CO-OPERATIVE DEVELOPMENT IN TUNISIA
PUNJAB derives its name from two Persian words 'punj' (five) and 'ab' (water), i.e., the land of five rivers. It is situated in the north-eastern region of the country, triangular in shape, and is completely land-locked. Punjab has an area of 50,357 square kilometres and a population* of 16.66 million (as per 1981 census), with an overwhelming majority residing in villages. With a density of 381 per square kilometre, it is one of the relatively densely populated states in the country.

The state is bestowed with three large perennial rivers namely - the Satluj, the Beas and the Ravi. Frequent floods in the past, the growing menace of waterlogging, the unpredictable behaviour of monsoon and strong desire of the people and the Government to reduce dependence on nature have led to the building up of large dams and barrages. The Shakra-Nangal complex on the Satluj, providing hydroelectricity and irrigation waters, is vital to the agricultural and industrial economy of not only Punjab but also of the adjoining states of Haryana, Rajasthan and...
Himachal Pradesh. After Haryana, Punjab is the second state in India to have achieved 100 per cent electrification.

THE ECONOMY

Punjab occupies a conspicuous place among rest of the States of India in regard to economic development. Its per capita income in 1980-81 was ₹ 3,768 at current prices as compared to ₹ 1,571 for the whole of India. The state has a farm-dominated economy. The total foodgrains production during 1980-81 was 11.91 million tonnes. The share of agriculture in state's net total income at current prices was 30.6 per cent. It is due to surplus production of foodgrains that Punjab occupies an outstanding position among the various states in agricultural commercialisation.

Over the years, Punjab has earned the reputation of being the bread-basket of India. According to I. K. Puri: "Punjab with only 0.3 per cent of the arable land in the world, produces 1.9 per cent of the world's wheat, 1.2 per cent of the world's rice, and 2 per cent of the world's barley."


2. Jhujar Singh, 'Commercialisation of Agriculture in Punjab (1971-72) - A Spatial Analysis', in the Geographical Review of India, Volume 41 (March 1979), p. 3. According to the same author, commercialisation, besides being an important element of agriculture, is an outstanding indicator of development of agriculture of an area. He has quantified degree of Commercialisation as follows:

\[
\text{Degree of Commercialisation} = \frac{\text{Marketed agricultural produce of a sub-division}}{\text{Total Agricultural produce of the same sub-division}} \times 100
\]
It was at that juncture that the Co-operative Societies Act of 1904 was enacted. The object of the Act was to deal with the stagnation of the poorer classes, and more especially of the agriculturists, who constitute the bulk of the population. The Act provided for the setting up of credit societies with a view to provide financial assistance as also inculcate in the peasantry the habit of thrift.

Initially, five districts namely Hoshiarpur, Karnal, Mianwali, Montgomery and Rawalpindi were selected, for setting up co-operative credit societies. Their number was however, increased to 10 within the next two years. The criteria for the selection of the districts was well laid down. One of the resolutions of the Government stated:

"An important factor in the choice of the districts will be the personal character and influence of the district officers.


*Now in Pakistan

**Ambala, Gurdaspur, Ludhiana, Multan and Shahpore (latter two are in Pakistan).
till then is summed up in Table 2-1.

Table 2-1
Progress of Co-operative Movement in Punjab
(1904-05 to 1947-48)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Societies</th>
<th>Membership (in thousands)</th>
<th>Working Capital (Rs in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1904-05</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1908-09</td>
<td>316</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>1912-13</td>
<td>2,845</td>
<td>134</td>
<td>127</td>
</tr>
<tr>
<td>1916-17</td>
<td>3,495</td>
<td>138</td>
<td>198</td>
</tr>
<tr>
<td>1920-21</td>
<td>8,453</td>
<td>239</td>
<td>361</td>
</tr>
<tr>
<td>1924-25</td>
<td>12,448</td>
<td>357</td>
<td>704</td>
</tr>
<tr>
<td>1928-29</td>
<td>19,464</td>
<td>641</td>
<td>1,605</td>
</tr>
<tr>
<td>1932-33</td>
<td>21,128</td>
<td>731</td>
<td>1,881</td>
</tr>
<tr>
<td>1936-37</td>
<td>23,186</td>
<td>868</td>
<td>1,837</td>
</tr>
<tr>
<td>1940-41</td>
<td>26,127</td>
<td>1,081</td>
<td>1,593</td>
</tr>
<tr>
<td>1944-45</td>
<td>26,502</td>
<td>1,134</td>
<td>2,110</td>
</tr>
<tr>
<td>1945-46</td>
<td>27,064</td>
<td>1,175</td>
<td>2,245</td>
</tr>
<tr>
<td>1946-47</td>
<td>14,882</td>
<td>752</td>
<td>1,103</td>
</tr>
<tr>
<td>1947-48</td>
<td>10,562</td>
<td>570</td>
<td>945</td>
</tr>
</tbody>
</table>

(Source: Data compiled from the office of Registrar, Co-operative Societies, Punjab.)
Co-operative Societies, Punjab, observed that "for all practical purposes, the movement had to be started de-novo and built up almost from scratch." The total outstanding debt was approximately Rs. 80 lakh.

GENERAL RENAISSANCE

People of the State under stress and strain resulting from partition, began to realise the need of co-operative societies, as a potential weapon of their various economic problems. As such, different sections of people started organising co-operatives in different fields like transport, small scale industries and crafts, printing, flour mills, etc. G.R. Madan has rightly opined that in spite of the rude shock, the movement was able not only to withstand the strain but also maintain the progress after partition. The spheres of economic activity. There was indeed, a general

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renaissance; hardly there was any activity in the economic field which escaped attention of the co-operators.

**CO-OPERATION DURING THE PLANNED ERA**

The co-operative movement got a big push with the launching of the Five Year Plans. This period has been described as the "seed period" of the co-operative movement in Punjab. The First Five Year Plan witnessed the setting up of an apex marketing society, known as The Punjab State Co-operative Supply and Marketing Federation Ltd. (MARKFED), in the year 1954. During the same year, the Co-operative Training Institution was set up for imparting training to the employees of the co-operative societies.18

During the Second Five Year Plan the movement expanded in all directions. The most significant feature of this period was the enactment of a new Co-operative Societies Act (Act of 1961) by repealing the existing Act of 1954. In fact, the Act of 1954 was based on the Co-operative Societies Act, 1912, which had almost become outdated in the present context. The Act of 1961 was

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18. Ibid., p.5.
Table 2-2  
Growth of Co-operative movement in Punjab after the reorganisation of the State  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Societies</td>
<td>18136</td>
<td>18459</td>
<td>25977</td>
<td>22208</td>
<td>22.4</td>
</tr>
<tr>
<td>Membership</td>
<td>19.13</td>
<td>21.81</td>
<td>26.54</td>
<td>30.57</td>
<td>60.0</td>
</tr>
<tr>
<td>Owned Funds</td>
<td>271.8</td>
<td>540.6</td>
<td>1290.5</td>
<td>2158.3</td>
<td>694.</td>
</tr>
<tr>
<td>Working Capital</td>
<td>1383.7</td>
<td>3769.3</td>
<td>7568.7</td>
<td>14074.6</td>
<td>917.1</td>
</tr>
<tr>
<td>Profits</td>
<td>17.1</td>
<td>27.9</td>
<td>57.8</td>
<td>48.6</td>
<td>184.2</td>
</tr>
</tbody>
</table>

(Source: Data compiled from the office records of Registrar Co-operative Societies, Punjab.)

An analysis of the data reveals that the movement has attained significant growth in all respects within a short span of 15 years. The societies have increased by 22.4 per cent, even after the dormant and non-viable societies have been weeded out. Its membership drive is apparent from the fact that the membership has increased by 60 per cent during the same period. Ten times increase in the working capital simply indicates that co-operatives have been actively engaged in the transaction of one business or the other.

Owned funds have also increased almost in the same proportion.

**Impact of Co-operative on State’s Economy**

Against the backdrop of general information given above, it becomes evident that the people's enthusiastic...
participation in the co-operative movement, especially in the rural areas, must have brought about overall socio-economic upliftment of the down trodden as well as boosting the overall economy of the state. The correct position may be ascertained from the following facts.

**Savings:** The co-operative movement has made impressive strides in mopping up rural savings, as is clear from Table 2-3.

Table 2-3
Growth in Deposits in Co-operative Banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Apex Bank</th>
<th>Central Co-operative Banks</th>
<th>Agricultural Service Societies</th>
<th>Total (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-67</td>
<td>50.30</td>
<td>135.56</td>
<td>30.65</td>
<td>216.51</td>
</tr>
<tr>
<td>1970-71</td>
<td>151.64</td>
<td>387.46</td>
<td>178.68</td>
<td>717.78</td>
</tr>
<tr>
<td>1975-76</td>
<td>443.76</td>
<td>791.14</td>
<td>233.88</td>
<td>1468.78</td>
</tr>
<tr>
<td>1980-81</td>
<td>938.63</td>
<td>1456.08</td>
<td>236.32</td>
<td>2631.03</td>
</tr>
</tbody>
</table>

(Source: Data compiled from the office records of (1) Registrar, Co-operative Societies, Punjab; and (ii) The Punjab State Co-operative Bank Ltd.)

Analysis of data reveals that the aggregate deposits during 1980-81 as held by the co-operatives were to the tune of ₹ 2631.03 million as compared to ₹ 216.51 million in 1966-67, i.e., increased by 12.1 times in 15 years.

**Co-operative Credit:** Co-operatives have taken care of all types of credit requirements of the farmers. Co-operative banking has penetrated deep into the rural areas.
and there is at least one branch within a radius of 10 kilometres. Short term, medium term and long term loans at low rates of interest are advanced to the farmer members round the year, which helps them in increasing their farm produce and, consequently, agricultural production in the State. Quantitatively, the position of loans can be gauged from Table 2-4.

Table 2-4
Progress of Loans advanced through co-operatives

<table>
<thead>
<tr>
<th>Year</th>
<th>Types of Loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Short and medium term</td>
<td>Long term</td>
</tr>
<tr>
<td>1966-67</td>
<td>248.86</td>
<td>16.45</td>
</tr>
<tr>
<td>1970-71</td>
<td>572.65</td>
<td>195.66</td>
</tr>
<tr>
<td>1975-76</td>
<td>749.75</td>
<td>169.75</td>
</tr>
<tr>
<td>1980-81</td>
<td>1992.04</td>
<td>433.72</td>
</tr>
</tbody>
</table>

(Source: Data compiled from the office records of (i) Registrar, Co-operative Societies, Punjab; (ii) The Punjab State Co-operative Bank Ltd.; and (iii) The Punjab State Co-operative Land Mortgage Bank Ltd.)

An analysis of the data indicates that the loans advanced by the co-operatives during the last 15 years have increased by more than nine times.

Mechanisation: The co-operative organisations have been liberally helping farmers for purchase of tractors and tube wells, installation of as is evident from Table 2-5.
Table 2-5
Tractors and Tubewells as financed by Co-operative Sector

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractors</td>
<td>-76</td>
<td>-77</td>
<td>-78</td>
<td>-79</td>
<td>-80</td>
<td>-81</td>
</tr>
<tr>
<td>Tubewells</td>
<td>2000</td>
<td>2118</td>
<td>2586</td>
<td>2580</td>
<td>2705</td>
<td>3238</td>
</tr>
</tbody>
</table>

(Source: Data compiled from the office records of (i) Registrar, Co-operative Societies, Punjab; (ii) The Punjab State Co-operative Bank Ltd.; and (iii) The Punjab State Co-operative Land Mortgage Bank Ltd.)

The above data shows that with the financial assistance of co-operatives, the number of tractors purchased and tubewells energised, during the last six years have increased by 12.58% and 13.43%, respectively.

Chemical Fertilisers: Co-operative sector has also played a substantial role in the distribution of chemical fertilisers - a key input for agricultural production. Table 2-6 gives an idea about this viewpoint.

Table 2-6
Quantity of Chemical Fertilisers distributed by Co-operative Sector

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-76</td>
<td>-77</td>
<td>-78</td>
<td>-79</td>
<td>-80</td>
<td>-81</td>
</tr>
<tr>
<td>Quantity distributed</td>
<td>185</td>
<td>215</td>
<td>227</td>
<td>296</td>
<td>252</td>
<td>340</td>
</tr>
</tbody>
</table>

(Source: Data compiled from the office of (i) Director Agriculture, Punjab; and (ii) Registrar, Co-operative Societies, Punjab.)

The above data shows that the distribution of chemical
bodies, acting as free and willing partners of the state government. This in turn will help the co-operatives to develop to their full stature.

**Administrative set-up**

For the efficient functioning of co-operatives, there is an independent Department of Co-operation in the state. It is headed by a Minister assisted by an administrative secretary at the secretariat level. The State Directorate is headed by the registrar, co-operative societies - a legacy of the British and pivot of the co-operative movement in the country. He is generally referred to as friend, philosopher and guide of the movement.26 The success of the movement depends upon the role played by him in formulating and executing various policies and programmes.

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*The Punjab Co-operative Societies Act, 1961, Section 3 (j).*
APEX CO-OPERATIVE ORGANISATIONS

Besides the State Department of Co-operation, the State Government has set up several apex bodies, known as 'Federations'. These federations facilitate in co-ordinating the trading, manufacturing, financial, promotional and other activities of the respective affiliates.

Highlighting the role of the federations, the Committee on Co-operation observed: "This has been a necessary welcome development in the direction of the movement attaining a greater degree of self-reliance and self-regulation."  

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There are, in all twelve apex co-operative federations in Punjab. These are:

1. The Punjab State Co-operative Bank Limited
2. The Punjab State Co-operative Land Mortgage Bank Limited
3. The Punjab State Co-operative Supply and Marketing Federation Limited
4. The Punjab State Co-operative Fruit Development Federation Limited
5. The Punjab State Federation of Consumer Co-operative Wholesale Stores Limited
6. The Punjab State Co-operative Sugar Mills' Federation Limited
7. The Punjab State Co-operative Federation of Milk Producers Union Limited
8 The Punjab State Co-operative Labour and Construction Federation Limited
9 The Punjab State Co-operative Housing Federation Limited
10 The Punjab State Handloom Weavers Apex Co-operative Societies Limited
11 The Punjab State Co-operative Spinning Mills Federation Limited
12 The Punjab State Co-operative Union Limited
The operations of the apex federations can be divided into two classes: those engaged actively in business along with their constituents, and those confining their activities to providing managerial, financial and technical assistance to their respective affiliates. It is in this background that apex co-operatives are discussed in the succeeding paragraphs.

**FEDERATIONS ACTIVELY ENGAGED IN BUSINESS**

(i) **The Punjab State Co-operative Bank Limited**

The success of agricultural development depends not only on the availability of modern agricultural implements and technology, but also upon adequate finances. Therefore, as Arora and Tewari observe: "Co-operative credit has a great role to play in promoting rural economic development with equity and social justice and more particularly in accomplishing the general national objective of increasing agricultural production."\(^{36}\) Co-operative credit structure in Punjab is a three tier system. The primary credit societies at the village-level constitute the base. Their total number in 1980-81 was 4,266. They are affiliated to the Central Co-operative banks at the district level, during

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1980-81, 15 central co-operative banks, with more than 500 branches, were functioning in the state. These central and state Co-operative Bank Limited was set up in August 1949, as the principal financing institution of the co-operative movement in Punjab. The Bank provides credit to apex co-operative institutions to facilitate the purchase and distribution of agricultural inputs, supply of consumer articles and the setting up of processing units. It also provides credit for short term and medium term agricultural loans. Moreover, it provides credit to central co-operative banks for several other purposes.

The State Co-operative Bank over the years has made considerable progress. The share capital increased from Rs. 15.67 million in 1966-67 to Rs. 67.81 million in 1980-81, i.e., 332.7 per cent increase. Out of the total share capital, the money invested by Government was 9 per cent in 1966-67 which increased to 24 per cent in 1980-81, showing paucity of bank's own resources and a trend of increasing dependence on State Government for financial assistance. The working capital increased almost 9 times during the corresponding period.

With respect to deposit mobilisation, one of the recent publications of the Bank remarked: "A high degree of emphasis had been placed in recent years on deposit
mobilisation, as one of the bases for enlarging resources for the development of the economy.” This is clear from the fact that deposits have increased by 2.1 times during the last five years and 18.7 times over the last 15 years. In 1978, Bank introduced the system of issuing loans through cheque-books and pass-books because the prevalent system was long and tedious. Consequently, the amount advanced by the Bank increased from Rs 1,505 million in 1977-78 to Rs 3,602 million in 1980-81, i.e., an increase of 139 per cent within four years. Appreciating this system, the Financial Commissioner of Punjab observed: “Advancement of loans through the cheque-book and pass-book system is indeed a bold step in meeting credit facilities and other input requirements of the farmers in a simple and expeditious manner.”

The recoveries of loans have varied from year to year. It was Rs 2,207 million in 1978-79, Rs 3,108 million in 1979-80 and Rs 2,956 million in 1980-81. The profits have however, declined by 12.24 per cent during the last five years (1976-81).

(ii) The Punjab State Co-operative Land Mortgage Bank Limited

Punjab is one of the few States which took the lead in realising the need for providing long term loans to the farmers. The Punjab State Co-operative Land Mortgage Bank


Limited (SLMB) established in February 1956 along with 63 primary land mortgage banks is concerned with redemption of mortgages in agricultural land, purchase of land for making economic holdings, purchase of tractors and tractor implements, installation of tubewells and pumpsets, etc.

During the last 15 years the share capital of the apex Bank has increased by 11.87 times, i.e., from 4.36 million in 1966-67 to 51.78 million in 1980-81. The Government contribution has decreased from 41.5 per cent to 20.7 per cent indicating that Bank has created its own resources. The working capital and owned funds have increased by 31 times and 26 times respectively during the same period.

The loans advanced have increased by 23 times, i.e., from 15.75 million in 1966-67 to 360.15 million in 1980-81. Loans are advanced to the primary co-operative land mortgage banks within their borrowing limits - as prescribed in the respective bye-laws. The records indicate that since inception the Bank has provided a total loan of 1,010 million for the installation of tube-wells, 1,320 million for the purchase of tractors and agricultural machinery, and 191 million for the purchase of fresh land and also redeeming mortgaged land. This shows that the Bank has made a significant contribution in the field of
mechanisation of agriculture in the state.

(iii) **The Punjab State Co-operative Supply and Marketing Federation Limited (Markfed)**

Since it is the theme of this research study, it is being discussed in details later under the heading 'Co-operative Marketing'.

(iv) **The Punjab State Co-operative Fruit Development Federation Limited**

This was set up in 1959 to provide services for the development of horticulture in various ways in the state, in general and to its members in particular. It has been distributing fruit plants and quality vegetable seeds which are procured from the nurseries, State Government Seed Farms and other registered vegetable growers. Before distribution, the quality is got tested in a seed testing laboratory. During 1980-81, the federation distributed 1.61 lakh fruit plants and 4,655 bags of seed in 1978-79. The federation earned a profit of Rs 10.9 million during 1980-81.

(v) **The Punjab State Federation of Consumer Co-operative Wholesale Stores Limited (Constofed)**

This federation represents the apex tier of well-knit co-operative system comprising primary and central consumer stores for the distribution of consumer articles at fair prices and in adequate quantities. It was set up
in March 1965 with the objectives to procure consumer goods from within and outside the state, as well as from abroad, for its affiliated societies; act as an agent of public as well as private manufacturers for the supply of controlled goods; and to set up manufacturing and processing units producing consumer goods.

The working results of Constofed indicate that its business turnover has increased from Rs 46 million in 1975-76 to Rs 60.5 million in 1980-81, i.e., an increase of 31.5 per cent during the last 5 years. It may however, be added that Constofed has not earned much profits. Its profits during 1980-81 was only Rs 0.1 million.

Punjab is a sugarcane-growing area. According to a survey, its total estimated produce of 56 lakh tonnes can feed 25 sugar factories, to produce enough sugar for consumption in the state. To ensure remunerative prices to sugarcane growers, four co-operative sugar mills were set up in the early fifties. It was however, in October 1966 that the Federation of Co-Operative Sugar Mills was set up.

One of its important objectives is to facilitate the working of the affiliated co-operative sugar mills by providing technical advice and assistance in the selection, purchase and installation of machinery and also in the selection of the key administrative and technical personnel.

During 1980-81, eight out of a total of ten sugar mills in the state were working in co-operative sector. Their total crushing capacity is 10,000 tonnes of sugarcane per day. Due to the consistent help given by the Sugarsfed, the membership of the sugar mills has increased from 52,964 in 1966-67 to 85,276 in 1980-81. Their share capital and working capital have increased by 2.3 times and 3.3 times respectively. During the period under review, it has crushed 76 lakh tonnes of sugarcane and produced 7.4 lakh tonnes of sugar. The losses have, however, increased by 4.2 times during the same period (1966-81).

(ii) The Punjab State Co-operative Federation of Milk Producers Union Limited (Milkfed)

Punjab is one of the most potential states in milk and dairy products. The average daily production of milk is 8 million litres. Milkfed, as an apex federation of a three tier structure, helps the lower tiers by providing

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managerial, financial and technical help and guidance. The second tier is occupied by district co-operative milk supply unions, which co-ordinate the working of the milk producers' societies at the base level.

Due to the consistent efforts made by Milkfed the number of societies have increased by 303 per cent while its membership have increased by 594 per cent during the last 10 years (1971-81). During the same period, the working capital has increased by six times. Owner funds of these societies constituted 35.3 per cent of the working capital in 1971-72 and increased to 45.7 per cent in 1980-81. It was found that 45 per cent of the societies were earning profits in 1980-81. The overall profits in 1980-81 stood at Rs 8.47 lakh as compared to Rs 0.8 lakh only a decade ago.

(iii) The Punjab State Co-operative Labour and Construction Federation Limited (Labourfed)

The labour co-operatives have been organised in the state to save the labourers mostly comprising weaker sections, from exploitation by the contractors. Labourfed was set up in July 1956 as the apex body of the three tier structure. Some of the main objectives of the federation are: to impart financial and administrative guidance; to supervise and guide various activities; and to act as the chief spokesman of the labour co-operatives.
It has been found that the number of societies affiliated to Labourfed and their membership have increased by 63 per cent and 74 per cent respectively during the last 10 years (1971-81). The working capital during the same period established an increase of 70 per cent. Excess funds constituted 22.5 per cent in 1971-72 and almost remained uniform in 1980-81, i.e., 22.1 per cent of the working capital. The value of work carried out by these societies has increased from 18.33 million in 1971-72 to 78.8 million in 1980-81. The societies, however, incurred a loss of Rs 44,000/- during 1980-81.

(iv) The Punjab State Federation of Co-operative House Building Societies Limited (Housefed)

Due to rapid and large scale industrialisation and urbanisation, acute shortage of houses has been felt in almost all the big cities. The co-operative house building societies came to the rescue of the common people. With a view to providing financial assistance and technical guidance to these societies, the state Government set up the Housefed in October 1970. The number of such societies

41 The Working Group of Housing Co-operatives (1964) commented that there were two main advantages of co-operative housing: (i) The beneficiaries can make substantial savings in cost through group action; and (ii) the planning, designing and construction of houses according to approved standards and on community rather than individual basis, would facilitate more efficiency and more satisfactory community surroundings and help in training people in co-operative way of living.
and their membership have increased by 16.4 per cent and 24.8 per cent respectively during the last 10 years (1971-81). The number of houses built by these societies have registered an increase of 142 per cent during the same period.

(v) The Punjab Handloom Weavers Apex Co-operative Society Limited (Neavco)

The Punjab State Handloom Weavers Apex Co-operative Society Limited was set up in 1969 to boost the working of handloom weavers co-operative societies by arranging stocks of quality materials like tools and appliances, making arrangement for dyeing, sizing, calendering and finishing handloom products, and marketing of the finished goods. The Neavco has opened 16 retail showrooms in different cities of the state for facilitating the marketing of fabrics manufactured by the societies.

During 1980-81, as many as 435 handloom weavers co-operatives were its affiliates. The total share capital of these societies during 1980-81 was Rs 5 million, out of which Rs 4.9 million was contributed by the state government. The working capital of the societies amounted to Rs 7.74 million with an owned funds of Rs 5.20 million.

*Amritsar, Batala, Barnala, Bathinda, Chandigarh (U.T.), Faridkot, Ferozepur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Moga, Patiala, Ropar, Sangrur, Tarn Taran, and one mobile sales van.*
Punjab is one of the leading cotton growing states, producing 18 per cent of the country's cotton. However, processing of this important agricultural produce has so far not been accorded any priority. The state of Punjab with a total spindleage of less than 0.3 million accounts for only about 1 per cent of the total spinning capacity of the country. This imbalance between production and processing, according to C.L. Bains, the Registrar of Co-operative Societies, Punjab, kept the cotton growers at the mercy of traders and textile units outside the state who exploited the situation to their own advantage. In order to bridge the gap between production and processing of cotton, Spinfed—an apex body of spinning mills in the state, was set up on February 29, 1980. Its primary objectives are to undertake such activities as preparation of feasibility study and project reports and arrangement of finances for the mills. It also maintains liaison with several sister organisations and the state government so as to enlist their support for the working of the mills. Besides, it renders technical assistance like selection of machinery, monitoring of technical performance and recruitment of key personnel.

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At present, there are two co-operative spinning mills, one each at Kotkapura and Abolhar. The former was commissioned in 1979 and the latter in October 1982. During the last three years, the Kotkapura mill has made profits worth 5 million. Encouraged by this success, the spindled is setting up four more mills—two each at Talout, Jansa, Tappa and Gondwal. The first three will do cotton spinning while the fourth will undertake weaving.

(vii) The Punjab State Co-operative Union Limited

The Punjab State Co-operative Union is a non-business organization for the promotion and healthy growth of the co-operative movement in the state. The Union came into existence in April 1952. Some of its objectives are: to propagate co-operative principles and ideology for healthy growth of the co-operative movement in the state; to promote and strengthen inter- and intra-co-operative relationship within the co-operative movement; and to arrange for training and education to employees and members of co-operative organisations. The district co-operative unions at district level help the State Union in achieving these objectives.

The Punjab State Co-operative Union draws its finances from three sources (i) membership fees; (ii) education funds; and (iii) Government grants.

*The Punjab Co-operative Societies Act, 1961 provides that every co-operative society shall contribute such amount upto 2 per cent of its annual net profits. In Gujarat, it is linked up with the declaration of dividend. In Maharashtra it is obligatory to pay a minimum amount and is linked with the working capital.*
Over the years, the apex union has been engaged in arranging leadership programmes, convening seminars/conferences on vexed problems of co-operatives, celebrating co-operative week every year and publishing brouchers and pamphlets on the achievement of various facets of co-operatives.

A brief review of the general progress of the apex federations, supplemented by informal discussions with the various functionaries reveals that almost all apex co-operative federations have been confronted with several types of problems—both intrinsic as well as extrinsic.

The foremost among these problems is the lack of management consciousness. These organisations are run by ineffective and inefficient management. R.B. Choubey is of the opinion that these organisations have been set up without proper planning and adequate preparation, consequently, they have brought a large number of untrained, uneducated and unskilled employees in them.

Besides the employees, a majority of the elected directors lack education and training in co-operative principles. U.B. Pannikar in this context opined: "Illiteracy coupled with ignorance of members with regard to the working of the society induces to keep themselves aloof from the

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organisation except for getting benefits for which they joined the organisation.44

Another conspicuous feature of the co-operative organisations is that majority of these are either incurring huge losses or are not earning requisite profits. In other words, these are not generating their own resources. Thus, in the absence of adequate equity capital, one can easily say that co-operative sector has been trading with loan capital. Commenting on the importance of owned funds, Deo Nath Ram observed that so long as the owned funds do not form the main-stay of co-operative finance, the movement will lack real vitality.45 This weakness seems to be gradually growing and subsequently the ultimate dependence on State aid is correspondingly increasing. State aid or State benevolence is however, accompanied with State interference which is not a healthy practice. Even the chief executives and official Directors in co-operative organisations are deputed and recalled at the whims of State Government which in turn mars the so called autonomous character of the co-operative sector.

Another common defect especially in the credit sector is that a considerable time lag is involved in the disbursement of loans. The delay in grant of loans results in

misutilisation of credit and as such, exposes the peasants to the money lenders at the time of need. Credit delayed is the credit denied, is an old saying. Mass scale embasslements, non-recovery of loans and incidence of bad debts are some of the other significant factors impeding the growth of credit co-operatives.

One of the most disquieting feature of the co-operatives especially the industrial and manufacturing (sugar, spinning, etc.) co-operatives has been the non-availability of the quality raw materials in adequate quantities and at reasonable prices. Consequently, the available resources are not utilised to the optimum capacity hence the overhead expenses increase manifold. Stiff competition from private traders, high inventory of unsaleable stocks, lack of marketing sales network, lack of appropriate incentives for the sales staff, misappropriation of funds are some of the other factors responsible for the dismal performance of these organisations including the consumer co-operatives. Due to these hindrances, co-operatives have always been at disadvantage in an era of multiagency policy adopted by the Government.

CO-OPERATIVE MARKETING

The income of the farmer depends to a considerable extent on the facility with which he is able to market his produce for a fair price. Even when the production goes
up, he may not gain much if there are no effective arrangements for marketing of his produce, as the benefits would probably be reaped by the middlemen.

In this context, the importance of marketing co-operatives is quite evident. These societies render a great service to the farmer by providing a larger share of profit to him, by eliminating the middlemen, by reducing the marketing costs, and by protecting the farmer against 'forced sales' of his produce. Highlighting the role of marketing co-operatives, Bakken and Sechaars observe: "Instead of selling independently and in competition with one another, farmers through their co-operative company consolidate their selling force, improve their bargaining position, and pool their reserves."

Various agricultural commodities/inputs— A publication of Food and Agriculture Organization (F.A.O.) has rightly

stirred up the advantages of marketing co-operatives that a co-operative, by bargaining for all of its members, can exert more control over the prices of their produce and can thus, offset monopolistic power in the hands of the buyers, and obtain advantages not attainable if individual members sell independently.\footnote{Food and Agriculture Organisation, Marketing Problems and Improvement Programmes (Rome: F.A.O., 1958), p.132.}

The useful role of co-operative marketing in the present circumstances, therefore, cannot be over-emphasised. It will ultimately result in strengthening the co-operative movement as a whole in the state.

The growth of co-operative marketing in Punjab dates back to 1929 when the first primary co-operative marketing society named 'Guru Harsahai Co-operative Marketing-cum-Processing Society' was established in District Ferozepur. However, there was not much progress in the sphere of marketing co-operatives for a long time. It was in pursuance of the recommendations of the All India Rural Credit Survey Committee (1954), that uniform and coordinated efforts were made in the development of the marketing co-operatives.

The structure of marketing co-operatives in various states consist of two or three tiers. The system is as prevalent in Punjab as shown below:

<table>
<thead>
<tr>
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<th>MARKET LEVEL</th>
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<tbody>
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\footnote{Food and Agriculture Organisation, Marketing Problems and Improvement Programmes (Rome: F.A.O., 1958), p.132.}
of modern inputs on a co-operative basis to the Punjab farmers at the right time, at right place, and at reasonable and uniform rates. The bye-laws of Markfed state its objectives as follows:

(a) to make arrangements for processing of agricultural and allied produce;
(b) to supply goods on co-operative basis; and
(c) to act as agent to its constituents and other institutions, duly approved by the Registrar, Co-operative Societies, Punjab.

These general objectives have guided its activities ever since its inception. Emphasising the importance of objectives for an organisation, Dimock observed, "the first step in rounding out your jurisdiction is clear determination of objectives for you cannot make valid detailed plans for either your programmes or your strategy until you know just where you are going." Markfed has laid down in its bye-laws not only the primary objectives, but, also the secondary objectives, i.e., those which will contribute to the attainment of primary objectives. The bye-laws state that the Federation may undertake one or more of the following, within the ambit of the above stated general objectives:

*Markfed, Bye-law 4.

**Membership**

The membership of the federation is open to the supply co-operative societies engaged in marketing and processing of agricultural and allied produce, as well as the Government. Membership is granted by the Executive Committee. Applicants to whom admission is refused, can appeal against the decision of the Committee to the Board of Directors within 30 days.

The records reveal that the membership of the federation has increased from 12 in 1954 to 1527 as on 30th June 1981. The break-up is given as under:

| (a) District Wholesale Co-operative Supply and Marketing Societies | 12 |
| (b) Primary Co-operative Marketing-cum-Processing Societies | 118 |
| (c) Other members | 7 |
| (d) Primary Agricultural Service Societies | 1,389 |
| (e) State Government | 1 |
| **Total** | 1,527 |

The members can be expelled or their membership

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*Markfed, Bye-law 6.
** Markfed, Bye-law 7.
†Markfed, Proceedings of the meeting of the Board of Directors held on January 21, 1983, Item 3.

‡‡Bye-law 8 reads: "A member can be expelled on the following reasons: (a) If the member persistently defaults in the payment of share money or other amounts due to the federation; (b) if the member wilfully supplies materially false information to the federation; (c) if the member fails to observe the bye-laws without any reasonable cause; and (d) if the conduct of the member is prejudicial to the interest or reputation of the federation."
stand terminated* on various grounds.

An examination of the office records indicates that since the inception of Markfed, neither any member has been expelled nor any membership terminated. This is an indication of harmonious relationship between the apex federation and its affiliates.

**MAJOR ACTIVITIES**

The activities being carried out by Markfed can be divided into:

(a) Supply of inputs;
(b) Marketing operations;
(c) Farm services;
(d) Storage; and

(c) Processing and Industrial activities.

A detailed discussion follows:

(a) **Supply of Inputs**

(b) **Chemical Fertilisers:** The distribution of chemical fertilisers was handed over to Markfed by the Punjab Government in 1960 in small measures and completely in 1967. Markfed has been procuring chemical fertilisers from the central pool as well as from indigenous manufacturers and supplying the same to the farmers.

*Bye-law 10 reads: Membership of the federation shall be terminated by (a) cancellation of registration of an affiliated society; or (b) ceasing to hold at least one share; or (c) expulsion as provided in bye-law 6.*
uniform price is maintained throughout the state including inaccessible and far-flung areas. The distribution of chemical fertilizers through Markfed rose to 2.22 lakh tonnes in 1980-81 as compared to 1.67 lakh tonnes in 1970-71. The same however, declined to 1.97 lakh tonnes in 1982-83.

(ii) Seeds: In June 1969, the Punjab Government decided to effect the purchase, distribution and marketing of major Rabi and Kharif seeds through Markfed. It has so far distributed quality seeds of jowar, bajra, wheat, maize and paddy of the value of Rs 17.7 million.

(iii) Pesticides and Insecticides: Since 1967-68, Markfed has also been handling the distribution of pesticides/insecticides and weedicides. Markfed has also set up its own formulation plant at Mohali in 1969 to overcome the monopolistic tactics of private manufacturers. During 1982-83, its total sales amounted to Rs 4.09 million as against Rs 0.12 million in 1970-71.

(b) Marketing Operations

(1) Procurement of Foodgrains: What is produced must be marketed on a remunerative basis. Under this philosophy, Markfed was entrusted in 1965 with the task of procuring foodgrains in the State. Markfed's performance in terms of the completion of targets has been more successful than

*Refer Chapter 9, for details.
any other agency in the State. The procurement of foodgrains during 1982–83 was 10.81 lakh tonnes as compared to 9.46 lakh tonnes in 1980–81 and 7.02 lakh tonnes in 1970–71.

In addition to wheat, Markfed was also entrusted with the procurement of paddy in 1980–81. It purchased 2.6 lakh tonnes, 2.5 lakh tonnes and 1.5 lakh tonnes of paddy during 1980–81, 1981–82 and 1982–83 respectively. Under the scheme, Markfed has to provide rice to the Food Corporation of India at the rates fixed by the Central Government. Due to the inadequate milling capacity of its own mills, the shelling is got done from the private rice millers on custom basis. Markfed also arranges export of rice through the National Agricultural Co-operative Marketing Federation of India (NAFED). About 0.63 lakh tonnes of rice was exported during 1980–81.

In addition to price support scheme, Markfed has been purchasing other foodgrains namely, maize, bajra and gram on outright basis on behalf of apex co-operative federations of Gujarat, Maharashtra and Madhya Pradesh, Punjab State Civil Supplies Corporation and NAFED. Markfed has also been purchasing potatoes at the instance of the State Government for the last five years (1976–81).

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*Refer chapter 8, for details.
(ii) Cotton: In 1971-72 due to Indo-Pak war, the prices of cotton slipped down considerably and the farmers were put to a great hardship. Since service to the farmers is the motto of Markfed, it immediately came to their rescue. Although the task was of difficult nature and Markfed had no previous experience in this field, yet, at a very short notice, arrangements were completed to purchase raw cotton on behalf of the cotton Corporation of India and 0.23 lakh tonnes of cotton was purchased in 1973-74. Markfed started purchasing cotton on commercial basis from 1978-79. During the year, it purchased 2.01 lakh tonnes of cotton which increased to 9.15 lakh tonnes in 1981-82.

To expedite the operations, an independent office was set up at Bhatinda. Recently, Markfed has appointed field staff exclusively for this purpose. As many as forty-two of them have been trained in cotton selection and grading. The purchase of cotton has now become a permanent feature of Markfed's activities. It also undertakes the processing of cotton in its three ginning and pressing plants situated near the cotton markets.

(iii) Export of Fresh Vegetables: It is the most recent activity of Markfed. The Punjab Government has asked it to export 500 MT of fresh vegetables per month.
The policy of the State is to encourage additional production of vegetables to meet the domestic demand and also to earn through export. Markfed enters into contract with the farmers in advance of cultivation. During the last three years (1979-82), the federation has exported vegetables to the tune of 1.03 lakh tonnes.

(c) Farm Services

(1) Harvesting Combines: Recognising labour shortage in the State on the one hand and the benefits of mechanisation of farming on the other, Markfed took the initiative of introducing harvesting combines in January 1971. It has been felt that adoption of mechanisation, modernisation and new techniques, among other things, is expected to make productivity explosion in agriculture. Initially, Markfed imported 66 combines which were provided to the farmers on custom-hire basis at a nominal rate. Taking into consideration the response of the farmers, the number of combines was increased to 119 (109 self-propelled and 10 tractor-driven) in 1972-73. The farmers are thus, saved from the vagaries of nature. The harvesting and threshing work is also done speedily. Moreover, grain losses are considerably reduced and the fields can be prepared ahead of time for the next crop. In 1972-73, the combines harvested an area of 64,695 acres whereas in 1978-79, it was 34,280 acres and 29,518 acres in 1981-82, thus, showing a declining trend.
The number of combines have also reduced to 74 in 1981-82. Due to heavy financial losses, the management is no more interested in continuing with this activity.

(ii) Aerial Spraying: No doubt, the greater use of quality seeds and fertilisers result in higher yields, the plants in the process become more susceptible to attack by pests. With a view to provide plant protection services to the farmers, Markfed imported two bell G-5 helicopters from U.S.A. at a landed cost of Rs 1.05 million in July 1971. To make the unit more viable 2 fixed wings aircrafts were also imported in July 1974. With its helicopters, Markfed is also helping the States of Maharashtra, Kerala and Madhya Pradesh in the matter of aerial spraying. Markfed is however, continuously suffering financial losses in this activity. The accumulated losses upto June 1981 were to the tune of Rs 2.82 million. At a recent press conference, the managing director of Markfed remarked: "Under the economic drive operations, this unit may be closed by selling the aircrafts to the Punjab Civil Aviation Department." No final decision has been taken till 1983.

(iii) Soil Testing: Soil testing is one of the most essential pre-requisites for the proper and balanced use of chemical fertilisers in the high-yielding varieties.

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52 The Tribune, July 16, 1982
Markfed has set up eight soil-testing laboratories to educate the farmers in making a judicious use of fertilisers for different crops. On an average, 80,000 samples are tested every year.

(c) Storage

In a predominantly agricultural economy, an essential item is the provision of modern storage. Markfed has undertaken this responsibility with considerable interest. Under the Agricultural Refinance Scheme of the Central Government, Markfed got 100 per cent financial help to construct godowns. Recently, it has obtained a World Bank scheme for construction of the godowns with a capacity of 8 lakh tonnes. Half of this capacity would be owned by Markfed and the other half by village-level co-operative societies. Till 1982-83, Markfed own's storage capacity was to the tune of 6.8 lakh tonnes. Under another World Bank scheme, it is constructing eight cold storages each with a capacity of 4,000 tonnes.

(e) Processing and Manufacturing Activities

Besides catering to the supply needs of the farmers, Markfed has not lagged behind in the field of agro-industries. It has set up a chain of industrial plants spread across Amritsar, Bhatinda, Dhuri, Hoshiarpur, Jalandhar, Kapurthala, Malout and Mohali.

**Refer Chapter 9, for Details.**
throughout the state. At present, there are ten processing, three service units and fifteen manufacturing plants dealing with ghee and edible oil processing, fruit and vegetable processing, rice shelling, cotton ginning and pressing, fertilisers granulation, chemical formulation, cement pipe plants agro aviation and harvesting combine units, etc. Although these plants are providing services to the farmers, some of them have not proved to be economically viable. The accumulated losses in all the units till June 1981 were to the tune of Rs 2.65 million.

FINANCIAL MANAGEMENT

The preceding discussion shows that over the years, the federation has multiplied its activities both horizontally and vertically. An evidence of this fact is that in a period of fifteen years, its business turnover has increased by 211 per cent. Naturally, it has a direct impact on the financial management of the federation. Table 2-9 depicts the trend of financial standing during the last 15 years. This trend can also be glanced from chart 4.

*Refer Chapter 7 for details.
Table 2-9
Working Results of Markfed

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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Share Capital</td>
<td>6.1</td>
<td>12.2</td>
<td>25.5</td>
<td>69.6</td>
</tr>
<tr>
<td>2</td>
<td>Government Share</td>
<td>5.9</td>
<td>9.12</td>
<td>22.4</td>
<td>63.6</td>
</tr>
<tr>
<td>3</td>
<td>Working Capital</td>
<td>151.5</td>
<td>750.1</td>
<td>1652.4</td>
<td>2641.9</td>
</tr>
<tr>
<td>4</td>
<td>Owned Funds</td>
<td>12.2</td>
<td>90.6</td>
<td>146.6</td>
<td>199.2</td>
</tr>
<tr>
<td>5</td>
<td>Business Transactions</td>
<td>400</td>
<td>1977.7</td>
<td>3217.8</td>
<td>6148.2</td>
</tr>
<tr>
<td>6</td>
<td>Profit</td>
<td>NA</td>
<td>(+)44.88</td>
<td>(-)17.9</td>
<td>(-)46.0</td>
</tr>
</tbody>
</table>

(Source: Data compiled from the office records of Markfed)

Table 2-9 indicates that the share capital has increased by 11.4 times. The State Government is the major contributor in the share capital. The members contributors has however, been insignificant. It has declined from 25.3 per cent in 1970-71 to 8.6 per cent in 1980-81. The working capital has increased by about 17.4 times. The owned funds of federation which constituted 6 per cent to the working capital in 1966-67 has increased to 7.5 per cent in 1980-81. It is interesting to observe that Markfed had been earning profits until 1974-75. It was during 1975-76 that it incurred losses amounting to Rs 17.9 million. The incidence of losses has further increased to Rs 46 million in 1980-81.