CHAPTER - I
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1.1 Introduction

Co-operative is an organization for transforming the socio-economic fabric of the society and fulfilling the aspiration of the common people. It is an association, instituted for production and distribution of goods as well as services to the society and to distribute its profit among the members in proposition to their contribution to the association.

Co-operative movement took its birth in England to protect the interest of the working classes. It was used to provide economic benefit to the members and to improve their economic condition. Depending upon its needs, the forms of co-operatives are varied in different countries; while one country emphasis on the industrial sector, the other gives importance on the agriculture or service sector. The ultimate goal of the co-operative movement is to raise the productivity and to extend the areas of employment, improve the technology in order to ensure the basic necessities of life to every member.

In India the co-operative movement was started more than 100 years back when Co-operative Credit Society Act was passed on 29th March 1904. Further, this Act was replaced by a Comprehensive Co-operative Societies Act in 1912 with the objectives of making provision for registration, establishment and classification of co-operative societies along with the rule and regulations inherent therein. Presently, their activities are not only confined to supply of consumer goods, but also to expand their activities in the area of production, distribution or marketing of different goods and
services, deposit mobilization and credit extension to the needy people. They also extend their services to every nook and corner of the country and make a positive role to satisfy the necessities and aspiration of the common people. Thus the co-operative sector has been contributing a significant share in socio-economic development of our country in general and rural economy in particular. It also influences the societies towards the social and economic changes by way of innovation. Moreover, co-operative helps people to move from existing standard of living to a better position by offering immense possibilities for the individual to participate unitedly in the economic activities.

The co-operative movement in Arunachal Pradesh was started quite late i.e. in the mid of fifties when the state was known as North East Frontier Agency (NEFA). It began in the year 1957 with the establishment of "Pasighat Co-operative General Stores Ltd" at Pasighat, East Siang district of Arunachal Pradesh. It was a non-credit co-operative society dealing in consumer goods only in Pasighat. However, co-operative movement has widely spreaded, especially during the period of 1957 to 1972 when it was a Union Territory and more especially from the year 1972 when Arunachal Pradesh was declared statehood. It was found that the total number of co-operative societies in 1965 was 69 which went up to 110 in 1977. All these co-operative societies were registered under the Central Co-operative Act 1912 as there was no State Co-operative Act in that time. However, in 1978 the Arunachal Pradesh Co-operative Societies Act was introduced. The introduction of State Co-operative Societies Act has been considered one of the milestones in progress of co-operative sector in the state which led to increase the number of co-operative societies up to 181 in 1985 and again it went up to 258 in the
year 2000. It was further increased to 435 as the end of the financial year 31st March, 2007. The total number of membership of co-operative societies was only 8,595 in 1965 which went up to 21,726 in 1977 and 55,980 in 2000 and further which came around to 77,720 as on 31st March, 2007. In this period, working capital of the co-operative societies was also increased to a substantial position. The amount of working capital was Rs. 13.77 lakhs in 1965 which went up to Rs. 198.13 lakhs in 1980 which further increased to Rs.28,390.15 lakhs in the year 2007.

1.2 Arunachal Pradesh Co-operative Marketing & Supply Federation Ltd.

The Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd. (APCM&SF) was formerly known as NEFA General Co-operative Store and Union Ltd. It was formed and registered in the year 1959 under the Central Co-operative Societies Act 1912 with registered office at Pasighat and had a supply base office at Mohanbari airfield in Dibrugarh district of Assam. Subsequently, it was deemed to be registered under the Arunachal Pradesh Co-operative Societies Act 1978 and renamed as Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd. The APCM&SF Ltd. is a state level federation of the primary consumer and marketing co-operative society. The main objectives of the federation are: procuring, purchasing, manufacturing and supplying agricultural, horticultural, veterinary, fishery and allied products. The federation is also engaged in production and procurement of raw materials, appliances etc. for cottage and small scale industries. To achieve these objectives, it collects fund from its member's societies and also from the commercial banks, other financial institutions and the state
Government. It co-ordinates activities of all affiliated societies, departmental stores and fair price shops, and act as the agent for storing and distributing of goods.

For operational convenience the base office-cum-godown of the federation has been shifted from Mohanbari to Dibrugarh town. The registered Head Quarter was set up at Naharlagun in 1984 and latter on their branches were opened at Itanagar, Zero and Deomali. Air supply is made from the supply base office i.e. from Dibrugarh to the co-operative of the remote areas of the state such as Mechuka, Anini and Vijoy Nagar. The locations of these places are very much closed to the international boundary with China and Myanmar. The Government provides free air lifting facility for keeping up the supplies to these far flung areas.

The APCM&SF Ltd. expanded its area of operation in a substantial manner. The APCM&SF Ltd. has 3 numbers of branches, 12 numbers of fair price shop and 1 departmental store. The total number of members of the federation is 83, which includes State Governmental, National Co-operative Development Co-operation (NCDC), and Integrated Co-operative Development Project (ICDP) and other 80 numbers of members’ societies. As on 31st March 2007 the share capital of the federation was Rs. 39.02 lakhs and the working capital was Rs. 273.34 with an annual turnover of Rs. 1074.86 lakhs where annual profit was negative figure i.e., loss of Rs. 9.41 lakhs.
1.3 Significance of the Study

Co-operative societies have been playing a leading role for the development of state economy in general and rural economy in particular. Nearly 80 percent of total population of the state is living in the rural area. To develop the socio-economic structure of the local indigenous people, co-operative societies are the main institution that can bring a change in their life. Connected with the vast network in every nook and corner of the state, co-operative societies render its services to satisfy the common need of the people.

Though, the co-operative movement in Arunachal Pradesh started quite late, the presence of co-operation has been found as a pioneering intuitions in the grass root level and higher level to meet the social and economic needs of the people. These co-operative societies/organizations are not only providing the essential goods and services to the public, but also helping the development of the economy of the state through production and marketing of goods and services as well as generating of employment and income.

The APCM&SF Ltd. an apex society under the Registrar of Co-operative Societies of Arunachal Pradesh was formed in 1959 with the objective of supplying consumer and marketing goods to the fair price shops, member societies and departmental stores of the state for their distribution to public. Therefore, it is the right time to make study on the performance of the federation and examine whether it succeeds to achieve its objective or not for which it was established.
The topic has been selected because no research work has been done so far on it. It is expected that the co-operative societies and APCM&SF Ltd. with their vast network and its good performance in the field of employment and income generation, will boost the economy of the study area in particular and the state economy as a whole.

The economic backwardness of the state leads to the researcher to make a detail study on the aforesaid topic that has been functioning in the state from a long period of time with great service to human society as well as to the development of economy of the state.

The Government has introduced different plans and programmes for improving the position of co-operative sectors including APCM&SF Ltd. Therefore, it would be an appropriate effort to examine the impact of such plan and programme in co-operative sectors in general and APCM&SF Ltd in particular.

As researcher is being associated with the various project / research work in Rajiv Gandhi University (RGU) and North East Regional Institute of Science and technology (NERIST), Arunachal Pradesh from last several years, is well acquainted with the development activities of co-operative sectors in the state. Therefore, selection of this topic for research work found to be very appropriate one.

There exist a positive correlation between development of co-operative sectors and the development of economy of the state. From this point of view, selection of this topic for the research work is definitely very much contemporary, relevant and emergent in the current scenario.
The co-operative sector has been providing great opportunities for generation of employment and income in the state. Since, the co-operative is the second largest sector for providing the employment opportunities, so there is a need to examine how this opportunity helps to increase the income and to improve the standard of living of the common people. Thus the present study is a modest way to examine the performance of co-operative sector in general and Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd. in particular in the state of Arunachal Pradesh.

1.4 Objectives of the study

The broad objectives of the study are as follows-

1) To study the development of co-operative movement in Arunachal Pradesh.

2) To study the growth and development of Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd. in the state of Arunachal Pradesh.

3) To study the managerial, administrial and financial aspects of the federation.

4) To measure the performance of the federation for which it was established.

5) To study the plan and programmes that has been adopted for development of human resources and better performance of the federation.

6) To make a detail study on the problems that has been faced by the federation in its operation.
7) To make recommendations as well as suggestions for the smooth functioning of the federation in the state in near future.

1.5 Hypotheses of the study

The study intends to point out the following hypotheses, which are tested in appropriate chapters.

1) The Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd. has been playing a significant role in extending its services to the state for which it was established.

2) The affiliated societies as well as common people are benefited with the services of the federation.

3) Efficient management helps the federation to collect and control the fund, to procure and supply of essential commodities to the common people of the state.

4) The federation provides employment opportunity to the people of the state in general and the rural people in particular.

5) The federation has been facing many hurdles in the sphere of achievement of its objectives.

1.6 Methodology of the study

The present study is based on both primary and secondary data. The secondary data have been collected from the various reports, journals and books of various Government Departments as well as private organizations/ agencies. For this purpose the report published by the federation, Registrar of Co-operative Societies of the state of Arunachal Pradesh; Directorate of
Economics and statistics of Arunachal Pradesh are extensively used for better understanding about the performances as well as problems faced by the federation.

For the collection of primary data, researcher has conducted personal interview with officers of the federation, employees of the fair price shops and with the beneficiaries of the fair price shops under the federation with the help of three different structured questionnaires. The information collected from the officers is general in nature about the status and performance of the federation. The field study is mainly based on the data collected from the employees of the fair price shops and the beneficiaries of the fair price shops under the federation.

The response of the employees and the beneficiaries are divided into two parts. The response of the employees of the fair price shops are analyzed in Part – A and response of the beneficiaries of fair price shops of the federation are analyzed in Part – B of the field study chapter.

There are 12 numbers of fair price shops functioning under the federation. The field survey was taken covering all the 12 fair price shops, from where 30 employees are selected randomly considering maximum 3 employees of a particular fair price shop subject to the minimum of 2 employees from each fair price shops under the federation.

So far sample of the beneficiaries are concerned, 100 beneficiaries have been selected randomly subject to the maximum of 10 beneficiaries and minimum of 7 beneficiaries of the fair price shops under the federation. Utmost care is taken at the time of selecting the sample beneficiaries so that beneficiaries of all schemes under the Public Distribution System such as
APL, BPL and AAY can be covered. Moreover, the sample of the beneficiaries covers both general and Schedule Tribe people of the sample fair price shops.

1.7 Review of Literature

Researches as well as general study have been made over the years with regard to the role of co-operative movement in agriculture, industry and rural development. However, no study pertaining to the role of co-operative movement in Arunachal Pradesh, especially the performance of Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd. has been made so far. An effort has been made to review some of the important works having a great bearing on the present study.

M. V. Kapde in his book "Economics of Marketing Co-operative", (1979) brought out the fact that well organized marketing co-operatives would improve the economic status of the farmers by undertaking necessary marketing jobs aimed at giving better price to the essential consumer goods without adversely affecting the legitimate of the consumer.


Jaganath Mishraw in his book "My Vision for India's Rural Development" (1997) made a successful attempt to evaluate the rural development programmes and to trace out some new strategies. He rightly pointed out that "Cooperative is yet another player which can have a significant role in generating employment in rural areas. In fact, that the co-
operative sector have been demonstrated their potential and profitable operation in different co-operative societies. They can be extended their function to rural base activities such as agriculture, horticulture, forest based resources etc. apart from a verity of consumer goods activities.

Co-operative Development Foundation (CDF) a voluntary organization base in Hyderabad, in their edited book "Co-operative in the changing economy of India" (1998), discussed elaborately the place of co-operative in changing economy. Further, it expresses the need of information in legislation arguing, "A good co-operative law brings into good Co-operative".

P.T.George, N. Mohanan and Rajagopal (1986-87) in their status paper on "Co-operative movement in India with especial reference to rural development" present an overall picture of the status of the co-operative across the country. It was felt in the study that co-operative constitute the bedrock of rural development strategy in terms of flow of credit, input supply, output marketing and processing of agricultural products and suggested their development needs to be made uniform in all parts of the country.

Appreciating the established of co-operatives in tribal areas, B. L. Shah and R.S. Jalal (1991) in their paper "Co-operative Credit and Tribal Development: Some Issues" examine the functioning of tribal co-operatives particularly LAMPS through receiving reports of different expert committees. Right type of constitution is matter of composition of the Board of Directors and Staff structure, separate wings of RBI and state co-operative director for LAMPS, improvement of financial position through prudent financial management and raising own resources etc. were suggested by the authors for betterment of LAMPS.
"Co-operative in India has succeeded in some region but it has failed Eastern States and it must succeed if they wish to join the race for development along with other states". It was observed, D. Jha (1995) while tracing the genesis of the existing framework of co-operative societies in the Eastern India (including North Eastern Region). In the article "Strategy of institutional device of co-operativisation for rural development of Eastern states" Jha has pointed out leadership and management as the main factors of failure of co-operatives in eastern states. He emphasized on initiating pre-member education programmes and leadership development programmes for a strong vibrant co-operative movement.

Co-operative provides a forum for members to have a conscious participation and identification. An observation of official committee on the advantage of co-operative marketing is very relevant to other co-operative enterprises. It is observed as "No influence is as important in the economic education of farmers as their own efforts in co-operative marketing. The very attempt of the farmers to solve there problems teaches them the basic economic truths. The operation of co-operative marketing organization teaches farmers that the agriculture is primarily a form of business. Co-operative marketing also teaches farmers that the problem of marketing is closely related to the problem of production. The marketing organizations have found from experience that the demand for agricultural product is increased by an important in production method, which results in production of higher quality. Again, when farmers themselves undertake marketing programme, the practices that greatly reduce the economic value of their products are brought home to them. Co-operative serves an important
function in supplying information on the many factors which affect the economic status of farmers". (GOI Report of Royal Commission on Agriculture in India, 1945.)

According to the views of various committees and commissions in their reports such as All India Rural Credit Survey Report 1954, The National Development Councils Resolutions 1958, Report of the National Commission on Agriculture and various plan documents, the co-operative societies should act as the principal agencies of development in economic transformation of village in India through eradicating poverty and unemployment. Royal commission on Agriculture (1972) was of the view that if co-operative fails, there will fail the last hope of the rural India.

V.L. Mehta in his various research studies tried to show how the principles of co-operation could be applied to all types of economic activities in the country. He has shown how this effort could be related to state policies aimed at promoting more socialistic pattern of society. He has made indepth analysis on the principles of co-operation and modification called for the modern items and particularly the national situation in India. Not only these concept but also the factual realities relating to this organizations are discussed with reference to their implications for state policy. Particular attention is devoted to discuss the role of co-operation in assisting the development of the weaker and more particularly the tribal section of the society.

The Regional seminar held at NIRD, Guwahati, on 26 & 27 November, 1998, where number of scholars presented several papers on the development of co-operative in the North-Eastern Region. One of the scholar
Mr. S. Borthakur in his paper emphasis on the need of change the training and education system in the light of present context and the way of adopt action plan for human resource development through co-operatives. The paper stated that awareness of people themselves would convert the disorganized resources of men, machines, money and materials into a useful effective enterprise and thus making the co-operative movement in great success.

A state level co-operative seminar held on 19th and 20th November, 2001, organized by the Department of Co-operation, Naharlagun, Dr. Shipra S. Nayak strongly voiced for integration of various co-operative organization operative in Arunachal Pradesh so as to avoid any confusion and yield better performance. There can be vertical and horizontal co-operation among co-operatives. The relationship among various co-operative organizations vertically signifies relationship between the primary and district head quarters co-operatives and the apex co-operative organization and relation between the state level apex organizations and the national level federations. Similarly, horizontal inter co-operative relationship among the co-operatives of one sector with another sector can also be developed. Dr. Nayak also recommended that the diversification of activities is necessary to make the societies economically more viable unit. The function like credit supply, marketing of agricultural products, distribution of essential consumer goods, supply of improved agricultural inputs and other welfare activities should be undertaken in an integrated way which would result in reduction of operational cost.
In the same seminar, number of resource persons also throw the light on the role of co-operative movement for the overall development of the country. Out of them, Pof. A. Mitra in his paper "Role of co-operative Movement in the Economic Development of Arunachal Pradesh", C. S. S. Jadav his paper entitled "Cooperative Legislation Need of Review" expressed and throws light on the importance of the co-operative movement. They also suggest making it successful movement in Arunachal Pradesh through concentrate the thinking of the indigenous people on the way of co-operative education, spread of co-operative in every nook and corner of the state and working in co-operative by computer method.

A co-operative seminar held on 18th May, 2002, Itanagar, recommended that to establish an effective link between the primary co-operative and apex institutions and also to cater to the needs of the primaries, more effectively, the possibility of organizing a co-operative federation at the state level should be examined. This federation should be a multidimensional type of co-operative institution responsible for credit, marketing, processing, vehicle servicing and education at state level. Moreover, the seminar has also recommended that to avoid duplication of organization at the state level and also to streamline the co-operative structure with company, it would be advisable to merge the state union and the federation in to one state level organization with all the functions in the area of marketing, supply and education.

Various authors of the seminar organized by Arunachal Pradesh Co-operative Union at Naharlagun in 2004, stressed on the importance of the co-operative movement, constraints on the way of co-operative education,
spread of co-operative in every nook and corner of the state and also introduction of computer in co-operatives, so that it will reduce the social costs and lead to a better level of economic development. Moreover, they rightly pointed out that the responsibility of the apex level societies in processing and marketing of agricultural surplus product, distribution of fair price items to the people, that they could get essential items easily.

The studies cited above concentrated in some parts in India and has not made broad study exclusively for Arunachal Pradesh. The present study shall be one of its own kinds and makes a humble attempt to study the trend and performance of co-operative movement in Arunachal Pradesh with special reference to Arunachal Pradesh Co-operative Marketing & Supply Federation Ltd.

1.8 Chapterisation

In all, the thesis is divided into seven chapters. Chapter - I i.e. Design of the Study includes the origin, importance and present position of co-operative sector in Arunachal Pradesh and also establishment, aims and present position of Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd., significance of the study, objectives of the study, hypotheses, methodology along with brief survey of related research work.

Chapter – II studies the development of co-operative movement in India, North – Eastern Region and Arunachal Pradesh. The progress of co-operative movement, types of co-operative, administrative setup and role of co-operative in public distribution system are also incorporate in this chapter.
Chapter III analyses the management of Arunachal Pradesh Co-operative marketing and Supply Federation Ltd. In this chapter, objectives, administrative and managerial structure, appointment and training of the federation have been discussed.

Chapter IV highlights the membership position, branch network, fair price shop, sources of funds of the federation and also elaborated the performance of the Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd. up to the financial year 2007-08.

Chapter V presents a report of the field survey, which was prepared on the basis of information, collected from 130 (30+100) samples respondents through structured questionnaires. It highlights some relevant information about the performance of the federation by taking sample of employees and beneficiaries of fair price shops under the federation.

Chapter VI highlights some of the problems that have been faced by the Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd. in its operation level. The problems of infrastructure, administration, branch, area of operation, fund, manpower, training etc. have been discussed in this chapter which stands as hurdles in achievement of goal for which it was established.

Chapter VII which happens to be the last one sums up the findings of the study. An attempt is made to provide some suggestions on the basis of findings, which are expected to be result oriented for the Arunachal Pradesh Co-operative Marketing and Supply Federation Ltd. in particular and the co-operative societies of the state in general.