CHAPTER X
INTRODUCTION

Meaning of Cooperation:

Cooperative movement is the product of adversity. Persons facing a common economic problem join together to overcome that problem through unified action. The solution of the problem is intended to be sought by running an undertaking of their own to which they have transferred one or more of their economic needs and by utilising the services of this undertaking for their common material and moral benefit. Dr. K.N. Katju has tried to explain cooperation in the following words:

"Cooperation is a self-help as well as mutual help. It is a joint enterprise of those who are not financially strong and cannot stand on their own legs and therefore come together not with a view to getting profits but overcome disability arising out of want of adequate financial resources and thus better their economic condition".

The Romanian Code defines a Cooperative Society, "as an association with variable amount of capital, with no limit to the members who may join or leave at date, whose object is to carry.

\[1\] Quoted by R. D. Bedi (1979) Theory, History and Practice of Cooperation, Meerut, International Publishing House, p. 16.
on joint work on a joint plan with a view to furthering the economic and social interests of the members."  

Under the Japanese Law of 1925, a Cooperative Society is an association having legal existence, formed by persons of modest means in order to promote and develop according to the principles of mutuality, the exercise by the members of their occupations and the improvement of their economic condition."  

According to the Swiss Law, "a cooperative society is one constituted by a varying number of persons which aims principally at contributing towards economic prosperity of its members by joint action".  

As per Section 4 of the Cooperative Societies Act 1912, a cooperative society is a society which has as its object, the promotion of the economic interests of its members in accordance with the cooperative principles.  

The German Law, while placing emphasis on open membership and furtherance of the economic interest of the members by means of a common business undertaking, has defined it "as an association of persons varying in number and grappling with

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3. Ibid.  
4. Ibid. 26.
the same economic difficulties and voluntarily associating on a basis of equal rights and obligations and endeavouring/mainly by conducting at their own risk the undertaking to which they have transferred one or more of such of their economic functions as corresponding to their economic needs and by utilising their undertaking in joint cooperation for their common material and moral benefits?

International Labour Organisation has defined cooperation in the following words:

"Cooperative is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking".

Mr H. Calvert, an illustrious Registrar of cooperative societies in the Punjab defined cooperation "as a form of organisation wherein persons voluntarily associate together as human-beings on a basis of equality, for the promotion of the economic interests of themselves."

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7 Quoted by A. D. Bedi (1979), *Cit.*., p. 17.
Late Shri V.L. Mehta, a veteran cooperator of India, looked upon cooperation in a wider context for bringing voluntary improvement in the economic conditions of the people by the people themselves and described it in the following words:

"Cooperation is only one aspect of a vast movement which promotes voluntary associations of individuals having common needs, who combine towards the achievement of common economic ends."  

It is clear from the above definitions that the basic factors which led to the emergence of the cooperative movement were the same everywhere which are poverty, economic distress and exploitation of the weak by the strong. The inner-urge of a man for better living conditions forced him to find out ways and means to get rid of such evils. Cooperation emerged as one of such way-outs.

**Essential Principles of Cooperation**

The International Cooperative Alliance on the request of

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*International Cooperative Alliance is a non-governmental body set-up in 1895. The body is entirely and exclusively dedicated to the promotion of Cooperation in all parts of the world. It enjoys the highest consultative status—"category 1" with the United Nations Economic and Social Council. Besides its headquarters in London, it has three regional offices. The Regional Office and Education Centre for South East Asia is located in New Delhi (set-up on November 14, 1960).*
International Cooperative Congress held at Bournemouth 1963 appointed a Commission to formulate the fundamental principles of cooperation. The commission after considering and examining the traditional principles (such as open membership, democratic control, limited interest on capital, political and religious neutrality, cash trading, promotion of education, etc.) recommended that the following should be considered as essential to genuine and effective cooperative practice:

1. **Voluntary, Open and Active Membership:**

   Membership of a cooperative society should be voluntary, available without any social, political or religious discrimination to all persons showing common economic interest and willing to accept the responsibilities of membership.

2. **Democratic Management:**

   Every member enjoys an equal right to participate in the working and management of the society. Each member has the right to one vote only irrespective of the number of shares held. Cooperation recognizes the capital's claim to a reasonable rate of return, but it refuses to admit its claim to have a controlling voice in the management of the society.

3. **Limited Interest on Share-Capital.**

The share-capital should receive only a strictly limited 'rate of dividend. Cooperation recognises the capital's claim to a reasonable rate of return but it never permits the capital to be the sole criterion for the distribution of the surpluses.

4. **Patronage Dividend:**

Surplus or savings arising out of the operations of the society should be distributed among the members in proportion to the volume of business transacted by each of them with the society. A cooperative society is organised not to provide investment opportunity to the members but a particular economic service at a minimum cost.

5. **Promotion of Education:**

As per the recommendations of the Commission, all cooperative societies should make provision for the education of their members, officers and employees and the general public in the principles and techniques of cooperation, both economic and democratic. Education of the members is necessary to ensure their intelligent and active participation in the working of the society.

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9a Ibid., p. 22.
6. **Mutuality:**

Explaining the principle of mutuality the commission observed "all cooperative organisations in order to best serve the interests of their members and their committees should actively cooperate in every practical way with other cooperatives at local, national and international levels." The principle applies equally to the cooperation among the individuals and amongst the cooperative bodies.

**Genesis of Cooperative Movement-A Global View:**

As mentioned earlier, cooperation owes its origin to the realisation of the need and utility of self-help and the mutual help among the weak to save themselves from the exploitation by the strong and promote their common interest through collective action. The persons to take the lead in this regard were the common depressed ones—be the poor peasants somewhere or consumers or industrial workers at some other place. In Germany, cooperative movement originated as agriculture credit movement in the middle of the nineteenth century to save the peasants from the exploitation of money-lenders. The distressing factors like famine, poverty, exploitation and indebtedness necessitated the introduction of this idea in this country.

In England, the completion of the first half of the 19th century witnessed the origin of the movement in the form of industrial cum-consumer cooperatives to save the industrial workers from the exploitation by the factory owners and the unscrupulous dealers.

In Canada, in the second half of the 19th century the farmers organised cooperatives marketing societies to save themselves from the exploitation by the private trade and obtain better return on their produce.

In Russia, first attempt was made in 1864 when some cooperative stores and credit societies were organised. After the great Revolution of 1917, the cooperatives were recognised as very useful instruments in a socialist state. In the words of Lenin, the hero of the great revolution, "The Cooperatives are the only organisation in capitalist system which is good. It must be preserved in its entirety at any cost".

In Japan, the cooperative movement was introduced in the form of consumer cooperatives, the first of which was organised in 1879 with the object of checking the soaring prices. In the subsequent period movement diversified into other areas like agriculture credit, fishery, forestry, etc.

10 Ibid., p. 108.
The United Nations have itself been taking keen interest in the expansion of cooperative movement in the world. On November 30, 1976, the United Nations General Assembly adopted a resolution for accelerating the expansion of cooperative movement. The resolution is considered as one of the most far-reaching resolutions on the cooperative movement at the international level. The resolution recognised that expansion of cooperative movement in the promotion of social and economic progress is closely linked to structural and institutional reforms which aim at the equitable distribution of income, popular participation in the development process, equality of opportunity to contribute to and benefit from the fruits of development. Similar another resolution was passed by the same body (United Nations General Assembly) in December 1978. Recalling the earlier resolutions, the said resolution stressed upon the role of cooperatives in the development of weaker sections of society and in over-all social and economic advancement, particularly in developing countries.

The Emergence of Cooperative Movement in India:

Cooperative movement in India owes its origin to the establishment of the Cooperative Societies Act 1904 which provided for the organisation of primary credit societies with a stress on providing agricultural credit. The Act of 1904 was found inadequate and unsuitable to cope with the requirements of expanding movement and another act was passed in 1912.
replacing the previous one. The Act of 1912 provided for the registration of non-credit and central societies as well. The Act also recognised the right of the investors to a reasonable rate of return in the distribution of the profits of the society. Before fostering further growth, the Government wanted to be sure that the movement was developing on sound lines and appointed a committee called Maclagan Committee to review the movement. Through its report submitted in 1915, the Committee made far-reaching proposals for the development of the movement. It warned the Government against the hasty organisation of the societies, stressed upon the ethical and moral side of the movement, emphasised the need of audit and supervision and recommended the strengthening of the cooperative department.

Under the reforms of 1919 Cooperation became a transferred subject under the charge of a minister in each state. This enabled the states to enact their own legislations on Cooperation in the light of the local conditions. The period of 1919 to 1929 also witnessed the setting-up of the Royal Commission to examine the problems relating to agriculture. The commission stressed the need for cooperation for the successful implementation of the agriculture development programme. The commission drew the attention of the
government on glaring shortcomings in the movement and sounded a note of warning in its famous words, *If Cooperation fails, there will fail the best hope of rural India.*

1935 witnessed the establishment of Reserve Bank of India which is considered an important event in the history of Cooperative Movement in India. The Agriculture Credit Department was created within the RBI to study agricultural credit problems and extend financial accommodation to Cooperative Credit structure.

**Cooperative Movement and the Planning Era**

*After independence, India embarked upon the challenging task of socio-economic transformation of the society. The country adopted the instrument of planning to accelerate the rate of economic growth and to bring speedy improvement in the living conditions of the masses. Identification and building up of relevant institutions to accelerate the pace of development and effect early improvement in the living conditions of people occupies an important place in a developing country like India aspiring to establish socialist pattern of society.*

*The potential of the institution of cooperation to contribute to the socio-economic development of the people*

particularly in rural areas was recognised right from the beginning of the planning era. Cooperatives with their broad-base were considered as powerful instruments in involving the people in the planning process and to bring to them the gains of development. To quote the first five year plan in this regard,

"In a regime of planned development cooperation is an instrument while retaining some of the advantages of decentralisation and local initiative, will yet serve willingly and readily the overall purposes and targets of the plan.... It is an indispensable instrument of planned economic action in a democracy." The planning panel suggested that the implementation of the plan through cooperatives should be considered one of the criteria for judging the success of the plan. To quote the plan, "As it is the purpose of the plan to change the economy of the country from an individualistic to a socially regulated and cooperative basis, its success should be judged, among other things, by the extent to which it is implemented through cooperative organisations".

A significant development in the history of cooperative movement was the carrying out of the rural credit survey in the country during the first plan period by a Committee appointed...

12 Government of India: First Five Year Plan (1951-56), Planning Commission, Chapter X, p. 163.

by the Reserve Bank of India. The report of the Committee came in 1954 with the famous phrase: *Cooperation has failed but cooperation must succeed.*

The report gave concrete suggestions to the planning commission for reorganising the movement and putting it on sound lines. The Committee examined the problem of rural credit and indebtedness in conjunction with rural poverty. The Committee stated in its report that for solving the problem of rural poverty in general and rural cultivators in particular, provision of adequate and timely credit is important but not enough.

Launching a strong and powerful attack on the problem of rural poverty necessitates, in addition to the provision of credit, the need to ensure adequate return to the growers on their produce and solution of the problem of disguised unemployment and under-employment. In the light of all this the Committee recommended that activities subsequent to agricultural production (marketing and processing) should also be organised on cooperative lines. The Committee, while dealing with agricultural marketing and processing, stated, "In regard to these two items, the importance of planned cooperative development and of effective state participation which alone can bring about the development
can hardly be exaggerated". The Committee also suggested that while the Reserve Bank of India should serve as the promotional and financing agency for the cooperative credit programme in the country, a National Cooperative Development and Ware-housing Board may be established for performing the promotional and financing role in respect of marketing, processing, storage and supplies in the cooperative sector and for the development of ware-housing in the public sector.

To solve the problem of disguised unemployment and under-employment the Committee recommended the undertaking of activities like poultry, dairying, livestock breeding, piggery, etc. by the farmers on the cooperative lines. The Committee also examined the problem of rural artisans and handicraftsmen and also recommend the organisation of village and cottage industries on similar lines.

To be more precise, the committee recommended the cooperative building up of a strong and comprehensive sector to tackle the problem of rural poverty.

Considering their usefulness the government accepted the recommendations of the said committee in letter and intent. The spirit of the recommendations was translated into an action.

programme in the Second Five Year Plan. To quote The Plan...

"The building up of a cooperative sector as a part of the scheme of planned development is, thus, one of the central aims of national policy. ... From this aspect, the fields which mark themselves out as being specially appropriate for the cooperative method of organisation are agricultural credit, marketing and processing, all aspects of production in rural areas, consumer cooperative stores, cooperatives of artisans and labour and construction cooperatives. In these fields the objective is to enable cooperation increasingly to become the principal basis for the organisation of economic activity". The subsequent plans carried this approach further and envisaged a growing cooperative sector as a part of socialist pattern of society and giving to the national economy a balanced direction and sense of values.

The Sixth Five Year Plan (1980-85) document released by the Planning Commission while dealing with the chapter on Cooperation states:

"Cooperation as an instrument of economic development, of the disadvantaged, particularly in the rural areas, has received considerable emphasis during the successive plans. The founders of planning in the country saw a village panchayat, a village cooperative and a village school as a trinity of institutions on Government of India: Second Five Year Plan (1956-61), Planning Commission, Chapter X, p. 221."
which a self-reliant and just economic and social order was to be built. The non-exploitation character of cooperatives, voluntary nature of their membership, principle of one man one vote, decentralised decision-making and self-imposed curbs on profits eminently qualified them as an instrument of development combining advantages of private ownership with public good.

A recent document titled *The Approach To the Seventh Plan* issued by the Planning Commission seeks to strengthen the cooperative movement further to increase agricultural production and to build up a strong public distribution system.

There is another view of looking at the cooperative sector in a country like ours which has adopted the strategy of mixed economy. While development of private sector leads to the concentration of economic power in a few hands, that of the public sector kills individual initiative and results into too much bureaucratization and centralisation. A strong cooperative sector embracing activities more amenable to be organised on cooperative lines can act as a balancing force between the private sector and public sector.

Cooperative Agricultural Processing and Development Plans

Agricultural processing, as mentioned earlier, occupies a central place in any programme of cooperative development. The need to organise agricultural processing on cooperative lines was emphasised in the Rural Credit Survey Report 1954. The Committee while dealing with agricultural marketing and processing emphasised the need for planned cooperative development of agricultural marketing and processing enterprises and for effective state participation in the share capital of such enterprises so as to accelerate development.

The agro-processing industries when organised on cooperative basis by the farmers ensure them adequate return on their produce by saving them from the exploitation at the private hands. This also enables them to obtain the benefits of processing in addition to farming. Cooperative agro-processing industries bring harmonisation of interests between the growers and the mills. These industries also work as effective tools in checking the disguised unemployment and under-employment prevalent in the rural areas. By involving the farmers into their organisation and functioning, such industries help to create a new class of entrepreneurs thus broadening the entrepreneurial base. Cooperative sector by bringing the industry and farm closer to each other provides the

necessary infrastructure for the creation and development of industrial climate in the rural areas which forms the foundation for the development of industrial society. To quote the Third Five Year Plan, "Development of cooperative processing is essential not only for increasing rural income and facilitating credit for production but also for building up a cooperative rural economy. Where cooperative processing units have been successfully established, they have proved as instruments of development in several allied fields". The subsequent plans carried this approach further and building up a strong cooperative sector in the field of agro-processing industries has been the integral part of the country's industrial policy.

The Industrial Licensing Policy (ILP) 1970 while giving preference to the cooperative sector in the setting-up of agro-based industries reads as follows:

"In respect of agro-industries, particularly undertakings processing sugarcane, jute and other agricultural commodities, preference will be given in licensing to applicants from the cooperative sector."

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The Union Government has taken a policy decision that henceforth all categories and sizes of agro-based factories would be set-up only in the cooperative sector. This former declaration was made by Sh Rao Birendra Singh, Union Minister for Agriculture while inaugurating the first five day district level camp for intensive technology and management transformation through agricultural cooperatives organised by the IFFCO and NCUI at the IFFCO complex near Gurgaon.

Agro-processing industries, when organised on cooperative lines, ensure remunerative price to a large number of small farmers, induct new technology in the agriculture, check disguised unemployment and under-employment, mobilise and channelise rural resources into productive purposes, etc. It would be worthwhile to give a brief mention to some of these.

1. Higher Income for the Farmers:

The processing cooperatives ensure higher income to the farmers in two ways. Firstly as suppliers of the raw-materials and secondly as members of these ventures.

As suppliers of raw materials to the processing cooperatives the growers get remunerative price for their produce and as members they get a share out of the profits of such ventures. All this has the effect of increasing the share

of the growers in the price paid for the end products by the ultimate consumers. The primary objective of cooperative processing is to reduce the price spread between the producer and the consumer and thereby to ensure that the producer gets his legitimate share in the final price paid by the consumer. The higher income enables the farmers to have access to better living conditions and better life, the ultimate goal of the development plans.

More than the direct financial returns from the ownership of the industry, the larger gains accrue to the farmers from the changes in the cultivation practices and technological improvements likely to come in the wake of processing undertakings of the growers.

2. Increased Agricultural Production:

Cooperative-processing, by ensuring the farmers a higher reward for their efforts possesses in-built mechanism of motivating the growers to work more and more on the fields. The structure has the benefit of involving actively both the enterprises and the farmers in the cropping operations. The agro-industrial units must receive raw materials in adequate quantities for their installed capacities at the fullest level. This induces them to participate actively in the cropping operations and undertake activities like supply of credit, fertilizers, pesticides, seed and other inputs and like provision of extension facilities, guidance and counselling
to the farmers. The farmers with assured market and fair price are induced to work more and more on the farm. This inter-relationship and mutuality of interest is further strengthened by the common identity of interest in the case of processing venture owned by the growers themselves.

Processing cooperatives are also very powerful instruments in the reconstruction and revitalisation of agriculture by introducing structural and technological changes in the rural areas. All this is very important for a country which is striving for maximum production within shortest time.

3. **Strengthening the Cooperative Movement:**

The successful processing cooperatives have a very positive effect on the other aspects of the movement (cooperative credit, cooperative marketing and consumer cooperatives). The need for link between cooperative credit and cooperative processing is equally, if not more, important. Well-established processing cooperatives can act as intermediaries between the farmers and the credit cooperatives for the grant and recovery of loans. Processing of agricultural produce by cooperatives has a very important role to play in building a strong cooperative movement in consumer retailing which has become a necessity under the present pressing circumstances of price spiral.

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On the ideological plane a strong cooperative movement in the field of agro-processing in conjunction with cooperative credit and marketing (which are the traditional preserves) will be a significant step towards building a society based on the principles of mutualism and self-help.

4. Mobilisation and Channelisation of Rural Resources:

These industrial ventures, if properly managed can provide a profitable and familiar avenue for investment to the farmers. Many a time savings of the farmers are dissipated or ill-utilised because they are not aware or familiar with the opportunities of gainful investment. The phenomenon has assumed increasing proportion particularly after the advent of green revolution; to avoid diversion of resources to unproductive and undesirable activities like intoxication, litigation, dowry, etc.

5. Checking the Disguised Unemployment and Under-Employment:

A phenomenon which has bedevilled our rural economy is under-employment and disguised unemployment. Agriculture, being a seasonal occupation, cannot guarantee fuller employment throughout the year. The processing cooperatives can so schedule their operations that the farmers get employment during the idle days. Besides this, these enterprises would provide employment to presently surplus rural man-power and the manpower which is likely to become surplus as a result of technological improvements which these undertakings would induct in the rural economy.
6. **Equitable Dispersal of Income:**

Cooperative processing units inject industries into the rural areas in a decentralised and democratic form, involving the bulk of rural population thereby ensuring automatic diffusion of wealth and equitable distribution of income. This aspect is of great significance for ensuring socio-economic justice along with economic growth in the rural areas, more so in an underdeveloped country wedded to the greatest good of the greatest number.

7. **Rural Industrialisation and Rural Development:**

To quote Prof. D.R. Gadgil, "The most important problem facing Indian economy today is perhaps that of rural industrialisation. If this could be achieved on the basis of cooperative activity, the bulk of the rural population will become involved in the process and peaceful and concurrent socio-economic development of all classes will become practicable. The centrality of processing derives from its contribution in both directions. On the one hand, it strengthens the functioning of the agricultural credit and marketing systems, on the other it provides a wide base for rural industrialisation". It is needless to say that for any development worth its name, it must touch the rural side of

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the country where 80% population lives. But development of the rural areas requires the diversification of the rural economy. Agriculture has got to be integrated with industry. The industries which are based on the local agricultural produce are the most suitable for this purpose. Processing cooperatives by injecting industry into rural areas in a decentralised and democratic form create not only economic opportunities but much needed self-confidence in the farmers' mind. This self-confidence is of utmost importance in building up new industrial and business leadership from the rural areas. The very process of organising and managing the processing units helps in the development of the modern, forward looking leadership which can prove an asset not only for similar ventures but for other socio-economic activities as well. Agro-processing industries deserve an important place in the planned programme of economic development because of their conformity with the Directive Principles of State policy laid down in the constitution which stress to promote the welfare of the people by securing a social order ensuring social, economic and political justice, right to an adequate means of livelihood, decentralisation of wealth and means of production to the common good.

Present Position of Cooperative Processing Enterprises:

The history of cooperative processing in India goes back to 1917 when a cooperative cotton ginning factory was established in the erstwhile State of Mysore. An effective and encouraging start to the cooperative processing was provided by the establishment of a cooperative sugar mill at Pravarnagar in Maharashtra. The success of this factory inspired the growers and state authorities elsewhere to promote similar enterprises. The Government of India also took various measures to encourage such undertakings. They were accorded preferential treatment with regard to licensing and institutional financing.

The Table 1.1 shows the number of cooperative agro-processing units presently organised/installed in the various fields of economic activities.

In some of the areas, processing cooperatives have come to occupy a dominant position in the national economy. This is so particularly in the case of sugar where 56% of the total production was accounted for by the cooperatives during the year 1982-83. The growing importance of the cooperative sector in the sugar industry is depicted in Table 1.2.

|
|-----------------|---------------------|---------------------|
| Sr.No. | Category of Processing | Number of cooperative processing units as on 31st March 1982 |
|        |                     | Organised | Installed |
| 1.    | Sugar mills, open pan, sugar units and by product distilleries | 239 | 194 |
| 2.    | Spinning mills | 166 | 63 |
| 3.    | Ginning and pressing factories | 396 | 362 |
| 4.    | Jute bailing units | 283 | 156 |
| 5.    | Rice mills | 740 | 733 |
| 6.    | Dal mills | 81 | 67 |
| 7.    | Vegetable oil mills, refineries and vanaspati units (including rice-bran oil units, cotton-seed processing and soyabean processing) | 37 | 27 |
| 8.    | Solvent extraction units | 34 | 28 |
| 9.    | Groundnut decorticators | 58 | 58 |
| 10.   | Cattle/poultry feed units | 31 | 28 |
| 11.   | Fruit and vegetable processing units | 31 | 25 |
| 12.   | Coffee and tea processing units | 24 | 20 |
| 13.   | Copra oil mills | 36 | 27 |
|       | Others | 32 | 19 |
|       | Total | 2188 | 1807 |


Note: Totalling in the NCDC 1981-82 report is wrong.
<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Cooperative Sugar Factories</th>
<th>Production of Sugar in the Cooperative Sector (million tonnes)</th>
<th>Share of Cooperatives in Total Sugar Production (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>30</td>
<td>0.45</td>
<td>14.8</td>
</tr>
<tr>
<td>1968-69</td>
<td>62</td>
<td>1.20</td>
<td>33.8</td>
</tr>
<tr>
<td>1975-76</td>
<td>106</td>
<td>2.03</td>
<td>47.7</td>
</tr>
<tr>
<td>1976-77</td>
<td>119</td>
<td>2.32</td>
<td>47.9</td>
</tr>
<tr>
<td>1977-78</td>
<td>130</td>
<td>3.17</td>
<td>49.0</td>
</tr>
<tr>
<td>1978-79</td>
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<tr>
<td>1979-80</td>
<td>139</td>
<td>2.03</td>
<td>52.7</td>
</tr>
<tr>
<td>1980-81</td>
<td>149</td>
<td>2.90</td>
<td>56.4</td>
</tr>
<tr>
<td>1981-82</td>
<td>153</td>
<td>4.60</td>
<td>54.6</td>
</tr>
<tr>
<td>1982-83</td>
<td>156</td>
<td>4.51</td>
<td>54.8</td>
</tr>
</tbody>
</table>

Punjab with per capita income of Rs 3164 (at current prices for the year 1981-82) is the richest state of India followed by Haryana with a per capita income of Rs 2581 against all-India average of Rs 1758. The fact is revealed by the following Table.

Table 1.3
Per Capita Income of Some of the States
At Current Prices
(Figures in Rupees)

<table>
<thead>
<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>586</td>
<td>877</td>
<td>1167</td>
<td>1313</td>
<td>1536</td>
</tr>
<tr>
<td>Assam</td>
<td>535</td>
<td>875</td>
<td>1063</td>
<td>1221</td>
<td>1380</td>
</tr>
<tr>
<td>Bihar</td>
<td>402</td>
<td>697</td>
<td>806</td>
<td>927</td>
<td>995</td>
</tr>
<tr>
<td>Gujarat</td>
<td>829</td>
<td>1398</td>
<td>1641</td>
<td>1866</td>
<td>2211</td>
</tr>
<tr>
<td>Haryana</td>
<td>877</td>
<td>1646</td>
<td>1949</td>
<td>2331</td>
<td>2581</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>678</td>
<td>1029</td>
<td>1288</td>
<td>1523</td>
<td>1659</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>548</td>
<td>909</td>
<td>1301</td>
<td>1469</td>
<td>1630</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>484</td>
<td>786</td>
<td>864</td>
<td>1134</td>
<td>1217</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>783</td>
<td>1515</td>
<td>2048</td>
<td>2294</td>
<td>2519</td>
</tr>
<tr>
<td>Punjab</td>
<td>1070</td>
<td>2019</td>
<td>2611</td>
<td>2771</td>
<td>3164</td>
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<tr>
<td>All-India</td>
<td>633</td>
<td>1077</td>
<td>1333</td>
<td>1559</td>
<td>1758</td>
</tr>
</tbody>
</table>

The economic development of those states particularly since the advent of Green Revolution in late sixties has been spearheaded by the agriculture. The fact is apparent from the Table 1.4.

The Table reveals clearly that the major thrust of the economy of these states has been agriculture. Agriculture dominated the economic scene of these states particularly after the advent of the Green Revolution. But an in-depth study of the fact reveals that agriculture in these states has reached almost the saturation stage and not much scope exists for further increase in the agriculture production. Consequently these states cannot continue to depend upon agriculture for achieving their future targets of growth.

The net sown area in the case of Punjab has exceeded 80 per cent of state's total geographical area. This is an unduly high percentage both from ecological considerations and the need to ensure adequate space for non-agricultural uses. In the case of Punjab second crop is being raised over 50% of the net sown area. The per hectare yield of the principal crops/wheat, rice and cotton is amongst the highest in the country. The per hectare yield of wheat in Ludhiana district is in fact the highest in the world.

27. Ibid, p.3.
28. Ibid, p.3.
## Table 1.4

### Percentage Contribution of Various Sectors to the Net State Domestic Product at Constant Prices (1970-71) in Punjab and Haryana.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Sector</th>
<th>Punjab</th>
<th></th>
<th></th>
<th></th>
<th>Haryana</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Primary Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(i) Agriculture</td>
<td>41.26</td>
<td>39.91</td>
<td>36.13</td>
<td>35.81</td>
<td>35.56</td>
<td>34.03</td>
<td>64.39</td>
<td>59.02</td>
</tr>
<tr>
<td></td>
<td>(ii) Livestock</td>
<td>14.84</td>
<td>14.78</td>
<td>15.19</td>
<td>13.33</td>
<td>13.69</td>
<td>16.34</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(iii) Forestry and Logging</td>
<td>0.20</td>
<td>0.16</td>
<td>0.24</td>
<td>0.29</td>
<td>0.24</td>
<td>0.24</td>
<td>0.23</td>
<td>0.24</td>
</tr>
<tr>
<td></td>
<td>(iv) Fishing</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.02</td>
<td>0.02</td>
<td>0.04</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td></td>
<td>(v) Mining and Quarrying</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.11</td>
<td>0.08</td>
</tr>
<tr>
<td></td>
<td>Sub-Total (1+2+3+4+5)</td>
<td>58.37</td>
<td>54.90</td>
<td>51.61</td>
<td>49.48</td>
<td>49.54</td>
<td>48.65</td>
<td>64.75</td>
<td>58.97</td>
</tr>
<tr>
<td>2.</td>
<td>Secondary Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(ii) Construction</td>
<td>6.35</td>
<td>9.49</td>
<td>4.87</td>
<td>4.77</td>
<td>4.73</td>
<td>4.71</td>
<td>4.20</td>
<td>3.81</td>
</tr>
<tr>
<td></td>
<td>(iii) Electricity, Gas and Water Supply</td>
<td>0.78</td>
<td>1.01</td>
<td>1.21</td>
<td>1.19</td>
<td>1.10</td>
<td>1.07</td>
<td>1.32</td>
<td>1.15</td>
</tr>
<tr>
<td></td>
<td>Sub-Total (1+2+3)</td>
<td>15.76</td>
<td>15.44</td>
<td>17.30</td>
<td>17.66</td>
<td>17.61</td>
<td>17.97</td>
<td>15.25</td>
<td>17.04</td>
</tr>
<tr>
<td>3.</td>
<td>Tertiary Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(ii) Banking, Insurance, Real Estate, Ownership of Dwellings and Business Services</td>
<td>3.21</td>
<td>3.94</td>
<td>3.53</td>
<td>3.68</td>
<td>3.83</td>
<td>4.07</td>
<td>2.80</td>
<td>2.98</td>
</tr>
<tr>
<td></td>
<td>(iii) Community and Personal Services</td>
<td>7.05</td>
<td>7.13</td>
<td>7.37</td>
<td>7.29</td>
<td>7.93</td>
<td>7.93</td>
<td>6.54</td>
<td>7.24</td>
</tr>
<tr>
<td></td>
<td>Sub-Total (1+2+3)</td>
<td>26.32</td>
<td>26.66</td>
<td>31.29</td>
<td>32.86</td>
<td>32.93</td>
<td>33.27</td>
<td>20.00</td>
<td>24.59</td>
</tr>
<tr>
<td></td>
<td>Total Net State Domestic Product (1+2+3)</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

### Source

### Notes
1. In case of Haryana, agriculture includes share of livestock.
2. P stands for provisional figures.
3. Q stands for quick estimates.
4. In case of Haryana figures for the year 1983-84 are not available.
Keeping in view all this, there remains little doubt that it is only through industrialisation that these states can sustain the higher rate of economic growth. The number of educated unemployed persons in these states is also increasing at a fast rate. Unemployment and under-employment are a great social waste and there are no two opinions about it. Land being limited by nature, agriculture cannot absorb the increasing work force particularly the skilled and trained one. Rather growing mechanisation is likely to throw the manpower presently employed in the agriculture out of job.

So industrialisation remains the only solution to the problem of creating employment opportunities for the educated unemployed. Industrialisation becomes essential also from the point of view of attaining a desirable balance between the primary and the secondary sector in which the latter plays at least as important a role as the former one.

The need to industrialise these states is being greatly felt by the governments of these states. To quote the sixth Five Year Plan of Punjab 1978-83, "there is little doubt that henceforth industry must increasingly take the lead in further development of the economy".

Similarly to quote the sixth Five Year Plan of Haryana (1980-85), "Thus, though the State economy as a whole has made
steady progress yet it has to attain a desirable balance between the primary and the secondary sector in which the latter should play as important a role as the former."

But the pattern of industrialisation has to be in tune with the resource endowments of these states. These states lack in mineral resources like iron-ore, aluminium, copper, lead, etc., hence not suitable for mineral/heavy industry. One of the alternatives left for these states in the matter of industrialisation is the setting-up of agro-industries based on the local agricultural produce like sugar mills, cotton ginning and pressing factories, spinning mills, rice mills, fruit and vegetable processing factories, oil mills and industries based on agricultural waste like rice, husk, paddy-straw, cotton waste, etc.

Cooperation offers such industries the best form of organisation to derive full benefits out of agro-industrial development by cooperativising control and management. Processing undertakings when organised on the cooperative basis enable the growers to combine the benefits of processing in addition to farming. In this way, it would provide additional income to the millions of farmers of these states. This has the effect of motivating the farmers to work more to increase the agricultural production. The committee on cooperative processing set-up by the NCDC(1975) opined that, "the potential of agriculture

processing industry cannot be fully exploited for the benefit of the growers unless they themselves own and control them and also participate in their management. Such arrangements would also channelise into productive use of the surpluses accruing to the farmers from the agricultural production which are otherwise liable to be spent into unproductive activities. Processing cooperatives organised on a decentralised basis would also solve to a considerable extent the problem of disguised unemployment in the rural areas.

In nutshell, processing cooperatives of the farmers can do a lot in strengthening the economic base of these states and contributing at the same time to the goals of national planning like removal of poverty, reduction of disparities in income and wealth and employment generation coupled with higher rate of growth of national income.

The role of cooperative agro-processing enterprises in the socio-economic development of Punjab and Haryana has been keenly appreciated by the governments of these states and their development constitutes an integral part of the plan priorities. Punjab's Sixth Five Year Plan (1980-85) while seeking to give a powerful boost to the cooperation emphasises the need of creating a strong complement of processing enterprises such as


* First Sixth five year plan of Punjab was prepared for the period, 1978-83. With the change in Government in June 1980, another five year plan was prepared for the period 1980-85, replacing the previous one.
sugar, spinning and oil mills and milk plants with the object of ensuring remunerative prices to producers.

Similarly Haryana's Sixth Five Year Plan envisages the setting-up of rice-mills, two spinning mills and one woollen spinning mill in the cooperative sector in the near future.

By the end of March 1982, as many as 45 and 35 cooperative agro-processing undertakings had been organised in Punjab and Haryana respectively of which 39 and 27 units had already gone into production. The following Table gives crop/commodity-wise classification of these units.

Table 1.5
Cooperative Processing Units in Punjab and Haryana as on 31st March, 1982.

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Nature of the Unit</th>
<th>Punjab</th>
<th>Haryana</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organised</td>
<td>Installed</td>
<td>Organised</td>
</tr>
<tr>
<td>1.</td>
<td>Sugar Mills</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>Spinning Mills</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Rice Mills</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>4.</td>
<td>Ginning and Pressing Mills</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>Oil Mills</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>6.</td>
<td>Others</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>45</strong></td>
<td><strong>39</strong></td>
</tr>
</tbody>
</table>


The number of such units is increasing at a very fast speed. Recently, three new sugar mills have been set-up in Haryana in the cooperative sector. Union Government has decided to grant licences to Haryana for setting-up three more sugar mills in the cooperative sector.

In Punjab also State Government plans to set-up five more cooperative sugar mills in the immediate future and work for the installation of one mill near Patiala has already started. This mill is expected to start crushing in May, 1985. In the Sixth Five Year Plan (1980-85) of Punjab provision has been made to set-up six more spinning mills and to double the capacity of the mill already set-up at Kotkapura. The Punjab State Cooperative Supply and Marketing Federation Limited (MARKFED) has planned to set-up one cotton ginning and processing factory/Rampuraphul and four modern rice mills at Bhagapurana, Machhiwara, Rajpura and Nawanshahr.

34. *Indian Express*, February 18, 1985, p. 4 (As per the statement made by Sh Buta Singh Union Minister for Agriculture while inaugurating cooperative sugar mill at Jind)

35. *Indian Express*, February 19, 1985, p. 4


In Haryana one more spinning mill is being set-up in the Cooperative Sector at Bhattu Kalan (in Sirsa district) as per the plan targets, the first one (at Hansi in Hissar district) has already gone into production. The State Government has also been issued a letter of intent for the setting-up of a cooperative woollen spinning mill at Laharu in the light of its plan targets. The mill is going to be the first of its kind. The Government of Haryana has drawn up a comprehensive plan for the setting-up of agro-industrial complexes at various centres in the State. With the present policy of giving preference to the cooperatives in the matter of licensing, they are expected to bag a major share in these complexes. Recently, the Haryana State Cooperative Supply and Marketing Federation Ltd. (HAFED) has been issued five letters of intent to set-up dal mills and a straw board plant in the industrially backward district of Mahendergarh. Approval has also been accorded for the setting-up of three new cooperative rice mills and modernisation of an equal number of existing cooperative rice plants in Karnal and Kurukshetra districts.
Such a rapid growth of these enterprises brings in its train several problems such as organisational pattern, administration and supervision, raw-material supply, financial management, marketing, industrial relations, members relations, selection and training of personnel in the light of the objectives of cooperative movement, etc. Of all these, the issue relating to financial management is such a vital and important one that it requires deep study and consideration because the entire structure of a business unit rests on its financial base. Finance is said to be the circulatory system of an enterprise making possible the needed cooperation between the other productive resources like men, material and machines. The survival and growth of any business unit depends largely on the efficient handling of its finance function.

Sound financial management is essential and equally important in all types of organisations—whether profit or non-profit—wherever funds are involved. A concern may be earning good profits but still facing difficulty in carrying on its operations. It would be worthwhile to quote H.E. Hoagland in this regard, "Bad production management and bad sales management have slain their hundreds but faulty finance has slain its thousands." Commercial history is replete with examples where firms have been liquidated not because that technology was obsolete or because their products had no demand or because their labour was not skilled and motivated but because there was a complete mismanagement of financial affairs.

Keeping in view the above discussion, the present study seeks to examine some of the basic issues such as project planning, financial planning, financial control, profitability, etc., in thirty cooperative processing undertakings in Punjab and Haryana. The study is restricted to the organised cooperative agro-processing undertakings which went into production before 30th June, 1981 (excepting The Abohar Cooperative Spinning Mills Ltd., Abohar) so that necessary accounting information is available for the purpose of analysis for at least three years. Six new cooperative spinning mills are being set-up in Punjab, The Abohar Cooperative Spinning Mills Ltd., being first in the series. The success or failure of this project is likely to have its impact on other projects. So this project (The Abohar Cooperative Mills Ltd., Abohar) has been deliberately included in the study.

Objectives of the Study:

The present study is proposed to be undertaken with the following objectives:

(i) To see whether the setting-up of a cooperative agro-processing units in these states is preceded by the requisite project planning;

(ii) To appraise the existing financial structure of these units and to assess its suitability in the light of objectives behind setting-up agro-industries in the cooperative sector;
(iii) To identify constraints in the financial sphere having bearing on the growth and development of these units;
(iv) To examine the profitability of these units;
(v) To examine the effectiveness of the existing control measures like budgetary control, inventory control, audit (both internal and external), fund flow analysis, break-even analysis, ratio analysis, etc., and
(vi) To examine the effect of interest on the working of these undertakings.

Scope and Significance of the Study:

The present study attempts to provide an orderly framework for the analysis of major financial problems of the cooperative agro-processing undertakings in Punjab and Haryana. Since finance is said to be the circulatory system of an organization making possible the needed cooperation between the diverse units of activity, its management has been considered to be the most important subject for evaluation.

The elements of financial management covered in the scope of present study are project planning, financial planning, financial control, pricing policy, profitability and management of earnings. The existing system of all these aspects has been critically examined and analysed. Working capital has been discussed in the chapters on financing planning and financial control.
The following agro-processing undertakings operating in the cooperative sector have been included in the study:

A) Punjab State:

1. The Janta Cooperative Sugar Mills Ltd., Bhogpur.
2. The Batala Cooperative Sugar Mills Ltd., Batala.
4. The Doaba Cooperative Sugar Mills Ltd., Nawanshahr.
5. The Abohar Cooperative Spinning Mills Ltd., Abohar.

In addition to the above, the following units of The Punjab State Cooperative Supply and Marketing Federation Ltd., (MARKFED) have also been included in the study:

6. Markfed Vanaspati and Allied Industries, Khanna
7. Markfed Canners, Jalandhar
8. Markfed Modern Rice Mill, Rajpura
9. Markfed Cotton Seed Processing Factory, Widderbaha
10. Markfed Cotton-ginning and Pressing Factory, Goniana
11. Markfed Refined Oil and Allied Industries, Kapurthala
12. Markfed Cotton-ginning and Pressing Factory, Jaitu
13. Markfed Cotton-ginning and Pressing Factory, Sardulgarh

B) Haryana State:

15. The Panipat Cooperative Sugar Mills Ltd., Panipat.
16. The Karnal Cooperative Sugar Mills Ltd., Karnal.
17. The Sonepat Cooperative Sugar Mills Ltd., Sonepat.
18. The Hansi Cooperative Spinning Mills Ltd., Hansi.

In addition to the above, the following units of The Haryana State Cooperative Supply and Marketing Federation Ltd., (HAPED) have also been included in the study:

19. Rice Mill, Taraori
20. Rice Mill, Dhand
21. Rice Mill, Shahabad
22. Rice Mill, Jehowa
23. Rice Mill, Samalkha
24. Rice Mill, Madlaua
25. Rice Mill, Karnal
26. Rice Mill, Ambala
27. Rice Mill, Gharunda
28. Rice Mill, Ladwa
29. Rice Mill, Barara
State level cooperative organisations like MARKFED and HAFED undertake some other activities in addition to agro-processing. The study shall be confined only to the agro-processing activities of these organisations.

Research studies have been made in the financial working of the public sector enterprises as well as the private corporate sector in the state of Punjab. But no study has so far been made on the cooperative agro-industrial units.

The present study seeks to fill this research gap. For making the study comprehensive and more useful similar units of Haryana have also been included in it.

The findings of the present work would be of interest to the researchers, practitioners in the realm of cooperative sector and semi Government bodies associated with the cooperative movement. It will also prove to be useful for the state governments and other associated bodies for the purpose of project planning, financial planning and financial control, etc.

**Scheme of Presentation:**

Structurally, the present study is divided into eight chapters:

Chapter I deals with the origin of the cooperative movement, importance of cooperative agro-processing, government's...
policy towards cooperative agro-processing and role of the cooperative agro-processing in the economies of Punjab and Haryana. Objectives, methodology, limitations of the study and literature review have been enlisted in the same chapter.

Chapter II is devoted to examine the position of project planning in the units under study.

Chapter III deals with financial planning.

Chapter IV seeks to examine the position of financial control. Both the systems of financial control (internal and external) have been examined. Inventory control has also been discussed in this chapter.

Chapter V is aimed at the analysis of the pricing policy of the units.

Chapter VI seeks to examine the profitability of the units.

Chapter VII deals with the management of earnings.

Chapter VIII presents the summary and conclusions and recommendations.

Methodology:

As mentioned earlier, the present study is restricted to the organised cooperative agro-processing undertakings which went into production before 30th June, 1981 (excluding The Abohar Cooperative Spinning Mills Ltd., Abohar). Wherever possible a minimum period of five years has been taken for the purpose of
analysis so that fruitful results can be drawn. However, every possible effort has been made to extend the period of analysis beyond five years and in 24 out of the 30 units the period covered is more than five years (in the chapter on Profitability). The study is restricted to the financial year ending 30.6.1982 or 30.6.1983 depending upon the availability of data. Markfed cotton ginning and pressing factories situated at Jaitu and Sardulgarh went into production during the year 1980-81. So only a period of three years (from 1980-81 to 1982-83) could be taken in these cases. The Abohar Cooperative Spinning Mills Ltd., Abohar went into production in October, 1982. Accounts for the year 1982-83 were not finalised till December 1984. So the unit could not be included in the financial analysis aiming at evaluating the capital structure, liquidity and profitability. However, other aspects of the unit like project planning, financial planning, financial control and pricing have been examined.

Collection of Data:

The present study is based on the primary data collected from the various units. Secondary data available in the annual reports and accounts of these organisations and in official and non-official publications has been used for the purpose. A salient feature of the study is the collection of information through a questionnaire (see appendix-1). Interviews were also
sought with some of the financial executives and other officials of these units, officials of the audit-wing and technical and financial consultants working in the state federations.

Taking into consideration the nature of the subject and availability of data, more emphasis has been laid on the management and cost accounting techniques such as budgeting, ratio analysis, inventory control, fund flow and cash flow statements. Statistical techniques such as trend analysis, charts and graphs have also been used.

Limitations of the Study:

The present study is primarily related to the organised agro-processing undertakings which have been set up in the cooperative sector. An attempt has been made to evaluate the financial management of these units. Agro-processing units set-up by the state level cooperative marketing societies in Punjab and Haryana (MARKFED and HAFED) have also been included in the study. These societies undertake some other activities in addition to agro-processing. The study is confined to the agro-processing activities of these units. Rice mills set-up by the primary cooperative marketing societies in these states have either been closed down or leased out to the private parties, hence could not be included in the study.
The non-availability of detailed operational data from the individual units has been one of the most important limitations of the study. There was no free access to the records. As the present study is concerned with the financial analysis (management) most of the officials were reluctant to discuss the detailed working of the organizations particularly the policy matters. Nevertheless, every effort was made to collect whatever information could be made available. In some of the units' accounts were not up to date. In the case of The Abohar Cooperative Spinning Mills Ltd., Abohar, accounts for the year 1982-83 were not finalised till December, 1984. Even the tentative financial statements were not available. In the case of other independent societies (sugar and spinning mills) also accounts for the year 1982-83 were not finalised till September, 1984. Only the tentative financial statements were available.

In view of the absence of free access to the records, most of the information was taken to be true on the basis of the questionnaire. If there is any deviation in the recorded (including discussed) facts and actual performance there may exist an error in evaluation to that extent.

Review of Related Literature:

This part of the chapter gives a brief survey of available literature in the area of financial management of processing cooperatives. The review is intended to provide a
background to the study that follows. Accordingly this review is not intended to be exhaustive and comprehensive—exhaustive in covering every work in the field; and comprehensive in dealing with the studies examined in considerable depth.

A lot of descriptive material is available dealing with the history, growth and role of cooperative sector in India. Sufficient literature is also available on the history, growth and role of cooperative agro-processing. But the number of research—studies available on the subject is very small. Some studies are available on the subject which are either quite old or of general nature covering financial working as one of the aspects. In fact, no study has been conducted in the recent past which covers various aspects of financial management in detail in cooperative agro-processing undertakings. A brief review of the studies available on the subject is given below:

First attempt to examine the working of cooperative agro-processing units at the national level was made by the erstwhile National Cooperative Development and Warehousing Board when it appointed a committee (under the Chairmanship of Shri R.G.Sariya) to review the then existing position and examine the promotional and organisational aspects of cooperative sugar factories and other processing societies with a view to ensuring their sound and speedy development during the Third...
Five Year Plan. The Committee submitted its report in 1961. The Committee examined the various aspects relating to cooperative processing units such as project planning, cooperative set-up at state level, licensing policy, pattern of organisation, composition of membership, raising of share-capital and loans, provision of working capital, fiscal incentives, business operations, audit, etc. The committee observed that as regards, processing units other than cooperative sugar factories requisite planning and investigation at the initial stage was missing. Some of the other findings of the committee were purchase of raw material by some cooperatives from the open market in violation of the cooperative spirit, admission of non-growers as members, appointment of commission agents for the collection of share-capital, considerable delay in conduct of audit in some of the cases, etc. The Committee gave various recommendations for improving the working of such units. Of the various recommendations some important were the need of conducting proper investigation before setting-up the unit, issuing of blue-prints by the Department of Cooperation (Union Government) for the guidance of the units, constant supervision and evaluation by the state department created for this purpose, confining membership to the growers, setting-up of advisory boards at the state level for the promotion of such units, linking share-holding with the raw material supplies, making compulsory deductions out of the cane-price payable, abolition of the system of appointing commission agents for the purpose of collecting
Another study entitled, "Working of the Cooperative Sugar Mills in Punjab" was conducted by the Economic and Statistical Organisation (ESO) Punjab in 1965. The main purpose of the enquiry was to find out the reasons responsible for the success or failure of the cooperative sugar mills in Punjab. The study examined various aspects like cane development in the nearby areas, technical efficiency, financial, managerial, personnel and other related matters. The main finding of the study was that the poor performance of the mills can be mainly attributed to the shortage of cane. The study gave some suggestions to ensure the supply of sufficient quantity of cane to the sugar mills. Of the various suggestions given in the study some important were the regulation of manufacture of Gur and Khandsari, remunerative price for the sugarcane, quicker payment to the growers, development of roads in the mills' area, taking measures to increase sugarcane production, preferring local growers in the matter of membership, etc.

Then came the "Report of the Expert Committee on Financing of Cooperative Processing" set-up by the NCDC. The

Committee was set-up with the objective of assessing the need and scope for development of agricultural processing industries in the Cooperative Sector keeping in view the various agricultural production programmes envisaged in the Fourth Plan period and to estimate the requirements of funds for such industries and to examine the scope of widening the role of the NCDC and modification of the existing terms and conditions under which the financial assistance was given by the NCDC. The Committee emphasised the need for the requisite project planning and adequate technical know-how and trained managerial personnel for the implementation of the enlarged processing programme on sound lines. The Committee recommended the enlargement of the technical cells in the apex marketing societies for ensuring specialised technical units in the agriculture extension programmes, creation of management cadre in the apex marketing societies, etc.

A case study of cooperative rice mills in Bihar undertaken by R.B. Mishra, evaluated the performance of cooperative rice mills in terms of capacity utilisation and highlighted bottlenecks in their working. The main bottlenecks given were paucity of working capital, faulty policy with regard to purchase.

of paddy, poor recovery, absence of par-bailing and other arrangements, lack of cost-consciousness, management without stake and cost-consciousness, etc. The study suggested change in the organisational set-up (separation of rice mills from the primary marketing societies) as means for improving their performance.

Second study by the ESO, Punjab on the working of sugar mills in Punjab was conducted in 1973. Two sugar mills in the Cooperative Sector and one in the Private Sector were selected for the purpose of study. The study examined the cane development and procurement, technical, financial, marketing and managerial aspects of these sugar mills. The study found that cooperative sugar mills were incurring losses due to higher expenses on depreciation, interest charges, cane development expenses and sugar cane transport charges. Some of the other findings were lack of continuity of managerial and supervisory staff in the cooperative sugar mills and persistence of varietal imbalance in the cultivation of early, mid and late sugarcane varieties. Some of the main recommendations of the study were appointment of trained personnel, reducing interest charges by reducing dependence on borrowings, increasing capacity utilisation by reducing breakdowns, developing sugar cane within the reserve area to curtail sugarcane transport expenses, closer cooperation between the growers and the mills, etc.

Dalip Singh's study entitled, "Organisation and Management of Cooperative Agro-Industries in Haryana" is another addition to the area under investigation. Two sugar mills and three rice-shellers were selected for the purpose of study. The study examined the working results, financial position, organisation and management etc. Of the various findings some important were too much interference by the State Government, lack of sufficient efforts by the management to involve member-growers in the working of these units, neglect of cooperative education, etc. N.P. Srinivasan's article entitled "Inventory Management in Cooperative Sugar Mills in Tamil Nadu", examined the effectiveness of inventory management in three of the cooperative sugar mills in Tamil Nadu with the help of inventory turn-over ratios. The study found these mills lacking behind in the adoption of scientific techniques of inventory management. The study emphasised the need for the adoption of scientific techniques of inventory management in these undertakings so as to make them more useful for the member-growers.


Another study by N. P. Srinivasan entitled, "Working Capital Management of Cooperative Sugar Mills" examined the effectiveness of working capital management in three cooperative sugar mills with the help of 'fund flow analysis'. The paper found the absence of proper working capital planning and management in these units and emphasised the need for applying 'fund flow analysis' for this purpose.

D. V. Wandakar's paper entitled, "Inventory-Its Impact on the Cost of Production in Cooperative Sugar Factory" studied the effectiveness of working capital management in a cooperative sugar factory with the help of stock turn-over ratios. The study found over-stocking in certain stores and spares and emphasised the need for applying inventory-control techniques like turn-over ratios and framing long-term policy to control inventory.

An article written by H. K. Bedbak on "Control and Cost of Inventory" studied the effectiveness of inventory control in a


cooperative spinning mill with the help of stock-levels. The paper found the mill running under risky stock level of cotton. The paper also found absence of inventory control techniques like stock-levels in controlling inventory. It recommended the opening of a purchase office and a godown in the distant raw material market so as to ensure regular supply of raw cotton for smooth production.

P.R. Dubashi in his article entitled, "Sick Agro-Industrial Cooperatives—Key to their Rehabilitation" examined the working of the various categories of processing cooperatives in all the states with regard to their capacity utilisation. The paper gave very useful suggestions for the revival of sick processing cooperatives.

Kamra in his study of a state level apex cooperative federation examined various issues such as policy-making and direction, organisational structure, human resource management, financial management, procurement operations, distribution of


agricultural inputs and processing management. One of the processing plants was taken up for indepth study. Some of the main findings of the study were irregular functioning of the General Body and the Board, faulty organisational structure, poor human resource management, poor maintenance of the wheat stocks and the godowns, poor monitoring, faulty planning of projects, under-utilisation of installed capacity in plants, etc. The study gave useful suggestions for improving the working of apex federation.

Recently, an attempt to examine the working of an apex cooperative federation had been made by Goel. The issues covered were the policy-making, executive direction, human resource administration, organisational structure, project formulation, financial management, marketing management, processing management and distribution management, etc. Of the various plants run by the society, a fertilizer unit was taken-up for examining the effectiveness of project formulation and implementation. The Chapter devoted to Processing Management studies the working of processing-units run by the society in terms of their capacity-utilisation. The study also examined the effectiveness of financial management at the society level.

(and not unit level). Of the various findings of the study some important were appointment of inexperienced and unqualified persons, deficient upward communication, lack of supervision and control by the head-office, irregular functioning of the board by the State Government for political motives, ineffective general body, interference functioning of the board, lack of clear cut demarcation of duties and responsibilities between the chief executive and the board, faulty project formulation, failure in raising sufficient capital from the members, poor performance of the processing units, etc. The study gave various suggestions for improving the working of the apex federation.