive of the Government share capital loan and equity participation. Any viable society in the present day living standards might need working capital to the tune of Rs. 5,000 to Rs. 10,000. As such the present share capital position of the societies is not conducive to their growth. In this connection the recommendations of the Working Group of Industrial financing through Cooperative Banks with regard to share capital needs to be considered. It has recommended that the societies should raise the share capital which should be at least equal to 20 per cent of the estimated requirements of the working capital and block capital.

The Industrial Cooperatives studied deferred much in their operational standards. Streamlining and developing the norms for share capital loans and share capital participation should be done so as to apply them without much difference for various types of societies. Thrift Fund collection from wages and conversion of the same into share capital was not followed in many of the societies. This has to be done. The financial assistance of the Government of Maharashtra to the Industrial Cooperatives in the ratio of
1:3 is worth emulation by Andhra Pradesh where it is not even in the ratio of 1:1.

The Government sanctioned Reserve Fund subsidy to the societies functioning under the control of the Department of Industries and Commerce, Andhra Pradesh for acquiring fixed assets. This was invested along with the other reserves created by the societies elsewhere in other cooperative institutions. The latter paid interest on the investment by the societies around 2 per cent whereas the market interest rate was 14 to 18 per cent. Therefore, the present practice of Reserve Fund investment requires modification. Part of this amount can be as well invested in the fixed deposits in the Cooperative Banks and the rest ploughed back into the business.

Now it is more than Eight decades that the Government have helped the Industrial Cooperatives through subsidies and grants-in-aid for machinery implements, tools construction of godowns etc. This liberal attitude by and large did not bring about much involvement and sense of belonging on the part of the members. Therefore, when share capital participation is in vogue, it is better that the concessional loans given may be subsidised at interest rates, provision of inputs in kinds etc., and repayment should be insisted and recovery watched. Since the rebates and subsidies due often misused. The assistance can be
extended in the form of subsidised raw materials, managerial assistance, supply of machinery, contribution to Provident Fund and so on.

Inadequate working capital for the Weavers' Cooperative Societies has prevented them from admitting more members in the cooperative fold, financial stringencies as the goods stagnated owing to several reasons. As already stated, the present norm of 25 per cent of the previous years production limit should be changed to at least 50 per cent. The norms adopted to finance the newly organised Weavers' Cooperative Societies (per loom finance) have to be changed in the context of the present day living index. For instance, Rs. 1000 per cotton loom is quite inadequate and requires to be raised at least to Rs. 2000 per loom.

The Reserve Bank of India refinance facilities should be made available to all the Industrial Cooperatives in the State including all the cooperatives mentioned in the Groups A, B and C. The rates of interest paid and the terms and conditions are wide between these three groups and an appropriate policy of financial pattern of assistance has to be worked out which can be applied to all the Industrial Cooperatives more or less uniformly.

The District Central Cooperative Banks and Nationalised Banks are the two different financing agencies through which credit is funneled to the Industrial
Cooperatives functioning under the three groups. Instead of having too many financing agencies, an apex body at the national level (viz. the National Federation of Industrial Cooperatives) with branches in different regions can be established to look into the development aspect of the Industrial Cooperatives in the country.

Separate cells in all the District Central Cooperative Banks should be created for financing Industrial Cooperative Societies throughout the State under the respective jurisdiction of the District Central Cooperative Bank, which are affiliated to the State Apex Bank. The separate wing of it and separate cells in all the District Central Cooperative Banks created for financing Industrial Cooperative Societies throughout the State under the respective jurisdiction of the District Central Cooperative Banks should review and coordinate the financing of the Industrial Cooperatives in the State. All the money for the Industrial Cooperative Societies counting from the Reserve Bank of India, Khadi and Village Industries Commission, Government of India, Khadi and Village Industries Board, State Government etc. should be routed through this channel. This can effectively function and streamlining of the existing procedures for the financing of Industrial Cooperatives can also be done by this arrangement.
The maximum borrowing limit was differently fixed for the societies studied under the 3 Groups. The limit was from 5 to 20/30 times of the owned funds. As already mentioned, since the Industrial Cooperatives did not differ much in their size and operational framework, the borrowing limit may also be uniformly fixed at, say, 10 times the owned funds and Reserve Funds, after taking into consideration the average economic viability of the Industrial Cooperative Societies.

**PROFIT AND LOSS POSITION**

Tables A.IV-7(1) & 7(2) reveal that all the societies studied under Group B were in loss. In the case of Group A out of 21 societies studied 10 were in loss and 11 in profit. The loss sustained was indeed alarming when compared to the profits achieved. In the case of Group C out of 32 societies studied 24 were in loss and only 8 showed profit, that too very meagre amounts, excepting the Handpounding of paddy cooperatives, the rest were in very bad shape in their performance.

**ABC 13. REASONS FOR DORMANCY**

The statistical data/information culled from the societies studied under Group A, B and C are given in Appendices IVA(1), IVB(1) and IVC(1). Based on these facts the various reasons for the dormancy of societies under study have been exhaustively listed out and the different number of societies suffering from such of these problems
leading to dormancy of those Industrial Cooperatives are tabulated in Appendices IVA(3), IVB(2) and IVC(2) respectively. These exhibits also give the age of these societies reckoned from their date/year of registration upto 1991 and the number of years they have remained in dormant condition (reckoning from their date of dormancy till the year 1991).

All these societies, it was noticed, had suffered from a minimum of 2 to 3 problems before they became dormant. For purpose of proper understanding and further discussions, the connotations of each of the problems as mentioned in Table A.IV-12 that have led the Industrial Cooperatives to inactive condition are given in the following pages. The contributing problems of dormancy listed are interdependent and are listed out as follows:

ABSENCE OF FEASIBILITY PROJECT/REPORT

Without preparing feasibility/project reports the societies were registered. This could be due to target mindedness and various pressures. Feasibility takes note of technical, economic and resource feasibilities to determine ultimate viability of the societies concerned.
INADEQUATE SUPERVISION

The societies could not be timely and properly inspected and guided by the supervisory staff. This may be because of inadequate staff-society ratio.

INADEQUATE FINANCE

Finance was not made available to meet the requirements of the societies on time from the cooperative financing agencies.

MARKETING PROBLEM

The Industrial Cooperatives lack improved tools and appliances for their production. The members of the cooperatives being less educated were also lack adaptability of latest techniques and knowledge to use modern implements. These limitations result in low production and poor quality of the goods produced, in addition to high cost. The goods of the societies faced fierce competition in the market and the societies could not stand it on the basis of quality, price and distributive efficiency.

INADEQUATE RAW MATERIAL SUPPLY

The societies could not purchase raw materials advantageously when compared to their private counterparts (private entrepreneurs). The raw materials were either not available locally or the available one was unsuited to
produce the goods expected of the society; the restrictions in the society's rules, by laws, etc., did not permit them to pay advance and procure the raw material as done by the private entrepreneurs.

DISLOYALTY OF CHIEF EXECUTIVES

DISLOYALTY OF STAFF

DISLOYALTY OF THE MEMBERS

Not loyal to the societies with reference to their commitment to them. This covers a number of aspects like members taking raw materials and not bringing the finished goods to the societies; not repaying the dues to the societies on time; not being regular in coming to the societies and transacting/doing business/illiteracy/ ignorance of the members which was exploited by the leadership and due to their ignorance, not cooperating in the proper running of the societies as expected of a genuine member, etc.

VESTED INTEREST OF LEADERSHIP

By virtue of their holding, the reins of the societies, misused the power and authority so as to promote their self interest in managing the affairs of the societies. This is covered by the aspects like continuing in the power position for a long time by hook or by crook, appointing kith and kin in the societies deliberately
against the provisions of the by laws of the societies in order to work "hand-in-glove" with them; favouring near and dear in passing on the benefits/concessions of the societies; transacting business through societies by utilising the resources but not entering the same transactions in the books of accounts so as to enjoy the benefits in a self-centered way, etc.

DEFECTIVE POLICIES OF THE GOVERNMENT

The Government often transferred the staff given on foreign service to these societies and not allowed them to concentrate their attention fully to develop the societies-ordered them to hold additional charge of the societies which were on the verge of dormancy and not able to bear the staff cost etc.

NATURAL BUSINESS LOSS

Because of unforeseen circumstances like rains, flood, havoc etc. the societies such as brick, pottery etc. had suffered loss in the absence of proper shed/building. Because of the heavy fluctuation in the price of raw materials (the societies might have suffered) it resulted in high cost of production at any particular point of time.
INEFFICIENT MANAGEMENT

Not following the scientific management practices involved in managing the Industrial Cooperatives. This covers aspects like giving indiscriminate advance to the members; not taking appropriate action to recover the dues/outstanding from the member, selling too much on credit sales, making payment of wages in such way that it affected the business operations, many defects indicated in audit and irregularities not rectified; executives not trained in cooperative management; understaffing of the societies, employment of untrained staff and so on.

CONFLICTS AMONG THE BOARD OF DIRECTORS

Misunderstanding and fighting among the members of the Board led to cleavage in the Board and obstructed decision-making. With the result the societies came to a grinding halt.

DOMINATION OF MASTER CRAFTSMEN

Among the members of the societies, the sympathiser members enter stealthily in large members and deliberately bring the societies to inactive condition so that they may have a free market for them and have the poor artisans under their thumbs. They would influence, owing to affiliation to political parties or otherwise by virtue of their wealthy background, over the poor artisans and
dominate the situation. This background brings them to adorn
the seat of power in the societies. It is with this view in
mind that the Government has introduced a policy of
increasing the membership of the Weavers' Cooperative
Societies from 30 per cent to 70 per cent before the end of
Eighth Five Year Plan. If more number of weaver artisans are
brought into the cooperative fold, then there may be some
unity among the individual artisan weavers so that they can
fight against the exploitative tendencies of the Master
Weavers.

RECORDS NOT AVAILABLE

The records of some of the societies were in pell-mell
condition and some societies did not possess the records as
they had been lost or they had not been preserved or the
President left the society/died and the records were lost.

MISAPPROPRIATION BY THE CHIEF EXECUTIVE

MISAPPROPRIATION BY THE STAFF

Putting the resources of the societies to wrongful
use more so for one's own/self against rules, it might be
done by the Chief Executive President or by the paid staff
of the societies, manipulating the accounts, misusing of
money for self and not producing the cash balance on demand
for inspection etc.
STOCK DEFICIT

CREATION OF RESERVES

Stock deficit may be on account of negligence of the staff or wilful neglect of the stores-in-charge or may be on account of poor storage. Because of stock deficits, objections raised by the auditors and reserves created to offset such deficits and misappropriation also.

ESTABLISHMENT COST

The societies suffered and came to loss owing to their inability to meet the salary of the staff deputed to work in them by the concerned Registrar of Industrial Cooperative Societies.

ALTERNATIVE OCCUPATION MORE BENEFICIAL

The members of the societies felt that the occupations other than the one for which the societies were organised in the area proved to be more economical/paying in terms of earnings and therefore, switched over to agriculture, fishing, and similar other occupations.

LACK OF THE LEADERSHIP

If once elected/selected leader was gone/dead, there was no body to manage the affairs of the societies. This may be due to their poor educational background, experience, ignorance of the philosophy behind the
organization of such societies, non-committed attitude, juking fear to hold the leadership position and so on.

Based upon the empirical data/information collected from the various records of the societies and the enquiry reports (wherever available) of the dormant and liquidated societies, the problems are listed out in the Appendices IV A(3), B(2), and C(2).

The number of societies which had experienced each of these problems are culled, extracted and tabulated in Table A. IV-13 in order to get a total perspective of the magnitude of the problems suffered by the various societies under Groups A, B and C.

GROUP - A

As seen from the Table A. IV-11 the age of Group A (i.e. the Weavers' Cooperative Societies) from the data of registration till 1991 reveals that they were sufficiently old and remained in dormant condition for long. In order not to keep them remain dormant for long, the societies of 15 years old should be taken in the descending order and revitalisation measures should be taken up. The reasons for dormancy of these societies are:

5 societies suffered inadequacy of supervision, 4 societies inadequate finance, and domination of master craftsmen, 3 societies each experienced the problems of inefficient
management, records not available, misappropriation by staff respectively, 2 societies each suffered disloyalty of members and stock deficit, one society revealed that it had market problem and conflict in the Board. All these societies suffered from more than 2 to a maximum of 6 out of 20 problems listed out.

Group-B

In the case of Group B (Handricarft) societies (Table A.IV 11) were sufficiently old and remained dormant for about a two decades or so. As stated by the Department of industries and Commerce, revitalisation programme should be taken up immediately. It is gratifying to note that already one out of 7 societies listed was taken up for revival in 1991. Other societies should also be taken up for revival or closure as the case may be without any further delay.

The societies had come to grief by experiencing a minimum of 2 to a maximum of 5 out of 20 problems listed explained in the foregone paragraphs.

All the 7 societies suffered from one or more aspects of the inefficient management detailed out earlier. 6 societies out of 7 did not get the committed members and they proved to be not loyal to the societies. The societies each suffered from the misappropriation by staff, stock deficit reserves created by audit, lack of leadership respectively. 3 societies suffered from the problem of
inadequate supervision, 2 societies each suffered the inadequate finance, inadequate raw materials, conflict in the Board, domination of master craftsmen, misappropriation by Chief Executive respectively.

Group C

Under Group C i.e. Village Industrial Cooperatives (under the purview of Khadi and Village Industries Board), there were 5 types of industries taken up for study. They are Village Oils (7 dormant and 3 active), Gur and Khandasari (6 dormant and 2 active) Handpounding of Paddy (4 dormant), Pottery (2 dormant and 1 active) and Bricks societies (5 dormant and 2 active).

Thus, in all 24 dormant and 8 active societies were studied and the details are as follows:

As revealed by the Table A.IV-11 among the 5 types of societies studied, 3 were below 10 years, 2 were 11 to 20 years; 21 were 21 to 30 years and 6 were above above 30 years old. Out of the 24 dormant societies studied, 2 had remained dormant 1 to 10 years, 12 from 11 to 15 years and 10 from 21 to 30 years.

The Table A.IV-12 indicates the number of societies and the problems encountered by them industry-wise.
The problems faced by each one of them were diverse and each society had faced more than 2 problems.

SUMMING UP

A total review of the Industrial Cooperatives including Groups A, B and C reveal the following reasons in the order of importance for their dormancy. The number of societies that had experienced each of these problems can be seen from Appendix IV C(2) and the extract of the same is tabulated in the following Table A IV-13. In all 40 dormant societies (All Groups A, B and C) have been studied. Out of 40 societies, 25 revealed that disloyal membership was the prime reason for their closure, 16 had indicated inefficient management as the second reason for their dormancy. As an economic unit, it would not only be the criteria of the economic viability and technical feasibility for the society to satisfy for its success but also to adhere to the cooperative principles. Therefore, it is imperative that the members of Industrial Cooperatives should be imbued with the cooperative ideology in a cooperative enterprise. However, in many of these cooperatives the members lacked them spirit, sense of responsibility and the cooperative ideology to shape their working in accordance with the cooperatives Principles. Given the literacy conditions and socio-economic background of the members, the successful working of the societies largely depends up 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 who is looking into a few societies in the twin cities, 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). Therefore, Education Programme and training are the two remedies that can be immediately prescribed to cure the ailment of these Industrial Cooperatives.

The third reason reported by the 12 societies is inadequate supervision. The fourth reason is stock deficit. The remaining reasons can be seen from the Table A.IV-13.
security scheme. To avoid misuse of the scheme there is a need to prescribe norms of production per individual and production should be related to the possible sale that can be effected by the society.

The costing cell of the Department of Industries and Commerce has started fixing the targets for every society under its control and performance appraisal done. The Break Even Point was worked out and targets fixed to achieve profits. A common proforma may not be applicable as the societies are producing single product, multi-products and some are service societies (purchase and sale function). The major disadvantages suffered by the Village Industrial Cooperatives are that they are becoming 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. But, there is scope for them to withstand these dynamic environments. Only through constant endeavour of hammering through 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 the societies. Since poor artisans may not withstand the competition of the mill/large scale sector certain village industrial Cooperatives similar to the reservations made for dhoties, sarees, etc. between the power looms and handlooms in the textile sector.
In the case of bricks and pottery societies, 50 per cent of their production was sold on wholesale basis to private merchants and 20 per cent in retail to the consuming public. To avoid the middlemen and save the commission from flowing to the middlemen, some central organization should be thought of.

Excepting the handlooms, no products of the other societies studied have entered into export market. This is owing to the absence of vertical and horizontal structure/federations.

The marketing strategy for weavers and other than Weavers' Cooperatives has been suggested with reference to conduct of market research, making ready made garments, finding alternative new uses for the products, training the sales force in the fundamental of salemanship, publicity in popular magazines, deputing delegations abroad to survey the market and keep rapport with them, reorient the pricing policy, modernisation of retail outlets, etc.

ABC 10. STOCK, STORAGE AND LEAKAGE

In Group A, the societies did not have adequate holding capacity and stored the goods in wooden/steel almirahs and kept in the room of the societies premises. The stock piled up in major part of the year owing to seasonal rebate attractions, fierce competition from the textile
goods, etc. In all 3 out of 21 societies studied experienced stock deficit and half to one per cent leakage was condoned/allowed by the societies and the rest of the deficit amounts were recovered from the concerned staff in charge of stock. There was not much stock deficit because the stock was checked once in 3 months by the Boards of Directors, once in 6 months by the Supervisory staff and by the auditors, once a year. Though the societies reported that there was such system of checking the stock, there were no remarks found in the stock registers to the effect. Even the audit enforcement was not there and objected items indicated in the relevant places of the registers etc.

In the case of Group B, there hardly any storing facility for stocking raw materials/finished goods and the storage of stock was not heavy as revealed by the statistics supplied by the societies. However, the stock deficits occurred because in some cases improper method of storing was adopted, in some cases damaged goods were procured and in some other cases the staff in-charge of the stock manipulated the accounts. However, similar to Group A proper system of checking was not followed, and the records did not reveal that somebody had checked them.

In respect of Group C though there was not much stock piled up in these societies, they were also facing the
inadequate storage space and stocking arrangements. The reasons for not storing much stock were:

a) Some of their products like Gur and Khandasari, Handpounded rice etc. could not be kept for long as they got spoiled.

b) The pottery and bricks articles were occupying more space and the spoilage/wastage/pilferage was easy in these cases.

c) The natural calamities inflicted damage on the products of the societies through rains, floods, etc. Therefore, the products of the Village Industrial Cooperatives were disposed off to the middlemen without keeping them for long with the societies. Moreover, the societies needed the circulating capital and they could not afford to wait till the final products were sold by them directly to the consumer. Thus, the societies were sold by them directly to the consumer, merchants on wholesale basis and the latter were the cream arisen out of the labour of the artisans of these societies by making a margin of their own and exploited the situation. 60 per cent of the societies studied did not keep the stock registers properly by completing them in all respects as was expected of them. Excepting the auditors who verified the stocks once a year, none appeared to have checked the stock position, stock deficits were recovered from the stores in-charge i.e.,
Presidents of the societies. 79 per cent of the societies studied under this Group reported that they had stock deficits and this was one of the reasons for their dormancy. In anticipation of the stock deficit, the auditors recommended creation of sufficient reserves in these societies.

Therefore, stock verification, surprise check by the supervisory machinery etc. only can detect the malpractices and minimise the stock deficits. As already suggested if Central /Apex Society/Societies are established the stock will move constantly and the stock deficits can be minimised and the societies can hope to get better prices for their products.

ABC 11. SUPERVISION AND AUDIT

The span of control exercised by the registering authorities through constant supervision was one of the factors determining the proper functioning of the societies. In Group A the Controlling Officer of the district had a very vast area and the number of societies were also too many. 66 Mandalas of 3 Revenue Divisions of the district were combined under one Assistant Director for Controlling Weavers' Cooperatives. Moreover, the Weavers' Cooperatives and Weavers outside the cooperative fold also were looked after by the same Officer. Because of this too wider
jurisdiction and numerous societies and coverage of weavers, effective supervision became difficult. The staff available for supervision also proved inadequate.

In the 3 Revenue Divisions studied the society/supervisor ratio was 1:13, 1:1 and 1:2 against the norms indicated by the working groups on Industrial Cooperatives as 1:20. The frequency of visits to the societies by the supervisory staff varied from one to six months as indicated by the societies.

As such it is suggested that the jurisdiction for the Controlling Officer should be confined to a limited area (at the most a Revenue Division) and norms should be developed to post supervisors for the societies taking into consideration the size of the societies, the distance the supervisory staff has to travel etc. The audit was done up to date and the defects were rectified by the societies with the help of the supervisory staff. The audit fees charged for the active/working societies were felt as a heavy burden cost on them. This requires sympathetic consideration by the Registrar of Cooperative Societies in-charge of audit of the societies.

In Group B and C although there was one Assistant Director for each district to look after the Industrial Cooperative Societies similar to Group A, he had to look after all aspects involved in the growth and development of