CHAPTER - I

THE COOPERATIVE MANAGEMENT IN THE PERSPECTIVE OF ECONOMIC DEVELOPMENT
The Cooperative Management In the Perspective of Economic Development

The issue of cooperative management is essentially viewed in the perspective of economic development of the Third World Countries which are plagued with the problem of poverty and hunger. One basic fact is accepted that countries of the Third World are pledged to bring the fruits of economic growth to the vast population of masses in an agriculturally oriented economy founded on a rural base. While striving to fulfil the goal, it faces certain inadequacies and shortcomings in the policies dictated by conventional wisdom and finds it equally difficult to decide upon an appropriate alternative strategy. In what follows an attempt will be made to examine in brief the basic inadequacies of strategies of development prescribed for and pursued by the developing countries specially for the purpose of upgrading the existing agricultural base of their economies.

Determining the national strategy of growth is largely a political decision, made at the national level on the basis of objectives of development.
Soon after independence, with the second Five Year Plan (1955-1960), India seemed to adopt a capital-intensive approach to development, based on the explicit assumption that growth in agriculture would be an auxiliary process. Economic growth was to come mainly from investing scarce resources in a modern large-scale capital goods industry, specially steel works and machine building factories. The plan assumed that the increasing productivity of these industries would allow a high savings rate and hence investment in still more capital goods. Consumption and growing wage bill would detract more such savings: Hence low consumption and low employment were explicitly part of the plan. There were no intents to alleviate poverty by harnessing the great resources of unemployed labour.

Existing consumption of imported luxury and semi-luxury goods by the urban elite and the large landowners was to be replaced by domestically produced goods through the process of import substitution - i.e., by another type of urban industrialisation. Though initially much of the needed capital for installation of import-substituting industries was to come as aid from the Western nations, they would lead to an eventual saving of foreign exchange.

Between 1951 and 1965 the capital goods and the large scale industries grew faster than the small scale and consumer goods industries. Two areas—basic metals and power—absorbed most of the investment in this period. Investment in metals increased thirtyfold and in power fifteenfold. Increase in production by these industries was not commensurate with investment, especially in the metals-industry.  

Unfortunately it has not been possible to operate these industries at the desired level of efficiency. They operate well below capacity because these nations have limited technical and managerial skills, their infrastructure is underdeveloped, sophisticated economic planning is

not well-implemented and the local market is not large enough. In short, a highly sophisticated technology was transplanted into a system that had not yet evolved enough to cope with it efficiently. The strategy also greatly worsened the urban unemployment problem and as a result the problem of raising the general level of economic well-being. If all investment in this period had instead followed the pattern existing in 1951, total employment in manufacturing by 1965 would have been at least 2.3 times greater.³

Again the failure of industry to absorb the growing urban labour forces is a general problem in the Less-Developing Countries where urban unemployment is in the range of 15% to 30%. The industry-first policy meant that agriculture was starved of investment. The agricultural strategy, which took final shape only in the late 1960s, was analogous to that pursued in industry. It aimed at overall growth by concentrating on large farmers who were already modernised and therefore rich. It hinged on the introduction of new technology and explicitly assumed that institutional reform - the creation of employment and redistribution of resources and income - was not appropriate; indeed, the policy assumed that it would be wasteful to spread resources to the poorer smaller farms.⁴

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With the benefit of hindsight it is easy to be critical of the earlier development strategies. Further, ideas and advice of planners and development experts made good sense within the political framework in which they worked and enjoyed support of the existing theory in economic development. The decision to concentrate resources on progressive farmers mainly reflected the fact that the problem was viewed as want of production and of a need for technological innovation. Of course in the complex task of development, progress will inevitably be accompanied by much trial and error.

This strategy failed to create adequate increase in agricultural production, although Indian agriculture has immense potential for growth. During the 1950s following some land reform and investment in irrigation and helped by good weather, agricultural production grew quite rapidly. However, after a certain period this momentum was lost. From 1950 to 1977 good production grew at only 2.4%, barely keeping pace with population and there is evidence that rate of increase has been falling in the last two decades.
The Structural Failure of Agricultural Development

Whether agricultural productivity has grown slowly as in most underdeveloped nations or rapidly as in Mexico, virtually everywhere the growth has been achieved through increasing distortions in agrarian society. Development strategy has concentrated on investment, research, infrastructure and hence benefits upon a relatively few already semimodernised and prosperous farmers. Incidentally this has largely excluded small farmers thus accentuating existing differences in income. This has occurred throughout the developing world. It is necessary to bear in mind that we are concerned not merely with economic growth but with development. Development implies not only an aggregate growth but also the improved welfare of the most of the people.

We have but to be concerned therefore with what is produced, how it is produced and how it is distributed. It can be seen clearly from the Mexican example where investment and research were concentrated on the richer wheat farmers of the north and in Pakistan and India where (since no breakthrough occurs in rice) they were similarly concentrated on
richer wheat farmers of the Punjab.$

This bimodal strategy exacerbates the dual economy within agriculture. It accentuates the imbalance between a relatively few large capital intensive commercial farmers who sell a large fraction of their product in the market and the remainder who work either very small farms or have no land at all, produce crops mainly for their own subsistence, have virtually no capital, and depend upon primitive technology and human labour.

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Mellor, J.W., New Economics of Growth pp. 76-106.

There is a certain logic behind bimodal policies. Given proper incentives it is likely be easier to spread technological innovation to richer farmers who are already semi-modernised, better educated and have better control over their production through such techniques as irrigation. This last feature is important. Wherever rainfall is unreliable, the output of the farmer who can make little investment in irrigation fluctuates widely from year to year. We therefore run the risk of frequent crop failure. Such a farmer therefore, cannot easily commit whatever capital he has to an innovation which, may well unpredictably result in disaster. In addition, the larger farmers sell food to the cities where food shortages are politically most aggravating and increasing their production might seem the most salutary procedure politically.7

But even without such an external logic: the internal economic social and political structure of agricultural society is bound to result in innovation fast-reaching richer farmer. In practice, the bimodal strategy seriously disrupts the process of development by preventing agriculture from stimulating the development of appropriate industry.

This structural failure affects the development of industry, the integration between different parts of the economy and overall development, through its effect on both producer and consumer industries. In each case the crucial factor is the range of goods that the rural population wishes to buy which is determined by the distribution of income and wealth within the rural population.

Bimodal agriculture's effects on industry are well-illustrated in a comparison drawn by Johnston and Kilby, between the effects of alternative types of agricultural technology in Pakistan. The first type of technology centres around, capital intensive machinery, exemplified by the Four Wheel Tractor and its associated equipment. The second type is "Bullock Package" in which the implement represents an intermediate technology. They are simpler, easier to make and requires land fossil energy and more human labour to operate. However, they are more complex and efficient than the general use but persistently primitive tools such as spade, hoe, hand sickle and stick plough. The two types of technology in Pakistan have effects both on the farm and in Industry. On the farm, the effects are straightforward. The Tractor Package requires more capital and less labour and

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the former being very scarce causes a severe mis-allocation of a scarce resource. The Tractor Package ties up capital that can be used productively elsewhere raises and yields much less than is possible and generates less employment on the farm than the alternative package. In this respect the Bullock Policy is clearly superior, in the sense that implements can be manufactured on a relatively small scale, require quite modest capital investment and use abundant labour.

A second and crucial difference between the packages concerns the degree to which each technology yields backward linkages to the manufacturing sector and therefore creates more jobs and income. This is really the crux of the problem. Economies develop by becoming structurally richer. Each productive part of the economy if it uses resources well, not only produces goods needed elsewhere in the economy but itself creates a demand for products that it can use and for those that can be supplied efficiently by people elsewhere in the economy. It thus helps productive jobs and incomes. Various parts of the economy are integrated when they meet each other's mutual needs and create reciprocal opportunities for employment.

One of the main difficulties in bimodal agriculture is that income is distributed extremely unevenly and this distortion has worsened, so that relative and absolute gap between the rural rich and the rural poor has become
progressively wider. The consequent distortion in the shape of consumer demand has effects that are quite analogous to those flow from the skewed demand for producing goods.

It has been considered important to analyse a few economic concepts narrated above which are inextricably linked with the process of economic development. In order to analyse the structure of functional relationship within the cooperative movement it is very much relevant to study the socio-economic climate in which the cooperative organisations are to function. No doubt the primary constraint is the low level of managerial expertise and capability of the Indians which often eats into the vitality of a sustained growth and development of successful cooperative sector. The major part of the cooperative programmes has to take place in villages and obviously elected Managing Committees of the cooperative societies in village consists of the villagers. Because of the low level of literacy, and education of the rural people who are assigned the task of managing a cooperative organisation, are not in a position to use improved methods for an efficient function of the society. It is difficult for them to undertake viable economic programmes and implement them effectively through the process of rational decision making. On the other hand, a few rich rural elite, by force of their economic and political influence manage to get into the Managing committees of the village cooperatives. They are relatively more
Intelligent than the general members of the society, but because of an absence of ethical commitment they hardly evolve plans and programmes for the society for a real growth of the organisation, so that benefits may accrue to the ordinary members. It is extremely difficult to isolate these self-promoting elements from the domain of cooperative management either by regulatory control of the Government or by enforcing relevant cooperative legislation. In a situation as stated herein, it is equally difficult to develop a large section of the poor people through educative programmes, administrative guidance so that they may inculcate the art of managing such economic activities as envisaged in a cooperative organisation. Dimension of the problem is manifold. It is also a Utopian idea to expect that a large number of Govt. officers of the cooperative department at the village level may take care of these members. Partial solutions of this problem lies in taking up massive programmes of spreading education as well as necessary training for cooperative management to the class of the people who should form the major portion of the cooperative membership. Such projects had already been taken up by the State level and national level cooperative unions, but the achievement so far is still discouraging.

culture

The political culture of a developing nation like India being also less developed, the political executives working both in cities and villages take advantage of the inadequate and poor
knowledge of the general population and try to make the cooperatives a political platform for purchasing votes. They have little in mind to developing cooperative organisation to the real advantage of the poor people. A ready solution to such type of intricate social problem is extremely difficult to find out.

Arguments need not be multiplied in order to stress how increased economic equality would greatly accelerate this process and how in rural societies this means radical reform and the fast expansion of productive employment in agriculture and allied activities. It was shown that food problem is essentially one of unproductive agriculture and it also elaborated the less obvious point that food problem arises directly from the structural poverty of the model, strategy of agricultural development. The process of economic development itself equally depends, not only upon creating a dynamic agriculture, but upon an agricultural system that is based on broad and gainful participation by the rural population. In this connection Professor M.choch has rightly pointed out that a strategy of development is appropriate to the extent it ensures integration of agriculture and industry. For, apart from providing employment to the rural people, agriculture generates financial and other inputs for industrialisation and also contributes a lot towards saving foreign exchange through increased food production.
The outline of an appropriate agricultural strategy to fulfil these goals emerges logically from the above analysis. For most developing nations it must be a unimodal strategy, broadly egalitarian, labour intensive, capital saving and technologically innovative.

The elements of an appropriate agricultural strategy therefore compare the following:

1) Radical reform of land distribution, tenure and credit institutions so that the potentially productive pool of rural labour can gain access to the land and to appropriate yield-increasing technology;

2) Appropriate pricing and other Govt. policies controlling imports, taxes, exchange rates etc. so that agriculture as a whole, is not suppressed through cheap food policies and so that farmer's demand for appropriately scaled technology that can be produced by, and will encourage the development of, small scale, labour intensive, domestic manufacturing;

3) Appropriate research by both Government and private institutions so that new agricultural technology is adapted to local needs and helps development of local technical skills;

4) Appropriate aid policies by donor nations and agencies—so that these aims are fulfilled;
v) The provision of a suitable infrastructure from Govt. tax on agriculture and a commitment to rural development, including primary and secondary education. 9

There are, by now, quite a number of development experts who would agree with the broad outlines of such a strategy. As Barracough has said, "In poor countries profound structural changes are not only a prerequisite for real development, but by definition, they are necessary part of the development process." Nevertheless, it must be borne in mind that mere formulation of the new strategy is unlikely to lead to its rapid implementation. These radical changes involve direct confrontation into the existing power structures in the L. D. Cs.

Economic growth, capitalisation and the modernisation/skill

Explanation of the causes of mass poverty in the newly independent countries in the years after the Second World War focused on the backwardness of their economies. Their people, it was argued, were poor because of their dependence on subsistence agriculture, traditional methods of production and primitive technology, which coupled with a conservative outlook and natural apathy, had resulted in economic stagnation. Massive capital investments in industry and the application of modern technology and skill together with a spirit of competitiveness and enterprise would result in high rates of economic growth, the absorption of subsistence labour force into modern wage employment and a steady reduction in poverty. Although phrased in theoretical terms and in economic models such as those of Harrod (1948) and Domar (1946), this analysis was based on the experience of the Western industrial countries, which, as a result of industrialisation had reached a level of unprecedented prosperity with little, if any, subsistence poverty.

Economists took the lead in formulating this approach. Many were inspired by Rosenstein Rodan’s theory (1943) of the ‘big push’ towards industrialisation and by Nurksee’s (1976) call for a balanced growth through simultaneous investment in
infrastructure and complementary industries. Yet others advocated an import substitution strategy which would permit infant domestic industries to replace expensive imports with cheaper, locally manufactured goods. Some such as Boeke\textsuperscript{10} conceptualized the problem facing the developing countries as the theory of dualism while others such as Lewis\textsuperscript{11} postulated a two-sector growth model which proposed that surplus rural labour be transferred to the modern sector as low cost resource for the expansion of industry.

Based on these and many other elements of the theory, several comprehensive policy prescriptions were formulated some of which recognised the need not only for economic but for social, institutional and attitudinal change as well. One of the earliest was a now historical U. N. Report (1951) drawn up by team of experts under the chairmanship of Professor Lewis.


But perhaps the best known work is the work of Rostow\(^\text{12}\) which viewed development as a linear process of economic growth passing through five stages ranging from the 'traditional' to the 'mass consumption' society. These were not, as he pointed out, descriptive categories, but essential elements in the process, since progression from one stage to the next depended on the fulfilment of certain conditions. For example, if a country is to reach the critical 'take off' stage, capital investment must reach at least 5 percent of national income. Other conditions include the emergence of enterprising skills, a spirit of competition and ambition, which Rostow believed to be as important as the capital-savings ratio.

Many sociologists claimed that economic measures would fail unless traditional social institutions and cultural values were modified. For example, Goode\(^\text{13}\) argued that the extended family impeded economic development because the presence of a large number of dependants hindered labour mobility and limited the family's capacity to save and thus to contribute


to capital formation. Also its cultural rigidity suppressed individualism and the initiative and ambition which characterize a dynamic capitalist economy. Other social scientists such as Hagen\textsuperscript{14} and McClelland\textsuperscript{15} expressed a similar view, arguing that economic growth required changes in attitudes and behaviour; success was most likely in societies with a high degree of individualism, competition and achievement motivation. Sociologists such as Hoselitz\textsuperscript{16}, drawing on the work of Talcott Parsons, attempted to incorporate these and other elements into a typology of the major sociocultural differences between the industrial and developing countries, while several political scientists argued that steps should be taken to foster liberal democratic institutions, such as those which existed in the West; this would weaken traditional systems of authority and lead to the formation of an open class system of stratification which encouraged social mobility and rewarded the economically successful (Lerner)\textsuperscript{17}.


These various ideas combined in the theory of modernisation to provide an analysis of the causes of mass poverty and prescription for its amelioration which not only recommended adoption of economic policies designed to stimulate rapid growth but applauded the diffusion of Western values and institutions to the Third World. In particular, the theory advocated the exportation of a vigorous form of capitalisation, which unrestricted by Govt. intervention would rapidly demolish the obstacles to growth and result in widespread prosperity. But while these prescriptions of modernisation theory were widely adopted in the Third World, its result have not been encouraging. Some countries have experienced rapid economic growth through industrialisation and some have managed even to reduce the incidence of subsistence poverty dramatically. But they are in small minority and many have recorded low or even negative rates of growth while others, which have had experience, quite respectable growth rates, have not experienced a significant reduction in poverty.

Reasons for these failures were examined, but much of the blame is now attributed to the residual social welfare model which was incorporated into the modernisation theory. The 'trickle-down' assumptions of the theory, which suggests that economic growth through industrialisation will raise levels of living automatically by the increasing wage employment and denuding the subsistence sector, are now widely questioned; as many economists recognise, in the absence of redistributive
policies designed to deal with poverty, the benefits of growth have accrued to those who were already well-off. Though, there has been a distinct tilt towards the incremental model, the basic tenets of residual approach have not been totally rejected. In fact, they are being revived in the guise of neoclassical economic doctrine of monetarism and in the increasingly popular theory of 'supply-side' economics. These theories are now being diffused to the Third World countries, particularly, through International Monetary Fund, which is insisting on their adoption in countries in dire need of international credit.

Relevance of Western concepts of Development Measures in India

In a nutshell it may be summed up that the western economists and political scientists prescribed that at the initial stage for a developing nation capital investment strategy was essential for reaping the short-run benefit of rapid industrialisation. It was assumed apriori that once the pace of industrialisation starts, an overall economic growth would follow automatically. But as we have noted above, only measures for rapid industrialisation have failed to bring about the overall prosperity and welfare of the population of Third World nations. As an alternative measure to the above, Professor Mallor and Professor Murdoch have argued for labour intensive agricultural
development strategy which they believe, will pull the rural population out of the morasses of poverty. On a careful scrutiny in the Indian context, it is observed that even that alternative strategy is not fully workable in India. The reasons are developed below:

As it has been shown earlier in this chapter, a labour intensive method for agricultural development may be utilised to a certain extent to raise the per-capita income of the rural population and thereby increase the purchasing power and improve the standard of living of the rural population. In the process however, a relatively well off rural elite is created as a result. This rural elite tries to consolidate itself by concentrating wealth and thereby increasing economic and political power. They, for their own interest will try to enjoy the advantages of development and will not try to pass over those newly opened amenities to the large number of people just below their level. Thus, the evils of a class-ridden society is not completely eliminated. On the other hand, perhaps another new class is further added to the existing number of layers of the stratified structure of the society. The ultimate problem remains as to how the lot of the actually poor people can be improved.

It is true that one of the improved methods to achieve economic prosperity is to increase managerial capability and technical skills. It is also true that by improvement of their
management the cooperative societies spread all over the villages of India may go a long way in improving the economic conditions of the rural poor by a more rational decision making process, as a result of which the business aspect and entrepreneurial success of the cooperative societies may be achieved. It is also assumed that if all the cooperative societies are run successfully in the economic sense of the term, they will run as viable organisation and have a reasonable surplus over their funds. But now, the share of the profit earned by the cooperatives may only be ploughed back to the poor members in the shape of small dividends to be made on their share capital investment and will not exceed 9%. However, apart from the dividend they will receive goods and services in larger proportion than before and thus the economic condition may improve to a certain extent. To illustrate the point, it may be mentioned that the cultivators will pay less interest at the borrowed capital required for cultivation, they will have storage facilities to preserve their agricultural produce till a period of time when they may get remunerative price from the market and by that way their per-capita income will be raised. This will also increase their purchasing power and they will enjoy more comforts than before by using more consumer goods required for leading a comfortable life. They may also spend the extra income for better education and better health of their own and their children. This will definitely have a bracing effect on the life style of
the poor people and the community as a whole will be more enlightened. If this can be translated into reality, the large human resources living in our villages may be utilised more productively. By that way the culture and heritage of the entire nation will be changed from a underdeveloped to a completely developed nation. But then the question remains as to whether such increased income can be brought about evenly among the entire rural population structure. And even if it is so, it is yet to be seen whether the additional income earned will be spent by majority of the population for education and health or for a higher rate of consumption of food only. 18 This raises an issue of a problem of a different nature which will be examined in due perspective.

Need for an emergence of Alternative Management Model for Economic Development of the Country

We have already argued in the foregoing pages that the western concepts of management do not respond to the new context of social transition in India. It has been substantiated that a process of rapid industrialisation through capital intensive

18. Barraclough, Solon - Agrarian Structure in Latin America, p.30. Barraclough notes that in Latin America large land-leners invest a very small portion of their income, spending 84 per cent of their disposable income on consumption, a much higher fraction than is spent by people in developing nations who have comparable income.
industries is no longer fulfilling the objective of a balanced growth of the economy. It is also a fact that the resources for investment being scarce, and thus being predominantly used in the industrial sector, the agricultural sector is being deprived of adequate resources. As a result, the agricultural production though steadily increasing, is not commensurate with a fast growing rate of population growth. Now, if the development cannot be sustained with a reasonable momentum through the process of industrialisation, we have to think of some other method. One point is already clear that the importance of plan objective should be shifted from the industrial sector, gradually towards the agricultural sector. But this change in the balance of economic growth by reorienting the policies is not enough. There are a number of obstacles in the process and way of implementation. Even, if we devise an alternative strategy, the same will be exercised with proper emphasis on the social and cultural aspect of developing economy.

For instance, some important methods will have to be adopted to bring about a substantive improvement of the agricultural productivity. It has been an accepted fact that there is a relative stagnation of the agricultural sector in the Third World. In the development decade of the nineteen sixty's despite rates of increase in the G.N.P., in many developing countries, the overall share of agricultural output decline and data so far
available for the nineteen seventy's do not indicate any improvement in the situation. Between the 1969-71 and 1976-78, per-capita agricultural production in the industrialised countries which was already high, rose from an index of 100 to 108, whereas, for low-income countries in the Third World, it moved down from 100 to 97. This table also shows how a comparison of agricultural production in relation to the labour forces between developed and developing countries highlights this differences in productivity. The immense gap between the two groups of countries can be interpreted to show the potential that exists; but if even a fraction of this potential is to be realised, the task is formidable. Moreover the developed countries have improved their agriculture productivity over a long period of time and circumstances, very different from those in the developing countries today. A very small labour force now produce large surplus of food and other agricultural products. For example, it was estimated that in 1974 an American farmer could provide enough food for 65 people (Todaro, 1977).

The farmer is operating in a highly industrialised country with a population which has ample opportunities of employment. Land which is seen merely as one factor of production has less significance in the economy as a whole. In developing countries

which have large rural populations with limited alternative employment opportunities the policy issues are very different. Agriculture is not just an economic activity it is also a way of life. But the need to increase productivity, is even greater, especially in countries where land is scarce.

In Asia, where land is such a scarce resource, it is only by higher yields that any improvement can take place. So far, these improvements have mainly benefitted the richer farmer, and, have tended further to distort the distribution of gains, to different groups in the agricultural sector. Much documented example of this is the fact of Green Revolution (Rao, 1975; Griffin, 1974).

In theory, the new miracle High Yielding Variety of seed are scale neutral, and those should benefit all farmers, but in practice, their use requires a package of inputs, i.e., beyond the reach of the small farmers. High Yielding Variety of seeds require chemical fertilizer, pesticides, a reliable water supply and an agricultural extension service to impart knowledge of their use. These inputs are expensive so that the farmer, without capital can only obtain them through receiving credit.

It is precisely at this point that the cooperative organisation can play vital role. Actually a large number of co-

cooperative societies are already providing necessary inputs like agricultural credit, chemical fertilisers, improved seeds which the poor cultivators can afford to pay. Once this line of credit inputs to the small farmers is ensured, and the cooperatives operate with efficiency, a large number of small farmers can take advantage of these inputs and increase agricultural production to a great extent. There are approximately about 6650 primary agricultural cooperative credit societies in West Bengal. These cooperative credit societies also provide inputs like fertilisers, seeds etc. and they operate at the village level in all the 335 Community Development Blocks in West Bengal. However, these cooperatives have but to operate under certain limitations. For example, the agricultural credit disbursed to the small farmers by these cooperatives are not repaid regularly over the years. There are various reasons for this poor recovery of agricultural loan. Besides, natural calamities like drought and flood, there are people who have tendency not to repay the loan and also misutilise the borrowed amount for other purpose than agricultural production. For quite a number of poor cultivators, the problem is real because they have hardly any money to maintain their daily livelihood and as a result they utilise the cooperative credit for their consumption and survival. The result is that the credit is not utilised for productive purpose and the poor farmer is always pushed towards perpetual indebtedness. Again, there are others who belong to richer class of peasants and by becoming member of the cooperatives they take advantage of these cheap credit and do not utilise
them for cultivation. The basic reason is that they do not require any loan at all for cultivation because they have their own capital. It is extremely difficult to eliminate this class from the composition of membership of the cooperative societies.

In addition to this, these richer farmers do not intentionally repay the cooperative loan. As a result the total recovery of agricultural loan channelised through the cooperative sector get bogged down and reinvestment of agricultural finance thus suffers badly. An efficient cooperative management can do away with these evils and make the genuine members conscious of their rights and persuade them to realise their agricultural credit for cultivation and increase their agricultural yield. This is the real purpose of a cooperative society and thus only the members can become self-sufficient and earn sufficient income for a better living.

Again, there is another problem relevant in this context. Most of the cooperative credit are security oriented. As a result the peasants who have no land to offer as security, are not eligible to get the required loans for cultivation. Of course, the State Government has taken adequate measures so as not to insist on collateral security of land and after ascertaining a bonafide of such poor members, the cooperative can give them production loan as well as consumption credit. This has done a good job and the poorer sections of the cultivators are thus
taking advantage of the agricultural credit and trying to increase their agricultural production. Yet, there is still a large gap to encompass all such poor cultivators within the cooperative fold. For persuading people to become members of cooperatives, the State Government has allocated funds in its budget provision for universal membership under which scheme the membership fee of Re.1/- and the minimum share capital of Rs.10/- is borne by the Government, for the poor people, who are willing to become members of the cooperatives, agriculture is fraught with uncertainty and the risk of crop failure is ever present. The fear of even greater indebtedness acts as a constraint on innovation. Cooperatives try to assist in this respect and the State Government is taking adequate measures so that the cooperatives can help the poor farmers in a bigger way than previously. Rao's (1975) analysis of technological change in Indian agriculture showed that it was the farmers in the higher income groups who were the principal borrowers from cooperatives; 35% of all borrowing being taken up by farmers with assets of over 20,000 rupees and only 0.5% by those with less than 500 rupees.28

Moreover, the average amount borrowed per acre ranged from 1.81 rupees in the lower group to 7.39 rupees in the higher. This has serious implications for agriculture using High Yield Variety Seeds. For, unless the whole package of seed, fertiliser, pesticides and water is supplied, the result in terms of yield
may be worse than for traditional varieties. Evidently, the poor farmer who cannot afford to take the requisite amount of credit for this purpose will be a net loser in the long run.

Government policies have in most countries failed to meet these predicaments. Even when programmes have been directed towards raising the productivity of small farmers they have frequently failed to provide either adequate credit or insurance against crop losses. There has been a lack of appreciation of the major part that risk places not only in fact but as perceived by the small farmer himself. There is also certain ambivalence in policies; they may pay lip service to raising the levels of living of the poor; but at the same time be directed towards quick returns in raising agricultural productivity. It seems far easier to achieve the latter objective by concentrating on the bigger farmers, for the bigger farmers are more likely to respond to opportunities for innovation. Behind this thinking lies the view that there is a conflict between efficient and more equitable distribution of gains. This is an issue of central concern to the question of rural poverty. The inability to resolve this problem has led to a situation where the new technology has not only benefitted the richer farmer, but as further impoverished the rural masses. In India, for example, in areas where the new technology has been introduced, the concentration of land-holding has increased and there has
been a rise in the number of landless. This fact supports the contention that capital intensive strategy as well as technological innovation are not in a position to eradicate rural poverty. This is an area where further reconsideration of an alternative strategy is more required. As the transition from purely subsistence to a very commercial type of farming cannot be achieved overnight, it is imperative to create policy that will help at least marginally to improve productivity. For this to be done there needs to be much greater understanding of the characteristics of the subsistence agriculture and the dimensions of the rural poverty as well as agricultural research directed towards this sector.

The nature and extent of social constraints for alternative model

During the earlier parts of this chapter, from time to time reference has been made to the social problems and bottleneck like growth and proliferation of both and urban and a rural elite. The other important social constraint consists of a highly uneven class structure in our society. This class structure is not only divided between the rich and the poor or the urban and rural. This is much more deep-rooted in our society. The problem of upper and lower castes is one of intensive drawbacks. The upper castes always try to infiltrate into
the social process and dominate over the lower caste. Thus, the incidence of this caste and class disparity is quite pronounced in village cooperative societies. Even, if we conceive of a situation where the village cooperative is run quite efficiently and earning profit, the polarisation between upper and lower caste members tend to skew the benefits accruing from such a cooperative in favour of the upper and wealthy sections. The management of the society have a tendency to extend rural credit to their own relatives in preference to the more needy members who per chance belong to a lower caste. Thus quite a large section of the poorer community are being continually deprived of their due shares from the cooperative organisations. Similarly, there are difference in social structure of the community like the traders and merchant class who mix up with the cultivating class and dominate over them. Besides the uneven spread of education among the rural population further reinforces the vantage position of the privileged section. It is extremely difficult to solve the problem of such class oriented social constraints. Whenever we attempt to accelerate the pace of economic development, these sociological problems become almost unsurmountable. Unless these sociological problems are resolved by a radical change in the attitude and outlook of the population, it is difficult to distribute the fruits of economic development to the entire nation.
The basic problem in respect of sustained economic development lies in the root of organisation and management. The major factor responsible for failure in implementation of the plans in our country is also in a large measure due to proper, rational and able management. On the one hand, there is a great dearth of managerial expertise in our country, on the other hand even those who are duly qualified and have sufficient expertise in administrative affairs, do not either intentionally do justice to their assigned task or are prevented from doing so due to an uncongenial political and socio-economic atmosphere. It may be relevant to probe into the causes to further depth. Very often, the power and responsibility of the high level Government officials are not defined properly. As a result of this, there is an immense lack of accountability on the part of the administration. Unless and until the specific job requirements and content of the functions are clearly documented backed with the forces of political and administrative authority, it is very difficult to haul up the Government officers for any major lapse on their part in implementing the plan programmes of development. It is observed that the more we go upward the administrative hierarchy, the less is the area of responsibility fixed. In fact, the responsibility at the higher echelon upward the hierarchy becomes more and more defused but at the same time entire responsibility for such lapse lies with the higher level of administrators. The enhanced quality of administrative
work which is so vital for proper implementation of the economic development plans, often do not receive due attention of the administrators. This gradual deterioration in the quality of the work of the bureaucracy has been an important contributory factor for failure of the development plans. On the other hand the remote beneficiaries such as poor villagers are deprived of the goods and services they are entitled to. Because of ignorance and illiteracy neither they can question the validity of the work done by the higher level administrative officials. A few wealthy persons in the society have easier access to the higher level bureaucracy and they can easily influence and mould the decision of the bureaucracy in favour of them at the cost of the poor class of the country. This aspect has to be analysed and remedial measures adopted for rectification.

Here comes the question of administrative accountability. Unless and until the administrators are made accountable for any lapse on their part in discharging public service, it is very difficult to have tangible improvement. This is a feature common to all underdeveloped nations, but of course varying in degree. The dominant western concepts of management that have developed in U.S.A. or Britain may not readily respond to the context of our country which is passing through a phase of social transition. We have to develop our own methods to improve things and any such attempt must be made with due recognition to the existing situation availing in our economic and social sphere.
The Impact of an alternative approach on the functional set up of the Cooperative Management

For a balanced development of the economy through the path of increased agricultural production has to ensure an effective inter-relation between the different sectors and sub-sectors of the economy. In order to achieve this coordination, the existing administrative set up is to be oriented suitably. The priority settled by the political executives are liable to come into short-run conflict with the allocation of resources consistent with the past old capital oriented strategies of development. They will also require major change in the procedure of planning and implementation. If it is accepted according to the thesis of Professor Mellor\(^\text{21}\) that capital intensive strategy for economic development necessarily implies quite a substantial amount of foreign aid, it will be quite natural that there will be financial constraints on the resources made available for utilising in agricultural development. India's 5th Five Year Plan almost certainly precluded full pursuit of the strategic objectives stated above. Large imports of capital goods for capital intensive industry would

maintain a tight foreign exchange situation, which would almost certainly restrict imports of fertiliser for agriculture and raw materials for small scale, labour intensive industry. Of broad importance, investment of a major portion of domestic savings in large scale heavy industry requiring the intensive use of electric power will reduce the quantity of capital available for investment in agriculture and small and medium scale industry, while placing heavy demand on the more limited supplies of electric power as well as on transportation and other elements of infrastructure. Similarly, foreign aid, which is tied to capital intensive growth, is likely to further tighten the resource constraints on the employment oriented strategy as it calls for increased domestic resources to be absorbed in the capital intensive sector, leaving less for other sectors.

At the same time, foreign aid with import of capital intensive intermediate products allows more domestic resources to be mobilised for growth of labour intensive sectors. Thus choice of key factors in a strategy, does require resolution of major conflicts in the use of resources at the highest policy level and may entail some compromised limits of different strategies. After the policies are framed on the higher level, the next stage of the planning process is logically conducted in the functional ministries and interacts with the choice of strategy by feeding information to the Planning Commission and
then planning and executing the details implicit in the statements of priority. The functional ministries assume a powerful role in a pragmatic approach to planning because they are the reservoirs of intuitive knowledge that grows from implementing programmes. The interaction between the planner and the implementing administrator is of crucial importance to effective policy. 22

The new growth strategy suggests that ministries be defined functionally so as to facilitate growth of scientific and technical knowledge. Planning at the ministerial level would be concerned with the interacting function of improving the efficiency with which activities are performed and the quality of inputs to those activities.

The division of planning and implementation efforts lying in different Governmental levels raises the problem of co-ordinating the activities at the action level. For this purpose, the Indian district level organisation is well-suited to a role of primary responsibilities. In addition, a political body at the district level would set the priorities

22. In this connection, W.A. Lewis has observed: "It is necessary to change the bias of the bureaucratic machine ....... Local and regional experiences must be fed back into the planning process", pp. 74-75.
of local development within the constraints of national objectives. They should take the assistance of the District Magistrate for co-ordinating the tasks to be performed by the different Government departments at the district level like the engineers, educationists, the teachers as also the general administrators.

It is evident that since the attainment of independence, the administrative function of the country had a radical change towards the administration of a welfare state. During the colonial regime the British administration was only concerned with the problem of collecting revenue and maintaining the problem of law and order. Since the framing of Five Year plans gradually the role of administration was changed from nearly tackling the problem of law and order to a development oriented administration. It became the prime task of the administrators to implement plans and programmes which touched every aspect of human life from education, health and housing to raising the level of mental temperament, culture and consciousness of their right to a comfortable living in the true sense of the term. The political executives wanted to extend the benefits and amenities available till now only to the upper strata of the society to the village level cultivators.

Let us have a look as to how the things shaped during the last three decades. The intent of the Indian Constitution,
was to build up a society within the frame-work of democratic Government. The core sectors of the economy were taken up by the Government itself like the Railways, Post & Telegraphs, production of Steel, maintenance of transport and such other essential commodities which were required for the development of the country. At the same time the Private sector companies were allowed to function in order to produce various consumer goods as well as manufacturing goods which were of secondary importance for the development of the people of the country. Thus the Public sector enterprises under the sponsorship of the Government and the Private sector industries contained to control the means of production. Side by side it was also necessary involve the entire population of the country in the process of planning and development. The basis fact was recognised by the renowned economists and planners of the country that the formation of Co-operative societies was one of the best ways in the process of mass involvement and direct participation by the people in the economic development of the country. Accordingly, the co-operative approach was expected by the Government and incorporated in the Five Year Plans. The top priority was given to the formation and function of agricultural cooperatives in the villages throughout the country. These cooperative societies were organised by the people of the village. The poor villagers were freed from the clutches of the private money lenders. The cooperative societies took
the responsibility of providing the agricultural credit to the poor farmers so that they could meet the cost of cultivation. Improved quality of seeds, fertilisers and other small agricultural implements were also provided by these village cooperatives to the poor cultivators. During the initial stages of course there were many difficulties in organising these cooperatives against vehement opposition from the village money lenders and small private traders who were so long exploiting the poor people. But ultimately, the cooperative organisations were able to oust the exploiting middlemen and private money lenders. The general people took the full advantage of chit cooperative credit and thus a large tract of arable lands were cultivated by the villagers. The agricultural production marked a steep rise. The cooperatives also ensure remunerative prices to the cultivators by generating incremental income. Now, in the early 80s, the rural population could at least improve their standard of living to a great extent. However, it is also true that still there is a large number of population who are living under the poverty line. But there is enough reason to be optimistic about the future of the poor people who are gradually receiving more benefits from a benevolent Government. Through the extension of Panchayat bodies, the direct participation of the rural population in the matter of decision making has been translated into reality.
The problem still looming large in the cooperative sector, is that the performance of the village cooperatives is uneven and disperate. The reason may be attributed to both the public administrators as well as the basic attitude of the people who are expected to reap the benefit of the cooperative movement. It is reasonable to expect that the bureaucratic machinery of the Government working in the fields are to take more initiative in inducing the village people and extending more useful services and guidance to the members of the cooperative societies. The field level Government officers of the cooperative department are expected to involve themselves with the illiterate villagers and guide them adequately so that they may become more conscious of their rights and privileges to be enjoyed during the membership of a cooperative organisation.

The inter se coordination between the different levels of cooperative management is still lacking to the desired extent. In order to ensure more effective coordination the primary agricultural credit societies within the village itself as well as in the different parts of each district should be supervised by the Government officers so that there is no unhealthy competition between one society and other. At the same time it cannot be denied that unless the members of the cooperatives themselves become conscious of their duties and responsibilities for smooth function of the society, no amount of Government intervention will improve things. It is a fact
that most of the members of the managing committee of each cooperative society still have a tendency to dominate over other ignorant members and serve their personal interest in a veiled way. The annual general meetings are not being held regularly so that new people may come into the management and a sustained development is maintained so that the activities of the cooperative society are diversified and expanded. Business plans and programmes of the organisations are to be framed rationally and executed faithfully so that each individual should feel that he is benefitted by the organisation and he can improve his economic condition by actively participating in the decision making process of these organisations.

The Government’s administrative set up has to set itself to the task of evolving new guidelines and norms in respect of cooperative administration. The district level functionaries should take up ambitious development plans and programmes in conformity with the policies framed at the national as well as state level. The field officers working under the A.R.C.S. of a district should take more initiative to chalk out specific development plans in respect of all types of cooperative societies under his jurisdiction.

In order to ensure improved efficiency of the Government officers of the cooperative department, functional relationship between (i) the State Government and the Cooperative Societies; (ii) between the different allied departments of the Government
like the agriculture, industries and planning and development as well as Panchayat department and (iii) the functional relationship relating to the inter-personal management should be analysed in detail and measures for tangible improvement are to be suggested.

One important aspect of these functional relationship pivots round the relationship between the minister of the concerned department and the civil servants working under him. This is a very complicated problem less frequently encountered in developed countries. The task of policy formulation lies with the departmental minister. Usually, the Minister frames policies in conformity with the commitments and promises given by his party to the electorate at the time of seeking electoral verdict of the people. The broad policy codes are fixed by the minister in tune with the political ideology of his own party. At the same time it cannot be denied that policy decision are also shared by the civil servants including the Secretary of the concerned department of the Government working under the minister and there is a continuous two way traffic in taking the decisions by constant modification and marginal alteration by all the middle level management of the Government administrative hierarchy working under the Secretary. While the framing of policies by the Minister incharge is largely guided by subjective considerations, the content of such policies must be attuned to objective conditions as they begin to be implemented by the administrative hierarchy.
The Minister may not like the obstacles of procedures and precedents and want his officers to comply with his orders, obviously for the enhancement of his political image before his party leaders. This places the Government officers in a very embarrassing position. There is no gainsaying the fact that political pressure and intervention have a demoralising effect on the moral of the officers and it is desirable that political interference should be reduced to minimum, so that the administrative authorities may perform their jobs rationally and more pragmatically. At the same time one cannot also gloss over the fact that the procedural obstacles may well have been defended by the recalcitrant administrator that refuses to accept the new challenges for social transformation. This may be either because they lack necessary initiative and imagination or because they themselves have hopelessly become wedded to the vested interest in society.

Again within the administrative department itself there is may be number of problems like the collusion of group behaviour and the interpersonal relationship in the Government management.

In bureaucratic model there is constant contact between different persons belonging to a particular administrative department, both horizontally and vertically, which may frequently give rise to sort of a role conflict within a group or between different groups of persons. R.E. Walton gave a theoretical
framework of this interpersonal role conflict and also suggested certain methods to control or resolve such conflict. A basic feature of third party intervention is confrontation; the third party must be willing to confront the fact that conflict exists and that its consequences for the effectiveness of the two parties involved. The third party must know, how, when and where to utilise confrontation tactics that surface the conflict for examination. The third party must be able to diagnose conflict situation and Walton presents a diagnostic model of interpersonal conflict based on four basic elements:

- The conflict issues, precipitating towards, the conflict-relevant acts of the principals, and the consequences of the conflict.²³

In addition, conflict is a cyclical process and the cycles should be benevolent, malevolent or self-maintaining. For accurate diagnosis it is broadly important to know the source of the conflict. Walton addresses this issue in this manner: "a major distinction is drawn between substantive and emotional conflict. Substantive issues involve disagreements over policies and practices, competitive bids for the same resources and differing conceptions of roles and role relationships. Emotional issues involved negative feelings between

the parties (e.g., anger, distrust, scorn, resentment, fear, rejection). 24

This distinction is important for the third party consultation in the substantive issue which require prompt solving and bargaining behaviours between the principals, while emotional issues require restructuring perceptions and working through negative feelings.

Intervention tactics for the third party consists of structuring confrontation and dialogue between the principals. Many choice points exist for the consultation. Walton lists the ingredients of productive confrontation:

i) Mutual positive motivation  2  both parties are disposed to attend to resolve the conflict  ;  

ii) Plans in the constitutional power of the two principals  2  power parity is most conducive to success  ;  

iii) Synchronising of their confrontation efforts  2  Iniative and readiness to confront should occur in concert between the two parties  ;  

iv) Appropriate pacing of the differentiation and integration phases of a dialogue  2  time must be allowed for working through of negative feelings and clarification of ambivalent or positive feelings  ;  

24. Ibid., p. 73.
v) Conditions favouring openness in dialogue

\[ \text{norms supporting openness and re-assurance for openness should be structured for the purpose } \]

vi) Reliable communicative signs \( \text{making certain each can understand the other} \);

vii) Optimum attention in the situation \( \text{there should be moderate stress on the parties} \).

Among the list above a comment in passing is necessary regarding differentiation phase of conflict. The principals clarify the differences that divide them and sort out the negative feelings they have, in the integration phase, the principals seek to clarify their commonalities, the positive feelings or ambivalence that may exist and the commonality of their goals.

The problem of interpersonal management relations is important for smooth function of cooperative department itself. Usually, an officer of the rank of Additional Registrar of


cooperative societies or of the rank of Joint Registrar of cooperative societies is usually at the head of a particular functioning cell at the head quarters. The entire work of the cell is executed with the help of a number of Deputy Registrars and Assistant Registrars as well as Cooperative Development Officers working under the head of a cell. Only, the final decision is taken at the level of Joint and Additional Registrar. The pros and cons of any issue is examined and elaborated at lower level of the functionaries such as C.D.Os. If a particular issue is being examined from a particular point of view by the C.D.O. and then the file goes to the A.R.C.S., A.R.C.S. may have some thinking other than those narrated by the C.D.O. Again, the A.R.C.S., who will examine the file after it is routed through the A.R.C.S. may have his own thinking. A.R.C.S. may have nothing to add to the arguments already developed by his subordinate officers or he may modify the same to some extent or may have a totally different point of view. The ultimate decision, however, will be taken by the Joint Registrar or Additional Registrar at the top. Now, the problem of interpersonal management lies throughout these two or three levels of administrative tiers usually, a problem is logically developed in the same line and further interpretations or observations are added by the next higher officers. The main thing is the fundamental approach to solving a problem. In case there is a frequent confrontation of ideas at these three
levels, it will be very difficult to resolve the conflict and arrive at a rational decision. For rational decision making therefore it is desirable that a thorough prethinking about possible problem situations should be taken up at all levels of cooperative management.

The Structural Levels of Cooperative Management

The Santhanam Committee on cooperatives in Tamilnadu observed that "it is not possible for millions of persons to participate actively in a single centralised primary society. Therefore, every society has to have a limited jurisdiction, though this may vary to a considerable extent according to the nature of activities of the society. This primary organisation will have to come together for common purposes and so a federal structure becomes inevitable. How many tiers should be in respect of any particular activity is a matter of expediency?"  

Adoption of federalism by cooperatives stems from the very philosophy of the movement viz., strength through mutuality, unity and structural oneness and solidarity are essential for integrated working of the movement and making it a perfect operational system. Isolated function of each unit cannot

generate for itself the required strength and capacity to achieve the objectives. Just as individuals build power and vigour by uniting themselves voluntarily into a cooperative with mutual understanding for common purpose and function democratically, so do the individual cooperative enterprises. The inseparability and mutual link from lower to higher organisation is a distinctive feature of the movement. This structural manifestation of the cooperative should be of "cooperation among cooperatives".

Apart from the above logic, the expediency of the situation necessitates a sound federal structure. In a country like India where the private sector, working through various formations such as trust, cartels and business combination is extremely powerful from any stand point, cooperative organisation, functioning in isolation cannot survive against competition with them. Besides, in so far as State patronage by way of protection to cooperation is often resisted, internal strength of the cooperatives has got to be built up through structural integration and solidarity.

The various union of federal structure, - primary, secondary and other at higher level - do not live for their own sake. The whole structure has one singular purpose to help the ultimate beneficiaries, viz., the individual members of the primary cooperatives. Each higher federation has to assist
the affiliates, thus indirectly working for the primary members. The impact of working of the federal structure should be felt by them in terms of improvement in their business, income and standard of living. To illustrate the marketing structure should so function as to ensure better operational situation and price to the ultimate farmer members of primary cooperative marketing society. Consumer cooperative structure should protect the interest of the ultimate individual consumers. The artisans must have better return being members of structure of industrial cooperatives and so on. If that does not happen, the very purpose of creating federal structure gets frustrated.

The Base

Federal structure has come up not from top to bottom but emerging from below upwards. The village cooperatives constitutes the base of the cooperative pyramid. The visualisation was to form small village cooperatives, which will promote social cohesion and will function as primary functional democracies having representative of each family in the village. However, this base had been changed and rechanged occasionally without giving enough opportunity, time and required support to them to prove their effectiveness or otherwise. Whenever committees and working groups were set up to study the causes
of inadequacy of credit at the village level and suggest measures for improvement, a solution was always found in making base-level structural change. Without any rational thinking the size of the village cooperative were occasionally changed. Sometimes they were more fragmented than the existing ones, on the plea that the smaller the size of the cooperative, the easier to manage them as business organisation more effectively. Again, after a certain period of interval arguments were put forward to expand the small cooperatives through merger so that they become economically viable and reaped the benefit of large-scale economies. Such frequent changes need not however, ultimately lower the function of the cooperatives. What they did, rather it was found that by expansion the problems of management were more complicated than ever. One of the reasons was that different groups of members of previously smaller societies were not unit to merge their identity with a number of other societies. As a result of such amalgamation, the composition of the managing committee was also radically changed with different sets of people, who were ideologically at war with each other. Thus it became more difficult for such a heterogenous group of management to reach a goal-consensus about the plans and programmes of the newly created large society. The liabilities of erstwhile society became combined and it was difficult to manage the society with economic success. Such frequent alteration and addition of the basic
structure of cooperative movement did more harm than good. Naturally, the rate of growth of this cooperative societies was also reduced for faulty planning of the working groups and committees.

However, of late a number of Farmers Service Societies were organised in different districts. In fact this was a larger type of primary agricultural cooperative societies and the advantage of such organisation was that a single moderately large society would be able to provide numerous services simultaneously to the target member groups like providing agricultural credit, inputs like fertilisers and seeds, long-term credit for land development and medium term credit for sinking irrigation tubewells as well as making essential consumer goods available to the village population. This package deal of a number of activities through a single society with an improved system of operational working and a better set up of managerial personnel could serve the village members really in a big way. Thus the Farmers Service Society concept was more sound as an approach for a better managed cooperative society delivering the goods and services to the rural population. By the end of 1983 there were sixty such F.S.S. in West Bengal, but the desired result was not yet coming forth. The Chief Executives of such F.S.S. were borrowed from different banks and no doubt while this executive class had a better background and expertise than the manager of a rural P.A.C.S., despite a better background
these executive officers did not fare well in the spheres of cooperative management. The following table showing the trend of working of the F.S.S. in West Bengal will provide a picture of their performances.
### ANNEXURE-I

( Rs. in lakh )

<table>
<thead>
<tr>
<th>No. of F.S.S.</th>
<th>Total no. of Agri. families covered</th>
<th>Membership as on 30.6.79</th>
<th>Paid up share as on 30.6.79</th>
<th>Total Agril. loans advanced</th>
<th>Overdues as on 30.6.76</th>
<th>Overdues as on 30.6.79</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Registered up to 30.6.75</td>
<td>5</td>
<td>27291</td>
<td>9840</td>
<td>7.37</td>
<td>21.61</td>
<td>21.54</td>
</tr>
<tr>
<td>ii) Registered between 1.7.75 to 30.6.76.</td>
<td>12</td>
<td>32889</td>
<td>16460</td>
<td>17.04</td>
<td>56.29</td>
<td>69.74</td>
</tr>
<tr>
<td>iii) Registered after 30.6.76.</td>
<td>29</td>
<td>169227</td>
<td>33883</td>
<td>19.73</td>
<td>75.55</td>
<td>89.08</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>46</td>
<td>229407</td>
<td>65183</td>
<td>44.14</td>
<td>153.44</td>
<td>180.36</td>
</tr>
<tr>
<td>i) Of which by C.D.</td>
<td>11</td>
<td>61065</td>
<td>25133</td>
<td>17.94</td>
<td>70.16</td>
<td>75.17</td>
</tr>
<tr>
<td>ii) Of which FSS where T.O. were posted.</td>
<td>6</td>
<td>29023</td>
<td>10992</td>
<td>9.79</td>
<td>30.25</td>
<td>21.87</td>
</tr>
</tbody>
</table>
We may have a look at the federal structure of the cooperative movement both vertically and horizontally. It is contended that while the vertical structure may forge commercial or trading coordination and relationship, the horizontal one is non-commercial in nature, mainly engaged in promotional or ideological rule. The advantage of vertical structure is that primaries in a particular sector form a secondary organisation of their own at the district level as well as at central level. Again such district federations federate themselves to form a tertiary organisation at the State level. The tertiary organisation again constitute national level federations. Vertical federal structures have come up in all the major fields of short and long term agricultural credit, agricultural marketing, consumers, industry, handloom, housing, labour, urban credit, dairy, spinning mills etc. The federal tiers are not the same in all the sectors of the movement. In the case of short term agricultural credit, the general pattern is district cooperative banks, which are federal bodies of agricultural primary credit, service or multipurpose cooperatives. There are no district level federal institutions for long-term agricultural credit in which case a number of States have unitary structure with branches at district and lower levels. Similarly, in most states there are no district federations of urban credit unit which have direct affiliation with state level federations.
Again, the national federations in several vertical structure are not trading or commercial organisation. They are coordinating and promotional agencies only. For example, the apex of both short and long-term agricultural credit, viz., national federation of State cooperative banks and national federation of cooperative land development banks respectively. National federation of housing cooperative, national federations of urban cooperative banks, national federation of cooperative sugar factories and national federation of dairy cooperative are sectoral promotional organisation, undertaking such activities as research, collection of statistics, organisation of special conferences, liaison with Government etc.

Mirdha Committee on cooperation, categorically recommended that "the cooperative societies should follow a clear structural pattern, i.e., a primary cooperative society should consist of primary individuals, secondary societies should consist of primaries and apex society should consist of central societies and a national society should consist of apex societies. A mix up may lead to a blurring of function and provide scopes of malpractices."28

The existing functional pattern of the cooperative federal bodies, smack of strains on mutuality. The experience is that in the process of working of federal bodies, a number of irritants crop up which put mutuality under great stress and strains. Such strained relationship may have one or all of the following manifestations:

a) Ignoring the interest of the constituent members, the main objective of federative becomes profit making for itself;

b) cadre personnel are imposed without the consultation and consent of the member organisation;

c) Federation opens branches in the area of operation of the members, those competing with them directly;

d) Federation does not share surpluses with members by giving dividend or rebate. If at all some amount is given, it is adjusted towards additional share capital;

e) Federation does not operate in the market through constituent members and enter into transactions with private trade channels directly;

f) Federation does not support the members by way of studying their problems suggesting solution;

g) There is no constant communication between the federating and federated organisations to appreciate and understand each others point of view;
h) Apex institution imposes on their constituents business in which they have little interest or experience.

Small wonder, therefore, that the working group of the administrative reforms commission on cooperation have observed:

"It is of utmost importance that the higher tier organisations in the federal structure establish close and intimate contact with the constituent unit. It is also necessary that the federal organisation in various fields develop mutual contacts. The replies received from some of the State Cooperative unions where questionnaires indicate that some of them do not know much about the national cooperative organisation excepting national cooperative union of India. The Central banks, State Cooperative banks and the federal organisation in other fields do not evince much interest even in the working in the State and district cooperative unions which are entrusted with the responsibility for cooperative education and training. There have been cases where within the same structure, conflicts have arisen between the different unions at various levels in conducting different business operation. We would like to suggest that regular arrangements should be evolved for constant consultations between the constituent unit and also for common means between the constituent level organisation in various levels. This means should be conducted at a regular intervals. The State cooperative unions should keep watch and take the
initiative in this matter."

In order to generate confidence among their member constituents, the federations in general and particularly the State level federations should have the following functions in their check list:

1) The federal organisation should assist constituent members in the preparation of a long-term plan and annual plan, because the federation has better competence in terms of skills and other resources. In fact, the annual work programme of the federation should be the sum total of the annual programme of constituent members. A conference to finalise annual programme of each constituent should be a regular feature of the working of federations. Some of the banks, like Maharastra State Cooperative Bank are undertaking such exercises;

ii) the federal organisation should assist constituents in the implementation of their plan, by way of providing guidance, arranging technical know-how, if needed, financial accommodation, supply of raw materials, finding better marketing situation for the products and similar activities;

iii) Constant improvement in the managerial efficiency of the member organisation is another application of the federation. This may include arrangement for training of employees in professional skills, education of individual members, exposure of office bearers and board of directors to more successful institutions in developing managerial ability to tackle complicated situation and take rational decisions;

iv) Federations should design internal power structure to be adopted by the constituent members, clearly defining responsibilities and accountability of each authority for smooth working of internal administration. This should be introduced only after deliberation with the constituent members and with their consent;

v) In order to ensure that the records and accounts of the constituents (especially primaries) are maintained properly; State and District federations should develop at their level appropriate machinery and mechanism to assist them;

vi) The district level federations should also develop a regular channel of communication for disseminating information to their members that may fruitfully utilise for use in their business and function.
In cooperatively advanced countries with federal structure of cooperatives, the federations function to strengthen the economic and cooperative aspects of the member organisation and not for themselves. They take care of all aspects of constituent members including prospective planning, maintaining supply line, managerial efficiency, training of personnel, audit of accounts, democratic working etc. They function for the entire sector as its spokesmen. Their effects are to increase the competition strength in the member institutions.

Problems of Cooperative Administration

In order to further identify the problem area in the domain of cooperative administration, it will be necessary to study the exceeding distribution of functions within the cooperation department as well as the cooperative directorate. The primary functions of the Cooperation Department are as follows:

1) To examine and sanction different schemes for organisation of new types of cooperative societies and accord sanction to these schemes often drawn up either by Cooperative Directorate or by the Government of India;
ii) To sanction financial assistance to various types of cooperatives in the form of share capital working capital loan, subsidy grant etc. after a thorough scrutiny of the proposals initiated by the Cooperative Directorate;

iii) To accord permission for holding Annual General Meeting as per provisions of the W.B.C.S. Act, 1973 to the defaulting cooperative societies who do not hold Annual General Meeting within the period prescribed under the relevant law;

iv) Forward certain schemes to the Government of India and the N.C.D.C. for obtaining financial assistance under different schemes like the Centrally sponsored schemes, the central sector schemes and other schemes as envisaged by the N.C.D.C. it its year to year programme for extending financial assistance through the State Government to various types of cooperative societies, for financial sanction.

Also to draw the funds from the Central Government or the N.C.D.C. as the case may be and arrange disbursing of those financial assistance to different types of cooperative organisation functioning in the State;
v) To appoint Special Officer and the Board of administra-
tors to a number of societies whose managing committees
were dissolved on the charge of mismanagement of the
affairs of the societies under the provision of
section 26A of the W.B.C.S. Act, 1973;

vi) To issue Government orders and notifications in respect
of appointment, transfers and postings of all the
Government officials of the Cooperation Department;

vii) To look after and supervise the service matters in
respect of all the officers working in the Cooperation
Department;

viii) To formulate plans and policies into concrete shape
after those emanate from the policy decisions taken at
the cabinet level of the Government as well as at the
ministerial level of the department.

Most of the functions narrated above may apparently s
to be of routine nature. But in fact, the various components of
the functions stated above form the core ingredients of the
entire perspective of cooperative administration.

It may be of advantage to suggest some means in both the
nature and extent of the cooperative administration.
1) The Secretary, Cooperation Department may visit the range offices along with the Registrar of Cooperative Societies make a spot survey of the position of the cooperative development in different districts and issue certain directives from time to ensure a qualitative improvement in the sphere of developmental projects of the co-operative sector. During such visit he may collect certain important data and basic indicators, analyse them at his level and guide the cooperative developmental programme in the right direction during the stages of its implementation at the district level. This tours may be undertaken along with the Registrars of Cooperative Societies in the sense that this tours may be more effective, because the Registrar of Co-operative Societies is the key official who implements all schemes and programmes of the Cooperative Department through his officers, the assessment and views of the R.C.S. may help the Secretary, Cooperation, to take realistic measures to reorient the process of implementation of the programmes under the cooperative sector which is sure to give adequate momentum to the total growth of the movement;

ii) The Secretary can inspect the progress and implementation of annual plans and programmes of the cooperative sector in the districts for himself. This will have
great impact on the morale of the field level officers, which will psychologically boost them up and they may work with much more enthusiasm than at present. Apart from that, the field officers will remain more careful and alert in discharging their responsibility more sincerely and faithfully than at the moment;

iii) The Secretary, Cooperation may also evaluate the utilisation of Government finance provided to the cooperative societies in different districts. This way the Government will have a tremendous benefit by way of proper utilisation of the scarce financial resources by a development oriented department like the Cooperation Department;

iv) The Secretary may also assess the positive achievements as well as the neglected negative aspects of his functionaries working in the district level and may be in a position to exercise a more positive control on the field officers;

v) The Secretary, while undertaking such tours in the districts, may also have personal knowledge of the aspect of enforcibility of cooperation laws through a 'close look' at how the primary cooperatives carry on their functions in the districts.

Through such field surveys by the topmost officials of the department at there may be an extremely valuable process of feedback and the State Government can immediately analyse the information gathered from all the districts of the State and can immediately issue
necessary instructions to correct mistakes of the erring co-operotive organisation, before it is too late for these co-operative societies to reach a critical stage of deterioration when there will be no scope left at the hands of the Government to revitalise or revive those co-operative societies. Such measures may go a long way in toning up the real span of control of the cooperation department over the total functional approach of the cooperative movement in the district registrar of co-operative societies being associated with such tours will have a far more effective coordination between the department and the directorate and will be in a position to set things right at the infrastructural level. One can hardly deny that such measures will definitely effect radical change in the whole functioning of the cooperative movement itself.

The Problems of the Cooperative Directorate

While it has been argued above that the Secretary of the Cooperation Department having a greater overview of the co-operative administration at the district level, will definitely go a long way in improving the efficiency of the functioning of both the cooperative officers as well as the cooperation organisation, it can hardly be denied that the Registrar of cooperative societies being the highest implementing authority in the cooperative administrative set up, is the key functionary and his guidance is much more necessary in generating confidence
and efficiency of the performance of the entire genre of cooperative officials working through a network of district level offices all over the State.

The problems facing the administration in the Cooperative Directorate may be summed up as follows:

1) The Additional Registrar of Cooperative Societies or the Joint Registrar of Cooperative Societies who are entrusted with the entire monitoring and direction of typewise cooperative societies in the State, should be more overbearing in their outlook of administrative control over their respective cells. The major cells of the Cooperative Directorate are sub-divided into the following subjectwise branches:

a) Short-term agricultural credit,
b) Long-term agricultural credit,
c) Cooperative marketing and processing societies,
d) Consumers' cooperative societies,
e) Urban credit societies,
f) Housing cooperative societies,
g) Fishery & Dairy Cooperative Societies,
h) Industrial cooperatives including weavers' cooperatives.
Each Additional/Joint Registrar of cooperative societies in charge of all the above branches have at their disposal both a linear set up as well as a horizontal set up of subordinate officers and staff working under them. Senior officers like the Joint and Deputy Registrar of Cooperative Societies assist the supreme heads of the different cells in discharging their administrative function. In fact, the nucleus of the administration at the Cooperative Directorate level consists of issuing ministerial and practical instructions to the district offices down to the village level administrative set up. Actually, various problems in the stage of implementation of cooperative plans and programmes cropping up in the districts are referred to the cooperative directorate through the district head, i.e., range Assistant Registrars of cooperative societies, and the Directorate gives them proper direction and guidance and measures to be adopted to short out various problems obtaining at the field level. In this arena also a sense of adhocism persists. This can be eliminated by way of re-orienting the functional style to a more down-to-earth approach. Each style should classify the general nature of major problems, throughout all data coming from the districts according to such a rational classification and deal with them promptly. All correspodences coming from the district headquarters concerning different nature of problems should be dealt with immediately and a cut unambiguous instructions should be issued quickly to the
district level offices. Even a little streamlining of the procedure of function at the headquarter may bring about remarkable results in improving the efficiency of the departmental functions at the district level.

(a) The different functional cells at the head-quarter should build up a proper atmosphere to gear up the administrative work in a more systematic framework so that the objectives are very clear,

(b) The head-quarter offices should undertake frequent tours to the different districts and see for themselves the progress of work of the types of cooperative societies which come under their jurisdiction at the district level and issue suitable instructions during their camp in the districts,

(c) They should prepare precise tour notes of the visits made by them to the different districts and arrange to send those tour notes with specific instructions to the A.R.C.S. to give a reply as to the actions taken on the basis of the findings of the head-quarter officials.

(d) Subordinate staff including departmental officers as well as clerical staff in the Directorate should be supervised in a more rational manner and it should be ensured that each and every subordinate staff does his job promptly without inadequate delay.
(e) All correspondences coming from the districts should be promptly replied to with proper direction, particularly, at the times of crisis whenever a stalemate occurs at the district level and block level organisation.

(f) All care should be taken by the R.C.S. to ensure that proper personnels are placed in proper positions at all blocks—in the districts, in the sub-divisions and at the blocks. The selection of officials of the rank of A.R.O.S. to be posted in-charge of a range, a district level wholesale society, a Central Cooperative Bank or a primary Land Development Bank, at the moment it is often found that proper selection of persons are not made carefully to man important positions in the districts. A more thoughtful approach in selecting these officials may enthuse a sense of involvement of the officers in the field and the total work output in terms of progress of development of the cooperative societies in the fields may this way be substantially increased and improved upon.

(g) A monitor cell should be set up in the Cooperative Directorate which will constantly keep watch on the performance of the different cooperative institutions at all levels where those institutions are manned by Government officials or by the non-official leaders. All possible data should be maintained at the head-quarters in respect of working of all types of cooperative societies, those should be
analysed periodically very frequently and proper instructions must be issued in time. This will definitely improve the efficiency of the cooperative societies as well as the performance of the Government officials holding the executive positions of different cooperative institutions.

(h) All attention and care should be taken to increase the following up of annual audit of all the societies and audit reports should be scanned. Regular follow-up measures should be taken up with both the societies as well as the Chartered Accountants entrusted with the charge of auditing cooperative organisation. All possible steps should be taken so that the defects pointed out in the audit reports of each and every society are corrected following a period of three months from the period of completion of audit.

The Dimension of the Problems of Functional Autonomy in the Cooperative Organisation

It has already been argued in this paper that one of the baffling problem impeding the growth of cooperative development emanates from the political, social and economic limitations of the set up of our country within which the cooperatives are to operate. The class structure is a very important problem which vitiates the management of a cooperative society in a proper way and militates against a balanced and sustained growth of
cooperative development in the country. The rural elite has already been identified as a group which dominate the scene of a cooperative movement in villages of our country. The management people who are at the helm of affairs of each and every cooperative organisation invariably belong to a group who are basically politically influential and also economically well-off. The social prestige and position arising out of the political and economic power of the people who are elected in the managing committees of the cooperatives take them away from the fundamental objective of bringing welfare of the general members. As the cooperative movement is basically meant for the people of poorer means, until and unless these poor people are adequately represented in the managing committee of the cooperative organisations, it will be extremely difficult for the politically and economically influential people who now dominate the composition of the managing committee, will hardly guide the business of the society which will not serve the purpose of their own class interest.

The Role of Cooperative Leadership

In order to examine at length the problems of cooperative leadership, it seems very much relevant to quote three of the resolutions adopted at the 9th Indian Cooperative Congress held in New Delhi from 26th to 28th April in 1982.
The 9th Indian Cooperative Congress underlined the importance of developing a self-reliant cooperative movement. The first three resolutions in the perspective of the objective just stated were as follows:

1) The Congress observes that self-reliance is an essential requisite of cooperative organisation. It signifies preservation and strengthening and intrinsic strength of cooperative institutions both identical and functional so as to build up self-managed, self-regulated and self-reliant cooperative organisation for the development of the society. In this context the Congress while recognising the importance of State aid to cooperative movement, is of the opinion that cooperatives should take such assistance at their conditions;

2) The Congress notes that the step suggested to implement the article 5 of the National Cooperative Policy Resolution, 1977 relating to the self-reliance within the cooperative movement at the level of the Government having been effectively implemented so far. The Congress, so far strong, urges upon the Government to remove various restrictive provisions from cooperative law that hampered the growth of self-reliance within the cooperative movement.

3) The Congress emphasizes that only efforts at the level of the Government are not enough to build up self-reliance with the movement. The Congress, therefore, urges upon
entire cooperative movement of the country and each and every cooperative institutions to prepare a long term plan of development for building up self-reliance at its level. It further resolves that the Sectoral Federations should take lead in this direction and they should prepare a long term plan of development for sector as a whole specifying role of their constituent organisation. Efforts should be made to mobilise resources from within the movement to implement such development plans. In this context, the Congress recommends that the Sectoral Federations should create a Cooperative Development Fund at their level by allocating certain percentage of surplus generating out of their operation to this funds.

This resolution of the 9th Cooperative Congress may be examined in relation to their validity and possibility of implementation of those objectives. It has been observed that the self-reliance within the cooperative movement at the level of the Government has not been fulfilled so far. The suggestion of the Congress is to remove various restrictive provisions from the cooperative law.

It is important to note that the self-reliance in the cooperative sector has not been achieved at the Government level. The reasons for not being able to develop self-reliance within the cooperative movement have not been explained. Without explaining those reasons the Congress has suggested removal of restrictive provisions of cooperative law. It appears from the statement that it has been accepted
with presumptions if the restriction of law had prevented the cooperative movement to develop self-reliance. The validity of this statement is subject to challenge as well as serious controversy. A plain fact may be found that more often than not the cooperative institution have not been able to attain self-reliance, particularly due to the fact that the elected management of all types of cooperative organisation have not taken adequate steps to direct their institution to some identified goals. Its plans as well as action speak eloquently about this failure on the part of the management. The managing committee has hardly formulated long-term developmental plans and implementation of those in methodical way so that as a business enterprise the cooperative institution may thrive with success or has hardly acted as an agent for bringing about social and economic welfare of its members. It is clear from the experience that it is rather non-enforceability of the restrictive clauses of cooperative legislation that had led to a retarded growth of the co-operative movement. To illustrate the position in clear terms, it may be mentioned that the cooperative law has provided for not enrolling as members the people who belong to a community or carry on themselves in business like providing credit to the cultivators or carry on business in fertilisers or other trades similar to those taken up by the cooperative institutions to the management of which they belong to. In fact these persons being directly connected with similar business operation in private
capacity have also joined the cooperative violating the provisions of law by concealing their actual profession. In addition to this, they have exploited the brand name of cooperative - carried on business under the flag of a cooperative organisation by utilising the scarce resources given to the organisation by the Government or by the members in the form of share capital. Situation warrant that the legal provisions for excluding such persons from being member of any cooperative society should still continue and such restriction should be vehemently enforced in the greater interest of the cooperative movement. Now, if it is argued that if such legal provisions are removed, the leaders of the cooperative movement will become more committed to the cause of the real objective of a cooperative society, is only a myth. Rather if it is possible to oust these private traders from the fold of cooperative movement by enforcing the legal restriction, the genuine members would come in the forefront and become members of the managing committee and run the business of the cooperative to the true interest of their own cause as members.

It appears from the resolution adopted by the Congress mentioned under Sl.3 in the earlier paragraphs that it urges upon entire cooperative movement in the country and each and every cooperative institution to prepare a longterm plan of development for building up self-reliance at its level. Till
such time, the persons belonging to trading or money lending class should be excluded from being member and in turn being elected as a Director of the Managing Committee, it will be hardly possible for the managing committee to prepare a long term development plan. The members of the Managing Committee being interested in short run profit through the medium of cooperative organisation, will never formulate long-term development plans, because of the fact that they are actually not interested in the expansion and real growth of the co-operative society which they run.

The resolution under Sl.1 indicated earlier in this connection also seems paradoxical and contradictory in itself. The resolution emphasises building up of self-managed, self-regulated and self-reliant cooperative organisation for the development of the society. This is highly debatable to implement in actual practice. An organisation can only be self-managed, self-regulated and self-reliant if the members of the organisation follow a high set of social and moral values, cultivate the art of organisational management and take decisions in such a manner that they themselves can regulate the functioning of their organisation. It is also accepted in the aforesaid resolution that a financial assistance from the Government to the cooperative movement is still necessary in quite a substantial degree. At the same time the Congress resolves that such assistance from the State should be governed by the terms
and conditions as may be laid down by the cooperative society which takes such assistance from the Government. There is an inner contradiction in such a statement. The donor cannot allow the donated to fix terms and conditions for money which they receive from the donor itself. It is true that it is an accepted policy of the Government to aid and assist the cooperative organisation by giving liberal assistance in the shape of share capital, working capital, loan etc., but only during the initial stages and the Government must see that with the resources borrowed from it, institutions must function in a manner to utilise those resources fruitfully, generate internal resources of its own and ultimately becomes self-sufficient and pay back the borrowed money to the Government. This is the intention of the Government assistance to be extended to the cooperative organisation. But the hard fact whether such cooperative organisation will make them self-reliant or not will entirely depend upon the decisions of the organisation for a sustained development of their own by utilising such financial assistance.

In order to achieve self-reliance in the cooperative movement or in any other type of enterprise it is essential that proper professional expertise and skill have to be developed within the cadre of the organisations, so that they can properly utilise money, men and materials in a most effective and gainful manner. This is what we need very much within the cooperative sector. All possible measures should be taken both at the
Government level as also at the non-official political lobby to build up a permanent professional cadre in each type of cooperative enterprise. One important thing the Congress has suggested is that the Central Federation should come forward in a big way in the matter of preparation of a long term development plan for their affiliated constituent societies and also that efforts should be made to mobilise resources from within the movement to implement such development plans.

This is the only positive aspect which the Congress has taken due note of, but then there are a series of obstruction in the matter of implementation of such measures. It has been already discussed that the federations do hardly look after the interest of their affiliated primary societies. The Government should exercise its influence to make the federations act in such a way as to take care of the material interests of their affiliated primary societies. Unless this is enforced at the level of federations it will be difficult to conceive of a situation under which the federation will come up with long-term development plans and programmes for the constituent societies. The federations should also take steps to enhance the business of the primary societies with their help, so that resources of the primary societies may be suitably increase to generate surplus funds which will be adequately utilise by way of expansion of their developmental plans and programmes. Unless the federal bodies take sufficient interests in increasing the business of the
primary societies, the mobilisation of internal resources will also remain utopia.

The other pertinent aspect of building a competent cooperative leadership lies in the fact as to how well we can educate the ordinary members of the cooperative societies and make them sufficiently enlightened to understand both objectives of the society as well as of their own. The should note precisely what the society aims to do and how those actions affect the member. The crux of this problem can be split into two. The first is to properly educate the ordinary members who are mostly illiterate, not necessarily through an academic discipline, but by explaining to them rapidly the nature and scope of activities of the cooperative societies and also make them learn in concrete ways as to how as a member of the society he or they should function – i.e., they should directly participate in the decision making process and management and implementation of activities of the society to which they belong. The existing set up for performing this task of educating the members versts with the State Level Cooperative Unions as well as the national level cooperative unions. Besides this, there are a large number of cooperative training centres and colleges throughout the country which conduct courses of different aspect of cooperative management under the ultimate guidance of the State or national cooperative unions. But from the point of hard reality
that there is a huge number of members of a large number of cooperative societies working in the country, it is not practically possible for these unions and the net-work of co-operative training centres to properly educate even half of the members of the cooperative societies in the country. In such a context, the State Government should also utilise their co-operative officials working in the field to maintain close contact with the village members of the cooperative societies and constantly make them aware of the things to be done and not to be done for the successful operation of the cooperative organisation. But the limiting factor is that the number of Government officials in the cooperative department are also limited and on top of that they are already overburdened with multi-ferous duties of the department like conducting inspection, pursuing loan recovery, holding Annual General Meetings, conducting audit and also submitting reports and returns to their district officials. It will be hardly realistic to overburden these officers further by assigning them the task of educating the members of the cooperatives in a really fruitful way. Under such existing circumstances, it may be suggested that the State Cooperative Unions should employ a quite large number of field instructors who may be deployed in villages in a much larger number than at the moment who can effectively take the responsibility of educating the mass population who are continuously acting and interacting in the cooperative sector. The other aspect of the problem is more difficult and baffling. In
precise terms, this is the problem of persuading the politically and economically initial cooperators who are already in the field and typically involved with the management of the affairs of the cooperative societies at the village level. It is almost impossible to bring about psychological changes in the attitude of these people who form the core of the cooperative leadership and change them from pursuing their own interests of economic and political bargains to framing policies and implementing development programmes for the benefit of the members. This can be effected only if the political leaders of the country, to whichever political party they belong to, to encourage these leading cooperators, to remain above party politics and dedicate themselves in an impartial manner for the cause of the development of the cooperative movement in order to serve the best interests of the members working under their guidance and direct or indirect control. This is a very difficult social problem. There is no straight jacket formula to mould the outlook of these people and place the ultimate interest of the members before their own personal interest. However, all possible efforts should be made to reorient their outlook and temperment and evoke in them a sense of service committed to social goals and benefits of the poor weak and ordinary members of the cooperative organisation.
Both the Central Government as well the State Government may think over this aspect of the problem and evolve some machinery at their level also to have a close watch and supervision over this non-official cooperators working in the villages and reform them in an effective manner so that they may take a real interest in the long-term development of the societies. Only, if some effective measures in the way as indicated above are taken at all possible levels, then and then only, a real self-reliant cooperative economy can be built up. And if this is done even to a certain extent the cooperative organisation are bound to succeed in bringing about the desired change towards a continuous process of economic and social development of the country.

The Role of Cooperative Movement within the Framework of National Policy of the Government

Since formation of an independent department of cooperation in 1958 at the union level, there has been accelerated growth in the cooperative programmes.

The Department of Cooperation at the Central Government level has been arranging annual conference of:

1) The State Ministers of Cooperation;
2) The Registrars; and
3) National seminars, workshops etc.
to discuss and analyse various policy issues and suggest administrative, functional and technical measures to reorient the future cooperative policies and programmes.

The recent Annual Conference of the Registrars of the Cooperative societies held in India, 1977 followed by the Conference of State Cooperation Ministers held on December 19, 1977 at Delhi, endorsed the approach to the cooperative development for the 6th Five Year Plan (1978-83). It also adopted National Cooperation Policy Resolutions. The main features of the resolutions are as follows:

1) Cooperatives shall be built up as one of the major instruments of decentralised, labour intensive and rural oriented economic development;

2) Cooperatives at all levels should be closely associated with the process of planning for economic development and social change;

3) The Cooperative movement shall be developed as "shield for the weak", small and marginal farmers and agricultural labourers, rural artisans and ordinary consumers belonging to the middle and lower income groups shall be provided the maximum scopes to participate in the cooperative programmes and a massive effort will be made for the involvement of millions of our masses for the cooperative movement;
iv) Cooperative Development shall be promoted on a national basis and regional imbalance of cooperative development shall be progressively removed;

v) The cooperative movement shall be built up as an autonomous, self-reliant movement free from undue outside interference and excessive control as also from politics. The autonomy of the cooperative shall be based interalia, on increasing generation of internal resources, mobilising savings in rural and urban areas and decreasing dependence on resources from outside functional institutions and Government;

vi) A vibrant cooperative democracy shall be built up based on enlightened participation on broad-base membership free from the domination of vested interests;

vii) Cooperative movement shall be cleansed of corruption and malpractices which are surely slur on the fair name of cooperation and harm the very principles for which the movement stands;

viii) In the rural area a strong, viable and integrated cooperative system shall be built up to promote total and comprehensive rural development by progressively strengthening the links between the credit and supply of agricultural inputs, agricultural production including
ancillary activities, like dairy, poultry, fishery and piggery, marketing and distribution of essential consumer articles;

ix) A network of cooperative agro processing and industrial union shall be built up to provide gainful and economic links between the growers and the consumers;

x) Consumers cooperative movement shall be built up to strengthen the public distribution system and act as a bull-work of consumer protection and as instrument of price stabilisation;

xi) Cooperatives shall be promoted as per institutions that streamlines organisational and simple and rationalised procedures;

xii) Professional management shall be built up in the cooperative institutions through a sustained programme of recruitment of suitable personnel and their systematic training.\textsuperscript{30}

It is in persuance of these Policy Resolution that the National Cooperative Union of India - Chief Spokesman of the Cooperative Movement had drawn \underline{42 Action Points Programme}. This

action programme was circulated to all the State departments of cooperation for suggesting ways and means to achieve the objectives adopted in the National Cooperative Policy Resolution. The progress for implementation for the policy resolution is not encouraging. In this connection, Mr. R.C. Dwivedi, Chief Executive of N.C.U.I. has himself admitted that implementation of the National Policy resolutions has been tardy and needs to be toned up.

Similar observations have been made by the National Conference on the role of the cooperative in the development of national economy vis-a-vis 6th Five Year Plan. The conference has urged to broad-base the policy resolution by making following additions:

a) The democratic content of the Cooperative Movement will be strengthened by removing some provisions from cooperative laws and by enacting uniform cooperative law; creating conducive environment for developing cooperative into self-regulatory and self-reliant institutions and helping ideological federations like National Cooperative Union of India and State Cooperative Unions in an effective manner so that they would be in a position to act self-effective spokesman of the movement;

b) With a view to promoting and strengthening cooperation as a system intra and inter-cooperative relationships
at all levels of different sectors of the movement shall be revitalised;

c) In view of the fact that public sector and cooperative sectors and complementary and supplementary to each other in the overall process of economic development and effective collaboration between cooperative public sector undertakings shall be forced. Further steps will be taken to create an environment wherein the public sector undertakings do not complete with the cooperatives.31

The department of cooperation at the Central Government level, in order to bring about some minimum uniformity in the framework of cooperative legislation in the country, has recently circulated guidelines to the State Government. These guidelines, on one hand aim at securing a proper plans between the democratic character of the cooperative institutions and on the other hand attempt to safeguard the cooperative movement from the domination of vested interests.

The department has been making efforts to give a statutory base to the creation of common Cadres of managerial personnel in the cooperative sector. It has also advised the State Governments for constituting penal authorities on the operation of Central Penal Authority for the selection of key personnel for the apex cooperative institutions. Training arrangements of personnel have been made very effective at all the three levels so that the training institutes turn out a dedicated band of trained managers. The system of Integrated Finance has been introduced in the Department of Commerce and the Department of Civil Supplies and Cooperation to improve administrative performance. The department is also making use of a large network of publicity technics (printed literature, films, exhibitions, displays etc.) to populise the ideals of cooperation and activise consciousness amongst the masses about the usefulness of this fast merging sector. During December, 1977 Agriculture Export - 77 Fair was held at Delhi, where a pavillion was set up in collaboration with four national level cooperative organisation. It won the first prize in the category of Central Pavillions.

The overall progress of the cooperative in the various programmes can be noted from the fact that during the nine years from 1968-69 to 1976-77, the agricultural produce marketed by the cooperatives increased from Rs.588 crores to Rs.1189 crores, distribution of fertiliser from Rs.200 crores to Rs.730 crores (accounting for more than 2/3rd of the total
fertiliser distributed in the country) and distribution of consumer articles in rural areas from ₹243 crores to ₹490 crores. The cooperative sugar mills accounted for 47.9% of the total production of sugar in the country. Similarly in the matter of agro-based processing units, the number of units so organised rose from 1517 to 2204 out of which 1741 have since been installed.

Problems and Limitations Towards a Balanced Development and Growth of Cooperative Movement in the country

It may be clear from the analysis of the present chapter that there are actually quite a number of inadequacies in the field of cooperative administration. Nevertheless it is quite possible to remove those defects and tone up the total administrative machinery for a better and improved performance so far as the scope and extent of Government supervision and control over the cooperative movement is concerned.

However, as already pointed out the problem of moulding the attitude and outlook of the population of the country towards a more effective and increased participation in the field of decision making process within the cooperative sector and an efficient implementation of the development plans and programmes in the cooperative sector are very much difficult
and complex. The main target area of the present investigation is towards developing an in-depth identification of the fundamental causes and suggesting realistic remedial measures for redressing those lacuna. The entire pattern of culture and tradition of our nation is deeply involved in a search for finding out suitable alternative strategy. The socio-cultural milieu of India has to play a prominent role for utilising the cooperative sector as an effective instrument for bringing about economic development of the country. It may not be overemphasised to state that unless the interplay of these sociological factors are deeply analysed and the shortcomings are corrected by a continuous persistent efforts it will be very difficult to take the cooperative movement at a rapid pace of growth. The term socio-cultural milieu is a very comprehensive one and it touches all aspects of the citizens of a nation like health, education, ideological values and commitments of social and political complications. To convulse with the cooperative movement is a challenging problem for the planners and economists of India as well as the Third World. It is true that steps are being taken by the Government to assign the task of educating the population in the cooperative way of life through such organisation as the national cooperative union of India and other State level unions and organisation like the National Cooperative Council for training. They have already developed a large cadre of cooperative experts, instructors, academicians as well as
professionals to propagate the principles and ideology of the cooperative movement to the entire population of the country, still, it is yet to be ascertained whether such cooperative education extension methods will be ultimately able to change the cultural, moral and intellectual standards of the people in an effective way in a country like us where millions of people are still illiterate, half-fed and are living a life under subsistence poverty. It is only possible for a researcher to spot the ultimate problem in this arena where the need is identified in a proper perspective for ensuring an original change in the cultural level of poor and under-developed country. Of course, it is possible to throw some light in the form of suggestions for combating a tough battle for changing the entire way of life of a developing nation. But in the rock bottom analysis one has to confess that these suggestions may not be the last word for solution of a problem of such huge magnitude and dimension. Perhaps, it may be sufficient to carry the present investigation up to this level and try in a modest way to formulate a rational approach for utilising the cooperative movement in a far better way and there is a large measure of tasks ahead to be performed to reach optimum level of growth and development of our country through the means of cooperative movement.
The Final Handicaps

It is obvious that voluntary agencies cannot undertake even a 50th part of the total task of extension work for small farmers, although they might indeed be encouraged to do more and we supported better both by national and aid funds. They can be specially useful in stage one condition or in dry areas where a national programme does yet exist. It is clear too that Government is at a disadvantage in seeking to adopt their style. Government's technical and functional resources are greater. But a Government organisation cannot hope to equal the flexibility in local decision which an autonomous local agency can achieve. It could however, move very much further in that direction.

What seems to be required, to overcome the extreme difficulty of providing the individual extension service to large masses of small, separate farm units, is a marriage between leadership, technical information and management on the official side and various types of informal or pre-cooperative activity on the farmers' side. Would it be possible in the Indian case, to reorganise the block so as to include an "agricultural service unit" which would offer - not demand - to take over certain types of common management functions for any sizeable group of farmers which voluntarily agreed to such a scheme, that some form of representative consultation between the farmers and the unit? Such a
scheme would certainly involve numerical strengthening of Extension staff and also a new element in training staff in these more managerial function. On the farmers' side, the formation of a 'Local Farmers' Association, with objects and rules appropriate to the local scheme, would provide all the structure needed in the rudimentary stages.

Such a system may seem very like a cooperative. But it differs in two vital ways. First, the management of the supply, technical types, and formal marketing system would be provided by a reorganised and strengthened Extension Unit with a chain of higher technical and administrative reinforcement on call to it, in the form of the normal District staff. Secondly, it might be unnecessary to give individual issues of crop-season credit - standard costs of seed, spray, or fertiliser would be deducted at the harvest stage when the crop comes in. Credit for development of individual firm would need separate handling, and would be subject to management approval and supervision if it came through official sources; farmers could of course, be free to operate privately for their own farm improvement. Larger workers - soil surface, irrigation for a group etc. - can be treated, not as credit, but as Government investment partly recoverable by a water rate or similar charge.
Such a system would have an easy opportunity to develop in one of three directions. First, into a normal cooperative, if the farmers' committee felt that they could do better than the official management in that case, the first stage would be 'guided cooperative' or 'pre-cooperative', alternatively, into larger Agricultural Service Unit. Finally, if the system became unnecessary, as farmers become very sophisticated, incomes rose and private suppliers become keen to move in, it could fade away and allow a reversion to purely individual farming with a relic of such common services as might still be valued. Obviously, great care would have to be taken to see that management costs were reasonably related to turn over not forgetting that at present the extension service is provided free to farmers and ease, in fact, a management costs borne by Government but without either the power or the training to manage in this sense.

The above arguments are meant only to illustrate in the roughest form, certain things which need to be faced and certain indication of route to success which appears to satisfy the necessary conditions. The main proposals are as follows:

1) that the attempt to service millions of small farmers individually through an extension service containing several departmental interests but without management responsibility, delivering a complex 'package' and individual cash credits, is barely feasible. Its
expansion in unrecovered credit and over complex in administrative coordination. It is likely to end up in servicing only the larger farmers who can make the system work to their advantage;

2) that the attempt cure this by independent cooperatives of small farmers without strengthening and supporting the cooperative management is not only likely to fail except where the same large farmers can better manage it, but further complicates the administrative task by introducing an unreliable and autocratic autonomous elements and into an already complex and confused official structure;

3) that in some areas there is little hope of advance unless someone is willing to assume management responsibility for a considerable acreage of number of farmers. In the early stages and where this cannot easily be done by company management of a single commercial crop it would be worth recognising the Government service much more directly into management units for basic supply, technical service and primary marketing, possibly abolishing the individual crop-credit system. This would require recognition and some strengthening and retaining of the Extension staff;

4) that this would provide a stimulus to an open-ended structure which could develop later into standard cooperative or into larger service units, or could revert to a much strengthened individual system.
Throughout the present investigation very frequently the point has been reiterated that a baffling problem lies in between the decision taking and the ultimate decision implementation. In the process of implementation part of a decision, on the one end lies the practising administrators and at the other end the public who are the beneficiaries. During the process of implementation, the aspect of participation by the people of the country is very frequently mentioned. It will be of advantage to discuss in details the precise meaning of public participation in the process of Government administration. Participation in the process of planning, our conscious effort towards, and the services which affected the every individual and family, is the key to successful policy making and implementation. At present the whole machinery of Government is geared to a sequence which begins with the identification of a problem in a Government department, goes on through research conducted centrally or individually and then evaluated behind close doors and ends in the announcement from the Central Government headquarters, of a decision. The whole system is essentially paternalistic and centrally with only the most exiguous scope for local variations from the central rules.
The present process of decision making is thus defective in the following respects:

a) Its over-centralisation effectively prevents both public participation and recognition of local needs;

b) Its contact is invariably secret;

c) Consultation is effectively limited to certain legitimised interest groups;

e) Ultimately this failure to involve the Government results in a decline in respect for Government.

Problems of Participation

Unrestricted participation in the process of Government, however, raises the following problems:

a) There are certain aspects of Government policy which must be conducted in secret, e.g., in the field of economic and fiscal policy making, participation in which, would seriously hinder the process of Government. However, it is necessary here to distinguish
between participation which would effectively inhibit the Government and that it would merely cause administrative inconvenience and it is important that participation should not be prevented on the latter ground;

b) The problem of the conflict between efficiency and democracy is raised by participation. The nature of Government activities and the large sums of money involved placed a duty on the Government to exercise its function with the greatest efficiency. However, undue extension of participative process could lead to an extension of the time of administrative decision making, tendencies to preserve the playing of technical and administrative skills;

c) Extension of participation could be undesirable in that it would favour the more articulate and politically organised section of the community to the detriment of those in the position of greatest social and economic needs. Secondly, unless real safeguards were built into the system, the process of participation could result in a widening of social and economic disparities.\(^{32}\)

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In order to have a close look at the concept of participation defined above, it may be said that economic and fiscal policy making should be confined within a highly competent group of experts in the field of economics and public finance. In this sphere, it will be only silly to think of participation by the public for whom the expenditure is ultimately meant.

Secondly, it has been very correctly indicated that the problem of conflict between the efficiency and democracy is of a serious nature. The large sum of money to be spent from the public exchequer requires a high degree of rationality for proper spending and this cannot be left to the public, not even to the elected representatives of the citizens. The bureaucratic expertise should be the final criterion for deciding the issues of these things. This aspect can also be brought down and examined at the level of administration of a cooperative society. The working capital of a cooperative society raised from the members should be spent with great care and caution, for specific purposes so that the goods and services produced by that money reaching profitably to the ultimate members who are the deserving people to get the return of their hard-earned income investments. This factor cannot be left for decision to all the general members who are not enlightened enough, nor have the intellectual capability to understand the consequence of such important decisions.
In other words, the danger that is involved in extension participation to an undesirable extent is that it would favour the more politically organised sections of the community to the detriment of the needy people at large. This is extremely significant in the case of cooperative management. Here it must be ensured that those who are elected in the managing committee are real representatives of the general members so that every decision and action of the society invariably yield result to the ultimate benefit of the economic, poor, illiterate members.

The entire Government machinery including the Department of Cooperation should be extremely vigilant in supervising the activities of the cooperative societies so that the funds of the society are not squandered in such a manner as to serve the vested interests. This is the most urgent need of the administrative task to be performed by the public officials working in the Government departments.

It is worthwhile to identify the important causes for the failures of contemporary development organisation. Four important points are both serious and ubiquitous, appearing again and again across a range of ideological, national and
Most obvious are the failures of implementation. Time after time, in country after country, there is little correspondence between policy plans and what actually happens to the poor. Sometimes implementation fails because of the limited technical knowledge and resources. All too often, however, the administrative system used and the manpower they require constitute the dominant constraints. Perhaps most frequently, policy makers fail to mobilise the political support necessary to move their initiatives through the maze of competing and conflicting interests which lie between intention and successful implementation. Implementation failures may surface as unfunded projects and unspent allocations. Or as directives from above saddling V.L.Ws with impossible task and reporting responsibilities.

Second common failure of organisation is its inability to channel benefits to the poorest members of the society rather than to those who are already relatively well-off. Even when programmes seem to have solved their implementation problems, even when Government are truly concerned about the plight of the rural poor, the bulk of development’s benefits do not accrue to those who need them most. Cooperatives end up excluding the poor or exploiting them. Village workers and extension agents align themselves with the relatively more aggressive and articulate local elite, perpetuating or even intensifying income differentials. Human and material resources gravitate to urban centres where careers must be made and where politically potent demands successfully clamour for priority. Graft and corruption siphon off resources nominally destined for the poor. Again, the triteness of the observation must not obscure its truth; many rural development programmes make the relatively rich richer and the poor at least relatively poorer. 34

34. E.F. Johnston, W. G. Clerk., p.163
A third failure of development organisation is that it seldom increases the problem-solving capacity of the rural poor. International declarations, national plans, and academic treatises have argued that further increases in rural well-being will require that the poor themselves play an active role in shaping and supporting development programmes. Nonetheless, organisation of the rural poor often remains dominated by traditional kinship and patronage systems which militate against the formation of problem-oriented "units of collective action". External initiatives to organise the rural poor generally have failed to take these traditional structures into account, with predictable results. Often, and with good reason, the new cooperative or committee is viewed as something for "others" — something that is probably useless and most likely a means of enhancing existing authority and exploitation.

Even when development organisation does reach the poor, it too often functions as a one-way conduit of implementation through which services, solutions, and prescriptions invented somewhere else are imposed on the rural community. Finally, a significant failure of development organisation is its inability to sustain a long-term perspective in its problem-solving activities. Development programmes often require
continuing support of complex functions over time spans that exceed those of annual budgets, staff appointments, or even particular governments. Many entail an explicit sacrifice of present consumption in favour of long-term production gains. The short-term bias of most organisational arrangements typically undercuts such programmes even when other factors do not. The tendency of many organisational frameworks to degenerate into patronage dependency relationships is well known. What is less appreciated is that patronage is almost always based on the expenditure of scarce resources for immediate consumption goods, to the exclusion of longer terms, later-maturing benefits. Sadly, the participatory electoral organisations so desirable on other grounds seem more likely than most to enforce such distortions. In each case the goal is to identify the constraints responsible for past and present programme failures and to explore the prospects for removing or mitigating these constraints through specific policy interventions.

The Social Context

We have argued that the perspectives of academ analysts, and planners are often distorted by the p that they have a clear slate on which to write th recommendations. This is particularly evident j
organisation of the rural poor. "Thus, many scholars ... tend to treat the existing peasantry as some exotic social type characterised by a basic benevolence and by being relatively undifferentiated. But these assumptions do not obtain in actuality. Socio-economic differentiation and kinship loyalties emerge into prominence among factors effecting differential participation by individuals in ....... organization". In addition, even the least developed community is likely to possess some external linkages through the activities of priests, traders, tax collectors, or agents of civil administrations.

Efforts to organize the rural poor are in reality efforts to reorganize, to create new patterns of linkage different from the old ones which already bind them. Effective policies for reorganization begin with a recognition of what the existing linkages are, and how they affect the well-being of the rural poor. We shall not attempt to review the extensive sociological and anthropological literature on the structure of rural communities. Restating some central themes of that literature will be appropriate, however, if for no other reason than that they are so commonly overlooked in efforts to formulate policy for rural organization.

The phrase "traditional community structure" covers such arrange of specific realities that we hesitate to use it
even in the strategic context of the present essay. Nonetheless, for some common organizational features of rural communities in the late-developing countries the term "traditional" remains a practical shorthand. The most important such feature for our present discussion is the dominance of immediate personal ties as a form of organizational linkage. Aid, protection, cooperation, and reciprocal obligations are looked for primarily within groups defined by extended family and kinship ties. Such groups are entered by birth, and given up, if at all, only through drastic wrenching of the social fabric. They thus stand in radical contrast to "modern" groups linked together through specific (but transient and limited) common interests.

In the early days of the cooperative and community-development movements, many argued that the traditional forms of cooperation could be smoothly taken over by cooperation within modern interest groups. Experience has been unkind to this hope. A wide consensus has emerged that interest-group organization "involves different kinds of action, for different purposes, by people in different relationships with each other, from the kinds of action, purpose and relationship enshrined in traditional cooperative activity." The relevant questions for policy have become, when is a transition from traditional modes of organisation desirable and feasible, and, how, and to what extent, is that transition to be effected?
Such questions cannot be ensured, however, without reference to a second important feature of rural organization: its socioeconomic differentiation. "The rural poor" are not a homogeneous group. In this respect rural communities in the late-developing world are much like communities everywhere: a few individuals, by birth or luck or labour, are much better situated than anyone else. They have accumulated sufficient wealth, power, and skill that these resources feed on one another, creating more of each. Such privileged positions nearly always come to entail disproportionate ownership of land and other scarce productive assets. Differentiation of a small group distinguished by accumulated assets virtually guarantees differentiation of a much larger group distinguished by the relative lack of such assets in our case the small farmer and the landless labourers. Between these two extremes lie a variety of other socioeconomic strata with a range of assets objectives, and organizational connections. The most significant for rural development are those with ties to vigorous outside structures, be they religious, economic, or political in character. 37

Traditional group structures and strong pattern of social differentiation often combine to create a system of organization dominated by a few powerful local elites. The elites are linked to the poor through a variety of patronage/dependency relationships. As we noted earlier, because of the traditional group attitudes ingrained in most members of the community, people look for the help to kinfolk, or at most to individuals whom they know personally. But the locally acknowledged stratification ensures that only individuals with wealth or contacts are seen as able to offer such help, especially in situations dealing with the "outside." The poor then tender support of various kinds in exchange for, and expectation of, such patronage. In general, the exchange reinforces the stratification on which it is based. Patronage further secures the privileged position of the elite, while the reciprocal dependency further undermines the position of the poor.38