

CHAPTER - I

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INTRODUCTION

- 1.1 Co-operative sector and rural development.
- 1.2 Progress of Co-operative sugar factories.
- 1.3 Research Methodology.
 - 1.3.1 Objectives of the study.
 - 1.3.2 Period of study.
 - 1.3.3 Statistical tools.

CHAPTER – I

INTRODUCTION

1.1 CO-OPERATIVE SECTOR AND RURAL DEVELOPMENT

The development of rural area since independence is an exceedingly complex phenomenon, full of puzzles and contradictions. It is also creative challenge having perhaps no parallel precedent in world history. Transforming rural more than half a million villages and also four-fifth of Indias population. It is meant to cover people living under great variations of climate, ecology, social structure and culture for whom all – India planning from the top alone is not enough; if it is not supported by grass-root mobilisation. It must encompass intricate problems of crop production, animal husbandry, fishery, forestry village crafts and other economic pursuits practiced under different types of rural settlement, land tenure and resource endowments. These makes if obligatory to innovate are specific technologies and strategies and also agencies for implementing schemes and projects at ground level.

Nearly 76% of population lives in rural areas and 69% depends on agriculture for livelihood. Marginal farmers possessing less than one hectare of land accounts for 54.5% of the total farmers and possess 11% of the operation area. The small farmers having land between 1 and 2 hectares from 18% of the holdings and 13% of the operational area. Nearly 30% of the rural population is still below the poverty line. The number

of persons available and willing to take up additional works in rural Indias around 24 million. More than 30 million unemployed persons live in rural areas. Thus, small and marginal farmers, landless labours, and the poor dominate the scene of rural India. Making these vulnerable sections of the basic objective of rural development programme. The real growth of the economy lies in emancipation of rural masses from conditions of poverty, misery and unemployment.

The experts have examined the issues of poverty quantitatively on the basis of the amounts of income that ensures the minimum consumption standard at a point of time. On the basis of a daily calorie intake of 2400 persons in rural areas and 2100 in urban areas, the planning commission decided the cut-off points to be Rs.76 monthly per capita expenditure for a rural areas and Rs.88 for urban areas at 1970-80 prices. The planning commission estimated that in 1977-78 about 50.82% of rural population and 38.19% of urban population were living below the poverty line in 1972-73. The proportion of both urban and rural poor taken together come to 48.13% and it was expected to come down to 38.93% of the total population by 1989-90.

Using the N.S.S. data Minhas, Bardhan, Dandekar and Rath and a few others have attempted to identify poor. According to their finding, a large bulk of the poor belong to agricultural labour households, agricultural labour households with very small holdings which constitute about 40% of all agricultural households, non-agricultural rural labour households, without

land-holding including village artisans progressively losing their traditional employment and small land operators with cultivating holdings of less than 2 hectares. What is more interesting in this respect is not only the absolute number of poor in this country being larger but their proportion to the total number of population is also very high. This has set a gigantic task before the rural development programmes aiming at eradication of poverty.

Conceptually, rural development is taken as the development of rural areas. It may be described as the efforts aimed at improving the lot of people living outside the urban areas. The non-urbanised areas, however, is not a separate entity but is part of the far flagging spatial and economic linkages. Rural development therefore, takes into account the forward and backward linkages both the rural and urban areas. Its main thrust is on development of rural people as an individual as well as a member of his village community and the community as a whole. These people are to be encouraged to achieve development by their own efforts and through adopting a co-operative way of life for promoting group interests and interests of community as a whole. Thus the development of solidarity and self-reliance in the community are the two basic objectives of rural development.

The basic task of rural development consists in fuller use of local resources and skills, modernisation of farming, regeneration of agricultural allied activities, institution building to fulfil the local needs, eradication of development problems and improvement in health and education.

Rural development is not only an action plan but also a process aimed at improving the lot of the people living outside the urbanised area. Thus, we find that the dimension of the rural development problem is very wide and vast. It is multidimensional in nature.

1.1.1 CHARACTERISTICS OF CO-OPERATIVE SECTOR

1) It is an association of persons

The chief feature of a co-operative society is that it is an association of persons and not an impersonal grouping of capital like a joint stock company. It is not denying that a co-operative society is also in need of capital, but the emphasis is on man and not on capital he contributes.

2) It is an undertaking

A co-operative undertaking is not only an association, it is also an undertaking. It is not charitable or a philanthropic association. Members run a co-operative enterprise themselves at their own expenses and at their own risk.

3) It is voluntary organisation

A co-operative enterprise is based upon a voluntary form of organisation. No one is concerned to join a society against his will. Coercion in any form is considered to be incompatible with the concept of co-operation.

4) It is democratic organisation

A co-operative organisation is governed on the basis of democratic principles. Every member of the society has only one vote and no more irrespective of the number of shares held by him.

5) The keynote is service and not profit

The keynote of a co-operative enterprises is service and not profits. A spirit of service motivates a co-operative enterprise; its whole business mechanism is great towards the provision of most economical service.

6) The basis is equality

Another feature of a co-operative enterprise is that within its membership relations between man and man are governed by a rule of equality. Irrespective of possible differences of race, creed, political opinion, social status or subscription of capital, all the persons possess equal rights and duties.

7) It is based on proportionality or equality

The distinctive feature of co-operative social economy is in the method of distributing the social product. The surplus is distributed not according to share holding but according to the proportion of business operations a member had effected with the society.

8) It is a Socio Economic Movement

The co-operative movement is a Socio-economic movement. It aims at bringing about revolutionary changes in the social and economic structure by peaceful means. It is based on self-help and stands for moral uplift and honesty.

1.1.2 Benefits of Co-operative Sector

A co-operative association is an association of isolated individuals, who by association with others and throughout mutual support obtain material advantages, which are usually available to wealth or powerful persons and thereby develop themselves to the fullest extents. By working together these poor individuals succeed in getting the advantages which are available to those who work on large scale. The union of forces in co-operative society thus secures the material advancement for its members and united action faster self-reliance.

Co-operatives have helped to rationalise distribution patterns, increase purchasing power, and promote consumer protections, narrow the housing gap. They have contributed to the modernisation of small-scale production in agriculture, fisheries handicrafts and industry. They have made improved quality and greater volume of production and have led to more efficient marketing of increased output. They have stimulated productive capital formation among large number of individuals. In a wider sense co-operative growth has thus become an effective stimulant to economic

growth. Co-operative has also played an important role in rural development, which is as follows :

A) Economic benefits of co-operative sector

From the economic standpoint, co-operatives are engaged in securing for their member's services of various kinds at low costs. These may include services of various Socio-economic activities in the consolidation of holdings, the establishment of irrigation schemes, the contouring of land, the procurement of technical knowledge, the administration of credit, the buying of fertilizers, pesticides; seeds, electricity, and machine services, of consumer's goods and services, the processing and marketing of produce, the provision of insurance health and medical care or education.

The co-operation has also played an important role in checking monopolistic tendencies. There is substantial evidence to show that the co-operative movement operates as a very successful means of combination monopolistic concentrations. Economical role or advantages of co-operation in rural development is given as follows:

- 1) The substitution of the profit incentive in business by that of service to humanity or production for consumption. In other words priority is given to the satisfaction of human needs instead of greed of profits.
- 2) A more equitable distribution of wealth.

- 3) The breaking up of monopolies and trusts which operate at the expense of the consumer.
- 4) The increase of the workman's purchasing power and real wages by giving him more and better goods for his money.
- 5) The reduction in cost of distributive system by
 - a) eliminating unnecessary middlemen
 - b) removing of useless duplication of services
 - c) eradicating of such practices as misleading advertisement and high pressure salesmanship and
 - d) The eliminating of fraudulent practices like adulteration, short weight etc.
- 6) The rejection of accounting inaccuracies by encouraging frankness in business.
- 7) The more accurate correlation of demand and supply as a result of the greater certainty and regularity of the consumer market.
- 8) Stabilisation of the employment which will result from the regularity of demand and absence of speculation.
- 9) The fair treatment of all labour and general improvement in employee – employer relations.
- 10) The training of people to spend wisely.

B) Social benefits of co-operative sector

Co-operation offers not only economic role to members but also confers a number of role to the society. This is so because the object of co-operation is to transform the members condition in such a way that the make his social-life richer and happier.

Modern life is full of social tensions: Urban V/s Rural, Consumer V/s Producers, Labour V/s Capital, there are tensions with regard to religion, caste, language, state, race and occupation. Co-operatives tend to lessen these tensions and show all people how they can work together on common ground. The co-operative movement provides the means of social change without resorting to the undesirable methods and violence.

The social achievement of co-operation has both a negative and positive aspect. On the negative side it has eliminated from the economic sphere as far as it is in the hands of the movement, anti-social or potentially anti-social influences. On the positive side it has enriched the lives of those who have come forward to take a share in the control of the trading organisation and it has produced a most beneficial change in the position of employees in the industry. It is the claims of the co-operation that it can be the principal means of bringing about in a peaceful manner social change of a fundamental nature, ushering in a social order non-exploitative, equalitarian, tolerant that harmonize the dignity of individual with the well being of the community.

The social purposes of co-operation are more diverse than economic purpose. They may be to provide a unique education in democracy responsibility and toleration, to train for political power, to evolve an industrial relationship in which the element of authority is much more evenly distributed than in private business; to preserve a strong friendly or family spirit and a sense of pride and power which is impersonal, to encourage a general advance rather than the advance of particular individuals, to secure rational, constructive and unifying approaches to social and economic problems, to prevent under employment, to secure the moral as well as the physical satisfaction of pure quality, good weight, honest measure fair dealing in trade, or to achieve better physical and mental health. The distinguishing characteristic and social features of co-operative societies may in any circumstance make these essential to the achievement of their purpose.

1.2 PROGRESS OF CO-OPERATIVE SUGAR FACTORIES

The location of sugar industry is decided by the availability of sugarcane in sufficient quantities within a reasonable economic distance. The sugar industry is mostly oriented to a single material namely sugarcane which forms 60% of the total cost of production. Therefore the availability of sugarcane and facilities of transporting raw materials to the sugar Mill naturally condition the sugar industry. It is essential that the unit must be located in close proximity to the source of materials. So that the units could be assured of continuous and uninterrupted supplies of fresh sugarcane

direct from the field within the shortest time. Recently technical feasibility and economic viability of the sugar projects have been given importance in the location of sugar industry. In the words of Dr. M. M. Mehta "The location pattern of sugar industry is greatly influenced by the character of local distribution of sugarcane within the country and since such distribution depends entirely on physical and geographical factors. Nature plays a dominant role in determining the location of sugar industry.

In India sugar industry first developed in Northern India because of easy availability of capital, enterprise and because of intensive cultivation of sugarcane on vast irrigated lands. But later on the sugar industry was developed in the South. In the south Ideal condition for the growth of sugarcane are available. Sugarcane grows both intropical and sub-tropical regions. In India Andhra Pradesh, Tamilnadu, Karnataka, Kerala and Maharashtra come under tropical regions.

Now the Governmental policies, irrigation facilities, new varieties of sugarcane concessional facilities and co-operative principles have influenced the dispersal of the sugar industry to the south is mainly responsible for bringing about location changes in the industry. Further the sugar industry has received greater impacts from the completion of numerous irrigation projects, added to this, discriminatory policies pursued by the Government are also responsible for the faster rate of industry in the south.

There were only 29 factories in India during the year 1931 protection granted to the sugar industry in 1931, brought tremendous growth in the number of locations. The number of factories in operation has grown from 29 in 1930-31 to 140 in 1950-51 out of which 110 factories were in northern part of India. During the next decade the number of factories increased to 174 out of which 116 factories were in subtropical regions of Northern India. In early period number of factories has grown from 247 in 1974-75 to 325 in 1983-84 of which nearly 56% of the factories are located in the Northern India.

India has been known as the original home of sugar and sugarcane. The growth of sugar industry is full of tales of adventure and conquest. It received the attention of the builders of different empires from time to time. The Chinese Emperor, Tsairtang sent a mission to Bihar in about 600 A. D. to ascertain and study the area of sugar marketing that went over to Persia. It would thus be seen that India has been the original home of sugarcane as also of sugar manufacture.

Production of sugar from sugarcane has been a very old industry in India. Sugarcane was cultivated in almost all parts the country and was turned into 'Gul' for consumption by ordinary people, but a certain quantity of sugarcane was also used for making 'Khandsari' for confectionery and other similar purposes Khandsari process was an open system organised on a small scale basis.

The modern factory system for making white sugar from sugarcane was perhaps introduced for the first time in India by the Dutch in North Bihar in or about 1840. It remained in an experimental stage. Successful factories were established by the British entrepreneurs probably in 1903, while these efforts to start modern factories were being made, the old Khandsari industry was fast declining on account of the competition of the factory made white sugar from Java. However, the advent of modern sugar processing industry began to flourish only after the grant of production Act 1932. Since the grant of production Act 1932 the modern sugar industry made phenomenal progress.

After independence India has been making remarkable progress through the successive five-year plans in agricultural, industrial and economic fields for development of the country. Sugar industry is an agro-based industry having related to the rural economy. It had played and is playing an important role in the overall national progress. The development of co-operative sector in this industry has been a special feature and has given direction to this important industry.

The sugar industry ranks second amongst the major agro industries. The number of factories went up from 138 in 1950-51 to 358 at the beginning of 1985-86, production increased from 11.18 lakh tonnes in 1950-51 to 37.40 lakh tonnes in 1970-71, but there after there was a decline in production mainly due to shrinkage in cane area. It comes down to 58.42 lakh tonnes in 1978-79 and further declined to 38.58 lakh tonne

in 1979-80. There after the production started picking up as a result of various developmental measures taken to augment sugarcane production. In 1980-81 production of sugarcane to 54.47 lakh tonnes and in the subsequent of two years it reached a record level of 84.86 lakh tonnes in 1981-82 and 82.32 lakh tonnes in 1982-83. The production again received a set back in 1983-84 due to natural factors and was of the order of 59.16 lakh tonnes. As a result of various steps taken by Government to augment production for meeting the increased demand the production in 1984-85 increased 61.44 lakh tonnes. During 1985-86 the production has gone up further to around 70 lakh tonnes. due to decline in the production in 1983-84 and 1984-85 and increase in internal consumption it become unfavorable to resort to import of sugar to maintain the availability in the domestic market at reasonable prices. The quantities imported were 4.83 lakh tonnes in 1984-85 and 19.35 lakh tonnes in 1985-86.

The are under sugarcane cultivation is 3.69 million hectares was 1990-91. In the year 1995-96 increased by 4.15 million hectares and then after gradually increase 4.20 million hectares in 1998-99.

The sugarcane yield per hectare was in the year 1990-91 65395 Kg. In 1995-96 it increased by 67784 Kg. and further 69289 Kg increased in 1998-99. Sugarcane production was in 1990-91 241.05 million tonnes which increased by 281.1 million tonnes in 1995-96 and further it decrease and increase 276.25 and 290.66 million tonnes in 1996-97 and 1998-99

respectively. The sugarcane crushed in 1990-91 was 118.10 lakh tonnes which increased 143.10 lakh tonnes in 1998-99.

In the year 1996-97 total number of factories installed was 450 and out of them 67 was in public sector, 135 in private sector and 248 in corporative sector.]

1.2.1 Maharashtra - A Profile

Maharashtra is one of the major state in India. It is the third larger state in area and population. The degree of urbanisation in the state is more than the rest of the country and there are important urban agglomeration including Greater Bombay.

Maharashtra ranks second in the net sown and third in the gross cropped area accounting for 13% and 11% respectively. it has a neither land man ratio and per capita net sown and gross cropped area is 0.32 and 0.34 hectares, as against 0.23 and 0.28 hectares respectively for the country as a whole. Net sown and cropped area per agricultural worker in Maharashtra is similarly larger at 1.22 and 1.32 hectares compared with 0.97 and 2.9 hectares for India. However the productivity of land in Maharashtra is low. Though Maharashtra accounts for 11% of the area under food grains was 8% and that of cotton 19% of the all India production. Hardly 15% of the gross cropped area in the state is irrigated as against the all India.

Co-operative movement was given the pride of place in the promotion of all the objectives. Government had also adopted the policy of encouraging the formation of sugar co-operatives; co-operative spinning mills and other agricultural processing societies and had contributed towards their share capital. This was also the period when amendments were made to the Co-operative Societies Act to meet the challenge of emerging situation. These amendments mainly related to management problems in co-operatives, settlement of disputes and strengthening of the hands of the Registrar to ensure the proper working of societies. This was also the time for introduction of appropriate legislative measures to take care of the welfare of the scheduled castes and scheduled tribes i.e. the weakest among the weaker section of the community.

The decade also witnessed the phenomenon of excessive surplus resources with the co-operative financing institutions leading to a paradoxical situation, there were few bankable projects for rural development on the one hand, and a large section of the rural population not getting adequate production credit, due to a variety of reasons on the other.

The rural scene in the country in general and Maharashtra in particular would have been more barren but for the vibrant presence of the dependent on the monsoon. Moreover, large tracts in the state fall in the rain-shadow area. Almost the total workers, 60.67% are engaged in agriculture and allied activities viz. as cultivators and agricultural labourers. The household manufacturing industry accounts for 3.14% while

the remaining 35.23% workers were engaged in the activities like manufacturing industry, trade, transport and services.

1.2.2 Growth of Co-operative Movement in Maharashtra

There was allround progress in the co-operative movement in the Bombay State after the country attained independence. The movement diversified vertically and horizontally in the rural sector. The areas where sugarcane was grown, underwent radical change. Although the state continued to suffer periodically from drought, the agriculturists laid emphasis on self help and made the best use of the credit facilities for augmenting production and raising their incomes. The membership drive was extended to backward areas, especially those, which were merged with state. after independence. The increase in the share capital to a significant extent, was due to state partnership. The rate of growth of working capital however, had been out stripped by that of reserves and other funds.

The Pravaranagar sugar co-operative inspired the growers of cane, not only to start similar co-operatives with the help of the government and the Maharashtra state co-operative Bank but to make sacrifice in the short run in order to fully own them and use them as a nucleus for Socio-economic rural transformation. In Kolhapur District where there were no irrigation facilities, the cane-growers themselves built local dams on rivers and organised lift irrigation co-operatives which was impressive an achievement as any where else in India. Significant attitudinal changes had also by them occurred at the grass-root level at this stage. A proper environment was thus

created for co-operative effort in raising production and productivity. This was also a period of emergence of rural leadership through the co-operative channel. The government on its part did not impose its will on the movement. The Apex bank also followed a policy to hasten slowly, to strengthen its organisation to tune up the working of the secondary level central financing agencies in so far as it was consistent with co-operative principles. It was also a period when institutional infrastructure was strengthened and foundation laid for diversification of co-operative activity later. The leadership in Apex Bank, Government and movement acted in unison with one another. The co-operative as a whole have been able to groom and develop the grass-root rural leadership and bring about peaceful Socio-economic changes and help institutionalise the rural economy to a considerable extent. During the 1961-91 period there has been an impressive growth in the number of co-operatives sugar factories their operations there share in the total economic activities.

At the state level, there were 138 sugar co-operative sugar factories during 1990-91. Out of these 98 were in actual operation. The membership of sugar co-operative factories was 17.18 lakh. Moreover share capital of these factories was Rs.28885 lakh, of which Rs. 15956 lakh was contributed by State Government working capital and deposits of these factories was 2885 corers and 6342.3 corers during 1990-91.

Satara district is a leading district in the production of sugar. Because as compared to other district, co-operative sugar factories are concentrated in this district. There are 9 co-operative sugar factories, of which 3 factories are located in Karad Taluka. The share capital of three factories in the district was 1527 lakh during 1990-91, of which 281 lakh was provided by state government. Moreover working capital and deposits of three factories were Rs.24192 lakh and 7105 lakh.

1.3 RESEARCH METHODOLOGY

The co-operative sugar factories in Maharashtra have played a crucial role in rural economic development. They have changed the total scene of rural economy. These factories have provided employment opportunities in rural areas. They have generated income mobilised saving and increased the level of investment in rural areas.

In Satara district The Krishna Co-operative Sugar Factory, Rethare Bk. (Shivanagar) has played significant role in its area of operation. The factory has generated income, increased employment opportunities and mobilised saving in the area of operation. Therefore this factory has been selected for the present study.

1.3.1 OBJECTIVES OF THE STUDY

- 1) To examine the progress of the Krishna co-operative sugar factory Rethare Bk. During period (1980-81 to 1998-99).

- 2) To study the progress of agro-industries sponsored by the Krishna Sugar co-operative Sugar Factory Rethare Bk. Shivanagar.
- 3) To study the progress of irrigation schemes being sponsored by the Krishna Co-operative Sugar Factory, Rethare Bk. (Shivanagar).
- 4) To examine rural development oriented schemes being administered by Krishna Co-operative Sugar Factory Rethare Bk. (Shivanagar).
- 5) To examine the Problems of the Krishna Co-operative Sugar Factory Rethare BK (Shivanagar).

1.3.2 PERIOD OF THE STUDY

As pointed out earlier, the present study aims at examine the progress of the Krishna co-operative Sugar Factory, Rethare Bk. (Shivanagar). For this purpose period 1980-81 to 1998-99 has been selected. Moreover statistical data or relevant issues have been collected from annual reports published by Krishna co-operative Sugar Factory, Rethare Bk. (Shivanagar) for the said period.

1.3.3 Statistical Tools

Keeping in view the objectives of the study some opportunity statistical techniques such as percent change, growth rates have been used. Beside these some cartographic techniques are used.