CHAPTER - II

INDUSTRIAL CO-OPERATIVES IN INDIA'S ECONOMY

INTRODUCTION

As a developing nation, India is faced with the problem of unemployment caused by population explosion due to rising birth rate on the one hand and lowering death rate on the other. Further, the Indian economy is dependent heavily on agriculture with 62 per cent of India's population eking its livelihood from agriculture either directly or indirectly. In this over populated country not only the average productivity of the agriculturists is low but also their marginal productivity tends to be nearly zero. Thus, there is "disguised unemployment" in the country. Further, the agriculturists do not have opportunities to get supplementary sources of income by utilising their off seasons "enforced idleness". The enormity of the problem is revealed from the fact that the per capita expenditure of 73 per cent of the rural people is below Rs. 43 per month as against 42 per cent of the urban people.¹

¹ Sharad Yaveoh Chandra - "Imperatives of rural industrialisation" - Commerce Vol. 135 No. 3463, p. 7.
In the absence of alternative avenues of employment, the agricultural labour has to migrate to urban areas for employment during off season, creating the problem of urban unemployment. In fact, urban unemployment and poverty are the effects of rural unemployment and poverty. Thus, the problem of Indian poverty is primarily the problem of lack of employment potentiality amongst the rural masses.

Poverty and unemployment, the two most serious problems which have a staggering dimension, are so interlinked that the remedy for one is the remedy for the other. The widespread frustration amongst the masses is the resultant factor of these two problems. All other economic and social evils such as backwardness, economic exploitation, illiteracy etc. emanate from these two basic problems.

Unless the twin problems are solved, the country will have the stunted growth. Different solutions had been thought of, including the promotion and development of production by rural population in the place of mass production by large-scale machinery, by the formation of large number of industrial co-operatives. Thus, it is not
that India is incapable of solving the problems, but the position is such that there is no proper approach to achieve this objective. However, realising the position, some steps have already been taken by the Government, by the Planning Commission and by co-operators to improve the situation.

OPINIONS OF SOCIAL ECONOMISTS

The need for industrial co-operatives and the evils of large-scale organisations have been clearly expressed by Gandhiji. He has stated that a factory employs a few hundreds and renders thousands unemployed. On stressing the evils of mechanisation, he has stated that he would even destroy the system itself if only he had power. "The transition from a backward economy to an industrial nation, causes social disequilibrium, by creating inequalities, not only between employers and employees, which sometimes is inevitable, but also between the few who are employed in the organised industries and many outside them."²

A delegation from the United Nations, after a survey of India came to the conclusion that "unemployment and under-employment are major causes of poverty and the objective of providing more and more productive employment is a major element in the broader objective of promoting higher levels of living." This purpose can very well be achieved by promoting a large number of industrial co-operatives.

But it cannot be said that the industrial co-operatives have been universally accepted by all. There are people like Paul Johnson, an American Columnist, who considered these organisations as the biggest and artificial burden the economy has to bear since they are heavily subsidised and protected. He has also suggested the payment of dole to keep the workers alive instead of developing these organisations with subsidies. But such suggestions cannot be accepted with regard to Indian conditions since unemployment is purely seasonal in most of the cases. Secondly, it goes against the very spirit of the Industrial Policy of the Government.

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4. Ibid.
SIGNIFICANCE OF INDUSTRIAL CO-OPERATIVES

The development of industrial co-operatives would not only solve the unemployment problem, but also would convert the unutilised natural resources into national wealth. Economic inequality, the source of social tension is reduced by the industrial co-operatives. Further, the gap between the rich and the poor, haves and have-nots and the strong and the weak is also reduced by this decentralised sector. The promotion of industrial co-operatives is justified on socio-political and techno-economic considerations. Thus, it is these industries which would reduce not only unemployment and under-employment among people but also tend to reduce the income disparity.

IMPORTANCE OF INDUSTRIAL CO-OPERATIVES

India is committed to the ideology of socialism. It has taken adequate steps to protect and develop the small-scale sector. But it must be realised that the small-scale industries by virtue of their smallness in size, are completely deprived of the benefits accruing to
large-scale enterprises. But this is unavoidable, since "the position of small-scale industries is such that they cannot be developed beyond the optimum mark. It is not to prevent their growth. But once they are allowed to grow, they cease to be small-scale enterprises. To overcome the diseconomies of small-scale industries, formation of co-operatives and common service institutions is the best way".  

The industrial co-operatives are thus useful for bringing about structural changes necessary for the transition from a dependent economy to a self-reliant industrial economy. An industrial co-operative has combined itself the advantages of large-scale organisations as well as the individual proprietary concerns. As has been stated by Sri G.S. Bhide, a former Registrar of Co-operative Societies, Bombay, "Co-operation is thus a happy mean between the forces of extreme individualism on one hand, and socialism and communism on the other. It stands for the individual rights, tempered by considerations of social justice, equity and fair dealings.

as between man and man, and its one great aim is to prevent the exploitation of the weaker section by the stronger party." Towards realising of the importance of industrial co-operatives, as per the article 43 of the constitution of India, the Government is called upon "to endeavour to promote cottage industries on an individual or co-operative basis".

The need for and the importance of industrial co-operatives can be understood on the basis of the following grounds also:

1. Wider applicability: The principles of co-operation have got wider application. Any type of organisation can be started under the fold of co-operation. Even amongst industrial co-operatives different types of organisations may be started applying the principles of co-operation. Thus, there are production industrial co-operatives, processing industrial co-operatives and service industrial co-operatives. The movement itself is highly flexible. It is beyond the boundary of any limitation. It has also got instant applicability. To give an

example, a gem cutters' industrial co-operative society in Trichy was started within a week's time to accommodate about 20 released bonded labourers. 7

2. Helps to pool the resources of the poor: The large number of unemployed poor in the country, can pool their meagre resources and start small-scale organisations under the fold of the co-operative movement. Thus, the co-operative movement represents a technique by which the economies of many scattered artisans can be co-ordinated and utilised for their mutual benefits.

3. Ensures social justice: The industrial co-operatives are to be encouraged both on the economic and on the social grounds. It is estimated that while a big industry requires an investment of Rs. 17,000 to employ one worker, a small industry requires Rs. 2,000 and a village industry requires only Rs. 600. 8

Similarly the net value added per Rupee invested in the fixed assets is 1.2 times in small-scale industries, 0.9 time in the medium-scale industries and 0.3 time in the large-scale industrial sector.9

4. Narrows down the gap between the rich and the poor: The industrial co-operatives are instruments of narrowing down the gap between the rich and the poor created by the large-scale organisations. As had been stated by Goldsmith "Rich men make the laws, and the laws grind the poor." If this condition is to be avoided, it is essential to develop the industrial co-operatives as co-operatives believe in fair returns and equitable distribution of profits.

5. Creates Rural development: The industrial co-operatives are mainly village based, and rural oriented. Their development in villages will help industrial dispersal, economic decentralisation and rural development. Besides, it promotes agro-industrial integration which is the crying need to-day in India.

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9. Ibid., p. 32.
6. Promote industrialisation! It is more than three decades since the country got the opportunity for self-development and growth. Yet the country is industrially backward. One of the reasons for the present industrial backwardness of the nation is that the small-scale and village industries and industrial co-operatives had been neglected from the beginning of the last decade. Placing due emphasis on small-scale industries and industrial co-operatives will rectify the situation and will quicken the pace of industrialisation.

7. Employment for displaced workers: One peculiar feature of industrial co-operatives is that they give asylum for displaced workers of other large-scale establishments. The starting of a Tamil Daily in Madras 'Navamani' on co-operative basis due to the retrenchment of some of the employees from another leading daily and starting of "Labour Sode" factory by the employees retrenched by a leading soda factory in Kumbakonam in Tamil Nadu may be cited as example.

8. Economics of large-scale operations! The formation of industrial co-operatives helps the organisers and the members of the societies to get the
Advantages of large-scale organisations such as application of the technique of scientific management, bulk purchases, reduction in cost, expansion of the market for the products; to improve their bargaining strength to withstand the competition of big business concerns effectively; and to improve the quality of their products. With a view to getting these advantages, sometimes sole entrepreneur concerns and partnership firms also got themselves converted into industrial co-operatives.

9. Employment promotion: The industrial co-operatives aim at providing employment opportunity to the trained and qualified artisans whose services will otherwise remain unutilised. As it had been stated, the problem of Indian poverty is primarily the problem of lack of work opportunities. It had also been rightly said that, "The right to work must be recognised by the State and where they cannot be given work, they should be given unemployment relief. It is not right to dismiss the giving of unemployment relief, as giving of dole which is said to be demoralising. Giving no relief and increasing the ranks of beggars is far more degrading. While un-
employment relief is better than unemployment without relief, provision of a job is better than provision of unemployment relief. The provision of job to the weaker sections of our society during the transitory stage, until full industrialisation is achieved has been done through the device of starting various co-operative industrial societies".  

10. **Instrument of industrial harmony:** The industrial co-operatives do not have employer-employee group rivalry, and there is no exploitation of any type in these industries. These societies protect the cottage and small-scale industries. The conventional cottage industries thrive even today only under the shelter of the industrial co-operatives. By forming themselves into co-operatives, the cottage industries get sufficient raw materials, adequate financial resources and are able to market their products easily.

11. **Promotes human welfare:** Unlike the large-scale organisations which chase money for their operations, industrial co-operative societies do not chase money, but chase men for their activities. They are not capital intensive, but labour intensive, and so by providing employment opportunities they try to solve the unemployment problem to a considerable extent. The small resources of the entrepreneurs are pooled for production purposes through these organisations. The societies provide employment opportunities to agriculturists during the off-season periods. It is only by such organisations that the ancient and traditional crafts are being perpetuated. The societies aim at creating a better industrial atmosphere by enabling the workers to become partners in the organisations. Products of some of the industrial co-operatives have very good foreign market and hence earn foreign exchange resources. Thus the societies enable their member-artisans to earn good amount of income.

12. **Instrument of industrial dispersal:** The industrial co-operatives enable the Government to achieve one of the objectives of planning namely, decentralised pattern of industrial development and decentralisation.
of wealth. They also attempt to overcome the evils of capitalism, which make the rich richer and the poor poorer, by being instrumental in distributing income and economic power more equally among the people, leading to the emergence of an economically sound and stable society.

13. Worker participation: In the existing conditions in India, where there is a persistent demand from the workers for a share in the profit and also a share in the management of the enterprise wherein they are employed, the industrial co-operatives would serve as an instrument for workers’ participation in management and for sharing of profits. There is ample scope for such workers’ participation in the small-scale sector, when formed on co-operative lines, as it contributes about 40 per cent of the total industrial production.

A SURVEY OF INDUSTRIAL CO-OPERATIVES

France takes the credit of having given birth to industrial co-operatives. It is stated that Buche, a former disciple of Saint Simon established the first industrial co-operative in France paving the way for the
development of the movement in the world. The movement has spread all over the world since then and has found a significant place in several countries irrespective of their political systems.

**Industrial Co-operatives in advanced countries:**

The need for and the importance of industrial co-operatives have been realised in many countries after the Industrial Revolution. Finding it difficult to face competition from the large-scale organisations created by the Industrial Revolution, the small-scale organisations had no other option but to organise themselves into industrial co-operatives to meet the competition of the large-scale organisations. This factor contributed to the growth of the industrial co-operative societies in Russia, America, Japan etc. In Japan, industrial co-operatives are formed under the Medium and Small Enterprises Co-operative Law enacted in 1949. These societies undertake not only production and trading transactions, but also secondary business like, giving technical guidance, and collection of information about the business organisations in general.\(^1\)

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The industrial co-operatives which had their origin in the Eighteen nineties in Czechoslovakia, had their growth and development with the help of consumers stores. These societies were formed in the field of metal working, auto repair services etc. Industrial co-operatives in Hungary with equal representation of women members were mainly engaged in engineering, handicrafts and construction work. The U.S.S.R. had developed the production type of industrial co-operatives which catered mainly to the requirements of the Government and consumers' stores. The U.K. had also developed the production type of industrial co-operative societies.

Industrial Co-operatives in India: The co-operative movement had its effect in the India's industrial sector only recently. Though the movement was officially introduced in the year 1904, it did not permit the formation of non-credit societies. But even after passing of the Co-operative Societies Act of 1912, which permitted the formation of the non-credit societies, the movement did not have proper development. The conditions of the non-credit societies including the industrial co-operatives were far from satisfactory.
Industrial co-operatives were originally organised in India only for the purpose of providing credit on reasonable terms to the artisans and handicraftsmen in villages and towns. Though the Indian Industrial Committee, The Royal Commission on Agriculture and the Cottage Industries Committee had recommended the formation and development of industrial co-operatives, the first attempt to form them on the planning map of India was made in the Report of the Co-operative Planning Committee in 1945.  

The Second World War provided adequate opportunities to the industrial co-operatives to grow, since the large-scale organisations were engaged in the production of war materials and the consumers' requirements had to be met with only by organising small-scale enterprises like industrial co-operatives.

Definition of industrial co-operatives: Being a business term there is no statutory definition for industrial co-operatives. The industrial co-operatives

in Tamil Nadu are registered and controlled under the provisions of the Tamil Nadu Co-operative Societies Act. The industrial co-operatives are to be differentiated from the co-operative industry; the former is controlled by the workers whereas the latter by the outsiders. The Central Government while implementing a scheme to protect the financial institutions against losses in respect of advances granted by them to industrial co-operatives, have defined the term industrial co-operative society as "any Co-operative Society in the industrial sector duly registered under a Co-operative Societies Act and includes co-operative societies undertaking production and sales activities or service activities, as well as federal societies". The Second Working Group on industrial co-operatives has attempted to classify the industrial co-operative societies rather than to define them.


According to the Second Working Group on industrial co-operatives, "amongst the industrial societies, there are those that undertake production and others that only provide service to their members.\textsuperscript{15} The Working Group on Industrial Financing Through Co-operative Banks has defined the term so as to convey some important features of the society. According to the Group, the general term industrial co-operative society denotes weavers' societies, industrial societies other than weavers' societies, and processing societies.\textsuperscript{16} An industrial co-operative society is defined by the Government of Tamil Nadu as "a society established with the main object of providing employment for workers engaged in industry including cottage industry".\textsuperscript{17}


\textsuperscript{17} Government of Tamil Nadu, Department of Industries and Commerce, Administrative Report.
Because of the vagueness in these definitions it is not clearly known whether the industrial co-operatives include manufacturing organisations only or manufacturing concerns as well as processing units. However, the definition given by the Working Group on Industrial Financing Through Co-operative Banks has clearly stated that the term includes manufacturing as well as processing societies. Whatever be the terms of these definitions, the common underlying feature of these definitions is, that in an industrial co-operative, labour is mobilised, capital is hired, and the profit is distributed according to the labour contributed.\textsuperscript{18} Thus, an industrial co-operative may be defined as an organisation formed by small and medium producers, on co-operative principles, to get the advantages of large-scale enterprises.

PROBLEMS FACED BY INDUSTRIAL CO-OPERATIVES

In spite of the fact that there is a favourable climate, and economic necessity for the development of

\textsuperscript{18} Dr. Maria Susai, \textit{The Madras Journal of Co-operation}, Vol. LVII, p.3.
industrial co-operatives in India, their progress had been unsatisfactory. They have been facing several constraints, operational difficulties, and management problems, which have stood in the way of their progress.

The problems faced by the industrial co-operative societies are varied in nature. The problems faced by the societies working under the control of the Department of Industries and Commerce are slightly different from those faced by the societies under the control of the Khadi and Village Industries Board.

However, the common problems faced by the societies may be listed as follows: (1) Dormancy, (2) Financial, (3) Managerial, (4) Production, (5) Marketing and (6) Government control.

1. Dormancy: Of all the problems faced by the industrial co-operatives, dormancy is the widely prevalent and the most alarming problem. Nearly 50 per cent of the societies in the country remain functionless and are dormant. The incidence of dormancy is more in respect of village industrial co-operatives generally
controlled by the Khadi and Village Industries Boards. This problem affects the further growth of the societies. Some of the main reasons for the dormancy of the societies are the unplanned promotion of industrial co-operative societies, lack of loyalty from members of the societies and entry of non-genuine and spurious elements into them.

In many cases the societies are started without proper planning and without examining their viability. This is done only to achieve the target fixed by the Government Department. The societies which have been started without proper planning do not get the support and patronage of members in the long run and naturally after some time they become inactive and dormant.

The entry of non-genuine and spurious elements into the industrial co-operatives also leads to their dormancy in the long run. These elements have joined the societies as sympathiser members, nominal members and associated members. If their activities are curtailed, there is ample scope for the development of the societies.

In certain cases, the societies are started as family concerns, and later on they get themselves converted into
co-operatives with family members as the members of the newly registered societies only to get the privileges of the Co-operative Societies Act and to avoid the provisions of the Factories Act. Such societies also lack long term planning and perspective.

2. Finance: Non-availability of cheap and adequate finance has been a big handicap in the progress of industrial co-operatives. Mostly, the industrial co-operative societies become dormant on account of paucity of funds. Many societies are started without proper long term financial planning. Naturally, after sometimes, the managements realise the difficulty of running the societies, resulting in rendering them idle and thereby adding to the list of dormant societies.

3. Managerial Personnel: The industrial co-operatives are eternally faced with the problem of management. Lack of trained managerial personnel has caused many societies to run into organisational difficulties of one sort or the other. They can neither command the services of trained personnel for want of resources, nor can they find talent from among themselves. Hence, this has resulted in the dormancy of some of the societies.
In some societies, there is no proper understanding between members — a feature that is essential for sound and smooth working of any co-operative society. The policies of the societies in some cases are decided by the controlling authorities, without considering the local conditions. The ultimate effect of all the factors is that the management finds it difficult to run the society efficiently.

4. Production: The industrial co-operatives are labouring under serious hurdles. One of such hurdles experienced by them is in respect of the supply of raw materials which is irregular, poor in quality, inadequate and disproportionate to the number of members in them.

These organisations do not bestow due attention in equipping themselves with adequate machinery. When other small-scale industries keep fifty per cent of their working capital in fixed assets, the industrial co-operatives keep only about twenty five per cent of their working capital in fixed assets. They also do not have a complete idea of the advantages of standardisation, and as such, they do not follow this principle in the process of production.
Many of the societies still follow old methods of production and they are not aware of the consumers' preference. Naturally, products of these societies remain unsold.

5. **Marketing:** Marketing has been a baffling problem for all categories of industrial co-operatives. Many industrial co-operatives sustain losses due to defective marketing technique and lack of storage facilities. The problem is not so acute in respect of societies producing articles of mass consumption which find a local market for them readily. But other societies manufacturing goods of seasonal demand have no proper storage facilities to stock the goods produced by them during the off season period, to enable them to undertake the marketing of it throughout the year.

Advertising, an effective sales promotion technique is completely neglected by this sector. In some cases the societies are located in remote places, which is a definite disadvantage in marketing their products. Some of the societies also have expanded their production activities beyond their marketing capacity leading to accumulation of unsold stock of goods.
6. Government control: In addition to these operational and organisational problems, there are controversial views regarding the Government control over these societies. One of the reasons stated for the slow growth of the movement in India is the Government control and regulations governing the societies. This influence, it is strongly felt, goes against one of the basic principles of co-operation namely democratic control and political and religious neutrality.

However, this view cannot be accepted at least with reference to the Indian working conditions. The majority of people in India are illiterate. Even to think of the movement independent of the Government interference is unacceptable. In countries like the U.S.S.R., and China the movement has grown only under the Government influence and control. There may be differences with regard to the degree of control the Government should have on the societies, but absolute freedom will not be in the interest of the movement itself in developing countries. However, it has been provided in the VI Five Year Plan that "special efforts would be taken to make the co-operative movement autonomous, but fully responsive to the needs of
the poor sections of the community, self-reliant, efficient and honest in the discharge of their duties and free from undue outside interference, and excessive official control". 19

It is with this motive that the Co-operative Planning Committee has recommended that the industrial co-operative societies should be administered only by the Registrar of Co-operative Societies and not by the Director of Industries and Commerce.

Any effort for the rural reconstruction, development, and employment generation will be futile unless and until these problems are solved and the industrial co-operatives are made viable and successfully operating institutions.

INDUSTRIAL POLICIES AND INDUSTRIAL CO-OPERATIVES

Having committed to the principle of socialism, the three Industrial Policies declared by the Government have made sufficient provisions for the development of industrial co-operatives.

The Industrial Policy Resolution of 1948 has clearly stated: "Cottage and small industries have a very important role in the National Economy, offering, as they do, scope for individual village or co-operative enterprises and means for rehabilitation of displaced persons. These industries are particularly suited for the better utilisation of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods". 20

Similarly the Industrial Policy of 1956 has also made provisions for the development of this sector since it provides large-scale employment, ensures more equitable distribution of income and mitigates the evil effects of urbanisation. Towards achieving this objective provisions have been made to restrict the volume of production of large-scale industries, by means of different types of taxation policy or by direct subsidies to small-scale industries including industrial co-operatives.

The 1977 Industrial Policy declared by the Government has not only reserved about 600 items of commodities exclusively for the production by the cottage and small scale industries but has also categorically stated that "Whatever can be produced by small scale and cottage industries, must only be so produced". Special attention is also to be given to the units in the 'Tiny Sector'. Apart from that, measures like passing special legislation to give due recognition, and adequate protection to self employment in cottage and household industries, establishment of the District Industrial Centres in all the districts to meet their requirements, provision of special marketing arrangements, provision of services like product standardisation, quality control and market surveys have been made. Further, it has also been decided, that no more licences should be issued to new industrial units within certain limits of large metropolitan cities having a population of more than 5 lakhs as per 1971 Census. 21

INDUSTRIAL CO-OPERATIVES UNDER FIVE YEAR PLANS

Eventhough no separate committee had been constituted,

nor study had been undertaken till the constitution of the two Working Groups on industrial co-operatives, the Government have been taking steps in different angles to study the problems of industrial co-operatives in depth and to improve their conditions. The creation of the post of a Development Commissioner for Small Scale Industries Organisation, the constitution of the National Small Industries Corporation, State Small Industries Corporations are some of the steps taken towards this direction.

The Central Government was keen in encouraging industrial co-operatives and so came forward with concrete steps to develop the same with the help of the Planning Commission. The recommendations given by the two committees constituted by the Government of India namely: (1) the Co-operative Planning Committee and (2) the Village and Small Scale Industries Committee, are very wide in their scope, covering not only the industrial co-operatives but also other types of organisations. So, the Government constituted two working groups exclusively to study the working conditions of the industrial co-operatives and to give suggestions to improve their working.
The First Working Group on Industrial Co-operatives was constituted in the year 1957 and the Second Working Group was appointed in 1962. These two working groups alone have given important recommendations for the development of industrial co-operatives. The recommendations of these two working groups are revolutionary in nature, and have got their own effects on the growth and development of these organisations.

Financial allocation: Adequate financial resources have also been allocated in the Five Year Plans by the Government, for the development of industrial co-operatives. The importance given by the Government for this sector of industry can be realised from the amount allocated for the development of the industrial co-operatives as well as for the small scale industries in the Five Year Plans. The details of the amount allocated for the development of industrial co-operatives including small scale industries in the Five Year Plans are as follows: First Five Year Plan - Rs. 30 crores, Second Five Year Plan - Rs. 175 crores, Third Five Year Plan -


Rs. 264 crores, 24 Fourth Five Year Plan - Rs. 370 crores, 25
Fifth Five Year Plan - Rs. 367.8 crores and the current
Sixth Five Year Plan - Rs. 1,410 crores. 26 Thus, the
amount allocated in the Sixth Plan for the development of
this sector was 47 times of the amount allocated in the
First Five Year Plan.

Measures taken for the development: Apart from
spending financial resources for the development of this
sector, the Central Government has constituted All India
Boards, besides setting up four regional Small Industries
Service Institutes during the First Five Year Plan;
established Khadi and Village Industries Commission,
developed three tier organisations - Ministry of Industries
and Commerce, All India Boards and State Departments of
Industries and Commerce and State Boards; and provided
for the appointment of extension officers of the Block
level in the Second Five Year Plan.

24. Government of India - Planning Commission,
Draft Outline on Third Five Year Plan, p. 438.
25. Government of India - Planning Commission,
Draft Outline on Fourth Five Year Plan, p. 242.
In pursuance of the Rural Industries Planning Committee's recommendations, Rural Industries Projects have been undertaken in selected areas in the Fourth Five Year Plan. Above all these, the Sixth Five Year Plan has provided for what is called 'Area planning for Integrated Rural Development'. It has also made provisions for reservation of 800 items exclusively for small-scale and cottage industries. Creation of District Industrial Centres, improvement of science and technology in the small-scale industries, provision of liberal financial resources, improving marketing technique for their products, and measures taken for giving training and technical assistance to the employees are some of the other steps taken by the Government to develop this sector in recent times. It is also proposed to revitalise further the potentially viable industrial co-operative societies and to assist the organisation of new societies by undertaking a concerted drive for the purpose of providing the necessary financial, managerial and marketing assistance.  

27. Government of India, Planning Commission, Draft Five Year Plan (Sixth) 1973-'78, p.179.
Growth of industrial co-operatives: The real importance of this sector of cottage industries was felt only since the Second Five Year Plan. So, the number of industrial co-operatives increased from 7,105 in 1951 to about 15,900 in 1956 including 8,000 handloom weavers' societies. By 1959, the total number of non-weaver industrial co-operatives alone stood at 17,600. In 1960-61 i.e. towards the end of the Second Five Year Plan, there were about 21,288 non-weaver industrial co-operatives with a membership of 12,17,316. Towards the end of the third plan the number of industrial co-operative societies had increased to 34,950 and membership to 15,99,547. Due to reorganisation and liquidation of some of the dormant societies during the fourth plan period, the number of industrial co-operatives came down to 34,435 in 1973-74 but the membership increased to 17,10,361. By the end of June 1975, the total number of non-weaver industrial co-operative societies stood at 26,195 and the membership also came down to 12,86,367 due to further weeding out of dormant societies.

Yet, the industrial co-operatives to-day are far short of a viable level in terms of membership, share capital and business turnover. Being societies which have developed with the Government initiative, with people who are short of finance, talent and training, the average size is considerably small. An industrial co-operative society in India on an average has a membership of 63, share capital of Rs. 3,791 of which Rs. 645 have been contributed by the Government. It has got an average working capital of Rs. 15,690. Every society has an average annual production of Rs. 26,361 and sales of Rs. 32,720, and sustains a loss of Rs. 326. 29