CHAPTER V

COOPERATIVE ADMINISTRATION VIS-A-VIS THE AUTONOMY OF THE COOPERATIVE SOCIETIES
The evolution of administrative relationship between the cooperative management and the government - a growing conflict and constant resolution

In order to ascertain the appropriate relationship between the cooperatives and the State, it is necessary to broadly review the actual relationship as it evolved historically in the developed as well as developing countries. Some of the important theorists have classified the attitude of the State into three categories - (1) the attitude of wilful antagonism, (2) the attitude of indifference and (3) the attitude of active support and help. In fact, the attitude of the State has varied from that of circumvention, indifference or occasional vigilance to gradual absorption of the cooperative movement into the State apparatus. To cite an instance of a highly advanced cooperative country, Denmark has never helped nor hampered cooperative societies. It is significant to note that in Denmark there is not even a specific cooperative statute. Danish cooperatives at primary level have to operate within the framework of ordinary law for regulating contracts and the secondary organisations are registered under the Company Law. In this connection, it may be noted that the antagonistic attitude of the State, if any, in some cases was also not always intentional or malafide. Sometimes it was the
result of a failure to appreciate the utility of cooperative institutions. It was under such circumstances that one of the earliest conflicts between the official authorities and a pioneer cooperator took place. Schulze-Delitsch, one of the founders of cooperative movement in Germany, found himself obstructed by Bismark who was under the influence of Ferdinand Lassalle's name has been associated with the iron law of wages who was an advocate of the labouring class seeking help of the State. On the other hand, Schulze stood to promote self help as against reliance on the State.

While individual cooperator's sympathy often lay with labour or liberal parties, the cooperatives as institutions jointly sought to maintain an attitude of political neutrality. However, in Great Britain, the cooperative movement was constrained to go into politics and in 1919, the Cooperative Party was formed. Since then this party has continued to represent the cooperative interests in British Parliament. The British Cooperative Policy of direct participation in politics did not remain an isolated phenomenon. Belgium and a few other European countries witnessed similar development.

Among the developed countries where the State jointly took an attitude of active helpfulness were France and USA. In France the system of credit agricole was substantially aided by the State. In USA, early in the post-depression period, the Federal Government gave organisational and financial assistance
for promotion and development of certain types of cooperatives such as rural electrification cooperatives and farmers' co-operatives in the field of agricultural credit. Sweden is an outstanding case where, as for example, cooperatives were made responsible by the State for administering a milk marketing scheme set up by virtue of a statute.

In India, we find an admixture of the different attitudes of the State Government towards the cooperative movement as prevailing in the other countries of the world indicated above. Strangely enough, Karl Marx prior to World War I had slighted cooperatives as ineffective means to suppress capitalistic exploitation. At the beginning of the October Revolution in Soviet Russia, the cooperative movement comprised nearly 55000 cooperative societies. A large part of the cooperative opinion supported the Social Democratic Party. The Communists (Bolshevik Party) did not carry much influence among the Sovient cooperators. The Bolsheviks were inclined much in the light of Marx to repudiate cooperatives 'as a relic of Bourgeois economy'. However, all along Lenin held a different view and was inclined to look upon the cooperatives as an instrument for development of socialistic society.

From the pattern of relationship as stressed above, it appears that this relationship was largely moulded by two factors. The first one was the type and nature of the State. In case it
was a State with a laissez faire attitude or a State with a night watchman's role, its attitude towards cooperatives was different from that of a welfare State. The former was usually marked by indifference or hostility while the latter sometimes had an element of over-sympathy. Similarly, political complexion of the State had a significant effect in determining its attitude towards cooperatives. A totalitarian State with strong anti-democratic bias did not hesitate to obstruct and even destroy cooperatives as it happened in Italy and Germany under Mussolini and Hitler respectively. The second major determinant of the relationship between the State and the cooperatives was the fundamental condition of the objectives adopted by or attributed to the cooperative movement. While in terms of concrete practical discussions undertaken, the cooperative institutions almost everywhere displayed an overall identity of approach, formulation and the assessment of their entire role and their impact on the social, economic and political set up, tended to vary materially in different countries even when the formulation was done by the cooperators themselves. One typical formulation characterized cooperative as a bulwark against Stateism. It was argued that voluntarily a cooperative may, however, more specifically rely and hence dispense with the end for State intervention. An extreme advocate of this approach even suggested "evolution may substitute cooperative democracy for the State."
In this context, it is pertinent to observe that European anarchists who were opposed to that monster called the State were ardent supporters of cooperatives. Nevertheless in practice, while a few cooperators aid envisage the withering way of the State, most of them were satisfied to make the cooperative movement 'a State within the State'.

Evolution of relationship in developing countries

As in the western countries, the relationship between the cooperatives and the State in many a developing countries has been subject to changes and shifts over a span of time. The most significant case study in this respect is provided by India where the relationship has been in a process of evolution over a period of more than half a century.

The theoretical foundation for the cooperative movement in India was provided in 1896 by Frederick Nicholson. In this report, Nicholson recommended rural credit cooperatives to be introduced in India on the lines of those prevailing in Germany. At the same time, he strongly vindicated the active financial support from the State to the proposed cooperative. He visualized different forms of State assistance such as interest free loan to cover initial expenses, subvention upto 25 per cent
of paid-up share capital to be used as reserve, State contribution to share capital and Government guarantee in respect of nascent Banks. Nicholson also suggested that the Government might arrange for inspection of cooperatives and even nominate a representative on their Boards. It was also recognised in his report that the State assistance might weaken the initiative of the members but it was maintained that without such a support in the initial stages, the cooperatives would not be able to make much headway. (P)

The Maclagan Committee reviewed the policy of the State adopted for helping the cooperative movement in the following words:

'The attitude of the Government is that it disclaims all financial responsibilities and makes no promise of monetary support. This policy is based on the desire to establishment of genuine cooperative movement which shall be self-contained and self-supporting, insofar as it rejects a system of money doles or undue special concessions, it appears to us to be a correct and desirable policy.'

The first significant change in the above policy was marked with the introduction of diarchy in British Indian provinces after the World War I. In 1925, the Bombay Cooperative Societies Act, passed by the Provincial Legislature, for the first time, empowered the Government to advance loans to the societies and to stand guarantee in respect of principal
and interest on debentures of cooperative land mortgage banks. The introduction of such provisions was actually demanded by public opinion. In the same line a number of other provinces also passed such legislation with similar provisions for development of the cooperative movement. Till the introduction of provincial autonomy in 1935, major types of cooperatives which came to receive State assistance were housing cooperatives and handloom weavers' cooperatives.

During the period between 1935 and 1947, there were several developments which tended to emphasize on the enlargement of the role of the State in development of the cooperatives. On the recommendation of the Indian Banking Enquiry Committee, an Agricultural Credit Department was first created in the Reserve Bank of India. During the World War II, cooperatives were assigned a great role for distribution of controlled consumer goods in the context of countrywise scarcity of the same as a consequence of the World War.

After Independence, the relationship between the cooperatives and the State had undergone a radical change. India’s First Plan contained a pointed reference to the subject. Some of its observations are reproduced below:

'..... with the adoption of the principal and social regulation, the cooperative societies which from their commencement in the country have been socially sponsored and started, came to occupy a more positive
role. In a regime of planned development cooperative is an instrument which while retaining some of the advantages of decentralization and local initiative, we yet serve willingly and readily the overall purpose and objectives of the Plan. ....... The cooperative form of organisation can no longer be treated as a species only within the private sector. It is an indispensible instrument of planned economy in a democracy.'

While the First Plan gave a concrete expression to the trends that were gradually developing, it did not spell out the reciprocal obligation of the State towards the development of cooperatives. This was done in the Second Plan which took some lessons from the findings and recommendations of the All India Rural Credit Survey Report (1954). The Survey revealed that despite 50 years of existence, the cooperative credit movement in India formed only a small part of the rural credit requirement. The Report recommended re-organisation of the cooperative movement with a view to developing an integrated agricultural cooperative movement with substantial assistance from the State.

Subsequent to this phase, a major programme of State partnership in cooperative of different types, particularly credit, marketing, processing and consumer cooperatives, has been implemented throughout the country.

As early as in 1958, the National Development Council passed a resolution on cooperative policy. Pursuant to this resolution, Government of India issued a detailed guideline,
for de-officialization of cooperative movement. The Government of India stressed the every effort should be made to encourage the people and their leaders to take over and running of the movement. Government will no doubt continue to perform its statutory functions under law and render maximum possible financial and other assistances. The objective, however, should be to transfer as early as possible, the responsibility for the movement to the people and their leaders.

Since the formulation of the above guidelines, for a decade or so, there was a visible attempt in the direction of de-officialization of the cooperative movement. However, after this period, the trend was again found to have been reversed. There are two-fold reasons for the same. Firstly, it was palpably perceptible that a coterie of vested interests began developing fast, which virtually came to control the important cooperative organisation. As a result another feeling crept in that the cooperatives were only the auxiliaries of the Governmental set-up. Ultimately with the concomitant vertical and horizontal growth of the cooperative movement, both in size and volume of its finance and business operations, the Government could no longer detach itself from spreading the gradual control over the affairs of the cooperative institutions. The reason was obvious as the financial stake of the Government in those institutions were gradually on the increase. The results that ensued from the above suggestion was that the extent of State control through the performance of the Registrars of Cooperative
Societies, began to erode who had only an advisory role. But the other redeeming feature was that the professional competence within the cooperative institutions marked a remarkable increase. They were gradually in a position to develop their own ability to formulate policies and take major decisions.

This phase was also short-lived. With more and more financial involvement of the Government in the cooperative organisation, the situation developed and warranted increased State control once again in the sphere of cooperative activity. This tide and ebb of the Government control and its nature will again be analyzed in depth somewhere else in this chapter.

The fundamental base and gradual re-orientation of the framework of the future policy

Let us now investigate the cardinal elements in a proper framework of policy which is desirable to govern and regulate the relationship between the cooperatives and the State in a developing country. The problem is a complicated one.

The cooperative movements in the European countries evolved and developed as a protest against the laissez faire State and naturally the relationship was coloured by initial mutual suspension, often leading to a confrontation. The State and cooperatives should come closer for one fundamental premise
that there was identity of purpose in large measure between
the cooperatives and the State and accordingly the State appa-
ratus could hardly remain as a passive instrument of Government
State policy towards the growth of cooperative development. In
all propriety of this, an International Labour Conference held
in June, 1966, observed that the State should seek to involve
cooperatives in 'the formulation of national economic plans
and other general economic measures at least whenever such
plans and measures are liable to effect their activities.
Cooperatives should also be associated with the application of
such plans and measures insofar as this is constant with their
social characteristics.'

Cooperative indeed being an organisation built up from
below, is the only one capable by grouping in federated organis-
sational units of personal and family character which are at
the base of economic and social life, to link them up organi-
cally with any plan impressing the whole of the generally economy
of the country.

One important aspect is vitally relevant to the rela-
tionship to be grown between the State and the cooperative.
This is an active State policy and positive State aid in various
forms. If the cooperatives are to succeed in fulfilling their
avowed objective and bring about a transformation in the econo-
mic and social lives of the people, the cooperative organisa-
tions should become at least as powerful as those which are
sought to be counteracted. Such efforts can be generated not by cooperatives alone but by cooperatives in conjunction with the State. 2

The Royal Commission of Agriculture in India described the registration of cooperative societies as the foundation of the movement. This was a recognition of the pivotal position which the Cooperation Departments were expected to occupy in the promotion, development and guidance of the cooperative societies. A close observer of the cooperative movement in British India recollected in 1927:

'If cooperative is becoming a living force in Punjab, it is because that province has been signally fortunate in having a body of officials who lived for the people.' 3

In this connection it is interesting to note that in more recent years, one of the reasons for the failure of cooperative movement in Puerto Rico has been attributed to inadequate performance of the Government.

A detailed study of the cooperative organisations in the tropical countries draws an inference in the following words:


"The establishment of a strong cooperative department is by far the greatest service that the Government of an under-developed country can give to cooperative development."

There is a storm of controversy over the issue where the State should have at all any control, if so, then the extent of such control and that the cooperative movement should be left to itself without any sort of State intervention in its sphere of activity. The force of arguments of both the sides appeared to be equally strong. As an inevitable result of the above controversial dichotomy, a middle path has but got to be accepted in this regard. In this connection one important point which is relevant to India is that a de-officialization of the cooperative movement has two important aspects to be considered with utmost care. The first aspect concerns measures that should be adopted to ensure that the cooperative policy and programme is not unilaterally decided by the State, but is determined primarily by the leaders of the cooperative movement within the framework of the socio-economic policy of the State. The second aspect relates to the measures to be taken to make the movement increasingly self-sufficient and self-regulatory.

4. Ibid.
As regards the first aspect, there is often a likelihood of cooperative policy being laid down by the fiat of the State. In recent times, the grumbling of the non-official cooperators that they are not consulted in the matter of framing the policy of the cooperative movement has stopped substantially. During the planned development of the Indian economy, the opinion of the public cooperators are in most cases taken and considered in the matter of policy formulation for a healthy cooperative growth. The nemesis of beaurocratic authority looming large on the cooperative movement has also considerably diminished. The evolution of such policies emanate from the national level cooperative organisations in different sectors of cooperative movement.

Regarding the second aspect of the policy of de-officialization of the cooperative movement, India’s Third Five Year Plan studied the relevant problems in the following words:

'Cooperation is a people’s movement and initiative for cooperative development and responsibility for regulating the working of the movement should progressively devolve on cooperative institution and higher federal organisations. The building up of efficient federal organisation in all sectors of cooperative activity resumes great importance in this context. As these organisations grow in strength, more powers may be transferred to them and the departmental machinery may limit activities to the minimum statutory duties of registration, audit, arbitration and inspection.'
The above policy sometimes led to enactment of certain laws empowering the Government to confer one or more powers of the Registrar on higher cooperative organisation. This approach also does not appear to be sound due to the fact that every process of de-officialization again comes under the ambit of official sanction. For a real development of the cooperative movement, the federal organisations should acquire powers from every affiliated societies and not from the State, but through their own bye-laws adopted by their members. Secondly, such siphoning of power from the Government to the organisations will again ultimately erode the powers of the Registrar and in its turn, the evil impact of a cooperative of vested interests with this divested powers of the Government will pose a severe problem and threaten a prosperous and healthy growth of the cooperative movement.

Thus the gradual process of percolating of autonomy to the cooperative institutions will not materialize in reality. The limiting factor lies in the hard reality of huge financial support required by the cooperative institutions from the Government. There is no doubt about the fundamental premise of the principle of cooperation that it is based on the basic norms of self-help and mutual aid, at the same time this does not imply that the members of a cooperative should raise all the resources required for their business. The intention is that they shall contribute to the best of their capacity and for the rest, every
State accepting cooperation as a public policy is under obligation to make necessary resources available without strings attached. This in turn connotes that the State cannot provide assistance from the Consolidated Fund of the country without incurring a normal consequential obligation to examine the utilisation of the requisite amount. This aspect has been duly recognised by the All India Rural Credit Survey Report which recommended that in State-partnered cooperatives, Government nominees on the Board of Management should be able to appeal to Government against the decisions of the Board in certain cases. Non-official cooperators' opinion in India, however, did not agree to such power of veto but it accepted the right of the Government to have its nominees in the body of management of the State-partnered societies. Accordingly it is clear that the extent of State control may fluctuate in degree, but it can never be totally ruled out. With the advancement of the cooperative movement and increased resources in their own repository, the extent of Government control will normally diminish.

The aspiration of the cooperative movement in underdeveloped country for gaining autonomy is but to subject to another constraint which unlike the constraint of inadequacy of financial resources is likely to remain dormant in nature. This bounds the cooperatives to necessarily conform to the requirement of planning for economic growth.
We have also to examine the impact of State control resulting from the Government assistance given on the functioning of the cooperatives. While it cannot be denied that State assistance should be used as a lever for retarding the development of cooperative movement on sound lines, it would be oversimplification to draw an inference that this is necessarily a corollary of all forms of State assistance. In this context, we may recollect the observations of Prof. D. R. Gadgil as mentioned hereunder:

"Where this (Government aid) will lead to official domination or not, depends on the tradition and temper of local officialdom and the strength and quality of non-official workers. Where the latter is found inadequate, official dominance will exist even with little or no Government assistance."

However, there are examples where the State assistance did not yield an adverse impact on the development of cooperatives. Rather instances are no rare where State aid administered in an enlightened manner had helped to accelerate a sound development of cooperative institutions. In this context we may recount the observations of Prof. D. G. Karve on the said issue:

'No one will consider outside help or control as values desirable themselves and yet, a number of larger enterprises and even nations have welcomed such conditional assistances when it appeared to be justified by considerations of mutual advantage and effectual development.'
It is in this selective, evolitional and discriminating spirit that questions of cooperative policy, as an instrument of developing economy and democratic welfare must be approached.

The adverse effects of political corruptions on the claim of cooperative autonomy

The role of the political parties in the local credit societies and cooperative banks is closely related to that exercised by the stronger elements in the village. In fact, socially and economically influential politicians and the strong are often indistinguishable from one another, partly because the leadership of the cooperatives is made up of many a politicians and partly because the interests of the two are closely inter-related.

With the rising proliferation of political activity since Independence, the cooperatives cannot escape becoming an arena for political involvement or, as some prefer it, hotbeds of political strife. The prevailing view of those who shape the cooperative ideology is two-fold; (a) the politicization of the cooperatives is interfering with the normal operations of

basic purpose of a cooperative organisation; and (b) it deflects them from the principle of political neutrality, thereby inducing an element of divisiveness and conflict.

It was quite natural to accept that politics in the sense of aims pursued by the political parties would pervade the cooperatives. And so it did and local politicians aspiring to higher office and MLAs are found in commanding positions throughout the cooperative structure. In certain States, the MLAs are in sufficient presence in important jobs as to term that condition 'emelaitis' 6

The thrust of this development, however, is not on the democratization of India's body politic but something more immediately tempting, namely, the fact that cooperatives meant big business with millions of borrowers and large and constantly expanding Government resources at their hand. To capture especially the big ones, or a cooperative bank opens up vast opportunities of a varied kind. They became centres of political power, raised the leaders' prestige in the eyes of the members, and enabled him to build up a tremendous image to influence the election results. On the other side it creates the opportunity of favours and special favours as well as actions as distribution

6. Thurner - Agricultural Cooperatives in India, p. 1
of advantage through loans, contracts and jobs. The evidence is that the politicians who are in direct or indirect leadership and the usual influential members of the coops have not neglected these opportunities. Hence the question perturbs one's mind as to what good it will do to the cooperatives as an institution called upon to serve the legitimate and best interest of the members.

However, we should remember that political involvements in themselves are not universally detrimental to the fortunes of the cooperatives and there are many cooperative organisations which prospered under a political influence and yielded a dynamic leadership. Maharashtra offers many such examples. Secondly, the cooperative organisations definitely serves as a communication channel for political ideas from above down to the villagers. For this reason some degree of politics are inherent in the cooperative structure. In the context of the greater political system, it has to be accepted as a fact of life.7

Where the rub comes in is in the difficulty, if not failure, to draw a line between what one might call 'legitimate' and 'excessive' involvement. In India, the relationship of politics and the cooperatives is often so intimate that the

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latter became political footballs. Some have gone through that experience in Kerala with the change of political party leadership. The same holds for individual or groups of coops and favourites today are on the losing end tomorrow. The cooperative as a unit or the apex or central banks for that matter suffer when decision making is motivated by political rather than economic considerations. And these are not rarities. Apart from this, it is well to reiterate the politically inspired gains of the insiders. They accentuate the already existing gap between the various groups in the community; and on the top of the so-called 'normal' activities of the people of standing and influence, the two can not but have a detrimental effect on the healthy growth of the cooperative movement.

These are the principal environmental factors which may explain why the cooperatives behave as they do. The problem is far more difficult to deal with than the so-called normal technical cooperative problems. The malaise is not unknown, but then the remedy still remains a far cry and a baffling one.

A large expansion of membership, financial resources and loans outstanding are undoubtedly beneficial to many farmers and are unmistakable signs of growth. It may be relevant to quote the following sentence from the Survey:

"Indeed it might not be wholly impermissible to detect a certain degree of truth in a description we have come across of cooperative in this country 'as a plant held in position with both hands by the Government since its roots refuse to enter the soil'. Fifteen years later, the sheer weight of institutional credit argues against so pessimistic a view but it cannot be overlooked, that if shorn of continuous pump priming, the majority of cooperatives will collapse like a house of cards."

No such upheaval is going to take place. What with the new technology in being, more funds will be provided from the Governmental sources, regardless of whether the system works better or not. Objections may or may not smooth out the worst feature of credit distribution. One thing is certain, the largest share of credit will be given to those farmers who are the principal participants in the new technology. They may not utilise it most efficiently for reasons already stated, but the institutional credit will gravitate to them because the new agricultural policy staked its goals on the skills and resources of these very farmers. If co-

9. Ibid, p. 428
cooperative credit should prove insufficient, they are in a position to tap other sources to a greater degree than ever before. A conclusion that may be drawn from the above facts is that irrespective of the credit availability the new technology and the progressive farmers it primarily serves will not be affected adversely to any significant degree.

Here crops up a highly disquieting question - what about the great population of the cultivators who cannot take part in the new technology, but are capable of raising productivity on their small holdings, whose requirement of credit is much greater than the well-off progressive farmers. This does not at all imply that small farmers have not taken advantage of the new inputs or that they will not do so in future. They recognize that some of new varieties and what goes with them spell the difference between subsistence and better living. But majority of them cannot take recourse to new technology because of non-availability of credit. A recent experience by one keen observer is worth quoting:

"Many villagers said to me that they were turning not only green with jealousy for the big landlords and the farmers but also red with anger against the step-motherly treatment meted out to them." 10

This attitude is not an incentive for keener search of inputs, for the channels supposedly open to them are often blocked. According to the same reporter a common farmer grumbled in the following words "the big farmers gets fertilizers first, and we have often to buy it from the black market. He can get any amount of credit in time; we have to wait and wait. Water and electricity are his for the asking. We never seem to get them on time." It can be observed that the intensity of this feeling varies in degree but never subsidence of the complaint.

None of the above facts detracts from the obvious merits of the new strategy and its objectives. The only thing in question is the paucity of accommodation received by the majority of the small farmers with some receiving none at all. And yet these farmers largely engaged in subsistence farming constitute the central piece of socio-economic setting of the village. It is time that a more direct assistance approach to this group of farmers can hardly brook any delay and that too, for reasons of productivity rather than social equity.

The evidence from the Indian experience demonstrates that not only are the small farms productive in the sense that large farms are, but 'in respect of the ratio of output to paid input, a small farm turns out to be more productive than
the large farm, and in respect of output per acre the small farms appear to be more productive. This assumes, of course that all things are being approximately equal, in addition to the well known fact that more labour is used per unit of cultivated area on small farms than of large farms. But above all, the assumption of all things being approximately equal implies, among other factors that the small farm has the resources or credit for the requisite input. Since this is not within the reach of the majority of the farms, it constitutes the crux of the matter when subsistence farming is related to the new strategy or, more specifically to cooperative credit.

Measures to curb corruption and missappropriation in cooperative societies

The Conference of the State Ministers of Cooperation in its proceedings of the Meeting held in January, 1973, took a serious view of the element of corruption eating into the vitality of the cooperatives and suggested certain measures to stop the corrupt mal-practices. It will be relevant to consider their suggestions in this context.

11. Bachman and Christensen - The Economics of Farm size, p. 246.
The Conference agreed that both the paid employees and the elected office bearers are involved in cases of corruption, defalcation, embezzlement and misappropriation of the funds in cooperative institutions and it was, therefore, desirable that this malady is routed as it affected the social and economic fabric of the country.

In order to effectively check the incidence of corruption etc., the Conference proposed to take the following measures:

(a) In order that audit of accounts of cooperative societies is timely and regular, adequate and trained audit staff should be in position. The State Governments should sanction the required audit for the purpose and appoint professionally competent persons in the posts of auditors and get them trained in their jobs; (Page 85, State Minister for Cooperation Conference, 1973).

(b) In large institutions with complex business, a system of concurrent and continuous should be introduced. The department of the Government of India had already advised the State Governments in this regard and the State Governments have introduced this system in a number of societies.

(c) The State Cooperation Department should regularly follow up the audit and the rectification reports and the reports should be properly examined with a view to ensure that the defects are rectified and removed in time;
(d) Procedures relating to the statutory enquiry and inspection should be simplified and a time limit for completion of such enquiry should be spelt and returns are to be submitted to the appropriate authorities quickly.

Before considering a few of the other recommendations, it will be worthwhile to dwell upon certain factors behind the incidence of such corruption from the sociological angle. 12

The folklore of corruption itself embodies important social facts worth intensive search. This folklore has a crucial bearing on how people conduct their private lives and how they view their Governments' efforts to build the nation and direct and spur development. It easily leads the people to think that anybody in a position of power is likely to exploit this in the interest of himself, his family, or other social groups to which he happens to be loyal. If corruption becomes taken for granted, resentment amounts essentially to envy of those who have opportunities for private gain by dishonest dealings. 13

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In order to sum up the desirability of State control and supervision over the cooperative societies, it may be concluded that there is nothing wrong if the State takes up the work of sponsorship in order to assist the coming up of a sound cooperative movement. That the State did not do so in the past nor does it even today, as in some of the western countries, cannot hold good as an argument for not promoting the cause of the movement in the countries in South East Asian region. Because of the absence of an well-thought constructive policy, financial and other necessary support, a few cooperatives might have failed. However, with a constructive approach there is no reason that the State should be able to take up the work of sponsorship in the interest of the community till the cooperatives are in a position to take up on themselves this responsibility. Simultaneously, efforts also should be made to encourage voluntary organisations to assume the responsibility of promotional work so that in course of time, the cooperative institutions may be in a position to shoulder this responsibility and discharge the same effectively and efficiently.

Supervision of cooperative societies

In developing countries, where a large majority of the people are illiterate the need of external guidance, control and check over the cooperatives and educating the members,
office bearers and employees of the societies can hardly be over-emphasized. Such external guidance and control can only be exercised by a special machinery provided for supervision. Supervision should include financial, administrative, promotional and educational aspects also. Supervision differs from the audit in the sense that it does not aim merely at testing the efficiency of the society but it helps it to be efficient. It seeks to ensure that the defects pointed out in the audit report have been rectified and that the operations of the society are undertaken on sound business lines and also conforms to the principles of genuine cooperation. Viewed in this context, supervision should also be distinguished from that of office inspection of cooperative societies usually undertaken by the staff of the Cooperative Department as a part of their normal administrative duties. Effective supervision is an essential ingredient in building up a strong cooperative movement.

**Supervision and Agricultural Credit Societies**

Functions of a Supervisor might differ according to the type of the society supervised. In respect of an agricultural credit society, financial supervision would include assistance in the preparation of loan statements, maintenance of loan ledgers and other registers of societies and rectification of
defects in its management pointed out by the auditors. It further embraces certain functions which are of particular interest to cooperative financial banks. This includes, inter alia, ensuring that the loans drawn are within the maximum credit limit of the societies and they are properly divided as between short term and medium term loans according to the purpose for which the loans are taken by the society and that the society has repaid its dues to the bank. It is imperative to say that the loans are utilised for the purpose for which they are given and that the overdue dues do not accumulate and extensions are given with the approval of the central financing agency. These are primarily the duties of the Secretary of the society but it is the responsibility of the Supervisor to ensure that duties are properly carried out. (Page 110 - State and Cooperative Development, ed. by P. W. Weeraman).

Extended assistance to the societies in their administration in order to ensure that the affairs of the society are conducted in strict conformity with cooperative principles and in accordance with the bye-laws of the society falls very much within the purview of the administrative functions of the Supervisor. The Supervisor has to overview and ensure that the office bearers work in a spirit of harmony and justice without taking undue advantage of their position. Precisely, the scope of the function of Supervisors not merely includes inspection and audit of societies but goes beyond that and covers the
education of the elected office bearers as well as the ordinary members of the society and provide constant guidance in the administration of the society both in respect of cooperative and business aspects.

Supervision by departmental officers

Supervision as well as administration undertaken by the departmental staff has a number of shortcomings. This is more articulate in the countries where the plans for cooperative development are unilaterally formulated by the Government and the execution of the plans also largely rests with the Government. In India, it is found that the administration of the cooperative movement by the departmental officials implies extensive utilisation of the services of the Supervisors/Managers employed in the organisation itself, in organisational work, registration or amalgamation of the societies mainly to achieve the planned target of organising a fixed number of societies during the plan period. It is also observed that in many cases the employed Supervisors of the cooperative societies are substantially engaged in their routine work of the department, such as collection of statistical and compilation of conventional data required by the Cooperative Department. This practice in fact undermines the internal work of the cooperative society concerned, which is of much more importance in the interest of
the business of the society. On the one hand, because of the financial constraints of the society it becomes quite difficult to employ a number of persons for the day to day management of the society and on the other hand, if only one or two employed persons like the Supervisor or the Manager of the society is utilised by the Government for their routine nature of work, the operational efficiency of the society gets a severe jolt. Accordingly such supervisory control exercised by the Government officials cannot meet the demands of the situation and the attention the society's work requires. In fact, the dichotomy and tussle for power between the Government and the autonomy of the cooperatives begins here. In this context, we have to analyse the extent of Government control that should be desirable in the sphere of the organisational activities of the cooperative societies.

Nature of suitable supervising agency

The nature of the agency that should undertake the work of supervision of cooperatives has been a controversial issue since long. In India, the nature of supervising machinery has been examined by a number of Committees of Enquiry appointed by the Central Government and the State Governments. All these
Committees were unanimous in their suggestion that the supervision of the cooperatives should be undertaken by the respective cooperative federations in different sectors of cooperative movement. For example, the working of the primary credit societies should be supervised by the Central Cooperative Bank and that of industrial cooperatives should be supervised by the federal agency of the industrial cooperatives at the district levels. In 1954, the All India Rural Credit Survey Committee recommended that the Central financing agencies are the appropriate authority for the work of supervision of the cooperatives. This suggestion was endorsed by a series of committees appointed by the Government in the subsequent years. In the development of cooperative movement and in providing finance and other assistance to the members, either in the field of agriculture or small industries, the central federation agencies are expected to play a crucial role. Therefore, it would be difficult for these federal bodies to effectively administer the cooperative system in the absence of effective control over the machinery which would supervise the functions of the cooperatives affiliated to those bodies. It is also reciprocal for the primary cooperatives to solicit guidance, advise and instruction in matters relating to their business from the federal agencies which would support them with funds required for their business.
Assumption of such controlling responsibility by the federal societies over their affiliated constituents would also pave the way for generating self confidence and infusing a sense of self reliance in the cooperative movement.

This will also build up a sense of coordination between the primary, the central and the apex level societies and the entire cooperative structure may be effectively integrated vertically. Each tier immediately higher than the next below, will also take the promotional interest, if they have some controlling authority over these societies with which they are to work. They can also help the primary societies in times of difficulty. Ultimately it might also lead to the eventual transfer of some of the statutory functions of the Registrar of Cooperative Societies, which the apex societies are in theory of most suitable to discharge.\(^\text{14}\)

Whatever the beauty of the above prescriptions it is necessary to examine how far they are realistic. Certain field reports from cooperative practice in West Bengal may throw some light on the question.

\(^{14}\) Veraman, P.E. - State and Cooperative Development, ICA, pp. 110-114.
(1) In the case of West Bengal, the federal agency for instance, in the credit sector, the West Bengal State Cooperative Bank has got adequate and sufficient financial control over the primary credit societies spread in the villages all over the State of West Bengal. This control of financial discipline is not a meagre weapon. On the contrary, perhaps, this is the most effective weapon if utilised properly. The State Cooperative Bank is the ultimate sanctioning authority of the credit limits for advancing agricultural credit to all the primary credit societies numbering about 6700. In order to become eligible for such sanction of credit limit, each primary society has to fulfil many a condition and if any of such conditions is not fulfilled the State Cooperative Bank is in a position to stop all the sanction of credit limit to each or any of the societies defaulting in fulfilment of the financial norms as provided both in the bye-laws and as in the Cooperative Societies Acts and Rules. At the middle tier, each District Central Cooperative Bank exercises similar control over all the preliminary credit societies situated in the respective district. The State Cooperative Bank can enforce any or all the levers of control to the district Central Cooperative Bank.

But unfortunately from our field experience, we noticed that Central Cooperative Bank itself does not always run on sound banking principles. If the controlling authority itself does not work according to law, the expectation of exercising proper control
over the primary credit societies is sure to be belief. The employees of the District Central Cooperative Bank including its managerial and supervisory staff posted in all the villages entrusted with the responsibility of supervising credit utilisation and repayment of the Bank dues by the primary societies have always made a very poor show. The Bank Supervisors hardly visit the societies in their charge at regular intervals and exercise effective supervision over the primary societies. The District Central Cooperative Bank in its turn is very seldom in a position to exercise proper control over the supervisory staff engaged in the fields. The responsibility for this lack of proper supervision lies with the managing committee of the Central Bank as well as with the Chief Executive. As the Chief Executive of the Central Cooperative Bank is to function under the general control and guidance of the elected managing committee of the Bank, it becomes extremely difficult for him to supervise the functions of the field staff effectively. The managing committee of the bank is generally bound to be reluctant to exercise control over the field staff. Rather they are keen on exercising undue control over the Chief Executive who is a departmental officer of the Government. This creates further scope and opportunity for the field staff to go on merrily with their non-chalant attitude of looking to the working of the primary societies in the field. The Chief Executive being a Government officer in reality stands as a hyphen between the elected managing committee at the top and the field staff at the bottom. In such a situa-
situation it is very difficult to conceive of a situation and circumstances under which the Central Bank can properly watch and appraise the performance of the societies which are affiliated to them.

The West Bengal State Cooperative Bank at the State level has got full control over the functioning of the District Central Cooperative Banks. But there also elected managing committee at the helm of affairs of the State Cooperative Bank are found to be reluctant to ensure proper administration and business efficiency of the Apex Bank in the matter of controlling the District Central Banks with a pragmatic approach.

As a result of the factors mentioned above, the bracing effect of the supervisinal control already vested with the Apex Bank often comes to a nullity. Neither a sense of belonging to each other between the primary, the Central and the apex societies nor an integrated development takes place in reality.

Thus the other argument in support of the approach that in case if the supervision is vested with the higher body, the promotional interest has also the protective interest of the constituent societies in distress also remain a myth.

The third argument that they may lead to eventual transfer of some of the statutory functions of the Registrar of Cooperative Societies may take effect by awarding some of the statutory
powers to the federal bodies also does not seem probable and often ends in a fiasco.

Apart from this attitudinal indifference of the apex societies, they have neither the resources nor a central pool of trained personnel who can wield desirable control over the Central Cooperative Banks.

All these inevitably boil down to the off-repeated proposition that there is no alternative to Government control in the sphere of cooperative activity. Till this situation persists, the arms of control have but to be extended to the internal administration of all the societies including the federal agencies at the State level, Central Cooperative societies at the district level and the primary societies at the village level. This justifies the continuance of a full fledged expanded cooperation department of the State Government which comprise a huge posse of officials, highly qualified and trained and equipped with decades of experience of administering the cooperatives in the State. Under such a situation the only alternative left to us is to strengthen and improve the efficiency of the Government officers, if this lacks only to a marginal degree and the functions of the Cooperation Department should have to be streamlined adequately to ensure proper administration of the cooperative sector and deliver the goods to the people of the country.
Control of the cooperative by the Federations vis-a-vis control by the Government

The proposition that the cooperative federations are the appropriate agencies for undertaking supervision work has been examined in details in the foregoing paragraphs considering the pros and cons. The inference that may be drawn from the above discussion is that the cooperative federations are yet to develop their operational efficiency as well as a sense of dedication amongst the members of their managing committees. Till that development materializes, Government has but to exercise control over the activities of the primary cooperatives spread over the districts of the State of West Bengal. The inadequacy of the financial resources at the disposal of the federations also inhibits the idea of complete autonomy and control of the cooperatives by the federation can hardly be accepted.

Regarding the transfer of the statutory functions of the Registrars of Cooperative Societies to the federations, it may also be argued that the federations are yet to develop their administrative capacity in order to discharge the statutory functions of the Registrar properly. Let us have some idea of the nature of the statutory functions referred to above. Those include registration, audit inquiry and inspection, arbitration and dissolution of the cooperative societies. All these functions are important. However, only two aspects viz. registra-
registration and audit of cooperative societies are discussed below in a nutshell.

(i) Registration:

The importance of registration lies in the acquisition by a cooperative society of a legal personality with certain advantages. Through registration, the society acquires the right of representation by officials and the right to sue and to recover debts. This also carries an obligation on the part of the society to keep proper books of accounts and their presentation annually to the Government authorities.

The function of registration is generally recognized to be the responsibility of the State and the administrative authority concerned is created by law for the purpose. This power is vested in the Registrar/Commissioner of Cooperative Societies.

(ii) Audit:

The purpose of audit is the proper checking of the accounts and books of accounts of the society and also examination of the books of business in such a manner that the report submitted thereon reflects its true financial condition as well as progress of business. Audit involves a systematic examination of the financial transactions of a business as recorded in its book which will enable the auditor to satisfy himself whether or not the balance sheet has been drawn up properly so as to exhibit a true and correct picture of state of affairs of an enterprise.
The main object of audit of a cooperative society is to ensure that it has carried out the requirements of law governing the working of the cooperative societies as also that it functions on sound lines in accordance with the cooperative principles and practices.

Suitable agency for audit

The agency that should be responsible for conducting audit of the cooperatives has also been a controversial issue since long. The controversy has two aspects. The first relates to the question whether audit should be the responsibility of the Government and if so, whether this responsibility should lie with the Registrars of Cooperative Societies. The argument of the non-official cooperators is that the cooperatives themselves should have their own arrangement for private audit services to them, as is being done in some of the western countries where the responsibility lies with the federal cooperative institutions. In Germany for instance, towards the end of the last century, cooperatives had set up their own audit wings. It is needless to add here that the Government in such countries also reserve their rights to have a test audit and to make other necessary measures for the proper functioning of the societies in the interest of the public.
The controversy whether the responsibility for the audit of cooperatives should lie with the Registrars has assumed a great significance in these countries but especially so in India, because of the role played by the Government in the promotion and supervision of cooperatives and also in encouraging the development of cooperative sector through large amount of financial assistance. In certain sectors of the cooperative movement, the cooperative department in these countries are deeply involved in the management of the societies. In India, in some important societies, the Registrar of his nominee occupies an important place as Chairman or Vice Chairman etc. of the society. It is argued that the audit of the societies by the Registrar solely may not be impartial and objective and may not help to provide a true picture of the cooperative movement. Accordingly, it is sometimes suggested that audit should be undertaken by a department or an organisation independent of the Registrar.

Nevertheless the All India Rural Credit Survey Committee (1954) observed that though audit should continue to be in the hands of the Government, the Chief Auditors of the Cooperative Department should responsible to the Development Commissioner and not to the Registrars. The Committee on Cooperative Law (1956) observed that as the Registrar of Cooperatives is entirely responsible for the proper conduct of the cooperatives, it is desirable that the responsibility of audit should rest with him. A realistic proposition is that independence and objectivity
both can be achieved by having within the cooperative movement a separate wing exclusively meant for the purpose of audit under the Chief Auditor who should be directly responsible to the Registrar. Separation of audit and administrative staff thus may help securing independence of audit work. This system has also distinct advantages. When the audit work is undertaken by the staff of the cooperative department, through inter-change of staff between audit and administrative sections, it is possible to have the audit staff with right background of administrative experience. This is important because cooperative audit does not mean merely fault finding but is also expected to provide real guidance for proper working of the societies.

On a deeper probe, however, the controversy appears to be pointless. The reason is that the Registrar is vested with the statutory powers of regulatory control over the functions of the cooperative societies from the beginning to the end. Naturally, if anything goes wrong in any cooperative institution, the Registrar being the head of the Cooperative Directorate of the State Government will not be absolved of his responsibility merely on the ground that the audit is being done by the federal organisations. Besides, all the cooperative societies in West Bengal receive financial assistance from the Government on the examination, verification and satisfaction of their working and financial position by the Registrar and the Registrar of Cooperative Societies is the sole recommending authority for extending
financial assistance to the cooperative societies of his state. Even at the district and block level, the staff of the Cooperative Department are continuously supervising the working of the societies and taking measures to rectify the errors. Till now the Registrar is also the licensing authority to even the outside Chartered Accountants who are entrusted with the audit of big cooperative organisations. Apart from that, the departmental officers themselves have the power to audit the cooperatives and as per provisions of law the audit of cooperatives is a statutory obligation of the Registrar till now. No useful purpose will be served by divesting the Registrar of these statutory powers and merely transferring those to the cooperative federations. Rather such a move will be detrimental to a healthy functioning and growth of the cooperatives. The reason is that if the power of audit is transferred to the federal cooperatives, the efficiency of the audit work is not expected to be up to the mark as they have no permanent cadre of accounts staff in their organisations. Even if the cooperative federations appoint Chartered Accountants from the open market for taking up the audit work, they will be hardly in a position to ensure proper audit by those Chartered Accountants and if the audit is perfunctory, they will be hardly in a position to penalise those auditors. On the other hand, the Registrar is equipped with powers under the law to nullify the audit report of the Chartered Accountants if those are not up to the desired standard. Accordingly this autonomy of financial control should under no circumstances be given to the cooperative
federations for quite some time to come till the cooperative federations in our country improves their qualitative work and a highly improved standard of efficiency.

Delegation of the power of control and supervision to the cooperative organisations themselves

In the preceding para we have considered the desirability of retaining the responsibility of audit with the Registrar of Cooperative Societies and his departmental officers. At the same time there should be a strict division of work between the audit and administrative staff and the inter-change of staff between the two wings may be effected when required from the point of view of providing the audit staff the necessary experience in administrative work. The argument that audit by the Registrar cannot be objective loses much of its validity in view of the generally agreed plans for the transfer of the work of promotion and supervision to Cooperative Unions and Federations. When this is generally achieved, the Department of Cooperation cannot be considered as having a stake in the working of the cooperatives in the sense in which it is considered at the moment.

From the opposite angle of view, it has been argued that the promotion and supervision of the cooperatives has not been entirely taken over by the cooperative organisations themselves. The Cooperative Department still play an important role in this
field. Another fact cannot be denied that in many important societies Government officials of the Cooperative Department as well as non-officials are being nominated by the State Government as members of the Board of Directors. Accordingly, it is apprehended by some theorists that audit of those societies cannot be objective and impartial to the desirable extent. In case the responsibility of audit vests in the Registrar of Cooperative Societies. In order to ensure an independent scrutiny of the financial activities of the Department as also of the cooperative societies and also in assessing the general trend of working of the movement, it is felt that the function of audit may be considered to be separated from the control of the Registrar. An independent audit agency may reap the following benefits:

(i) It will inspire greater confidence in its findings;

(ii) It will facilitate taking an objective view regarding the trend of the movement;

(iii) The Registrar will be free from audit function and will have additional time to devote to the promotional and regulatory function; and

(iv) This will ultimately pave the way for taking over of audit by the cooperatives themselves either by creating separate audit units or by assigning to the State Cooperative Unions or the National level Unions.

Simultaneously attempts should be made for organising separate Audit Unions and encouragement might be given in the
shape of financial assistance and other facilities to the Cooperative Unions so that they can gradually take over the entire responsibility of audit.

This, however, does not preclude the Government from taking up test audit of the societies whenever necessary in the interest of the movement and taking up the financial propriety.

The cardinal point of delegating the authority of supervision and control to the management of the cooperatives themselves rests on creating proper personnel groups in different types of cooperatives organisations. Each type of cooperative societies needs a unique type of managerial cadre for effective supervision and control of those cooperative societies. One should not miss the point that every cooperative society is primarily a business concern and accordingly the Chief Executives must have a high standard of business acumen as well as administrative capability of business organisations. While the necessity of recruiting such highly experienced and qualified persons is always recognised, the following problems perpetually stand in the way of appointing really suitable persons to the cooperative institutions.

We may sum up the constraints in the following manner:

1. The absence of an appropriate recruiting authority in the management of the cooperative societies. We should learn the lessons from the private sector where the
services of the expert consultancy on personnel administration are taken advantage of while recruiting the high level personnel in most of the private sector management. While we agree with the tremendous cost involvement in forming such consultancy agencies for recruitment in the cooperative sector, we have but to be realistic in initiating proper action in this respect. While something has been done in case of recruitment to the State level cooperative societies in West Bengal, in the district level set-up, such recruitment agency is yet to be built up satisfactorily. An instance to be cited in this respect is the recruitment of the managerial executive in the middle management tier in the District Central Cooperative Banks may be taken up for consideration. Till today the Chief Executives to the important Central Cooperative Banks are the Government officers of the rank of Deputy Registrar of Cooperative Societies and not below the rank of Assistant Registrar of Cooperative Societies in the next hierarchy suitable Operations Manager, bank management personnel, research and development personnel, personnel for commercial promotion of the bank down to the Branch Managers spread over the districts. These senior positions are of vital importance in running of banks efficiently. Unless the really suitable persons are appointed to the posts through expert recruitment consultancy agency, as suggested above, the functioning of the bank may suffer badly. Even with a through training the Chief Executives of
the banks who are senior Government officials will hardly be in a position to run those banking institutions at a level of optimum efficiency, unless highly expert persons assist them in their daily job which is of a stupendous dimension. These jobs are highly technical and immediate steps must be taken to recruit suitable personnel in these posts, before the cooperative banks can go ahead with the expansion programmes and the highest level of profitability and service.

(2) Administrative control by the Government on the formation and registration of cooperatives - The role of the Government creeps in at the very point of inception of organising a cooperative society. The formalities of the constitution and registration of cooperative societies are practically in dealt with in great details. Whether a society will be registered or not is to be final decided by the Registrar of Cooperative Societies/GoVt. officials of the Cooperation Department. While planning the organisation of a cooperative set-up to be registered under the relevant acts of the cooperative societies prevailing in the State, a number of matters are being decided which have significant impact on the later management even before the society starts its actual operations. The preliminary formalities for registration of a society are that a meeting of the promoter-organisers are to be held where the scheme of the society to be organised is to be examined and its viability determined, the
names of the office bearers of the first Managing Committee to be appointed by the Registrar of Cooperative Societies are to be named by the promoters and the required bye-laws available from the Cooperative Union for particular types of societies are to be filled in and submitted to the Registrar. These bye-laws, however, in most cases, cannot be drawn up by the applicants themselves but they have to use the standardised bye-laws which are issued by the Government agencies. Majority of the Statutes give the authority to the Registrar of Cooperative Societies to decide whether a society should be registered or not. Thus it may be stated that the institution of the Registrar has been changed from a pure registering office to a policy directing authority which influence considerably the further development of the cooperative movement.

(3) Formation of Managing Committee - Though the West Bengal Cooperative Societies Act, 1973, provide that usually the persons named by the promoters who will form the first Managing Committee is normally accepted by the Registrar and appointed by him. At the same time, the law does not preclude the Registrar of Cooperative Societies to accept the proposition in full, but also with partial modification. The duties and obligations of the

Managing Committee although detailed in the Cooperative Laws and Rules, are neither exhaustive nor unassailable. Of course in this context, the other side of the picture should not be overlooked. The proposed members of the Managing Committee named by the promoters on local enquiry may not be found suitable to be associated with any cooperative society, for the reason that they might be politically biased or would like to be included in the Committee with some ulterior vested interests to thwart the fundamental principles of the cooperative. Like many other inherent evils of a developing economy, it is quite likely that the non-official cooperators may not truly serve the interest of the members for whom it is meant. While it is the duty of the Registrar to ensure that after appointment, these people do not frustrate the true purpose of a cooperative society, it is clearly essential for the Registrar to identify them before giving registration to a society. The State Cooperative Laws have also to provide for conferment of adequate powers to the Registrar so that after the registration of a society, during the initial functioning to suspend or rescind the resolutions adopted by such Managing Committee which go prima-facie against the interest of the society as well as its members. This precautions, though not desirable from the basic principles of cooperation, are but to be taken because of a sub-standard social milieu in which the cooperative has to function.
Government control on the business and financial transactions -

Since the final reasons of establishing a cooperative is to support and improve the members' individual economic situation through mutual self-help, each cooperative should, in principle, only be restricted by law in its business transactions so as to safeguard the cooperative character, to protect the interest of third parties and to prevent the mis-appropriation of public funds etc.\(^{16}\) In the case of developing countries where the educational level of most of the members of a cooperative is often too low for exercising effective control over their societies, certain additional safeguards have to be instituted in order also to protect the interests of all members against the mis-management, preferential treatment of certain groups of members and their friends. The usual minimum regulations to be found in cooperative laws concern share capital, reserves, distribution of net surplus and other important activities. The Rules contain mostly more detailed provisions e.g. in determining exactly the ways where a cooperative can invest its funds. Such regulations affect already to a great extent the management and interfere with internal affairs of a society. Here also the protection of members and the creditors of a society has been the reason

\(^{16}\) Ibid, p. 20.
for introducing such regulations. From a broader point of view such regulations are not unnecessarily detrimental to the cooperatives. On the contrary, often the cooperatives enjoy special privileges such as preferential prices and import licenses, monopolies for dealing on certain goods and/or services in addition to tax exemptions or reduction. In view of these and of the fact that cooperatives are often called to support and execute specific Government schemes such as price support scheme, distribution of rationed goods, etc., cooperative management usually are not as free in their business decision as the management of private enterprises.

Accounting control and audit - Proper accounting is indispensable for managing a society's affairs. Control and audit are among the most essential management functions since they are the basis for any business planning and evaluation. While accounting and internal control are the functions to be undertaken by the society's management itself, all Cooperative Laws provide for external auditing. The audit of cooperative societies is a statutory obligation of the Registrar under the provisions of W.B.C.S. Act, 1973. The desirability of the extent of such control has already been discussed in earlier para of this discussion.

The social-economic conditions are changing rapidly. The population of our country which was 550 million in 1970-71
is likely to reach 960 million by 2000 A.D. Two decades after 2000 A.D., the number may double itself. On the food production front, during centuries of development in agricultural technology, India could hardly produce 60 million tonnes foodgrains by 1947-48. But within the next 30 years i.e. by 1977-78, foodgrain production increased to 131 million tonnes. With further development of technology food production is expected to increase to 230 million tonnes by 2000 A.D. By that time there will be another 100 million tonnes of agricultural produce other than foodgrains and agricultural origin products. It, therefore, becomes essential to consider how efficiently the cooperatives manage the economic activities in the coming decades. The following basic parameters have been assumed in discussing the possible course of development: (i) The average per hectare productivity of agricultural commodities in India has reached the 20-25 per cent of the highest achieved elsewhere in the world. The possibility of increase in production to the level of 230 million tonnes of foodgrain will be possible. This, however, entail upgraded technology of production of high-yielding varieties of seeds, inputs, plant protection materials and finding adequate finance, (ii) Production commercial crops and perishable commodities will also double as compared to the present level and require additional packaging, transportation, storage, processing, etc. The need for specialised storage of commodities like potato, onion and other perishable commodities will increase;
(iii) Even admitting that the industrial sector and services will be able to absorb a higher percentage of the increased population of 960 million, the problem of creating employment for the additional hands in the rural sector will come up as a grave problem, (iv) Additional rural population will have to engage itself in production activities like dairy and poultry farming, handicrafts goods, etc. Thus the production of the handicraft articles will expand phenomenally and sufficient marketing arrangement will have to be built up; (v) The fluctuation in production due to climatic factors which at the moment is 10 per cent will remain constant. However, the increase or decrease in the marketing surplus will be in the range of 20-30 per cent per year requiring creation of massive buffer stocks; (vi) Huge as well as deficit in various commodities may also require increase in export and import activities.

The following three scenarios are likely to crop up:

(a) Spontaneous development of cooperative sector and cooperative services as an extension of the existing set-up;

(b) Development of the cooperative system keeping in view the projected developments in the agricultural and allied sectors; and

(c) Cooperatives will have to act as instruments of change. 17

From time to time the cooperatives are assigned the task of implementing different new schemes framed by the Government and naturally the cooperative institutions are likely to take some time in adjusting themselves to the new situation. Even before this process is completed, either there is a further change in the Government policy or another sphere of activity which demands attention of the cooperatives more imperatively. This inevitably results in proliferation of cooperatives which take up various economic activities without adequate preparation. While well-planned and well-managed cooperatives can be the panacea for socio-economic problems confronting weaker sections, inefficient ones bring disrepute to the cooperative system as a whole. Thus we find cooperatives in various fields like handloom, handicrafts, fisheries, oil-milling, etc. giving a dismal picture of mis-management and inefficiency in contrast to the private units undertaking similar tasks. One reason why management is poor lies in the unremunerative nature of the job. However few managerial talent is there, low remuneration drives them away from the cooperative sector to private business where employment is far more attractive.

Some concetive actions at the macro level are certainly giving strength to the larger cooperatives. However, the primary units in all facets of cooperative activity are proved to be the weakest links. Cooperatives are found to act more as tools of public policy than address themselves to the problem of growth.
The role of the bureaucratic administration on the growth and development of the cooperative movement is of prime importance when it is understood that these autonomous economic organisations are expected to bring about social and economic changes in a developing country. Apart from the glaring fact that the cooperatives depend heavily on the financial and managerial assistance of the Government, the State control is still required and an efficient bureaucracy should be there as role-performers. In an under-developed country very frequently the social milieu appears to be permissive and elements of corruption are found to be rampant in a stratified society. The sense of involvement and dedication on the part of the individuals in such a society develop in a very sluggish manner and even tend to dissipate before these traits are integrated in large social groups. The star imbalance in hereditary background, a high social pedigree, the quantum of wealth enjoyed by different families and a steep disparity in the educational standards of the large number of individuals are bound to result in a chaotic cleavage. The heterogenous membership composition and difference in economic conditions amongst the members of the same society and different personalities intruding in the sphere of management - all these factors combine to disturb the equilibrium which is necessary for stabilising the efficiency and growth of an organisation.
Again, the spectacle of a large number of cooperatives operating without planned extension of their spheres of activities, may be ascribed to the same social malaise. Thus, the appalling ignorance of the members about their rights and duties and the element of vested interests always seem to be winning over the intent of the society to improve the economic condition of the poor members. While the majority of the rural, urban and semi-urban population are poor in means and weak in intellect, there always remain a few small coterie groups belong to the higher echelon of the society. Naturally it is extremely difficult to strike a balance between the divergent interests of these two conflicting groups who may be plainly identified as again the exploiter and the exploited.

It may be examined as to how the cooperative form of organisation may be utilised as an effective instrument of change, social and economic. The change has to be brought about in respect of the vast majority of population who are economically and intellectually weaker. There cannot be any difference of opinion about the ultimate goal that the change connotes the transformation of the present and future conditions of the massive agricultural population of our country. There are two pre-conditions for bringing about this much desired change. One is to condition and modify the structure of composition of the managing committee so that the people within this bureau may be motivated to work in harmony with the interest of the large number
of members of a cooperative. The second one is that is ease the persons within the managing committees of different co-operatives do not function in a manner so as to defeat the intact of these members, there has to be a powerful authority like the Government and its administrative officials to exercise control and regulate the functions of the cooperative in the desirable direction. In order to curb the evil elements and bareful influence in the interest of the community at large, authoritative force has to be used and there lies the significance of the control of the Government administration over these autonomous organisations.

The growth of finance in the cooperative organisations

Two conflicting sets of production enterprises have come up - the pressure of mankind and role-based agricultural and handicraft production activities with low per-capita productiv-

ity is mounting. This has again given rise to a growing rural manpower without effective purchasing power. In contrast, we have an urban-cum-industrial sector, where incomes are dis-proportionately higher as compared to the rural sector.

The problems facing the cooperative movement have been changing continuously. During the first 60 years, the cooperative movement was solely preoccupied with pumping in adequate
finance for increasing agricultural production as well as for decreasing rural indebtedness. During the second phase, which is going on since past decade and a half, the movement is facing problems of marketing and distribution arising out of increased production. The problems of the third stage are visualised as generating adequate purchasing power for absorbing increased production of various commodities. The cooperative movement will, therefore, have to address itself to two major tasks. First, it has to find a quick way of correcting maladjustments that have developed in the first two phases. Secondly, it has to prepare itself for tackling the problems of the third phase i.e., the problem of marketing and distribution of the commodities produced. This will involve protective use of the vast rurally oriented manpower. Since the urban oriented industry can absorb only limited percentage of the increasing population, the responsibility of providing production and gainful employment to an additional rural population (of more than 200 million) is bound to fall upon the cooperatives. The cooperative system may be required to develop village-based activities in the field of transportation, grading, storage, processing and distribution, etc. Supplementary occupations like, dairy, poultry, handicrafts, handloom, etc. which have a certain potential to absorb some portion of rural manpower, will also call for a sustained development.
What emerges from the above discussion is the need for a new type of orientation to the working of the cooperation system aimed at producing results which the existing style of working is inherently unable to do on the national scale.

The national preoccupation with increase production of food grains and certain cash crops on the basis of macro-plans is primarily to meet the planned per capita concerned needs. But unfortunately only a limited few pockets in the country have participated in the process. For example, in respect of wheat and rice, Punjab alone has contributed to the extent of 60 per cent of the national buffer stock while the contribution of the rest of the entire country is hardly 40 per cent. Thus the initial success of the present system of increasing production has brought in its trail, the problem of perpetuating underdevelopment in majority of the producing sectors. The result has been the creation of an artificial surplus and gluts arising out of lack of purchasing power among a larger section of the people who badly require essential commodities like rice, wheat, etc. Though it may seem a bit ambitious, one can reasonably hope that much of the problems can be solved through developing a well-organised cooperative sector with a large network of organisations which may effectively serve the interests of the rural community. This will in turn involve a chain-cycle of improvement by way of generating additional expertise in various fields like, engineering, industry, transport, storage,
genetics, agricultural processing, design and development of tools, design marketable surplus and ultimately building up a massive cooperative marketing network for exploring markets both within the country and outside.

A shift in the relation between the State and the cooperatives

Despite the fact that the Cooperative Law stipulates a limited measure of State control of cooperatives and defines the nature of the relationship between the Government and the cooperatives, in actual practice, influence of the Government is mostly greater than envisaged in the relevant laws and the intention of the related legislation. It is interesting to note that many issues involving cooperatives are also dealt with by special decrees and regulations. In this connection it would be relevant to quote Articles 37 and 38 of the Indonesian Cooperative Law:

"37. It shall be competent for the Government to render guidance, inspection, protection and facilities in favour of the cooperative and enable the cooperative movement in the materialisation of the requirements of Article 33 of the Constitution and it is explanatory memorandum.

38. (1) In pursuance of Article 37 and without curtailing the rights and duties of the cooperatives and without effect on their independence, the Government shall promulgate regulations to formulate and carry
out a policy on developing, guidance, rendering facilities protection and inspection of all activities of the cooperatives.

(2) The Minister shall appoint the Administrator and stipulate the limit of competence of the latter in empowering him with the task of development, guidance and inspection."

In reality, it depends much on the attitude of the Government as to how such provisions of law will be interpreted and utilised. In developing a planned economy, cooperatives are usually taken within the ambit of plan and are to be developed in conformity with the sectoral plan. Thus being one of the reasons, extending special interest of the Government in the cooperative movement, unfortunately this interest sometimes leads to a paternalistic and bureaucratic policy towards the cooperatives. The main reason, however, is the official constraint of the cooperative institutions in the form of an acute lack of their own resources. The fact that many of the decision making processes of the cooperatives are resultant to Government initiative which cannot, however, be merely explained by the Government's intention to wield control over the societies, but also by the fact that managing committees often do possess an adequate knowledge and worthy experience to tackle the problems be setting the cooperatives. As we have stated earlier, unless sufficient control is exercised by the
Government in cases where the cooperatives are going in a wrong way, the vested interests tend to develop out of proportions to the great detriment of the general members. Thus the weaker sections of the rural population for which the cooperatives are primarily meant, need protection by the Government. A completely liberal cooperative law without Government control is certainly unprotected under conditions characterised by inequality in knowledge, property and land.

In India, the recognition of this problem resulted in formulation of a policy under which certain amendment of various State Cooperative Acts have been effected which provide for exclusion of the money-lenders, traders and middlemen from membership of cooperatives, restrictions on holding of office for more than two consecutive terms and restrictions regulating the loans to be issued to the office bearers.

It is apparent from the issues raised in this connection that many effects on the management of cooperative societies emanate not only from the codified legislation but also depend on policy decisions and the Government's attitude towards the cooperative sector. There are also instances where certain Government measures are not covered by existing laws. In order to avoid misuse of the officials' power, it should be useful to entrust independent exercise or trouble to decide on
controversial matters instead of leaving finally the decisions to the administrative wing as many laws do. The inference that we can draw from the above discussion is that undue restrictions through legislations limiting the growth of a free cooperative can best be countervailed by a well educated membership and highly trained office bearers and managerial staff.

The International Labour Conference in its 50th Session held in 1966 made certain recommendations regarding this aspect. These recommendations touched the point of modalities to be adopted in implementing the policy through the cooperatives and the nature and extent of financial aid to be given to the cooperative institutions. The recommendations made it clear that any special help or assistance given to the cooperatives should not entail any obligations which may go against the autonomy and interests of the cooperative organisations.

Decision making process - how it involved in a cooperative organisation and in the Govt.

Any organisation, whether administrative or business, requires a continuous process of decision making. We will try to trace the background and the changing conditions through which a single or a group of decisions crystallise in a cooperative. Whenever, the authority in the management go ahead to take certain decisions, it first sets the goals which the
institution is to achieve, not for an indefinite period of time, but in the immediate future. A single decision or a chain of decisions takes shape gradually and initially the authority can take a certain concrete set of decisions and start implementing those. But after a certain lapse of time, the next sets of decisions become conditional to those taken immediately before. As the process advances the subsequent decisions lose to a certain extent their independent development. They become invariably conditioned by the immediately preceding decisions. At the secondary stage, the management loses full control over taking decisions. The course takes an automatic momentum being conditioned by constantly changing factors. The constant element of a particular objective, however, may remain the same. Under any circumstances, broad framework of decisions taken at the very beginning should remain the same, the others follow according to the changes needs of the developing situation and partially result achieved in the process of implementation. In a highly sophisticated business organisation, the major decisions at the higher levels are taken after a long process of scientific approach and expert deliberations. Naturally, in these organisations, the responsibility of implementing those devolve upon a number of highly qualified and trained cadre of professional managers at different tiers and stages, but in the cooperative set-up, neither the authority in the management nor the staff entrusted with the responsibility of implementation are trained
to a desired level. At the same time, a point should not be missed that importance of the fixation of ultimate objective of the organisation is equally important both in the cooperatives as well as in the private set-up. Because of lack of adequate background and training, chances are great that precise decision may not be taken by the management. This is a vitally important aspect and we have to proceed very cautiously to plug the loopholes existing in the system at the moment. In advanced countries, the problem is of a lesser magnitude because of higher educational standard and developed managerial technology.

One of the common problems in the cooperative administration is that of appropriate distribution of powers and duties among the main organs of cooperative administration, viz., the general body, the Board of Directors, the Chief Executive and their employees. These organs of administration have but to function effectively and yet harmoniously if cooperatives are to succeed. 18 To quote an American cooperator: "Cooperative success depend upon a well-coordinated group of employees, knowing that they are answerable to the managers; a manager conscious of his answerability to the Board of Directors; the Board of Directors realising that they are the agents of the members; and a membership which understands that they are

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responsible, by their patronage and control, for a business which not only serves them but which is a part of great national community of mutual interests and obligations. Without this chain of responsibilities and efficiencies, Cooperative fails."

In actual reality, the above chain of responsibility is apt to be broken at various points. The first point of breach may be as between the general body and the Board of Directors. Fortunately enough, the delimitation of powers and duties between the general body and the Board of Directors as such does not usually pose a serious problem. It is the actual observance of the delimitation which can become a problem. In the realm of public administration, David Home is on record as having observed that "nothing appears more surprising to those who consider the affairs with a philosophic mind than the ease with which the many are governed by the few". Even a horizontal and spatial expansion by way of larger participation by the general members by holding conferences for taking major decisions merely by a vote of numerical majority may not solve the problem.

19. The Cooperative Way by J. P. Warbasse
In this context it will be better if we chart the nature of decisions to be taken at a cooperative enterprise.

(1) One may start with the fundamental objective the bye-laws of a society provide for touching the first had interests of the members of that particular society.

(2) In order to elucidate the point as stated in (1) for instance, the managing committee of primary agricultural cooperative credit society may decide the total amount of loan that should be given to the total members of the society. The fixation of the said quantum may directly touch the individual proportion of loan that may be made available to each member.

(3) According to the decision on the issues stated above, the management will recommend the application for credit limit accordingly to the Central Cooperative Bank.

(4) The managing committee should also decide in this context, the ultimate benefit in the form of increased agricultural production that may accrue to the members. At the same time they should also keep in view a reasonable incremental income which may be generated through augmented yield to each individual member.

(5) Thus the management should ensure that within a reasonable period of 3/4 years, the members of the society
may not be required to take any further loan from the society and become economically self sufficient.

(6) In case of a primary cooperative marketing society, the management should think about ensuring the maximum price a cultivator should get by selling his produce. In this way, on the one hand the cultivator may create an additional surplus by obtaining maximum price for his agricultural produce and increase his purchasing power to a substantial extent. This will also lead to economic improvement of the individual member-cultivator.

I have tried to show above the attitude of an enlightened managing committee which is desirable for the ultimate improvement of the general members. If the major decisions touching the vital interest of the general members are taken in a way indicated above, the actual purpose of bringing in the poor cultivators in the fold of cooperatives may become really successful. But unfortunately the picture is just the reverse in the context of actual reality when the members of the managing committee will not generally take such positive decisions for the ultimate benefit of the members. What is abundantly found in the cooperative organisations in West Bengal is that the managing committee while deciding the quantum of loan to be made available to the members of the society, keep in view that their relations and the people belonging to their own groups
may get the lion's share of the agricultural loan and the balance majority of the members are deprived of their loan requirement for which they are genuinely eligible. The managing committee of a marketing society will be found to be less interested in ensuring remunerative prices to all the members of the marketing society. The reasons are obvious. It is found that a majority of the members of the managing committee belong to the trading class and middlemen who manage to manipulate the general will of the majority members and get elected as members of the managing committee. It automatically follows that the members of the managing committee so elected will make every effort to utilise the funds of the society in promoting their own private business in the same line. The cooperative legislation does not effectively prohibit anywhere these traders from becoming members of a cooperative society. The psychology briefly outlined as above will amply articulate the basic contradictions in framing the policy decisions of a cooperative society. In fact, those policy decisions gradually orient themselves to business decisions which may be extremely advantageous and profitable to the management and of dubious benefit to the general members. This fundamental conflict of interest is more of a sociological problem than of an economic and material nature. For this reason, the social psychology of the people in West Bengal has been discussed elsewhere in the foregoing pages of this chapter. Such antithetical values ingrained in our society militate against the successful working of a true cooperative.
Thus we can watch how the decision making process in a co-operative organisation develops and takes a shape which is far from satisfactory both from the point of cooperative principle as also from that of committed social objectives of a democratic country. This further vindicates the proposition of maintaining a continuous State control over the activities of a cooperative society.

According to Dr. Laidlaw, who was the chairman of the Royal Commission of Cooperative Movement in Ceylon: "The trouble is that many Boards spend most of their time reviewing and rubber-stamping business decisions when they should be busy with social and educational questions. In other words, Directors often tend to be busy at the wrong thing - they are planning wrongplank and subsequently leaving too many of the social educational community and membership problems to the management. As a result of being too much absorbed with business affairs, the Directors try to cast themselves in a management role and being thinking themselves as spokesmen for management rather than the representative of the members. They conveniently prefer to forget that they are a committee of the members and are appointed to be the guardians of the rights and assets of the members and not to become a part of the management team."

If things were alright, the Directors would take a lead in taking the crucial decisions on organisation, relationship
with other cooperatives, support for central assistance, relationship with Government and instructing the management to carry on the business within the general social framework decided by the Board as the true representative of the general members. It is funny to observe that all too often the managers are making fundamental policy decisions on social matters such as labour relations and support for community programmes while the managing committee is struggling with business problems which should be left to the managerial executives. A celebrated Austrian cooperator, Mr. A. Korp commented on this issue as follows: "It is a clumsy use of democracy to interfere in the work of managers. Democracy should consider of a system where the guidelines of policy are set down by elected bodies but where the actual decisions are left to professional management."

The factor of accountability in influencing the decision making process

The element of accountability is a potent factor in ensuring relatively perfect discharge of functions of the paid employees as well as the elected managing committee. The output of achievement varies in direct proportion to the degree of actual control enforced on the executives. If the executives are left to themselves in implementing their tasks
according to their own wishes and there is authority to penalise for any default or non-completion of their jobs, the executives will definitely take recourse to the 'merrily go-on' method of accomplishing their assigned tasks. This will deeply eat into the efficiency of the managerial cadre.

On the other hand, a management which is neither answerable to the general members nor to a supra-structural body like the Government, will be likely to become equally callous, irresponsible and inefficient in discharging their onerous responsibility. This is an unavoidable sociological phenomenon common to any underdeveloped country. In an advanced country, the situation is completely otherwise which is mainly responsible for a continued success of the cooperative movement.

For instance, in Quebec in Canada, the general body of the cooperative delegates one set of responsibilities to the Board and another set to the management cadre. The Board is made responsible for carrying out the social policies decided by the general body and for promoting the general well-being of the cooperative institutions. The management team is made fully responsible for running the business. Thus both the Board of Directors and the managerial team derive their authority directly from the general body and operate subject to the decision and guidelines laid down by the general body. By contrast, the general members of a cooperative in underdeveloped societies are mostly illiterate, ill informed and not enlightened. Obviously, the body of such general members are never in a posi-
position to create such a situation under which they can dictate policies and issue orders both to the managing committee and to the employed executives.

The practice adopted by the cooperatives in Quebec may represent an extreme position but it is indicative of a basic fact that it is wrong in theory and disastrous in practice operationally, if the managing committee of a fairly large cooperative continues to look upon the professional management essentially as an instrument for doing their bidding. The techno-structure of a cooperative must be free to function autonomously if the management functions are to be discharged effectively. It is in this direction that the cooperatives in developing countries had to proceed with due deliberation.

An entirely opposite situation may develop in the cooperative sector where the Directors and the members leave everything to the paid staff. This is practically so when the manager may be a Government official deputed to the services of a cooperative. While this may conduce to smooth management for the time being without any frequent intervention, it may be left behind eventually a nutsheel of a cooperative without a nut inside. An eminent cooperator has given a firm warning on this score: "Beware of the manager who is the whole show. Societies have failed because the manager was so important that he chose the Directors and
kept them in sufficient ignorance to make himself indispensable.\textsuperscript{20} One of the arguments put forth in favour of democratic principle in a cooperative society is that a colossal growth in the sphere of administrative management gives rise to the decline of active member participation in the cooperative affairs. The factors behind such supposition is that the cooperative may grow so large that for an individual member it ceases to enthuse him or it becomes impersons. The second one is that there may be lack of adequate stress on cooperative education amongst the members. The third is that the degree of autonomy required to play a constructive role in the affairs of the institution may diminish. Fourthly, there may be a conscious effort on the part of cooperative bureaucracy to keep all the reigns of administration in their own hands. It is worth citing a statement made by Herbert Spencer long time back: "Even in the bodies of cooperatives formed for carrying on manufacturing or distributing business, it is found that the administrative policy gains such supremacy that there arises complaints about tyranny of the organisation."

However, forceful the essence of the arguments forwarded above may be, in my humble opinion such active member partici-

\textsuperscript{20} Committee on Cooperation, 1966, Govt. of India, p.40.
participation in the cooperative organisations in West Bengal is still a far cry. The reason being a stark dearth of literacy and cooperative education amongst the general membership, such conscious growth of supremacy on the part of the members are just not possible.

Ways and means for developing the growth of cooperative and their relevance in the process of decision making

While charting out the nature and extent of decisions to be taken by the management of a cooperative society, we digressed upon the element of member participation in influencing decision making. It was nevertheless pertinent to consider and analyse the class strata in a social milieu from which the people in the cooperative management were pouring in. This exercise will be very much useful in order to locate rationally the context in which the members of the managing committee were expected to set forth the plans and programmes of the business of the society.

(2) Once the basic objective of a specific type of cooperative society is identified and defined, the managing committee would chalk out the plans of business gradually. But mere finalisation of the objectives of the society does not connote necessarily that the active intention of the managing committee
to go ahead in implementing those plans in the interest of the society. This may well be just the reverse. No doubt the people in the management will resolve to act in such a manner that apparently promises to do benefit to the general members writing this into the resolution book of the society provides them with the necessary guise under which they can act in a clandestine manner to conceal their bargaining motive and ultimately take such actions as may bring personal profit to their pocket. For this basis point of low morale in an underdeveloped country like ours, care should be taken to prevent infiltration of such people in the management. This, however, cannot be achieved by mere enactment of laws and legislation and only an extensive drive for educating the illiterate members may curb infiltration of such people in the management. This is quite a difficult task. I believe, that there is enough responsibility of the Government officers at the village levels to fight out the influential people with dishonest intention to exploit the members of a cooperative society in a highly sophisticated way. Public opinion should also be generated in this direction and the local administration like the Sub-Divisional Officers and Block Development Officers should come forward and involve them in ensuring that the managing committee of a cooperative society consists of the poorer section of the community. We have discussed earlier also that the influential people like Zilla Sabhadhipatis and Anchal Pradhans along with
the affluent private traders have continued to maintain their
dominance in the cooperative sector and apparently there is hardly
any easy way to outnumber them. It is only by systematic reorien-
tation of the outlook of general members towards the high-up in
the rural society that one can hope to the due course to evolve a
method to cure this malady.

(3) An upright managing committee should go on deciding as to
how the internal resources of the society should be gainfully
deployed to achieve the optimum turnover.

(4) A good management will then decide whether the resources it
owns are sufficient to launch the business of the society according
to the desired level and magnitude, in order to fetch the maximum
returns to be ploughed back to the society in the shape of money
income ultimately meeting their economic condition as well as expan-
ding the volume of services to the beneficiaries. A well designed
plan of business will ensure steady inflow of required credit and
inputs for higher yield, remunerative prices for the commodities
produced, availability of consumer goods at reasonable prices with
growth of the purchasing power of the members. All these combined
will result in a comfortable living, good food, better education
and fulfilment of other minimum basic necessities of a good living
of the common people.
(5) An enlightened management should invariably prepare a vast schedule for increased activity and sustained expansion and diversification of the business of the society.

(6) A managing committee with good business acumen should scan the balance sheet, drawn up on the past performance of the society and accordingly reorient future business and increased serviced, make arrangement for payment of dividends to the members, chalk out programmes for member-education and they should constantly monitor the working of the society with periodic review of the whole situation. The management should take every care to present the detailed accounts of the working of the society, past mistakes and corrective measures for the future programme to the general members, make a thorough discussion and take suitable decisions in order to implement the business plans thus drawn out. Every year the members of the managing committee should arrange for holding the Annual General Meeting and reconstitution of the Board of Directors with due care to bring in new promising members so that they may participate in the management with a better outlook, imagination, greater drive and new thinking on future programme of the business of the society.

Probability of translating the above suggestions into action

The decisions as enumerated above are the archetypical one and are not usually taken by the mediocre management of the different cooperative societies. These decisions are ideal and may go
a long way in ensuring a radical improvement in the performance of a cooperative organisation and generate further efficiency.

Now let us examine the probability of streamlining the decision making process in a cooperative organisation in the lines suggested above. Three major items are taken up for discussion below which may be considered vital for the success of a cooperative organisation:

(i) Influx of inherently non-committed people in the management of a cooperative organisation which include, inter alia, the following propensities:

(a) calculated motive of designing persons for using the cooperative as a powerful social and political platform;

(b) wrong choice of persons by an electorate devoid of leadership and consciousness.

(ii) An inherent tendency of the well-off persons to create and grow a coterie of vested interests in the members of the managing committees. The influential people of the society want to hold office in the management of a cooperative society for personal gains in the shape of concessions and privileges given to a registered cooperative society and allotment of quota of fertilizers, scarce baby food, kerosene, cement, etc. which are in high demand and short supply throughout the year in any area. They also want to be at the helm of affairs of
the cooperative society with political interest to serve
the institution as an instrument for party campaign. They
treat the cooperative society as a springboard to gain
eminence in the political sphere, secure popularity by
giving some short term facilities to the illiterate members
and thus pave the way for gaining votes during general
election of the country.

(iii) Most of the members of the managing committee are prone
to taking wrong decisions either through lack of enlighten-
ment and basic concept of cooperative business without any
palpable intention to harm the society or take such wrong
decision with a calculated motive of making monetary gains
out of Government funds released to the cooperative society.

(iv) The management may also take erratic decisions intentionally
to reorient the business of the society, to his personal
business utilising the paid-up share capital of the general
members. They want to dupe the ignorant members and decamp
with a cheap credit from cooperative banks and funds
received from the Government ruining the business of
the society.

Thus the entire decision making process in a cooperative
society suffers distortion on account of wilful malafide interest
of the members of the managing committee.
While it is not quite possible to influence and regulate the cycle of cooperative decision-making through supervision and control by the Government officials, we may safely decide that Government control is definitely a better way and possibly the only inadequate alternative for revamping the administration of the cooperative societies and revival of the dying and decaying cooperatives.

The possible loopholes in the Government Policy

Another important aspect is to probe into the factors which give rise to an erroneous policy decision in the Government machinery itself that may subscribe in creating a set-back in the smooth functioning of a cooperative. Moreover, if there is nothing wrong in the policy decisions of the Government, we have to check up if anything goes wrong in the process of policy implementation through the administrative apparatus and wrong executive decisions taken at any level in the Government which has certain right over the control of the cooperatives to which they liberally finance in heavy doses every year for the growth of the cooperative institution which is expected to ultimately develop the fate of the economically weak and intellectually retarded poor people of the rural Bengal. We should bear in mind that all these citizens should have the right of full protection of the Government and unassailable right for social and economic upliftment through the Government Policy and the Constitution.
of the country.

While developing a suitable strategy for combating the shortcomings of the cooperative administration, it is worthwhile to discuss the relation of decision to administrative behaviour and the response of the administration towards the problems of cooperative management.

Let us first try to correlate the impact of decision with the administrative behaviour. The truth is that a specific aspect of administrative behaviour has been neglected solely by the literature on management in general and decision making in particular. The development of organisational leadership recognises that this facet is one of prime importance in its deep implications to the discharge of the full administrative function. The aspect overlooked is the reaction of the administrator in response to the motivational influence of the decision – to be made or already made.

The motivational force of the necessity for a decision is probably greater than that of a decision already made. That which demands decision usually carries an element of fear with respect of choice of the eight alternative and/or an element of hope for good results to flow from the alternative chosen. Both fear and hope are powerful motives. Although they may be generated by the decision already made with which the administrator must live, they are probably less in this case because of the greater element of
certainty which it contains. "Decision ... is a cut between past and future, an introduction of an essentially new strand into the emerging pattern of history."  

The "decision situation" is that complexus of circumstances which confronts the administrator with the demand that a decision be made relative to it. In its essence, it requires of him one or both of two things: first, that he decide whether or not he should make the decision; and second, if his conclusion is positive, that he marshall possible alternatives and choose the best from among them. This task can be simple or complex, pleasant or disturbing. But no matter what its nature, it is a motivating factor as far as the administrator facing the decision situation is concerned.

An important origin of motivational influence is the "coefficient of obligation" in the situation demanding decision. This means the mental as well as emotional pressure the situation exerts on the administrator towards making the decision. Four conditions generally create the sense of obligation: Constitutional position, moral responsibility, public expectation and


emergency. Of course the degree of motivation exerted by the decision situation will vary with many factors. Among the more obvious are the power position of the administrator in the organization, his courage and his interpretation of the situation in terms of danger and opportunity to himself and his organization.

One of the major problems in cooperative administration is that of appropriate distribution of powers and duties among the main organs viz. general body, the Board of Directors, the Chief Executive and their employees.

One of the reasons for which the Chief Executive Officer cannot wield his power of administration over his subordinates is that the subordinate employees feel that their employer is the elected managing committee and not the Chief Executive. On the other hand, the Chief Executive, mostly recruited by the managing committee and not by experts, cannot have the required qualifications, skill and qualitative expertise. As the cooperative enterprise is a highly professionalized form of service, the Chief Executive should also come from professional section of the

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community and must not be amateurish. One reason is assigned for this lacuna is that the cooperative institution cannot afford to pay high salary befitting the position and that is why they often do not depend on recruitment from the open market. But the management of a cooperative institution must realise with the passage of time that if the organisation is to be run efficiently with business propriety, it must not hesitate in recruiting professional men with necessary salary and having necessary administrative as well as business background. The managing committee should also remember that after recruitment of the Chief Executive his domain of authority and control over all other staff of the society should not be encroached upon under any circumstances for all purposes. While the managing committee should bear the responsibility of framing the policy of the society as well as business programme, regarding the latter operation the Chief Executive should always be consulted with and his expertise should be further utilised.

A successful administrator is keenly attuned to the requirements and unique feature of the situation calling for decision. He views each as a strategist, doing that which is most appropriate to it. He is wary and bold, slow and fast, superficial and analytical as the realities of the problem demand. His pattern of behaviour is subtly inconsistent, being characterized by backing and filling, by plunging directly ahead and by zigzagging. He, however, tries his best to stay within the
bounds of ethics, social decency and the law so that he may have the assurance of followership, the protection of the moral shield and a sufficient degree of peace of mind. His fears of failure and hopes of success as well as the best interest of his organization – depend on nothing less than his acting as a "complete political creature" in his reaction to the decision making stimulus. 24

The correlation between a Director of a cooperative society in the matter of decision making to his intellectual capability

Decision making is said to be an intellectual activity, because it requires selection from among alternatives. As the element of human factor is very important in the sphere of decision making for any individual, some amount of farsight and imagination is necessary for the members of the managing committee of a cooperative organisation. If imagination is defined as the capacity to, or the act of, marshalling one's intention and experience to envision the future, there can be no doubt of the vital role it plays in decision making. Decisions although always taken at a moment of time, are designed with future consequences primarily in mind. So the future must be viewed

at least in generality, if the decision is to be properly oriented in terms of goals. Decision making thus involves both judgment and imagination.

While taking any vital decision regarding the business of the society, the Director should also have a clear-cut knowledge of the division of responsibility down the staff line and also the point of accountability at which he can make one responsible for any particular action to be taken in pursuance of a decision. The staff of a cooperative institution should have a specific responsibility to help the management in structuring the organisation so that the organisation can build up its own strength to perpetuate the best and also be in a position to face difficult economic problems of business in repeatedly changing business conditions. It must be ensured that all the jobs in the organisation are effectively coordinated. It will provide easy flow of communication and pave the way for better understanding between the general public and the functions of the institution. This will go a long way in accomplishing high achievements for the cooperative organisation. The organisation should be flexible enough to absorb the changes and more efficient management systems to suit the business needs and efficiency.

Regular periodic review of the performance of the society and a precise assessment of the gap between the achievement and the target should be done by an enlightened managing committee,
so that they can adjust accordingly and ultimately fulfill the
targetted achievement. It has already been pointed out earlier
that each staff of the organisation should be individually
competent and qualified for the respective job he is meant for.
The managing committee, also, should keep itself well informed
of the various responsibilities entrusted with a large number
of staff of the organisation so that they may correctly assess
the efficiency of each staff and build up a consistently good
record of business performance.

In the present day organisation where the authority and
responsibility of management of people lies with the level of
management to whom the employee reports, the personnel men have
to discharge and implement personnel policy through their line
executives.

One final point must be constantly kept in view and that
is, for all purposes, the State Government cannot go on contin-
ually to provide the cooperatives with both finance and
official guidance. The success of the institution depends
absolutely on how the management of the society can keep itself
constantly active and guide the business of the society so that
it may fetch a sizeable profit and pass on all the benefits the
members can expect from it. It should also be kept in mind in
this context that the management of a cooperative must build up
a business expertise of its own and gradually become self
sufficient in developing its own resources and then only it can
create a tangible impact on the economy of a country against the state of an all-pervasive core sector of private trade. Accordingly it is suggested that the managing committee must engage itself in becoming conversant with the trends and development of the emergent business science and reorient their policy and administration to get the most out of it.

The criteria of efficiency in regard to business profitability

The criteria of efficiency in a cooperative organisation invariably revolves round the aspects of management, finance, marketing and accounting.

For proper management of a cooperative society, the goals set must be realistic, in accordance with the needs of the members and availability of the resources. There should be constant projection of future business planning and corresponding evaluation of the achievements should be made against those set programmes. The management should be highly sensitive to foresee the problems that might arise while implementing the plans due to flux in the social, economic and political pattern of the community. Alternative course of action should be readied for correcting the errors. The proper choice of staff should be ensured on the basis of individual competence and expertise. There should be harmonious relationship between the management and the staff. There should be sufficient motivation for the personnel towards the
be fully utilised by the management and resources of the society should be equally fruitfully applied. Timely report and data consolidation should be made.

One of the important functions of the management should be to exercise control over internal resources of the institution. Utilisation of cash reserves should be ensured as close as possible to the designed cash flow. Turnover of receivable should be as close as possible to the collection programme and credit policy. Appropriate inventory level should be maintained and management should be conversant continuously about the inflow and exit of goods. Proper scheduling and timing of procurement to meet the requirement of the members or of marketing deliveries should be confirmed.

Regarding the financial control, the management should be vigilant about regular transactions with the financing institution to infuse credibility. Adequate capital should be built up in course of the business operation to meet the expanding needs of the institution. The cooperative should be able to maintain sufficient working capital in order to make timely payments of all required services such as storage charge, interest expense, freight charges and advances or payments to the suppliers. Proper trade accounts from suppliers should be obtained regularly. The society should be able to grant loans to members and credit to customers on the basis of sound credit policies.
Regarding an effective marketing policy, the society should utilise collective purchasing as a leverage to acquire the needs of the members in terms of equipments, tools, seeds, fertilizers, etc. at minimum cost. The society should influence the price and control the operation of merchant middlemen by procuring the collective produce of its members. It must ensure remunerative price for incentive of the producer-members by keeping the marketing cost at the lowest possible level. Quick and accurate market information should be ensured in order to make most rational programming of procurement and sales. It should also see that sales and procurement operations are maximised with least amount of funds through quick return of goods.

The aspect of accounting control may be effected by just closely watching the other three aspects discussed just above like maintaining an ability to record and submit timely reports of the actual as well as planned activities of the cooperatives, some of which include the following:

1. actual cash flow versus projected cash flow;
2. actual procurement versus programmed procurement;
3. actual receivable versus speedy collection programme; and
4. create sufficient savings through collective purchase and selling activity.25

To sum up, it may be relevant here to state that planning is the process by which the aspirations and requirements of the members are translated into specific activities that would be performed by the cooperative to attain its goal. In the budgeting process, these plans are expressed in monetary terms that reflect estimates of cost. Thus the budget serves as a guideline for both the management and staff in attaining certain specific operational targets. Accounting is the tool used by the management in the analysis of performance. In accounting, records that reflect actual performance are maintained.

The most important area in the cooperative management where the effective control should be exercised is in the management of cash and merchandise inventory. Cash and stock constitute the main resources of the cooperative. These items are crucially important since in mishandling of these resources would result in loss of confidence and patronage among the members. This may also undermine and threaten the very existence of the cooperative.

Lastly, it may be inferred that the management control depends considerably on the capability and dedication of the management and the staff. Professionalism is a desirable feature in the management because politicalisation of the cooperative institutions have had a deterring effect in many cases. Very often the members of the managing committee are elected on the basis of popularity rather than competence and as a result very
often they fail to understand the motive of the management while planning the business and profitability of a cooperative society. Conversely, the members' decision in the choice of the Board of Directors is equally vital. Thus we find that though highly desirable, participatory management in a cooperative society includes a number of pre-conditions which are very difficult to fulfill. In the preceding pages we have tried to equally analyse the process of decision making in the cooperative management and also point out certain inherent deficiencies from which the existing cooperative structure suffers in our country. But it is high time that the management of the cooperative institutions should be toned up sufficiently and allowed entry into the purview of cooperative management in a very guarded way by an enlightened group of members.

The success of cooperative organisation versus bureaucratic accountability

While finding out a correct path in the labyrinth of variegated complications towards building up a healthy cooperative sector, one must analyse the nature and degree of accountability of the bureaucratic set-up in the Government administration. It can hardly be gain-said that absence of optimum bureaucratic accountability has often retarded the growth of cooperative development. This equally applies from the highest tier in the secretariat of the Cooperation Department down to
the lowest cadre of cooperative official of the rank of Inspector of Cooperative Societies working at the village level in different blocks.

It has been a frequent experience for the Registrar and his high ranking subordinate officials working in the Cooperative Directorate not to receive any clear cut and precise decision from the Cooperation Department on various complicated issues. Many important matters requiring urgent solution from the Government level are often deferred and sometimes abandoned ultimately. As a result, the Cooperative Directorate which is the executing agency for the entire State is put to embarrassment and blame by the suffering members of the cooperative institutions for which the Directorate primarily works. It is not a fact that merely because the Government gives heavy doses of finance to the cooperative society working all over the State that the Government should earn apriori control over these autonomous institutions. Admittedly it is a fact that there is a disproportionate dearth of Government officers for ensuring proper supervision over a large number of societies. This factor certainly casts an adverse effect on the proper functioning of the cooperative societies. But at the same time if we can ensure that all the officials as available at the moment could work in the fields utilising their full vigour and intelligence, the malfunctioning of the cooperatives in general could definitely be avoided. The answer to these anomalies question is that these officials often do not do justice
to their assigned task as there is no agency to initiate penal action against their dereliction of duties. By these, I do not exclude the top executive in the district like the assistant Registrar of Cooperative Societies. It has often been found that there is absence of sufficient motivation at the level of this highest district cooperative administration. As the same time the Government also does not select the most suitable persons for holding these key positions in the cooperative cadre. The Government should be more cautious while selection these officials by taking into account their individual personal capability and efficiency judged in terms of their previous performance elsewhere. I feel that there should remain some sort of method by which the Registrar of Cooperative Societies of a State can make the district officials accountable for any serious lapse on their part in implementing the Government plans and programmes for a sustained cooperative development in the State. It is not good always blaming the non-official cooperators and unscrupulous members of the managing committee of the cooperatives. There should be proper monitoring and guidance over the management, staff and working of a cooperative society by the Government officials at every immediate consecutive tier. Unless one is to account for a fixed quantum of work output to his superior officer, it is hardly tenable from the psychological point of view to get the most out of him. Hence, the suggestion of a growing responsibility and responsiveness of the large number of
officers of the Cooperation Department working throughout the length and breadth of the country. Another important aspect in this context should be worth mentioning. A number of pretty senior Government officers of the Cooperation Department are often continuously deputed to a number of State-level apex societies to work as the Chief Executives of those institutions. These apex societies have very vital roles to play in coordinating and integrating the activities of the societies affiliated to them. A satisfactory performance on the part of these federal societies is one of the certain indicators of an uniform and sustained development of the cooperative movement in the State. The Chief Executive being a Government officer is often deemed as a hostile personality, to the elected non-official managing committees of these societies. While a very long range programming and serious work of great magnitude are called for from the Chief Executive of these societies, managing committees often find fault with him and these effects the working of the society to a considerable extent. We cannot also deny the fact that many of the members of these managing committees being elated with great powers, tend to take certain undue privileges and in the best interest of the society, the Government officials try to thwart such intentions and this marks the beginning of a cold war and an infighting between the ultimate objectives of the societies' performance and the question of administrative propriety and the authority of the Chief Executives. This dichotomy often ends into the vitality of a very competent officer and the managing committee
is also at a loss to run the society efficiently. The suggestion in such a situation would be the gradual replacement of these Government officials by highly professional people appointed from the open market by the managing committee, certainly in a proper way with the ultimate vigilance of the head of the Directorate. Here also sometimes wrong people are placed in wrong positions and very often the top political executive enters into a tussle with the administrative authority of the parent Government department. The spreading of the evil tentacles of political influence in this domain also leaves behind a legacy of baneful impact on the entire cooperative movement of the State.

Routine administration versus development administration

The district key personnel of the cooperative administration i.e. the Assistant Registrar of Cooperative Societies of a district has to look after the cooperative movement in all its aspects - right from the point of registration to the point of liquidation via the process of recommending the cases of Government finance to the cooperative sector, procurement operation of foodgrains and the public distribution system of channelising the consumer goods through the cooperative stores etc. He is also to look after proper functioning of the Central Cooperative Bank of the district which is the prime agency for supplying
about 80 per cent of the total credit requirement in the field of agriculture to a vast number of cultivators in the villages. Agricultural credit is a very important branch of cooperative administration. Although the Central Cooperative Bank is headed by senior Government official not below the rank of Assistant Registrar of Cooperative Societies, the recommendation of the credit limit for the entire district has to be rooted through the Assistant Registrar of Cooperative Societies of the Range concerned. He has to take up half-yearly inspection of the Central Cooperative Banks as per norms laid down by the Reserve Bank of India and he is to ensure that the Cooperative Bank works in conformity with the provisions of the Banking Regulation Act. The staff problem of the Cooperative Bank is a colossal task to be managed properly by the present day executive. On top of that, the Chief Executive of the Central Cooperative Bank has to work under the general policy framed by the elected non-official managing committee. Regarding the recruitment of staff of the Bank, the elected managing committee often tries to allow entry to their acquainted persons and relatives in a clandestine manner. Any drastic action if implemented against a delinquent staff of the Bank by the Chief Executive in the interest of the institution, the guilty staff often takes shelter of the elected managing committee. Apart of these managerial problems, the official at the helm of affairs has to constantly fulfil the banking formalities as required by the Rules and Regulations of the Reserve Bank of India. This becomes often an uphill task and
almost all the employees being the staff of a non-Government organisation often tend to act beyond the provisions of law. The Government officer is thus highly constrained to correct the errors and eradicate the malpractices.

The Assistant Registrar of Cooperative Societies of the district has also the statutory responsibility of conducting audit of all the cooperative societies in his district and a number of inspections in respect of a large number of societies working erratically and arbitrarily. All these functions are of routine nature and the Assistant Registrar of Cooperative Societies has to tackle alone all these. In addition to these, almost every day, the parent department issues a large number of formats of developmental programmes, the targets of which the Assistant Registrar of Cooperative Societies has to fulfil, be it realistic or not. We have to admit that cooperative movement is closely related with the developmental programmes of our economy and accordingly the administration of these societies must be more development-oriented than stereotyped one. Various types of cooperative societies spread over the district are in one way or other closely related to the functions of each. Unless the credit cooperatives make a substantial progress, the total agricultural investment for increased production goes on shrinking. This again has a deterrent effect on the activities of the marketing cooperatives, less and less quantity of agricultural produce at the marketing society for having a dear market to fetch
the farmers a remunerative price for their produce. It is an established fact that a cultivator does not find any incentive in increasing his total agricultural production by utilising improved seeds and sufficient fertilizers because he knows that increased production will only result in a low price for his products. The automotive forces of market economy give way to a fall in price of the agricultural commodity as soon as the supply becomes larger than the demand. In order to remedy these problems, the Government tried various schemes like, Price Support Schemes by arranging purchase of the excess quantity in bulk at a relatively high price. But the extremely potent private sector gives a string pulling and indulge in manipulations so that re-sale of these commodities by the Government becomes impracticable. Thus often good intentions of the Government to fetch a fair price to a grower becomes infructuous. Now the Cooperative administration should be oriented in such a fashion that these clandestine practices can be curbed effectively in collaboration with the other Government agencies like the Food Corporation of India and the Agricultural Marketing Directorate. Only a few rational recommendations of the high powered body like the Agricultural Prices Commission can hardly put an end to these malafide forces of our basically crippled economy. While the importance of timely inspection and audit of the cooperative societies cannot be over-emphasized, we must have to see that the Assistant Registrar of Cooperative Societies is supported with an adequate
number of departmental officers to look after this routine work and while doing such duties also point out the loopholes in the working of accounting of the cooperatives so that immediate arrangements for rectification of those can be made. But the Assistant Registrar of Cooperative Societies should not be individually saddled with an enormous responsibility of such routine nature of duties so that he may apply his mind more peacefully for shaping the developmental aspects of the cooperative movement like increase of membership, more effective participation of the members in the management, more fruitful utilisation of the Government finance and a desirable degree of diversification of business of the societies so that they may be economically viable over a short period of time. This will, in turn, mitigate the worries of routine nature of malpractices in the working of the cooperatives in general. While there should be sufficient number of departmental officers to ensure timely audit and inspection, the Assistant Registrar of Cooperative Societies should have adequate breathing space to arrange quick redress of the defects immediately after they are pointed out by his supporting officials. It has been also found that a single officer at the Block level is entrusted with the multifarious jobs of relief work of the Block Development Officer alongwith the task of performing the functions of Executive Officers at a time for two or three societies. Thus, the very purpose of posting Executive Officer to ensure that all the daily transactions of each such society are entered regularly and properly into the books of
accounts and the cash transactions are correctly accounted for in the books and records of these societies is frustrated miserably. We can only programme a developmental plan of any society if its fundamental duties are carried out successfully and the financing and working health of such society is quite good. A society working in an improper way can never be assigned the task of taking up the developmental activities. Accordingly it is suggested that there should be distinctly two separate wings under the Assistant Registrar of Cooperative Societies—one wing looking exclusively after the routine nature of work and the other supervising the developmental expansions of the cooperatives. There are important types of societies in a district like highly mechanised cooperative rice mills and large cooperative cold storages. If there should be Government officials at the head of these large institutions at all, at the same time it has to be ensured that professionally qualified engineers in the respective fields and competent accountants are employed on whole-time basis to these institutions for giving it a constantly good run. The points which I have just mentioned above are neither unknown to the Government department nor uncontemplated, but the reality speaks otherwise. These common yet very vital factors are often not being taken into account by the Cooperation Department on one pretext or the other. One thing should be made clear in this respect that these essential pre-requisites so made for any institution cannot be left to chances for an indefinite period of time, and if the Government remains complacent over these
crucial issues, the cooperative movement will have to pay a penal premium for these lapses not being given due regard. The department at the highest tier should better keep in their mind that the entire planning and implementation of this vastly developing sector having a good potential will have to build up their own arrangement by way of increasing highly skilled Government officials and exploring their innate resources so that the cooperative sector can be managed in a highly sophisticated way, as the growing private sector do. In near future, the development aspect should come to fruition from the stage of repository in the brain of salwar planners.

The element of coordination in the field of development aspects

The term "coordination", for my purpose, means a constant process of adjustments, motivations and adaptations between the different branches of the total network of the development administration. While the term "communication" means passage of information to the different work executing agencies for feeling any one information to the other to supplement the work of implementation of a decided policy, coordination is the actual cogwheel of operation between those agencies. "Without fear of exaggerating, the analysts of administration can describe communication as one of the most significant and complex aspects of contemporary business administration. Business organisations are
basically groups of people associated in the pursuit of special tasks, each of which is expected to contribute something to the final product. To work together towards the common goal of product output, they must communicate in order to communicate and integrate their thoughts and activities. 26 Although the above assertions are usually meant for strictly formal business organisations, these factors can be similarly applied to the Government administration.

In the case of instant study, I would only refer to those aspects of coordination which are required for an integrated development and economic growth through the process of Government administration. To start with, I would name the major Departments of the Government, i.e. Agriculture, Development and Planning, Community Development, Panchayat, Industry and a few other Government undertakings like the Food Corporation of India, the National Cooperative Development Corporation and a few such other agencies about which I will refer to later.

At the top level of Government management the State Secretariat works with the Minister-in-Charge of a particular Department. While each and every policy decision is bound to be contained substantially or partially by the political will of the Minister, the Secretary in charge of the Department, though

essentially a civil servant, may also to some extent modify or influence those decisions with their political relevance to actual execution in the fields. In addition to the policy decisions framed at the highest level of the Government, the Secretary in Charge of the Department has his major say in the matter of implementation of the policies so framed. In this aspect of execution, the Minister has very little to say and being the political executive he is satisfied with the successful implementation of his policies. The Secretary is, in fact, the only power wielder and it is his orders on the part of implementation which means most. Accordingly sufficient coordination has to be effected between the Secretaries of the various Departments of the State Government. Thus the Secretary of the Cooperation Department must have a full view of his plans and programmes and the Secretary of the Agriculture Department should also have a clear-cut visualization of his plans and programmes. Now these two heads of the Departments should sit together to find out the common areas of activity amongst their respective Departments. It is at this vital contact point where real administration coordination is required. While the Agriculture Department looks after the execution of the plans and programmes for achieving the target of increased agricultural production and other technical improvements in the matter of cultivation, the entire agricultural credit part of it is to be entirely looked after by the Secretary of the Cooperation Department. Now the increased yield
of production is inextricably linked up with the quantum of agricultural credit to be invested for the purpose. Accordingly a correct and precise assessment of the total agricultural credit requirement has got to be calculated and that total amount should be allocated between the cooperative sector and the commercial banking sector. As soon as the commercial banks are involved in dispensing agricultural credit, another point of coordination immediately crops up. The executives of the commercial banks should also be called upon to have a threadbare discussion on the agricultural programme and they should determine the amount out of the total target that can be practically availed to advance to the cultivators. The plans should be primarily be made by the cooperative financing institutions like the Central Cooperative Banks. This total amount to be channellised through the cooperative sector against in turn has to be re-allocated between the different District Central Cooperative Banks. Upto this stage, the top level management at the Secretariat level of the different departments are concerned. Now we have to go down the line of administration to the district level. At the district level, the Principal Agriculture Officer and the Assistant Registrar of Cooperative Societies alongwith the central bank executives would have to take the responsibility to arrange for dispensing the amount of credit to the cultivators as determined at the State level. The district administration including the District Collector as well as other district level officials of the different departments should ensure that the agricultural credit programme of the district for the area under consider is channellised properly.
Once the credit reaches the ultimate cultivators, the cooperative officials at the block level as well as the Block Development Officers should have an overview of the fact as to how the credit advanced is actually utilised by the cultivators which may ultimately result in increased production proportionately to the investment made. This aspect needs close supervision like going round door to door of the cultivators and see that the credit is properly utilised for cultivation and all other land resources are fully utilised to give an increased yield to the desired level. Then comes the question of marketing of these agricultural produce through the help of marketing cooperatives. Here also the role of the Executive Officer who is a departmental officer of the Cooperation Department is vital in leading the particular marketing society in the right direction for collecting the agricultural produce and arranging sale of them to the ultimate consumers, sidetracking the middle level tier of the middlemen so that a fairly remunerative price is secured to the individual cultivator.

Food Procurement and Quality of Supervision

In the sphere of processing activity in the cooperative sector, the administration of cooperative rice mills is an important function. Here also officials of the Cooperation Department of the rank of Cooperative Development Officer acts as the executive officer of the rice mill society. While the cooperative rice mill goes on bani-milling of a substantial quantity of paddy in
addition to this, the mill has to procure paddy as per levy order of the Government which it has to procure from different interior hats of remote villages. The mill procures such paddy as agent of the Food Corporation of India with the capital of the Corporation received through the BNPFED. This aspect of paddy procurement by rice mill is a perturbing area of activity where partial supervision of the Food Corporation of India is exercised by their personnel. A number of complicated problems arise while the Food Corporation of India's officials issue the QSC on gradation of different quality of paddy. The content of moisture percentage as determined by the Food Corporation of India officials often becomes controversial and on account of gradation of a higher quality paddy to a lower grade results in huge loss on the part of the cooperative rice mills. Apart from this functional contradictions, a huge amount of bills on account of rice delivered to the Food Corporation of India remain pending for an indefinite period. On the other hand, the cooperative rice mill has to function with the borrowed finance from the Food Corporation of India as well as from different Central Cooperative Banks. The mills are to pay heavy rates of interest on its borrowed capital and delay in rotation of the turnover further aggravates the extent of loan sustained by these cooperative mills. As a result it is found that over the past few years, only a very few cooperative rice mills could earn profit. This is another important point on which effective coordination is urgently required. This problem
cannot be sorted out at the district level authority of the respective administrations. This issue is to be taken up at the highest level of authority at the State Secretariat where the Secretaries of the Food Department, the Regional Manager of the Food Corporation of India, the Secretaries of the Agriculture and Cooperation Departments are expected to sit together and evolve a formula acceptable to all the concerned Departments so that the Food Corporation of India makes quick payment of the pending bills of the cooperatives and the Inspectorate staff of the Food Corporation of India should be supervised by State level officials of the Corporation during the procurement season by their frequent visit to the fields so that precise assessment of the quality of paddy procured by the cooperatives as the agents of the Food Corporation of India is possible. These two aspects are of vital importance which are left to be sorted out over the last few years without any tangible impact resulting in ultimate improvement of the situation at the field level. It is hardly a fact that the Government is not aware of these inadequacies in the operational part of the programme, but the problem of coordination often becomes baffling. The psychology of the Government may perhaps be narrated in the following terms. The Food Corporation of India might be hovering under an obsessed complex that they are the authority who have solitary control over the cooperatives as their mere agents. They also hover under the impression that while they are extending finance for the procurement operation conducted by the cooperatives, they should have all the authority to control and regulate their operation at every stage as they so
choose. The Corporation does not want to part with its authority at any level and as there is no expertise in the Cooperation Department it is neither desirable that the Food Corporation of India Inspectors issuing the QSC of the paddy procured by the cooperative should be replaced by the staff of the Cooperation Department. At the same time the Food Corporation of India inspectorate should not take up on it the responsibility and the whim of intentional underrating the quality of paddy to keep a hollow in order to reap financial benefit to the Food Corporation of India at the cost of the cooperatives. Though it is normally difficult for any of us to confess this psychological constraints playing behind the minds of the different authorities, the adverse relations coming out of it definitely underpins such psychotic feeling. In the discipline of public administration, we often consider the bureaucratic set up as a very formal organisation which in its essence is of impersonal nature. But that is not always the real fact. The reason is simply because the Government machineries consist of a set of different human individuals and not a minikit or a package of machinery. These elements have to be taken due account of while analysing the administrative situation in our country, as gone are the days of weberian model of bureaucracy and the classic concept is being replaced constantly by the behavioural approach towards the bureaucratic responses as envisaged by Herbert Simon, Chester Bernard and other stalwarts in the field.
The district administration mainly consists of a pyramid headed by the District Magistrate who is deemed to be the ultimate coordinator of all the developmental and administrative activities in the district. In the present day administration, the District Collector is not so much seized with the problems of sustaining law and order but has to reorient his administrative disposition towards the developmental activities of the district and this task is thousandfold difficult than mere maintaining the law and order problem. He has to supervise the construction of roads and bridges but he is not an expert engineer and he has to depend on the respective officials of the technical department. Likewise he is to ensure that the agricultural production of his district go on increasing steadily be he is not an agronomist and the same truth is applicable likewise. Naturally the district Magistrate in the '80s has got to become less orthodox and more dashing in extracting a harmonious team spirit between the officials of all the departments. In reality, he functions as such and that is why we can expect a District Magistrate very reasonable also to come forward with the role of his grand coordinator in the sphere of cooperative activities also in his district. On occasions he can visit the functions of the credit cooperative societies in the villages and the credit utilisation part of it over which at present there is hardly any supervision both from the Cooperative Directorate as also from the district administration. But if the District Magistrate stretches his arms of administration a little bit towards the credit utilisation part, I hope, there should be radical orientation and stopping of large scale misutilisation of agricultural credit. If the District Magistrate supervises a few
marketing societies in the Blocks, it may be easily possible for his repository of administrative powers to contain the rampant intrusion of the private traders in the racketeering of fertilizers, seeds and other consumer goods which are rooted as a matter of Government policy through the cooperative sector. It is our experience that in a number of district level wholesale consumer cooperative societies, the District Magistrate is the Chairman. If the District Magistrate takes a little pain to visit the retail outlet of the wholesale society and also the open market shops and check up the aberration in the price line of consumer goods, many evils of illegal price hike by the private traders may be effectively curbed. Similarly if the Sub-Divisional Officer amongst his other administrative work, takes the slightest trouble of going round all the different types of cooperative societies in his sub-division, the dormant and ill-functioning cooperatives can easily show spurt of life to a great extent than they do at the present moment. In the same manner, the Block Development Officers can also be very fruitfully involved with the functions of the cooperatives in his Block and thus if the entire line of general administration in the district takes a cue in this direction, perhaps, the health of the cooperative movement in the district can be improved to a considerable extent which might go a long way in toning up the traumatic progress of the cooperative movement.
One of the major concerns of this study is to identify the coordination gaps between the different Departments of the same Government and their effect on the ultimate execution of the developmental programmes. While we have already identified certain areas of gaps and tried to suggest an administrative model which could effectively cement those gaps and produce a result of total development on the economy of our State. As a result of the existing gaps, friction develops and the ultimate result suffers a distortion. The process of reaching the fruits of plan implementation in real terms to the beneficiaries may also be reasonably viewed from the point of social change constantly taking place along the path of developmental progress. The idea is that while the administrators are in action, result begins to flow marginally to the people for whom they are meant. Now we have to examine how this distortion takes place while the input converts into output and travels from the giving end to the receiving end. It is always likely that uneducated rural people may not wholeheartedly accept even a good change in their social life in which they are living long. To simplify the issue we can cite the example of introduction of use of fertilizers at the early stage against which the cultivators in general revolted. They did not want to increase their production by using those chemicals about which they were totally ignorant. But once the result is demonstrated, the people
begin to change their attitude and gradually accept the change.
It is true that these are very fundamental issues. But they
have a deep acting role in the life of the people. Thus their
temperament should be wholly moulded to any technological advance-
ment. Accordingly we have to take note of the dimensions of social
change that may ensue any sort of administrative action. Again
there may be another resistance from even the Government officials
of the Cooperation Department who may feel that involving of the
district administration with the cooperative activity may curtail
their authority and to a certain extent demude their esteemed
official position. They people also may be puzzled for some time
to decide to which authority they should approach for the redress
of their grievances. Hence it is necessary to also streamline
the preconceived notions of the Government officials of different
Departments and infuse in them a sense of belonging and a team
spirit so that both the civil servants and the people can meet
on a closer ground and shape their destiny.

The renowned sociologist Richard T. La Pierre says: "Quali-
tative changes may occur in any aspect of the social system - in
the tools and their artifacts used by members; in their technical
process; in their formal or informal modes of assessment; in their
language and its supplements, writing, pictorial reproduction etc.
in their modes of social and essential control including law; in
the body of the myth, legends and ideologies; in their moral
concepts; or in their sentiments, opinions, values, testes, prejudices or the like. 27

The Government officials should broaden the functions of the cooperative movement at the village level by mixing with the largest possible cross-section of the rural people, watch their present mode of living and the pattern of their mental change to expect a more fruitful standard of living than they are already in. They will also study the latent power complex and political lobbying which acts as an under-current in the life of the illiterate village people. The simple minded villagers are prone to disturbing their relationship with the higher castes and among the people and the politically influential persons in their village. Usually they would be prepared to tolerate exploitation of these people than accept a mere equitable distribution of income and wealth by being members of the cooperative society which would ensure them a better living, provided the villagers were ready to reciprocate to the loyalty of the society to their interests and vice versa. The more the administration tried to reach the people with the delivery of goods, to the common folk there may be a mixed reaction, some people coming forward and rallying behind them, while some people might keep them aloof from the beneficiary arm of the society. These factors are to be encountered effectively if the cooperative

movement wants to strike at the root of exploitation of a few moneyed class of villagers and make the rest of the people reassured to free them from the clutches of fear psychosis of these people who are always there to forestall the benign expansion of a cooperative commonwealth.

Public grievances and Cooperative Administration

At the higher level in Government, the problems of citizen-administration relationship had invoked attention of the political scientists from time to time, and different Committees were set up to deal with them. The Santhanam Committee on Prevention of Corruption felt that discretionary powers exercised by different categories of Government officials open up "scope for harassment, malpractices and corruption" in the exercise of those powers. The Administrative Reforms Commission took note of the general public complaint about the corruption in administration and acknowledged the existence of widespread inefficiency, and the unresponsiveness of administration to public needs.  


Institutional devices to remedy the defects of administration are of particular relevance for the developing countries. Public administration has a built-in tendency in these countries to over-ride the requirements of the public at large. The colonial legacy of limited Government by an administrative elite stands in the way of universalisation of the benefits of governance. Decision making on major issues of public policy remains a pedantic preserve of the small politico-administrative elite class. The social structure of the developing countries is symptomatic of numerous divisions along linguistic, ethnic, religious and economic lines. Relatively more powerful groups in the society try to bend the Government machinery and the Governmental processes to their side and thus retain the fruits of administration as their monopoly. This process of concentration of public administration by the more influential social groups is facilitated by the existence of endemic poverty and illiteracy. The backward economic background and dearth of education reduce the mass millions into a position of passivity and subservience. Thus the process of administration tends to become a very closed-circuit affair as it usually responds to the demands of a small minority of social elite. Very often the political process fails to achieve integration of interests and thus creates on the contrary rigid social divisions. Once a political party comes to power, the public administration becomes an instrument in the hands of the party. Thus the colonial legacy, diverse socio-economic strata, dire penury and illiteracy and the vested interests of the
politicai power bind themselves to rob the public administration of its public utility. The lack of administrative response boils down from three major factors. Firstly, administrative discretion is widely used by public servants at all levels in the administration. With gradual expansion of Government activities, the lower level functionaries engaged in field administration come to enjoy a considerable amount of discretionary powers. Administrative discretion if exercised without effective supervision often breeds malpractice and corruption. Secondly, there had been a continued increase in the volume of legislation to cope with the expanding Governmental activities. Increased complications of legislative work persuade the Legislature to grant executives more discretionary powers. Delegated legislation has the tendency to magnify executive strength and discretion. Thirdly, the executives in many countries are increasingly assuming the role of dispenser of justice also. Administrative adjudication and the use of administrative tribunals are on the increase. Administrative strategy is accordingly necessary to check the influence of the executive and curb the corruption and administrative injustice. All these inadequacies of the Government machinery enumerated above also adversely effect a steady growth of the cooperative movement and the cooperative administration also does not preclude such deficiencies.
Studies on Police Administration, and Urban Government reveal citizens' perceptions about public administration in India. Certain common points that emerge out of these field studies may be summed up hereinbelow:

1. Citizens' ignorance about procedures involved in getting things done;
2. Unhelpful attitude of officials especially at lower level functionaries;
3. Excessive delay and waiting period;
4. Favouritism in administration;
5. Corruption among officials;
6. Need for middlemen to get things done;
7. Urban-rural differences in perceptions — urban dwellers being more critical about administration than their rural counterparts; and
8. Rich-poor discrimination in administration — the rich having relatively easy access to the administration.

In Western democracies, non-legal organisations like the political parties, the Press and the public opinion have the tradition of exercising control over administrative action. In addition,

the administrative agencies have also developed their own internal norms and administrative ethics. Under conditions of economic affluence, these agencies have been able to work quite effectively. The Western democracies have still the feeling that there is need for institutional control mechanisms to keep the bureaucracy in check and to ensure that public administration really serves the public purpose.

By contrast, the bureaucracy in India, wants to retain a monolithic sort of State power and it is difficult to change the orientation of the administrative apparatus to the service of the people from holding the power. To combat this administrative behaviour, a developing country like India needs strong political will and steady development of political infrastructure. Effective administration has no doubt its intrinsic value but as Lucian Pye observed that since the authoritarian organs of the Government have tendency "to overshadow the non-bureaucratic components of the political system", these components have to be strengthened first.

There is a search today in most developing countries for finding out effective checks on the administrative policy that are proliferating in the course of development. Accordingly it has become necessary to identify the types of developmental activities which could be handed over to voluntary organisations. De-bureaucratization of the development activities is also attempted by

decentralization of functions to the local self-governing bodies like the municipalities, Panchayati Raj bodies as well as the co-operative organisations. Decentralization and popular participation are efforts aimed at diminishing the area of operation of the bureaucracy to other voluntary organisations will also require the capability of such organisation and their efficiency to hold such power and utilise it in performing their functions for the process of development.

It is interesting to note that by tradition the authority in the organisation has been looked at from the superior's point of view. Authority as a resource is organisationally sanctioned. This is authority in possession; but authority in use brings the superior in direct relationship with the subordinate. Hence in the dynamic sense authority relationship is what can be found in an ongoing organisation. Research findings are now available to show us why and under what circumstances, the subordinates agree to comply with the orders of the superiors. In a relation perspective where the superior and the subordinate are engaged in a behavioral transaction, authority is the legitimate exercise of power from a defined organisational position and at the receiving end the effective use of authority is contingent and variable on the willingness of the subordinate to comply with the orders of the superiors.

In this connection, Simon makes a distinction between the authority and other kinds of influence such as persuasion and suggestion. Obedience, he points out, is an abdication of choice. When authority is accepted, the subordinate "holds in abeyance his own critical faculties for choosing between alternatives." The limits to authority, according to Simon, are set by the "area of acceptance in behaviour" within which the subordinate chooses to accept the supervisor's command. 34

The pattern of authority in an organisation is known as authority structure. According to Katz and Kahn: "The supervisors are to instruct, communicate requirements for change, correct any deviations from required performance; in short they are to influence. In turn, they are to accede to the influence of their own supervisors, and so on to the top of the hierarchy. The resulting set of role relationships constitutes the authority structure...." 35

The top level in Government

The top level in Government is virtually the vanishing point of politico-administrative dichotomy. The power in the Government of used and directed from the topmost level where the Minister and

Secretary have closer relationships in the course of identification of problems and framing of public policies. The political executive and the professional/civil servant work in close collaboration with each other at the highest level. The Minister holds the supreme position by dint of his political stature while the senior Civil servant holds the top position by dint of his merit and seniority. According to Peter Self there are significant structural pattern at the top managerial level that "have an obvious effect upon the actual relations between political executives and administrators, and upon the ability of the political leadership to get its way". The structural patterns are knit around (a) how members of the two groups come to occupy their respective positions; (b) how sharply the political and administrative roles are differentiated and (c) how far the two groups differ in the degree of cohesiveness in terms of accepted beliefs and attitudes and common ties. In addition, the structure of top management is conditioned by the cultural background of the politician and the administrator and their level of maturity developed out of length of experience on the job. The structure also shifts itself from its past tradition and history that leaves an abiding and indelible mark on the participants in the process of management.

Low morale of officers giving rise to inefficiency

There is resentment and discontent, more or less, in all the Departments of the Government amongst the lower level field officials due to low scale of salary and uncongenial working atmosphere. It is particularly articulate in case of the officials of the Cooperation Department working at the Block level, grappling with a persistently low stratum of pay scale. A plethora of disincentives indicated above considerably impaired the morale of the Cooperation Department officials and the net result was nonchalance, lethargic indifference and resultant inefficiency. As the human behaviour is a very important factor in the hierarchy of administration, such adverse psychological phenomena sagged the morale of the officers to a great extent. This is a serious point to be pondered over. If cooperative movement is to succeed, the State Government have to give serious thought in improving the service conditions of these officials. Unless these field level officials are adequately enthused to do their work, the cooperation movement is sure to get a severe jolt. Given better service conditions they will themselves rise to the occasion to perform their assigned jobs in a much better way and carry through the ambitious plans and programmes of cooperative development.

Summing up, the cooperative activity is a bracing factor for an all-round development of the State's economy and by no means,
a baneful weapon of political power. The cooperative sector maintains an increasing inflow of credit and maintains the supply of material input like fertilizers and other improved agricultural technology which culminates into increased production. It ensures a remunerative price for the cultivators which in turn, generates increased per capita income. This means increased purchasing power which open up a vista for better quality of life.

The cooperative consumer stores act as an effective leverage for equitable Public Distribution System and facilitates the availability of consumer goods at fair prices. The cooperative movement commences its task by way of increasing the country's production and completes the cycle of economic activity by ending in finished consumer goods for the people of the country. Thus the cooperative activity embraces the totality of human life touching every point of existence. Neither the public sector alone, nor the private sector on the other hand, can fulfill the requirements of a developing economy in a better way than the cooperative sector which combines the advantages of both and avoids the inadequacies.

The major handicaps in the way of an integrated cooperative movement lie basically in the modus operandi of the coordination factor at the different strata of the State administration, in absence of which it may not make a dent into the hard crust of the problem of rural and economic problem. Throughout the inquiry, attempts have been made to pin-point and underline the means of achieving a perfect harmony and coordination betw en the different
wings of the State administration. Unfortunately it is observed that the ancillary departments often compete with each other undermining a steady growth of development. Rather such competitive attitude supplants the process of economic development instead of supplementing. In fact this is a million dollar problem for the people of our country.

Another factor which appears to be almost insurmountable is the corrupt pressurising attitude of the Ministry, irrespective of the party remaining in political power. The corruption of politics and bureaucracy combined often tend to shelter only the inept section of both the officials and non-officials who are manning the State administration. This is particularly true in the field of cooperative movement. Conscientious officials with constructive attitude are hardly in a position to confront and counter such political move, often at the pain of their service careers which depends partially on the whims of the ill-intentioned political executives.

A thorough overhauling of both the structure and the administration of the cooperative movement will prop up on the following approaches:

(a) Systems — Some fundamental malaises in the cooperative systems should be sought to be eradicated with a carefully planned strategy. Some of such devices have been indicated in the present investigation.
(b) Key personnel — The placement of key personnel in each and every type and form of cooperative organisations should be carefully considered and employed. Their performance in the respective fields should be meticulously evaluated and rectified periodically at each stage.

(c) Correct goal-setting — Often the policy making bodies like the Cabinet Ministers, Managing Committees in the State level Cooperative Federations as well as in the village level suffer from a basic confusion of fixing up the correct goals of the Cooperative Organisation. These are to be rationalised fully.

(d) Honest role-playing — For all purposes, all the cooperative administrators are deemed to be the role-players. In the process of analysis all other cooperators are precluded and only the Government administrators are taken into account. Administrators in the Cooperation Department at all levels will have to play their respective assigned roles with absolute zeal and sincerity. In this context honesty is not merely the moral integrity. It is exclusively the sincerity for doing the assigned tasks. Each and every person in the Cooperative administration will but have to become honest role players in order to shape the cooperative movement in its best form.

(e) Contact with masses and diffusion of education — To purge the cooperative movement of its ailments, the implementors have to penetrate each and every village of West Bengal, obtain the support of the entire population and involve them completely in the process of implementation of the cooperative programmes and to educate them effectively, not in the academic norms.
(f) Deliver the fruits of development to the people — The cooperative education must be spread through school curriculum to ensure their involvement in the art of cooperative management and awareness of their rightful claims and benefits.

The message of cooperation may be communicated to the people and lost confidence may be regenerated this way by a perfect exponent of the cooperative administration. In order to achieve all these, the entire State administration has to be suitably revamped to mark an improved growth both in qualitative and quantitative terms.