CHAPTER II

INDUSTRIAL COOPERATIVES IN INDIA: POLICY AND DEVELOPMENT
INTRODUCTION

The cooperative sector is expected to play a major role in solving the problems of India like employment and uplift of the weaver sections. This sector has proved the most suitable for the development of rural India, by utilising the locally available resources. Emphasis on its development has been laid down from time to time through policy statements and plan documents. Various committees have reviewed the performance of the cooperatives and made appropriate recommendations. The planned efforts made by both the Central and State Governments have paved the way for the cooperatives to make a headway in various areas like agriculture, consumer, marketing, housing, manufacturing, credit etc. Simultaneously, the expansion has yielded many a problem. The Industrial Cooperatives can mainly be categorised as weavers and other than weavers with their attendant four tier and two tier structures respectively. Despite the rapid strides made by the cooperatives in India, during the last four decades, one of the most serious problems faced by them is DORMANCY which varies with the category, the Government and the level. The Government of India has been launching various schemes and programmes to assist Cooperatives in different dimensions for improving their functioning and efficiency.
EVOLUTION

India is well known for artistic skills and craftsmanship right from early civilization. She has rich cultural heritage and tradition. The cottage industries flourished because of the patronage of royal families, aristocrats and the association of religious sentiments.

The village handicrafts and small-scale industries for rural industrialisation have gained importance for the following reasons:

(a) The excessive pressure of population on agriculture with its ramification of sub-division and fragmentation of land holdings, low yields, primitive methods of cultivation etc. Proverbially, Indian peasant is born in debt, lives in debt and bequeaths debt.

(b) The agriculturists and underemployed need to convert part-time job into full time avocation.

(c) Agriculture and small industries are interdependent.

(d) Cottage, handicrafts industry only can provide employment to artisans because the goods are not made by machines but by excellent finishing touch given by human hand with artistic skills.

(e) The over population with educated unemployed, uneducated unemployed and artisans can be fruitfully utilized in the labour-intensive industrial
development.

(f) With the scarcity of capital and plentiful natural resources of land, labour, water, etc. occupation is found only in small industrial sector. The returns on investment are also quick when compared to any other endeavor.

(g) The small industries can be organised more successfully as they do not require sophisticated qualifications, experience and training.

(h) The availability of the inputs for production and marketing is easier because the operations are local and do not depend on import potentialities.

(i) The development of small industries makes for a balanced economy (both in terms of industrial and agricultural developments).

(j) With the growth of the sector, common production programmes and working together of many industries integrating vertically and horizontally, become possible. The industrial estates also come into being with many sided facilities and advantages in the interior parts of the country. In this connection, it is observed that the age-old traditional handloom industry which can answer many of the above ills, has got to be developed, because of certain additional merits. It does not require huge capital for production
or for import of machinery etc. to run the unit, besides its employment potential.4

THE NEED FOR INDUSTRIAL COOPERATIVES

The cooperative sector has a major role to play in the uplift of weaker section and in the total economic growth of our country. Cooperation as an economic system has proved as the most suitable medium in improving the economic conditions of mainly agriculturists and to some extent individual artisans who have nothing except their inherited skills.5 Even though, the system did not come up in its spontaneity and suffered from (if not inherent) fortuitous weaknesses, the oft-quoted slogan "Cooperation has failed but it must succeed" has become the eye opener to the Government. Both Central and State Governments have been endeavored and are endeavoring earnestly to extend unstinted support to the cooperative movement in our country. There are certain advantages of the cooperative form of small enterprises over the private, individuals/ partnership form of enterprises.

Etymologically, a small scale venture suffers from the disadvantages like small size, little finance, employment of small machines, uneconomic production with high cost of production, limitations on quality of raw
material etc. As an individual entity it cannot also effectively market its products and employ the modern management practices. These handicaps can be overcome in a substantial way through a cooperative form of organization. The organization of individuals into societies and the combination of societies at horizontal and vertical levels manifest themselves into a network which ultimately enable them to have more sales. Because of the association and mutual linkage, division of work becomes possible, leading to greater efficiency, innovations and larger turnover. This individual stake in the organization vividly brings out the latent talents and devolution of responsibility among the members which otherwise might not have been possible for these entrepreneurs. Muster ing finance from the individual members and Government's participation are like small drops that make ocean. Thus, under the cooperative legal framework, borrowing power increases. The financing agency also reposes confidence because of the soundness of the entity. Once the much needed finance is secured, then the cooperative organization will be able to purchase the raw materials at an advantageous price, appoint technicians and necessary experts, maintain accounts, go in for installation of up-to-date machinery, take up modern and improved process of production and in the process command a good share in the market for its ultimate products. Collaborative and mutual
arrangements between the producers' cooperatives and the service or marketing or consumers cooperative would provide immense opportunities to have more business enterprise.

In addition, the employer-employee relationship is enriched. It develops the assiduity and faculties of the common man in the running of an industry, who has little opportunity otherwise. The legal status acquired with limited liability, statutory audit and supervision by the Government apparatus infuses confidence in the minds of the people to come together and serve for the common wealth of the community at large. Paternalistic assistance from the Government in the form of granting facile credit, managerial and other subsidies, grants, exemption from stamp duties and income tax, sales tax and other taxes, make cooperative an attractive form of organization. Thus, the industrial cooperative can constitute the strongest link of the cooperative movement in our country drawing in the weak members of this sector who are economically poor.

STATE AND INDUSTRIAL COOPERATIVES

Eventhough "Cooperation" is a transferred subject and the concerned State Government has the main responsibility of promoting, supervising, controlling, developing the Industrial Cooperatives, at the Government of India level, there is a Standing Committee under the Ministry of
Industrial Development which gives overall guidance, policy framework, streamlining the licensing system and so on. Due representation is given to the Ministry of Finance, Planning Commission, Reserve Bank of India, Khadi and Village Industries Commission, All India Boards like Handloom Board, Coir-Board, Silk Board, Handicrafts Board, Small Scale Industries Board etc.

Insofar as the structural organization at the State level is concerned different States follow different patterns. There is a lot of controversy over the control or jurisdiction over Industrial Cooperatives. The Cooperative Planning Committee headed by Shri R.G. Saraiya in its report of 1945 asserted that the administrative control of the Industrial Cooperatives should be vested with the Registrar of Cooperative Societies and not with Director of Industries and Commerce as they would have necessary qualifications, equipment or time to look after the many-sided activities of Industrial Cooperatives. But, many States like U.P., Punjab, Kerala, Andhra Pradesh, Tamil Nadu and West Bengal have transferred the Industrial Cooperatives from the Cooperative Department to the Department of Industries and Commerce while in the rest the Industrial Cooperatives are taken care of by the Department of Cooperation.
One school of thought favours the control over the Industrial Cooperatives by the Department of Industries equipped with cooperative staff because, the officers of the Industries Department are technically qualified persons having control over the small scale industries in the State, arranging the distribution of scarce raw materials, import licences and funds under State Aids to Industries Act. It has also the access to training through Small Industries Services Training Institute and the National level bodies like the National Small Industries Corporation etc.

Yet, another school of thought favours control by the Registrar of Cooperative Societies equipped with technical staff needed who is more competent to apply the legal provisions of Cooperative Societies Act, and may be in the know of the problems of these societies which would be more or less similar to the ones encountered by the other cooperatives under his control. In matters of audit, supervision and cooperative management he will be a better guide than the Director of Industries and Commerce. Again one cannot forget the most crucial aspect of finance, which is expected to come from the co-operative banks working under the control of the Registrar. If the Industrial Cooperatives are with the Director of Industries and Commerce, perhaps the niggardly treatment by cooperative banks may result in starvation of funds for Industrial
Cooperatives as it had happened in Punjab and happening in Andhra Pradesh also.7

Similar to the recommendations made by the Cooperative Planning Committee (1945) headed by Shri R.G. Saraiya, the Second Working Group on Industrial Cooperation (1963) headed by Shri B.P. Patel recommended that the balance of advantage lies in having Industrial Cooperative Societies under the aegis of the Cooperative Department rather than the Industries Department.8 This however, should be left to the State Government concerned to take a decision. But, the Working Group recommended that in either case, there should be close coordination between these two departments in all matters relating to Industrial Cooperatives and must be assisted by the Department Officer drawn from the other for efficient running. The two Departments must preferably be under one Minister. In Andhra Pradesh the Industries and Commerce Department has control over almost all types of Industrial Cooperatives. The handlooms and the powerlooms cooperatives fall under the jurisdiction of the Director of Handlooms and Textiles.

STATE AID TO INDUSTRIES

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

**STATE AID TO INDUSTRIES ACT 1922**

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

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

**POLICIES AND PROGRAMMES**

**PRE-INDEPENDENCE PERIOD**

Industrial Cooperatives in India have been almost as old as the agricultural Cooperatives. Initially they were organised only for the purpose of providing credit on reasonable terms to the artisans and craftsmen in villages and towns. They could not be otherwise as the Act of 1904 had made provision for registering only credit Cooperatives. Even so, some of the cooperatives had ventured into non-credit activities like purchasing and supplying to the
members raw material on credit or advancing loans to them against the pledge of their finished products and in some cases arranging to sell on behalf of the members, the finished products received from them as pledge. These activities were given the legal basis by the Act of 1912. 10

Cottage Industries faced the problems in the matter of procuring raw materials, securing improved yet comparatively inexpensive equipment, finding the resources long-term and reasonable terms for financing block capital and working capital requirements and marketing the finished products. It was expected that organising the artisans and handicraftsmen into cooperative for providing the needed services in all the different directions would help them to overcome these difficulties. But, the artisans and craftsmen, being mostly poor, could not raise from among themselves the minimum capital necessary for starting and working of such cooperatives. These cooperatives, wherever organised, experienced the same difficulties as were faced by their members and were not strong enough to overcome them successfully. Government wedded to the policy of laissez-faire did little to help these cooperatives, though it was known that in the countries like France and Italy, Industrial Cooperatives had achieved some measures of success because of the support extended to them by the Government. 11
The Indian Industries Commission of 1916-1918 and the Royal Commission on Agriculture both endorsed the organization of Industrial Cooperatives. But, the real impetus came in 1923 when the Government of India started financing Handloom Cooperatives. In the Forties (1939-40), World War-II broke out and large scale industries looked into the production of war material and small scale industries the mass consumption goods because the imports were cut off.

During Economic Depression when agricultural prices fell steeply, the income of the rural population and consequently their purchasing power had been adversely affected. This hit severely the cottage industries catering mostly to the rural markets. Artisans and handicraftsmen were in great distress. Handloom weaving industry being the most extensive industry in the country, distress of the handloom weavers leading to widespread discontent attracted the attention of the Government. In 1934, the Government of India introduced the Handloom Development Scheme under which provincial Governments were given grants for programmes of assistance to the handloom industry. Some provincial Governments as in Madras, utilized the grants for helping the Handloom Weavers Cooperatives. Later, on the recommendation of the Fact-Finding Committee (1942) the Government of India constituted the All India Handloom Board
in 1945 to advise the Government on the problems facing the handloom industry and the lines of assistance necessary and possible.¹⁴

In 1943, the then Bombay State organized an Industrial Cooperative Organising Committee. It sponsored a number of societies among tanners, carpenters, smiths, potters, etc. A joint Registrar of Industrial Cooperatives was appointed in the Department of Cooperation. Similar Industrial Cooperatives were started in Madras, Uttar Pradesh, Saurashtra, Delhi and other places.¹⁵

During World War II, conditions of scarcity had developed in the matter of supply of many essential commodities. Yarn required by the weavers was one such commodity. Government first introduced price control and later physical control on distribution. At that time the Handloom Weavers' Cooperatives were preferred by the Government to other agencies for allotting licences to handspun yarn distribution work. This acted as an incentive for the formation of Weavers' Cooperatives.¹⁶

The Cooperative Planning Committee (1945) headed by Shri R.G. Saraiya had made recommendations and measures of assistance to Industrial Cooperatives such as:

(a) Under the control of the Registrar of Cooperative
Societies, Regional Promotional Agencies should be established in each province to survey, plan and organize Industrial Cooperatives. These should be headed by Promotional Officers aided by Deputy Promotional Officers.

(b) Industrial Cooperatives should only be under the control of the Registrar of Cooperative Societies.

(c) Government should give financial resources to Central Cooperatives Banks to provide loans and subsidies to Industrial Societies. If the banks are weak, separate Industrial Cooperative Banks may be established.

(d) Government should accord preference to the products of Industrial Cooperatives in its purchasing programmes.

(e) Short-term finance should be made available from the Reserve Bank of India for Industrial Cooperatives and so on.  

POST-INDEPENDENCE ERA

Immediately after the dawn of Independence, the Government of India declared its Industrial Policy in April 1948. The First Industrial Policy (1948) stated, "Cottage and Small Scale Industries have a very important role to play in the national economy, offering as they do scope for individual village or cooperative enterprise, and means for rehabilitation of displaced persons. These industries are particularly suited for the better utilization of local
resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods like food, cloth and agricultural implements.

For the coordinated development of all types of cottage industries, the Government of India set up in August 1948, the All India Cottage Industries Board in the place of All India Handloom Board which was set up in 1945 and one of the subcommittees of the new Board was to attend to the Industrial Cooperative workers. The Government also set up the Cottage Industries Directorate within the Directorate General of Industries and Supplies under the Ministry of Industry and Supplies. In 1948, the Government of India passed the Central Silk Board Act and constituted the Central Silk Board in 1949 to promote the development of silk industry in the country.19

PLAN ERA

With the setting up of the Planning Commission in 1950, the Five Year Plans give a face-lift to the developmental activities in the country.20 Priority sectors were identified and programmes and policies chalked out towards the growth and development of the economy. Though the major emphasis of the First Plan was to develop the agriculture sector, it recognized that the village industries had a central place in rural developmental
programmes and therefore, their development should be as much a matter of State action as the increase in agricultural production. Besides, technical improvement, research and other measures for improving efficiency, the Plan visualized that the primary objective of the State Policy should be to provide a field within which each cottage industry may be able to organize itself. Wherever there was competition between the small scale cottage industry and big/large scale industry, common production programmes were contemplated for the small scale sector. For the purpose of relieving the cottage industry workers of their dependence on the middlemen and to ensure that technical guidance and other measures of assistance would reach the village artisans, it was considered necessary to organize these artisans into Industrial Cooperatives.21

To pay more concentrated attention to different categories of industries within the broad class of cottage and small scale industries, the Government of India replaced the Cottage Industries Board by four Boards. They are All India Handloom Board (October 1952), All India Handicrafts Board (November 1952), All India Khadi and Village Industries Board (January 1953) and Small Scale Industries Board (November 1954). Besides these, the Coir Board was set up in July 1954 like the Silk Board under special statute, the Coir Industry Act of 1953.22
The then Ministry of Commerce and Industry requested the Industrial Planning Team - The Ford Foundation (1954) to investigate into the feasibility of effecting improvement in the existing small industries in India and to suggest methods of improvement. Mr. Douglas Enaminger was the representative of Ford Foundation in India who carried out investigations and made suggestions such as

(a) basic training (technical) needs of the small scale sector must be met squarely;

(b) creative signs to meet the changing fashions should be developed through design centres, and

(c) export development officers should be created as contact agency for foreign buyers and so on.\textsuperscript{23}

Based on the major recommendations of the Village and Small Scale Industries Committee (October 1955) headed by Prof. D.G. Karvel, the Second Five Year Plan devoted its attention on the development of village and small scale industries (side by side with heavy industries). Thus, a distinct bias was introduced to organize Industrial Cooperatives in the small scale, village and cottage industrial sector.\textsuperscript{24}

The industrial Policy Resolution of 1956 supported the Industrial Cooperative form of organizations for the
workers, artisans and weaker sections of the small scale industrial sector. A separate cell in the Ministry of Industrial Development under Commissioner for Small Scale Industries to advise the State Governments for promoting small scale industries was set up. A network of small Industries Service Institute and Extension Centre was set up to provide technical guidance to small units. 25

The Government of India from time to time appointed Experts/Working Groups to review the position of the Industrial Cooperative Movement with reference to the growth, progress needs, etc., and indicate the lines of development in various plan periods through specific policies, programmes and schemes. The First Working Group of Industrial Cooperatives was appointed in September 1957 under the Chairmanship of Shri M.R.Bhide and subsequently on his resignation under Shri J.C.Ryan, I.A.S. and it submitted its report in July 1958 with as many as 120 recommendations. 26 The recommendations covered organizational problems with reference to registration, procurement of raw materials and equipment, provision of credit, marketing of industrial products, training and education and administrative matters. Nearly 50 per cent of them were accepted by the Government of India for implementation.
The Second Working Group on Industrial Cooperatives was appointed by the Government of India in September 1962 under the Chairmanship of Shri B.P. Patel and the report was submitted in May 1963 with 41 vital recommendations, majority of which were accepted by the Government. The broad recommendations were as follows:

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

The Government of India appointed a special Working Group on Financing Industrial Cooperatives by Cooperative Banks on 17th June 1966 to examine the State Aid to Cooperative Banks, the possibility of extension of credit facilities under Section 17(2) (b) of the Reserve Bank of India Act and suggest programme of action for Cooperative Banks to expand their finance to Industrial Cooperatives. The Reserve Bank of India also set up the Working Group on Industrial Financing through Cooperative
Banks on June 1967 under the Chairmanship of Shri P.N. Damry, the then Deputy Governor of the Reserve Bank of India. The final report was submitted in August 1968. It expressed concern over the problems of dormancy of Industrial and Weavers Cooperatives and highlighted the need for finding out norms for viability criteria for these Industrial Cooperatives before they were registered. 29

The Khadi and Village Industries Committee under the Chairmanship of Shri Ashok Mehta submitted its report in 1968. It has spelt out some important suggestions with reference to organizational restructuring, such as the conversion of Khadi and Village Industries Commission into a Rural Industries Commission and the function of all India Boards to be coordinated by a Central Ministry. 30

In order to improve the productivity of Handloom Sector, the Ashok Mehta Committee (1968) suggested conversion of 35,000 handlooms into powerlooms. 31 This resulted in technological unemployment and therefore conversion policy was abandoned in 1971. Many unauthorised powerlooms came into existence. So the excise benefit given certain varieties were prohibited for powerloom sector. Reservation of certain varieties like colour sarees, was made for Handloom Sector. The powerloom and the mill sectors were prohibited from production such items.
A High Power Committee headed by Shri Sivaraman examined the position of Handloom Industry and made certain far-reaching recommendations to rejuvenate the Handloom Sector in 1973. An exclusive Development Commissioner for Handlooms; 60 per cent of the weavers to be brought under the cooperative fold in Fifth Plan as against 30 per cent coverage, setting Rs. 105 crore target for export of handlooms; 25 per cent production of the spinning mills to be given at cost price to weavers; National Cooperative Development Cooperation should help in setting up of 25 more cooperative spinning mills with 2500 spindles each; setting up of Intensive Development Projects covering 5000 to 10000 handloom weavers; setting up of Pilot Projects for marketing of handloom goods; exclusive reservation of 8 items of cloth (dohis, chaddars, table cloth, napkins, plain cloth, sarees other than cotton coloured sarees with borders measuring 2 and 1/2 inches width, etc.) for handloom sector; need for fixing minimum wages for handloom weavers etc. were some of the important suggestions that constituted the recommendations.

**INDUSTRIAL POLICY OF 1977**

After the Industrial Policy Resolution of 1956, for the past two decades the economy was plagued with the maladies like increase in unemployment, widening of the rural urban disparities, stagnation of real investment,
widespread industrial sickness, slow dispersal of industrial activity, distorted pattern of industrial costs and prices and so on. In order to remove the economic distortions and bring about economic development, the Industrial Policy of 1977 was announced by the Minister of Industry in the Parliament on December 23, 1977.

The main thrust of this Industrial Policy was laid on the promotion of cottage and small industries which were widely spread in rural areas and small towns. The list of industries exclusively reserved for the small scale sector was significantly expanded and it numbered 504 items as against 180 items earlier. 33 (Which was later raised to 845) Within the small scale industries, the tiny sector i.e., those with investment in machinery and equipment up to Rs. 1 lakh and situated in towns with a population of less than 50,000 according to 1971 Census was given special importance. Introduction of special legislation for protecting the interest of the cottage and household industries was contemplated. In each district one district Industries Centre would be established to deal exclusively with the requirements of the tiny sector. The Director of Industries and Commerce would establish close linkage with the development blocks and the Small Industries Service Institutes for bringing about integration and growth of the tiny sector.
For financial support for these industries, separate branches of the Industrial Development Bank of India and a cell in the Nationalised Banks would be opened. For the products of these industries the Government would survey the market and marketing arrangements would be made. Purchase preference and reservation for exclusive purchase by Government departments and public sector undertaking would also be used to support the marketing of these products.

Under this Policy, Government was committed to providing maximum support (both financial and marketing) needed for the promotion of Khadi and Handloom industries within the tiny sector. The Government would not permit any expansion in the weaving capacity of the organised mill and powerloom sector in meeting the clothing needs of the masses. Delineation of the areas between the large scale and the small scale sector was done and the suggestion of the use of appropriate technology for the small scale sector was adopted. 34

The Policy also suggested that the activities of the large houses in their expansion programme should be regulated so that the prevention of monopolies would become possible. It also emphasised the need for the professionalisation of management, based on aspects like foreign
investment policy, import and export liberalisation, location of industries, workers' participation, pricing policies, streamlining administrative procedures, and so on. Thus the Government's efforts to help and improve the small scale sector was duly appreciated. 35

INDUSTRIAL POLICY, 1990

This policy stressed upon the promotion of Industrial Cooperatives in the rural areas. 38

In order to assist the large number of artisans engaged in the rural and cottage industries, the activities of KVIC and KVI Boards will be expanded and those organizations will be strengthened to discharge responsibility more effectively. Special marketing organizations at the Centre and State levels shall be created to assist rural artisans in marketing their products and also in supply of raw materials. Besides, providing concessional credit, training facilities and free consultancy to groups of artisans will also be provided.

While the need for developing cottage and small scale industries is felt urgent from the view point of contributing to increased production by utilizing the more manpower and less capital, many of these industries do not have technical or economic visibility. Many of these cooperatives have proved to be too weak and the large extent
of dormancy among them is a clear indication of the failure of the Industrial Cooperatives. In order to make them more viable good cooperatives should be organised and revitalized. A fresh look at the functioning and working of cooperatives is imperative in view of dormancy and measures for their future development have to be made and implemented. In this connection, it may be suggested that the micro level studies would certainly help us understand the problems of dormancy and in turn may enable us to formulate new measures that would revamp and revitalise the industrial cooperatives in a proper perspective.

POSITION OF INDUSTRIAL COOPERATIVES IN INDIAN ECONOMY

The planned efforts, the appointment of various Expert Committees, Working Groups etc. have paved the way for the growth of the Movement. In addition, the increasing attention to convert the economic activities into Cooperative system by the Government and its policies gave an impetus and cooperatives in agricultural, consumer, marketing, housing, industrial production and credit sectors have made considerable headway in the country's economy. 37

The expansion of the Movement in the country has yielded many problems. To cope with the problems, an effective professionalised cooperative management has been advocated more and more in the present day.
The statistical statements relating to Cooperative Movement in India published by Reserve Bank of India and the NABARD (Vol. II Non-Credit Cooperatives) give a picture of Industrial Cooperatives under two main heads viz. Weavers' Cooperatives and other than weavers cooperatives.

Since the main thrust of the thesis is to focus attention of the Industrial Cooperatives Movement in the Chittoor District of Andhra Pradesh, it is proposed to look first into the general pattern of growth and development of this sector in the country as well as in the State.

WEAVERS (NATIONAL LEVEL) STRUCTURE

At the all India level, the Weavers Cooperatives are classified into a four-tier structure. There is an Apex Society at National level (All India Fabrics Marketing Cooperative Society) and each State has an apex, central and primary weavers cooperative societies.

GROWTH

The trend of growth of these Weavers' Cooperatives over 5 years from 1979-80 to 1983-84 was both quantitative and qualitative as can be seen from Appendix No. II-1.

All through there had been only one National level Apex Society which was in working condition throughout the
Five Year period from 1979-80 to 1983-84.

In the case of State level apex societies, there were 22 societies in 1979-80 and their number went up to 26 in 1983-84. Of these societies, only one society (West Bengal) was not functioning and remained dormant, which formed 3 to 4 per cent of the total number of societies registered in the country.

The membership of dormant State apex societies remained at 60 (1.06 percent) in 1979-80 and decreased to 16 (0.20 percent) in 1983-84. The active membership increased from 5,652 in 1979-80 to 7696 in 1983-84.

Similar to the State level apex societies, the central weavers cooperative societies did not register any substantial growth. In 1979-80 there were 93 central societies which decreased to 32 in 1983-84. Nonetheless, the percentages of dormancy came down gradually from 59.13 in 1979-80 to 27.27 in 1982-83 and increased to 34.37 in 1983-84.

The percentage of membership of dormant central weavers' cooperative societies was not steady. It varied from 2752 members (61.42 percent to total) in 1979-80 to 272 members (10.62 percent to total) in 1983-84. The reduction in membership may be due to
(a) the entry of sympathiser membership is discouraged,
(b) newly organised/re-organised societies have restricted their admission of members only to those who are active artisans, when they could employ;
(c) members might have left the societies because they could not get satisfactory work/wages and so on.

In the case of primary weavers' cooperative societies the position was, far from satisfactory with regard to their working. The total number of registered societies in 1979-80 was 14,251 and it went up in 1980-81 and it went down in 1981-82 and went down again from 1982-83 onwards. The percentage of dormancy of primary weavers cooperatives societies was 46.17 per cent in 1979-80 and it successively went down to 27.49 per cent in 1983-84. Similarly the total membership of the primary weavers cooperative societies also slowly registered a rise from 7.51 lakhs in 1979-80 to 10.04 lakhs in 1983-84. The percentage of membership of primary dormant societies was 44.98 in 1979-80 and it fell down progressively and reached 15.45 in 1983-84. From the above analysis, it is seen that primary weavers cooperative societies, and central societies were in bad shape in terms of their number and membership but for a slight decrease in their percentage over 5 years.
STATE FEDERATIONS

Out of the total number of 28 State Level federations working almost in each State/Union Territory, each has a single society at the Apex/State level excepting the States of Karnataka, Orissa, West Bengal which have 3 societies each at State level and Maharashtra 2 and Delhi has 4. The membership of State Federations consist of societies and individuals. There were 7680 societies and 1674 individuals as members of 28 State Federations as on 1983-84. In Tamil Nadu, Bihar, West Bengal and Assam there were more number of societies as members of State Federations. The State Federations in Pondichery, Karnataka, Bihar, Tamil Nadu and Maharastra have maximum number of individual members in the descending order during the year 1983-84. As a matter of fact the Federations should never enlist individuals as members as they are federations of primaries of central societies. The practice of individual membership in federations need to be discontinued.

CENTRAL FEDERATIONS

In the middle tier of the three tier structure of Weavers Cooperatives there were 32 Central Federations in India as on 1983-84. They were in Maharastra, Rajasthan, Punjab, Karnataka, Bihar, West Bengal and Madhya Pradesh. The maximum number was in Maharastra followed by Rajasthan, Karnataka and Bihar. Out of 32 Federations, only 21 were
active and the remaining 11 dormant. Out of the seven States where the Central Federations were situated only Rajasthan has 6 defunct Federations out of a total of six. The remaining States did not show such a disappointing position.

The Central Federations also have both societies and individuals as their members. As on 1983-84 the 32 Central Federations had 2288 societies and 1343 individuals as their members. An examination of the membership of the Central Federations reveals that the maximum number of Societies were members of the Federations in the States of Bihar, Maharashtra, Punjab and Karnataka respectively. The maximum number of individuals formed the membership of the Central Federations in the States of Karnataka, West Bengal, Karnataka and Bihar respectively. As already mentioned the practice of individuals finding place in the membership of Central Federations need to be stopped. The Central Federations should only have membership of Primary Societies and not individuals. If not the mixed membership of primaries and individuals will lead to the overlapping of membership and conflicting interests being developed in the Federations.

**PRIMARIES**

In India, as on 30.06.84, there were 11572 Primary Weavers' Cooperative Societies and 8483 (72.50 per cent)
were working and the remaining societies (27.49 per cent) were dormant. The Maximum number of societies were registered in the States of Tamil Nadu, West Bengal, Assam, Bihar, Maharashtra and Karnataka respectively during 1983-84. The maximum number of dormant societies were found in Assam, West Bengal, Bihar, Rajasthan, Karnataka and Maharashtra respectively over the last 5 years (1979-80 to 1983-84).

The maximum number of Weavers' Cooperatives were registered and maximum number of societies were found dormant in the States of Assam, West Bengal, Rajasthan, Karnataka and Maharashtra in the descending order respectively. However, at the all India level the maximum percentage of dormancy was found in the States/Union Territories of Andaman, Rajasthan, Assam, Uttar Pradesh, Tripura and Himachal Pradesh during 5 years from 1979-80 to 1983-84.

Eventhough large number of societies were registered and also large numbers were found dormant during the last 5 years in Handloom cotton, Handloom wool, Handloom silk respectively, there was high incidence of dormancy and maximum percentage of dormancy found in Khadi wool, Khadi cotton and Handloom wool respectively.
FINANCIAL POSITION OF WEAVERS SOCIETIES (NATIONAL LEVEL)

The financial position of the Weavers' Cooperatives on all India level remained far from satisfactory during the last 5 years (1979-80 to 1983-84). Nonetheless, the total number of societies incurring loss and the amount of loss in respect of the State level Apex Societies, Central Societies and Primary Societies showed a declining trend. The number of societies showing profits and the amounts of profits achieved by the three level structures registered an improving trend over the last 5 years and reached a not high in the year 1983-84. But, the position with regard to the societies which were on "no profit no loss position" showed that such societies were increasing in number in all the three levels of societies year by year over the last 5 years of the study.

A. POSITION OF WEAVERS COOPERATIVES IN ANDHRA PRADESH

A (i) STRUCTURE

There is a two tier structure of weaver's cooperatives in Andhra Pradesh as compared to the three-tier structure as obtained in some other States of India. There is one Apex level society (Andhra Pradesh State Handloom Weavers Cooperatives Society) to which all the primary weavers cooperative societies are affiliated.
A (ii) GROWTH

During the year 1980 revitalization programme was completed in the State. After that the number of primary societies reduced from 2,215 in 1979-80 to 786 in 1980-81. During the years taken up for study (viz. 1979-80 to 1983-84) the primary weavers cooperatives showed nominal progress in their quantitative and qualitative growth. Statistics for the last 5 years showed that quantitatively there were nearly 12,000 primary weavers' cooperatives in the country and Andhra Pradesh had more than 300 primary weavers' cooperatives which means roughly 6.66 per cent of the total primary societies in India.

If we look into the qualitative position of the weavers primary cooperatives via-a-vis All India level, Andhra Pradesh occupied the tenth place in 1979-80, eighth place in 1980-81 and 81-82, tenth place in 1982-83 and eleventh place in 1983-84 in terms of minimum percentage of dormancy found among all the States in the country (vide Table II-1).

Owing to many reasons, the percentage of dormant primary weavers cooperative societies progressively reduced year by year from 1979-80 to 1983-84 from 32.27 per cent to 30.06 per cent in 1983-84 in Andhra Pradesh as against the rising tendency of percentage of dormant societies at all India level. (vide appendix II-1).
Table No. 11-1
Position of Weavers Cooperative Societies and other than Weavers Cooperatives
in Andhra Pradesh VIS-A-VIS India as on 30th June.

|---------------|---------|---------|---------|---------|---------|

i) Position of Weavers Cooperative Societies in Andhra Pradesh VIS-A-VIS India as on 30th June.

1. Total No. of Societies (Maximum to Minimum)  
   | 11 | 11 | 11 | 11 | 11 |

2. No. of Dorman Societies(Maximum to Minimum)  
   | 11 | 11 | 11 | 11 | 11 |

3. Percentage of dormany (Maximum to Minimum)  
   | X | X | X | X | X |

4. Percentage of dormany (Minimum to Maximum)  
   | X | X | X | X | X |

5. Membership (Maximum to Minimum)  
   | 1 |

6. Total No. of Working Societies (Maximum to Minimum)  
   | 1 | 1 | 1 | 1 | 1 |

iii) Position of (other than Weavers Societies) in Andhra Pradesh VIS-A-VIS India as on 30th June.

1. Total No. of Societies (Maximum to Minimum)  
   | 1 | 1 | 1 | 1 | 1 |

2. No. of Dorman Societies(Maximum to Minimum)  
   | 1 | 1 | 1 | 1 | 1 |

3. Percentage of dormany (Maximum to Minimum)  
   | X | X | X | X | X |

4. Percentage of dormany (Minimum to Maximum)  
   | X | X | X | X | X |

5. Membership (Maximum to Minimum)  
   | X | X | X | X | X |

6. Total No. of Working Societies (Maximum to Minimum)  
   | IV |

Source: Extracted from the R.B.I. AND MAHARO Statistical Statements relating to Cooperative movement in India Part-II Non-credit Societies from 1979-80 to 1983-84.
A (iii) MEMBERSHIP

The membership of the Apex Federation consists of societies and individuals. In so far as the maximum number of individuals and societies' membership of the Apex Federations were concerned, Andhra Pradesh occupied the second and sixth places respectively at all India level in 1983-84.

With regard to the primary weavers' industrial cooperatives Andhra Pradesh took the sixth place in the total number of societies registered (625 numbers) and occupied the sixth place with 577 societies next to Tamil Nadu (1,523), West Bengal (968), Maharashtra (838), Orissa (681) and Bihar (613) in the total number of active societies at all India level in 1983-84. In so far as the individual membership of primary weavers' cooperatives was concerned Andhra Pradesh occupied the first place (3,56,000 members).

The Statistics show that during the period of study (i.e. 1978-80 to 1983-84), there was stable progress in the growth of number of societies, their membership and equity position without much variation. Just posing the progress of weavers' cooperatives in Andhra Pradesh with that of other States in India, the quantitative and qualitative progress registered by Andhra Pradesh is
encouraging. Like any other state in the country where handlooms are in plenty, Andhra Pradesh also has the two tier structure with primaries at the grassroot level and State Apex Society at the state level. From the functioning of the State Apex Society (viz. APCO) it appears that it has grown too unwidely in catering to the 577 societies with regard to supply of inputs, marketing and other coordinating activities. In order to do full justice to all the affiliated societies, it might be worthwhile to split this Apex Society into two parts for the convenience of handling the input services and marketing activities, of course with a control, coordination of these vital functions.

A (iv) FINANCIAL POSITION OF WEAVERS' COOPERATIVES IN ANDHRA PRADESH

Appendix (II,2) gives the capital structure of the weavers' cooperatives vis-a-vis other than weavers' cooperative societies in Andhra Pradesh Statistics for 1979-80 to 1983-84 revealed that the percentage of paid-up share capital of the weavers' societies to their working capital varied approximately from 17 to 25. The Government had also supported the weavers' cooperatives to a great extent. This is proved from the fact that the percentage of Government participation (and assistance) to the paid-up share capital of these societies varied from 52 to 57 over the past 6 years 1979-80 to 1983-84. Perhaps owing to the paternalistic
assistance and attitude of the Government only the societies have shown a little improvement as discussed above.

B. POSITION OF OTHER THAN WEAVERS COOPERATIVES IN ANDHRA PRADESH VIS-A-VIS NATIONAL LEVEL

B (i) STRUCTURE

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

B (ii) GROWTH

During the last 5 years (i.e. 1979-80 to 1983-84) there were in all 12 to 16 state level apex societies in the country for industrial cooperatives other than weavers. The percentage of dormancy among them varied from 7 to 41 during the years under study. There was too much of variation in their number over 5 years, which did not function and remained dormant. The percentage of dormancy was 41.66%, 16.75%, 21.42%, 7.14% and 7.58% respectively in the five years (1979-80 to 83-84) Vide Appendix No.II-1).

The Central societies showed a gradual increase in their total number. There were 58, 149, 148, 152 and 143 societies respectively during 1979-80 to 83-84 with regard
to the percentage of dormancy, it reduced from 12.0 to 5.26 during the 5 reference years.

In so far as the primary level industrial cooperatives were concerned, there were 24,000 to 35,000 societies registered in the country during the 5 years and roughly 50 percent of the societies remained dormant in the country.

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

The maximum number of Industrial Cooperative societies (other than the weavers) was registered in the States of Andhra Pradesh, Uttar Pradesh, Bihar, Punjab, Tamil Nadu and Haryana respectively over the five years (1979-80 to 1983-84). The maximum number of dormant societies were also found in the states of Andhra Pradesh, Uttar Pradesh, Rajasthan, Bihar, Kerala, Punjab and Karnataka respectively. With regard to the maximum percentage of dormancy, the states of Rajasthan, Uttar Pradesh, Assam, Madhya Pradesh, Andhra Pradesh, Himachal Pradesh, West Bengal and the Union Territory Andaman found their places in the descending order from maximum percentage of 100. In terms of minimum percentage of dormancy found among the Industrial Cooperative Societies (other than the Weavers' Cooperatives) on all India basis Andhra Pradesh occupies Tenth, Twelth, Fourteenth and Seventeenth Place during last 2 years (next to the Union Territory of Delhi) through the Five years of our reference study (viz. 1979-80 to 1983-84). Insofar as the maximum number of societies registered, Andhra Pradesh occupied First and in respect of maximum number of societies in working condition also it was placed Fourth for First 2 years and First place in the remaining 3 years among the 29 States/Union Territories of India (vide Table No.II.1). This shows that the performance of these societies is progressive on the overall position of the country's industrial cooperative development.
DORMANCY INDUSTRY-WISE

Industrial Cooperative Societies were divided under two major heads viz. weaving (hand spun 6 types and powerloom) and other village industries of 17 types (other than weavers). Nearly 12,000 societies in the former and more than 35,000 societies in the latter were registered and organised and the number of each type of industry varied so widely that no comparison could be attempted. Similarly the dormancy found among them was also extremely high ranging from 38 to 90 per cent. The 5 years statistics (from 1979-80 to 1983-84) reveal that maximum number of societies were registered and a large number of them remained dormant in Handloom cotton, Handloom wool, Powerloom, Khadi silk and Khadi cotton respectively. However, the maximum percentage of dormancy was found in Khadi wool, Khadi cotton, Handloom cotton and Handloom wool. The powerloom sector was extremely well run with least number of inactive societies.

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

DORMANCY IN INDUSTRIAL COOPERATIVES AT PRIMARY LEVELS FOR WEavers AND NON-WEAVERS IN INDIA AND ANDHRA PRADEsh

The exponential growth rates of dormancy, working and total industrial cooperatives at primary levels for both weavers and non-weavers in all India and Andhra Pradesh state have been computed during the period of the study from 1979-80 to 1983-84.

WEAVERS

The dormancy in industrial cooperatives at primary level in all India declines at the significant rate of 18.7% per annum, while as the same is increased at the rate of 2.5% per annum in Andhra Pradesh. But this growth is insignificant at 5% level. The growth rates of working and total weavers in industrial cooperatives for both India and Andhra Pradesh declined during the study period. But these growth rates are insignificant at 5% level.
NON-WEAVERS

The dormancy in industrial cooperatives at primary level increased at the rates of 10.3% and 23.7% per annum respectively in all India and Andhra Pradesh. These growth rates are significant at 10% and 1% levels respectively for all India and Andhra Pradesh. The growth rates of working and total non-weavers in industrial cooperatives for Andhra Pradesh are respectively given by 17.2% and 20.6% per annum. These growth rates are significant at 5% and 1% levels respectively. The growth rates of working and total non-weavers for all India are insignificant at 5% level.

The empirical results about the growth rates of dormancy, working and total weavers and non-weavers in industrial cooperatives at primary levels for both India and Andhra Pradesh are presented in the tables 11.2 and 11.3.
Table II.2

ESTIMATES OF GROWTH RATES OF DORMANCY IN INDUSTRIAL COOPERATIVES AT PRIMARY LEVELS FOR BOTH WEavers AND NON-WEavers IN INDIA

<table>
<thead>
<tr>
<th>Variable</th>
<th>Weavers</th>
<th></th>
<th></th>
<th>Non-Weavers</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Growth Rate</td>
<td>$R^2$</td>
<td>Growth Rate</td>
<td>$R^2$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dormancy</td>
<td>-0.1874*</td>
<td>0.9621</td>
<td>0.1028***</td>
<td>0.7443</td>
<td>(0.0215)</td>
<td></td>
</tr>
<tr>
<td>Working</td>
<td>-0.0099</td>
<td>0.0140</td>
<td>0.0626</td>
<td>0.5871</td>
<td>(0.0479)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>-0.0742***</td>
<td>0.6648</td>
<td>0.0820***</td>
<td>0.6814</td>
<td>(0.0304)</td>
<td></td>
</tr>
</tbody>
</table>

Values in the parentheses indicate standard errors.

* indicates significant at 1% level.

*** indicates significant at 10% level.
### Table 11.3

**ESTIMATES OF GROWTH RATES OF DORMANCY IN INDUSTRIAL COOPERATIVES AT PRIMARY LEVELS FOR BOTH WEAVERS AND NON-WHAVERS IN ANDHRA PRADESH**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Weavers</th>
<th></th>
<th>Non-Weavers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Growth Rate</td>
<td>$R^2$</td>
<td>Growth Rate</td>
<td>$R^2$</td>
</tr>
<tr>
<td>Dormancy</td>
<td>-0.0251 (0.0136)</td>
<td>0.5312</td>
<td>0.2365* (0.0356)</td>
<td>0.3353</td>
</tr>
<tr>
<td>Working</td>
<td>-0.1883 (0.1195)</td>
<td>0.4512</td>
<td>0.1721** (0.0347)</td>
<td>0.3910</td>
</tr>
<tr>
<td>Total</td>
<td>-0.1963 (0.1215)</td>
<td>0.4851</td>
<td>0.2060* (0.0296)</td>
<td>0.9410</td>
</tr>
</tbody>
</table>

Values in the parentheses indicate standard errors.

* indicates significant at 1% level.

** indicates significant at 5% level.

Figure 11.1 and 11.2 shows the dormancy in Industrial Cooperatives (Both weavers and non-weavers) All India Vis-A-Vis Andhra Pradesh.
DORMANCY IN INDUSTRIAL COOPERATIVES
ALL INDIA VIS-A-VIS ANDHRA PRADESH

Figure II.1
DORMANCY IN INDUSTRIAL COOPERATIVES
ALL INDIA VIS-A-VIS ANDHRA PRADESH

Figure II.2
B (iii) MEMBERSHIP

The total membership of the State level societies varied from 2600 to 6200 members. There was too much of variation of the percentage of membership of the dormant State societies which were reported as 29.65, 14.74, 15.14, 0.47 and 0.80 respectively during 1979-80 to 1983-84.

The State, Central and Primary level societies have societies and individuals as members. In 1983-84 at the Apex level there were 13 societies registered and only one was dormant. Out of 29 States/Union Territories, 8 States/Union Territories had State level Apex Federations each not having more than one or two (excepting Tamil Nadu which had a total number of 5, West Bengal 3 Apex level societies). Of all the States, Kerala had the maximum number of membership in its Apex Society followed by Tamil Nadu, Andhra Pradesh and others.

The total membership of the central societies showed an increasing trend over the 5 years. The position of membership in absolute numbers remained 16,032, 25,658, 21,458, 25,830 and 24,359 respectively from 1979-80 to 1983-84. The percentage of membership of dormant societies declined rapidly from 4.41 to 2.51 over the 5 years.

The increase in membership and decline percentage in the membership of dormant societies could be on account
of various factors. It need not be a mere indicator of overall deterioration in the working of those societies.

Nearly 6 States had Central Societies, Tamil Nadu, Gujarat and Maharashtra had the maximum number of Central Societies. Sofar as the maximum number of membership is concerned the States of Gujarat, Maharashtra and Tamil Nadu had the largest membership.

There were as many as 17 lakhs members in the Primary Industrial Cooperative Societies (other than weavers) during the 5 years of our reference study. The percentage of membership of dormant societies remained almost constant during the 5 years. It was 28 to 41 per cent and in terms of absolute numbers it stood between 4 and 6 lakhs of members.

The maximum number of primary societies was situated in the States of Andhra Pradesh, Bihar, Tamil Nadu, Uttar Pradesh, Maharashtra, Haryana and Karnataka, respectively followed by other States/Union Territories. Out of total 29 States/Union Territories only 15 had the societies as members of the primaries. Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh, West Bengal and Maharashtra had the maximum number of membership composed of societies. So far as individual membership is concerned the States of Tamil Nadu, Karnataka, Kerala, Maharashtra, Bihar
and Andhra Pradesh led in the maximum number of individuals forming the membership of the primaries.

B (iv) FINANCIAL POSITION OF OTHER THAN WEavers COOPERATIVES

The profit and loss position of the Industrial Cooperatives (other than Weavers' Cooperatives) at the three levels of societies (viz. apex, central and primary) showed not a good picture. The total number of societies running at a loss in the three-tier structure increased and the amount of loss incurred showed a considerable increase in the case of apex, central and primary level societies. The percentage of societies running at a loss in respect of apex, central societies increased from 33 to 53, 27 to 52. While in the case of primaries the percentage slightly decreased from 26 to 20.

The percentage of societies running in profit to the total number of societies went up from 16 to 35, in respect of apex level societies, whereas in the case of central societies there was a declining trend and with regard to primary societies a slight increase was seen from 56 to 36 and 21 to 22 respectively during 1979-80 to 1983-84.

During 1979-80 and 1983-84 majority of the societies all over the country were in bad shape as revealed
by the statistics given by the R.B.I. and NABARD. The miscellaneous industries had been suffering from huge losses consequentially and followed by it, the Coir, other village industries, handpounding of paddy, construction material industries respectively had maximum amount of loss when compared to all other industries. Spinners societies, palmgur, sericulture and pottery industries showed maximum profits among the 16 different types of societies.

C. FINANCING OF INDUSTRIAL COOPERATIVES

For financing small scale industries there are a number of central financing agencies like the Nationlised Commercial Banks, State Finance Corporations, Industrial Financial Corporation of India, Industrial Development Bank of India and so on.

The State and Central Cooperative Banks are the principal financing agencies for all the cooperatives in the country. Naturally, it is expected that the Industrial cooperatives should get their financial requirements from these sources. But, these banks were more agriculture oriented and did not find sufficient resources to lend the cooperatives because the targets set for agricultural lending was more. Thus, the role of these banks for industrial finance (except handloom finance and the Reserve Bank of India recognised 22 artisans cooperatives) was not
significant. After a careful study and analysis of the Central Cooperative Banks in financing the Industrial Cooperatives, the Working Groups (1955 and 1963) recommended that in the absence of an exclusive industrial cell the need for separate Industrial Cooperative Banks was emphasized. The Cooperative Planning Committee (1945)\(^38\) headed by Shri Saraiya also endorsed this view. The seminar on industrial cooperative banks held at Sholapur in 1955 also suggested that

(a) all States should be free to organise district, regional or State level banks according to their needs,
(b) these banks should effectively work for revitalising the Industrial Cooperatives in their area of operation,
(c) funds of the Government, All India Boards etc. should be rooted through these banks to various Industrial Cooperatives,
(d) Government should provide funds to appoint managers, inspectors, technicians for these banks and so on. But, the Reserve Bank of India strongly opposed this because parallel agencies at district/state level exclusively for the Industrial Cooperatives might not be viable and would lead to unwanted competition and overlapping of activities.\(^39\)

Despite the resistance of the Reserve Bank of India, Industrial Cooperative Banks were established
exclusively for financing the Industrial Cooperatives in few States. These banks were not a speciality of India but found in many countries of the world. The Banca Nazionale Del Lavora of Italy, Workers Productive Societies' Bank of France, Cooperative and Workers Bank of Denmark, etc., cater to the needs of Industrial Cooperatives in their respective countries. 40

The first regional Industrial Cooperative Bank in India was started at Surat in 1949 followed by a few more in Gujarat, Maharashtra, Karnataka, Rajasthan, Tamil Nadu and Punjab. In Gujarat at Surat and Baroda, in Maharashtra at Sholapur, in Punjab at Jullunder, in Tamil Nadu at Madras, in Rajasthan at Jaipur and 24 District level banks in Karnataka are functioning to-day. 41

These banks are however not free from problems and drawbacks. Wherever a single bank was registered and functioning in a state, they found it difficult to supervise and coordinate the activities as the area of operation was uneven. Moreover, the concessional credit from the Reserve Bank of India was not available to these banks and they were not in a position to give cheap and adequate credit to the needy Industrial Cooperatives.
C (i) FINANCE FOR HANDLOOM SECTOR

The State and Central Cooperative Banks are provided with finance 2.5 per cent below the bank rate by the Reserve Bank of India under section 17(2) (a), 17(2) (bb) and 17 (4) (c) to finance the Weavers' Cooperative Societies. Under the 90 per cent Guarantee Scheme of the Reserve Bank of India, the losses of the Weavers' Cooperative were shared by the Central and State Governments in the ratio of 50:40 and the remaining were borne by the societies themselves. Under section 17(2) (a) finance was made available for 90 days for purchase and sale of yarn. Under section 17(2) (bb) it was available for production and marketing for one year on the strength of 2 signatures, one being State Cooperative Bank or the State Finance Corporation. The principal and interest was fully guaranteed by Government and Section 4(o) deals with the discounting of hundis.42

As per the 1981 Credit Guarantee Scheme, the credit provided to the Weavers' Cooperatives by the Central Cooperative Banks was guaranteed by the Government up to 90 per cent in case of default by the borrowing societies. Originally the working capital loan to the Weavers' Cooperative Societies was provided on the basis of loom (Rs.300 to 500 per loom) and now they are getting on the basis of production. Credit to the extent of 25 per cent of
previous years' production plus a reasonable increase in production expected during the year (in the event of the sales during the previous year was at least 75 per cent of the goods produced) was provided to the societies. The society was also entitled to additional finance against pledge or hypothecation of cloth or against bill drawn on payable by apex societies for cloth purchased on credit.

These facilities were made available to Cotton, Silk, Woolen Weavers' Cooperative Societies and also Powerloom Societies. 43

The National Cooperative Development Corporation (N.C.D.C) has evolved the following schemes for the development of Handloom Industry in the cooperative sector. 44

\[ \text{Rs} \ 380.14 \]
\[ \text{Su} \ 77 \]

(a) STRENGTHENING OF SHARE CAPITAL BASE OF APEX/REGIONAL WEAVERS COOPERATIVE SOCIETIES

The Corporation under this Scheme provides financial assistance in the shape of long term loans to the State Governments for increasing the share capital base of Apex/Regional Weavers Cooperative Societies to be used by them as margin money to enable them to raise the requisite working capital finance from banking institutions, and for their supply and marketing activities. The Corporation
provides the entire assistance under the Scheme without any contribution being required to be made by the State Governments. The quantum of loan assistance for each society is to be determined on the merits of each case, but the State Government will provide the loan assistance received from the Corporation in the form of clean share capital contribution or as share capital refundable in annual installments or quasi-equity long term loan for 14 years. But, the State Government will not prescribe any condition for minimum rate of dividend or interest. The assistance to the society will be released on approval of the proposal and further assistance to the society will be provided only if it raises matching share capital from its members (other than the State Government) to the extent of at least 5 per cent of the earlier Government share capital contribution and also achieves the targets of business prescribed.

(b) CREATION OF PROCESSING FACILITIES

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

(c) CONSTRUCTION OF GODOWNS, OPENING SHOWROOMS, SHOWROOM CUM GODOWNS ETC.

The Corporation provides financial assistance to the Apex/Regional level Weavers' Cooperative Societies for construction of showrooms, central godowns and show room-cum-godowns. It provides to the State Government 75 per cent of the cost as loan and it in turn will pass on 75 per cent as loan, 25 per cent clean share capital or subsidy, 50 per cent of the amount for the programme, when the concerned society has acquired the land. The remaining 50 per cent for the construction is released when the state has paid the
full share to the society and when the construction work reaches the plinth level. The State Government is required to ensure that the concerned society is in a position to make optimum utilization of the godowns.

(d) TECHNICAL AND PROMOTIONAL CELLS

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

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

Under this Scheme, the Corporation provides hundred per cent subsidy for undertaking feasibility studies/preparation of project reports for establishment of processing units by the Apex/Regional Weavers' Cooperative
Societies. Prior approval of the National Cooperative Development Corporation (NCDC) is to be obtained before entrusting the work to the consultants.

(f) ADOPTION OF WEavers' SOCIETIES

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

C (ii) Finance for Other Industrial Cooperatives (Other than Weavers)

Since 1967, 22 additional broad groups of cottage and small scale industrial cooperatives have also been made eligible for accommodation under the scheme of concessional finance by the Reserve Bank of India. The maximum credit limit of District Industrial Cooperative Banks or Urban Banks has been increased to 6 times that of their owned funds.

The present facilities of handloom finance should be extended to all Industrial Cooperative Societies, the emphasis being not any type of society but on performance and soundness of the individual units.
The Cooperative Industries Commission was established in 1980 in the Maharashtra State Cooperative Bank. It is engaged in the study of new proposals for establishing processing industries (i.e. feasibility, project reports) in the small scale industries sector. Similar industrial cells need to be established in other States also.

At places where there are no Industrial Cooperative Banks and where the Central Cooperative Banks are not in a position to finance Industrial Cooperatives, they should not hesitate to issue "no objection" certificate to them so that they may be able to borrow from other Commercial Banks.

Inadequate security, their unstable and precarious existence catering to an uncertain market, inadequate and unguided accounts, difficulties about verification of title deeds and valuation of assets and absence of machinery for proper investigation of the financial condition of units and further supervision after the issue of loans etc. of the Industrial Cooperatives provide a backdrop for rejection of their loan applications by the commercial and other financing agencies.

Because of lack of managerial and technical abilities, the societies could not submit the detailed information about several aspects of their working, which
form often a base for returning the same and refusal of loan. There is a need to simplify proforma for application and the time lag in sanctioning.

The quantum of loan generally supplied by these financing agencies was by and large inadequate for meeting the individual needs of these societies and they were forced to seek additional finance elsewhere. To avoid this, efforts should be taken to provide finance to meet the complete needs of the borrowing industrial Cooperative Societies.

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

There should be adequate supervision to see that the credit is utilized for the purpose for which it is sanctioned.45

D. CO-OPERATIVE EDUCATION AND TRAINING

(A) EDUCATION

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

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

The Member Education Programme was launched in 1984 and is being financed by the Ministry of Industrial Development. In the first instance 7 pilot projects were started in Delhi, Poona, Madras, Indore, Patna, Surat and Ahmadabad. Subsequently projects were established in Bangalore, Trivandrum, Calcutta, Agra, Gauhati, Ludhiana and Sri Nagar. The Zonal Educational Officers and Industrial Instructors employed by the National Cooperative Union of India are attached to the respective State Cooperative
Unions. Women Educational Instructors look after the Member Educational programme (MEP) of Women Industrial Cooperatives. In Andhra Pradesh also there is one Industrial Instructor attached to Cooperative Training College, Hyderabad, who looks after the Member Education Programme of Industrial Cooperatives.

Classes are held for the duration of 10 days for the ordinary and managing committee members. Refreshment charges Rs. 1 per member per day is paid to the members of the societies, where classes are conducted at the headquarters of the society or Rs. 2 per day is paid to the members who come from a distance to the classes arranged outside the society's premises.

The meetings of the educational instructors are convened by the National Cooperative Union of India periodically to review the progress and chalk out the future course of action. They are also trained at the All India Educational Instructors Training Centre located at Delhi. Refresher and orientation courses are held to enable them to have a better grasp of the subject. Frequent seminars and conferences on Industrial Cooperatives are convened to review the progress, identify the bottlenecks and chalk out plans to improve the Industrial Cooperatives Movement in the Country.
D. (B) COOPERATIVE TRAINING

It is not sufficient if the members of the Movement understand the ideologies, but for achieving success their pooled ideas/knowledge should be refined and skills imparted through various types of training. Training is an important input of efficiency and is considered to be the key to the success of any organization. The members/employees of the Industrial Cooperatives Societies, therefore, not only need Member Education but Training in

(a) Technical aspects and
(b) Management aspects

(a) TECHNICAL TRAINING

To train the artisans/worker members of Industrial Cooperatives, large number of Governmental and Semi-Governmental organizations (Technical Centres, Institutes etc.) are available. The statutory bodies like Khadi and Village Industries Commission, Handloom Board, Coir Board, Silk Board, Handicrafts Board, Small Scale Industries Board, and the Development Commissioner for Small Scale Industries Organization (DGSSIO) arrange training centres, common facility workshops at industrial estates and Extension Centres help in imparting knowledge to the small entrepreneurs. Technical courses in subjects like machine shop practice, feasibility reports, tool room practice, blue print reading, foundry practice, heat treatment etc., are
conducted by the DCSSID for small scale industries.

(b) MANAGEMENT TRAINING

Under the aegis of the National Cooperative Union of India, the National Council for Cooperative Training (NCCT) New Delhi looks after the training needs of the cooperative movement (including Industrial Cooperatives in the country). The top level executives are trained at Vaikuntha Mehta Institute of Cooperative Management, Poona and intermediary level personnel at sixteen Cooperative Training Colleges in the country, while the Cooperative Training Centres train the grass root level cadres of Cooperative Movement in the country.

The Vaikuntha Mehta National Institute of Cooperative Management (VMNICM), Poona conducts seminars, conferences and short programmes for senior executives in charge of developing Industrial Cooperatives in the country.

Out of 16 colleges, 8 Cooperative Training Colleges are imparting training to personnel of Industrial Cooperatives in the country. There is a 18 weeks Diploma course and on successful completion the trainees are awarded Diploma in Industrial Cooperative Management. Matriculates who have 3 years of working experience are provided with training with all facilities extended to them. The core subjects taught are Industrial Development and Industrial
Cooperation, Cooperative Management, Cooperative Law and Allied Laws, Cooperative Accounts and Audit and Industrial Cooperative Management. There are also short duration skill-oriented management programmes for the executives and personnel of Industrial Cooperatives.

D (c) RESEARCH AND CONSULTANCY

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

E. GOVERNMENT CONTROL

E. (a) STATUTORY CONTROL

(i) Audit

The Registrar of Cooperative Societies takes up the statutory audit of all the Cooperatives including all Industrial Cooperatives in the respective States. The Cooperative Audit Officer with supporting staff audit the Industrial Cooperative Societies annually to see whether they are working well and following the rules contained in the by-laws, rules, act and general principles of cooperative business management.
(ii) Supervision and Routine Administration

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

Thus, the Registrar of Cooperative Societies looks into the audit of Industrial Cooperatives and function as Brahma (Creator), Vishnu (Protector) and Rudra (Destroyer) of registrations, control and enquiry/liquidation of the Societies.

E. (b) INPUT CONTROL

In addition to providing financial assistance through the State and Central Cooperative Bank and other central financial agencies, the Government also helps the Industrial Cooperatives in supplying the other input such as
rationed raw materials like sugar, rava, maida, cement, coal, etc. through imposition of quota system. The concerned department is directed by the State Government to regularise the supply of controlled commodities needed by the small scale industries and Industrial Cooperative Societies. The Director of Handlooms and Textiles controls the yarn production of the spinning mills and supplies the same by fixing the rates to all the weavers both within and without the cooperative fold, in Andhra Pradesh Cement for housing Cooperatives, Sulpher for match Cooperatives etc. are supplied at controlled rates on quota basis by the Government of Andhra Pradesh through the Department of Industries and Commerce.

E. (c) MARKETING ASSISTANCE

The Government has by and large exempted the Industrial Cooperatives in the matters of sales tax, excise duties while marketing their products.

The Government Departments and the public sector organization have been instructed by the Government to purchase the goods produced by the Industrial Cooperatives. The organizations need not call for quotations from open market and they can straight way place orders with the Industrial Cooperatives while purchasing their requirements. The Government of Andhra Pradesh provides the rebate facilities for the Weavers Cooperative Societies in order to
dispose of the handloom goods and to help the weavers Cooperatives to withstand the onslaughts of private competition.

E (d) REGISTRATION

The powers of registration to liquidation of the Industrial Cooperatives are entrusted with the Registrar of Cooperative Societies, Director of Industries and Commerce as the case may be in different States. In Andhra Pradesh Industrial Cooperatives are under the control of the Director of Handloom and Textiles and the Director of Industries and Commerce.

SUMMARY

At the outset the evolution of small Industrial Cooperatives and the need for Industrial Cooperatives are briefly outlined. The need for institutionlisation and cooperativisation of the artisanal activities followed by the role of the State, the Registrar of Cooperative Societies in fostering and developing the cooperatives (especially industrial cooperatives) together with the state policies and programmes for Industrial Cooperatives are explained in detail.

The various hallmark events in the history of Industrial Cooperatives in India till the latest industrial Policy of 1990 are succinctly traced.
The position of Industrial Cooperatives (both weavers and other than weavers cooperatives) with reference to the structure, numerical growth, membership, financial position and State-wise and industry-wise dormancy of Industrial Cooperatives is analysed and studied in detail. It may be noted from the foragone discussion that the position of primary societies both weavers and other than weavers are in a bad shape. The overlapping of membership of individuals and primaries in the Central and Apex Federations was found and it is suggested that the basic principles of individuals forming primaries and primaries forming central and central into apex federation should be followed. The existing arrangement for cooperative education, training and research consultancy and other control mechanism of the Government with regard to audit supervision, input control and marketing of the products of industrial cooperatives are also briefly mentioned. And it is emphasised that these programmes should be continued with more vigour and interest to revitalise the movement.
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