CHAPTER ONE

GENERAL BACKGROUND

Among the variety of doctrines which have emerged to deal with social and economic ills of capitalism, no doctrine has received so much attention, thought and experimentation as the co-operative doctrine. Concern for co-operation is not a result of any perverse pursuit of a specific idealogy. Rather, it is reflective of an urge to seek a solution to various social and economic problems in a democratic fashion.[1] One great merit of the co-operative doctrine is that it combines within its fold the most enduring principles of democracy and liberal socialism. In its historical evolution, the system has been greatly influenced and moulded by the variety of free associations proposed by social thinkers like Charles Fourier, Saint-Simon, Leroux, Proudhon and Louis Blanc. These men looked upon the co-operatives as social instruments to resolve social questions without any need to resort to revolution or to abolish property, interest or the inequality of fortunes. However, unlike the ideas of these nineteenth century thinkers, the doctrine of co-operation, as is generally understood at present, does not aim at the idealist reformation of society either through the abolition of succession, as suggested by Saint-Simonians or the replacement of the state by mutual associations as preched by Proudhon. Co-operative movements essentially seek to bring about social and economic change through a process of persuasion and

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1 P.Y. Chinchankar and M.V. Namjoshi: Cooperation and the dynamics of change, Somaiya Publication Pvt. Ltd., Bombay, 1977, p. 6.

mutual and co-operative efforts in gradulistic manner without undermining the stability of the existing social and economic order.[2] Because of its inherent attractiveness and increasingly practical orientation, the doctrine of co-operation became a focal point of social movement in the nineteenth century. In Great Britain, the doctrine won the heart and sympathy of the working class which saw in co-operation an effective means to secure salvation from oppressive conditions of work produced by early industrialisation. The idea of co-operation implanted and nursed by Robert Owen, gave a considerable impetus to the growth of mutual societies which were basically thrift and welfare societies and sought to meet the needs of the worker-members. Consequently, the co-operative movement, which saw the light of the day in Europe, has spread throughout the world.

COOPERATION DEFINED

The term co-operation has been defined by various writers in their own way. Though couched in different words, the various definitions throw light on the essentials of a co-operative activity. Paul Lambert defines a co-operative society as "an enterprise formed and directed by an association of users, applying within itself the rules of democracy and directly intended to serve both its own members and

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2 P.Y. Chinchankar and M.V. Namjoshi: Co-operation and the dynamics of change, Somaiya Publication Pvt. Ltd., Bombay, 1977, p. 7.

community as a whole."[3] According to H. Calvert "Co-operation is a form of organisation in which the persons voluntarily associate together on the basis of equality for the promotion of their economic interests."[4]

These two definitions are sufficient to bring out the salient features of a co-operative organisation. In a co-operative association, a group of people voluntarily joins hands to provide itself, as also to the community at large, with goods and services. The enterprise is owned and managed by the co-operators themselves. It has a democratic footing and service objective. It is an organisation of men rather than money, and intends to remove economic weaknesses of the people through mutual action

OBJECTIVES OF CO-OPERATION

Since the birth of the international co-operative movement and almost until the Second World War, the co-operative activity was considered narrowly as a means to uplift the weak man in his economic activity. This outlook has undergone a change and, without denying the basic role of a co-operative activity, it has been assigned a wider role in the circumstances after the Second World War. Programmes of economic development of the countries in the Third World have recognised the utility and importance of the co-operatives in

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3 Lambert: The Social Philosophy of Co-operation (1963). Reproduced by Dr. B.S. Mathur: Co-operation in India, Published by Sahitya Bhavan, 1977, p. 9.

4 R.B. Tyagi: Recent Trends in the Cooperative Movement in India, Asia Publishing House, Bombay-1, 1968, p.7.

the process of rural development particularly. The emergence of co-operation in a new role as a developmental instrument was recognised by the ILO in 1966. The ILO held that the establishment and growth of co-operatives should be regarded as one of the important instruments for economic, social and cultural development as well as human advancement in developing countries. More specially, it urged the development of co-operation for the following objectives:

a) improving the economic, social and cultural situation of persons of limited resources and opportunities as well as encouraging their spirit of initiative;

b) increasing personal and national capital resources by the encouragement of thrift, by eliminating usury and by the sound use of credit;

c) contributing to the economy an increased measure of democratic control of economic activity and of equitable distribution of surplus;

d) increasing national income, revenues and employment by a fuller utilisation of resources;

e) improving social conditions and supplementing social services in such fields as housing, and where appropriate, health, education and communication;

f) helping to raise the level of general and technical

knowledge of their members.[5]

THE COMPASS OF CO-OPERATIVE ACTIVITY

The tasks usually assigned to co-operation by national and international organizations encompass a wide range of fields and can be briefly summarized as follows[6]:

(a) Economic : Introduction of better farming methods, increase of net returns to farmers, improving the quality of products, increase of employment opportunities in the rural areas through local processing of agricultural produce and establishment of units in small industries and handicrafts based on co-operative structures, improvement of purchasing power of producers deriving from increased income from agriculture and generating in turn increased consumption, increase of saving made possible by means of co-operative practices in marketing, supply of credit, agricultural supplies, and consumption and allowing in turn for increased investment.

(b) Social: Improvement in standard of living of rural people, removal of social inequalities, promotion of democratic practices and values, contribution to the emergence of local initiative and leadership etc.

(c) Political Administrative: Elimination of money-lenders and

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5 P.Y. Chinchankar and M.V. Namjoshi, Op.cit., pp. 12-13.

6 Ibid., pp. 384-85

intermediaries, creation of a central system in key operations in agricultural production and marketing, resettlement of refugees, school-leavers, ex-armymen and the like, adoption of a policy of socio-economic development of socialist character enabling newly independent states to reject both the capitalist and the communist systems.

GENESIS OF CO-OPERATIVE PROCESSING ACTIVITY

Many of the agricultural products have to undergo some or the other kind of processing; for instance, paddy has to be converted into rice, oil-seeds have to be processed for oil extraction, pulses are used for dal-making, sugarcane is converted into jaggery and sugar, fruits and vegetables are used for canning and juice extraction, and thus with other products. Hence, specific processing units have to be established in the areas of concentrated production of the particular agricultural commodities. This work can be undertaken by private and public agencies as also by the co-operatives. It is widely recognised that co-operative processing activity works in the interest of the agricultural-producer, without at the same time neglecting the interests of the consumer class, and hence it is strongly advocated.

Besides protecting the interests of producers and consumers, it is observed that, co-operative processing provides a wide base for rural industrialisation. With the establishment of the processing units, the rural economy is

immensely strengthened and rapidly transformed. Assured market for the agricultural produce, creation of new job opportunities, development of ancillary activities, provision of the infra-structural facilities and increase in the purchasing power of the inhabitants are some of the major developments accruing out of the processing activity. As a further consequence, more savings and larger quantity of inputs available for further investment make for technical and economic advance in both agriculture and industry. In a way, well-organised large-scale co-operative processing units have the capacities of changing the entire scene of a particular region. People in the villages find jobs in their vicinity, either full-time or off-season, so that they need not migrate to other places in search of jobs. Such a course leads not only to the economic welfare of the people but also to the stability of their family and social life. As migration of large portion of the rural population is thus avoided, urban areas are relieved of the pressure of increased urbanisation. For facilitating the working of the big processing units infra-structural facilities like roads, electricity, transport and communication, etc. are developed. And then the community needs of educational institutions, health, housing, etc. are provided by the governmental agencies, private agencies, philanthropic bodies and also by the cooperative processing units themselves. Normally, the processing units are more alert towards such works. A part of their surplus earnings is annually devoted to social and welfare programmes. Thus, the

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co-operative processing units also play a major role in the regional development; nay, they become the growth centres of the region. Co-operative sugar factories in India are perhaps the best illustration in this context. A variety of co-operative units, certainly, have contributed their mite in relieving the problems of poverty, umemployment and inequality. In addition, such units are instrumental to the attainment of balanced regional development.

Furthermore, co-operative processing provides a good link to co-operative credit and marketing and thereby helps considerably in strengthening the co-operative movement itself. Very conveniently the credit co-operatives can recover their loans through the processing units and avoid the troubles of mounting overdues. The farmer-producers also get rid of their past loans and become eligible for fresh borrowing; their credit-worthiness is thus retained, and at times, increased. As a result, the country can build up a strong and comprehensive credit co-operative structure. Similarly, the processing co-operatives can be of great help to the marketing co-operatives also. Rather, the processing units themselves can be considered as the marketing units also as they are making direct purchases from the farmers. For selling their processed products, the co-operative marketing units may be employed in order to pass the benefits of co-operative activity on to the ultimate consumers.

In sum, the co-operative processing units can be utilised as major institutional arrangement for rapid transformation of the rural areas as they match the needs of the weaker sections in the society and at the same time possess the potential for development. Such units bring the small agricultural producer into the growing sectors of the economy and a cadre of rural entrepreneurs is hereby evolved. The main feed-back effects of the processing units are that they enhance the productivity of land producing the primary raw-materials and also ability of the activities concerned with the production of these raw materials.

CONCEPT OF 'AGRO-INDUSTRIES'

The units engaged in the processing of agricultural products are, in the normal course, considered as 'agro-industries'. However, the term has a wider connotation. Conceptually, 'agro-industries' are the industries dependent, not only on the output of agriculture and allied activities, but also on the inputs in agriculture like agricultural equipment, fertilisers and pesticides.[7]

The Planning Commission as well as the National Development Council have set forth criteria for distinguishing agro-industries. Accordingly, the industries fulfilling the following conditions will be termed 'agro-industries':

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7 Maharashtra Economic Development Council: Agro-industries in Maharashtra - Problems and Prospects, 1970, p. 4.

(i) they should encourage greater input into agriculture;

(ii) they should lead to better processing and conversion of agricultural commodities;

(iii) they should ensure high returns on processed goods; and/or

(iv) they should increase agricultural production.[8]

According to this criteria, every type of industry that processes and transports the produce of the farm is included in this category. Besides, farm-supply industries are also covered.

SIGNIFICANCE OF PROCESSING CO-OPERATIVES IN THE ECONOMY OF MAHARASHTRA STATE

Maharashtra is one of the most underdeveloped States in agriculture. Its yield per acre of cereals is about three-fourths of all-India average which is already low. The percentage of irrigated area to the net sown area is as low as about 8 per cent which is about one-third of the national average. It has been, however, found that agricultural productivity in the irrigated area of Maharashtra is higher than the national average concerned and there is high prospect for the development of agriculture in Maharashtra with the progress in the

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8 Maharashtra Economic Development Council: Agro-industries in Maharashtra - Problems and Prospects, 1970, p. 4.

development of irrigation and other facilities.

There is also great scope for improving agricultural productivity by the use of better seeds, manures, fertilisers, pesticides and improved tools and implements, by improving the crop pattern and resorting to intensive method of cultivation and double cropping. The phenomenal progress of sugar industry in Maharashtra and its favourable impact on the rural economy has demonstrated the importance of co-operative processing in augmenting the profitability of agricultural activity and in transforming the subsistence farming into commercial farming.

Development of co-operative processing has assumed a crucial importance in the economic progress of Maharashtra State due to the very nature of its economy. There is too much concentration of industries in very small areas, mainly in Bombay and Pune regions and to some extent in the vicinity of Nagpur, Nasik, Aurangabad, Solapur and Kolhapur cities and lack of proper development of industries and even agriculture in the rest of Maharashtra. Greater Bombay, in particular, accounts for nearly half of the registered factories and nearly two-thirds of the factory employment in Maharashtra. Industrial prosperity of Maharashtra is, thus, mainly due to the industrial prosperity of Bombay and Pune regions and the rest of Maharashtra is as under-developed as most of the under-developed areas in other States in India. The overcrowding of population and congestion of industries in Bombay have given

rise to numerous problems some of which such as housing, transport, water supply, drainage and slums have become very acute and have adversely affected its social, cultural and industrial life.

These facts and particularly the under-developed character of the rest of Maharashtra, rich in various types of cash crops and other materials required for industries, clearly emphasise the importance of co-operative processing in the economy of Maharashtra. Under-development of the other regions in the State has led not only to the glaring inequalities among the incomes of the people and the regions but has also given a chance for political and social agitations. Creation of growth centres in the comparatively less developed regions of the State is an urgent necessity. As the countryside is rich with production of cash-crops of various types, co-operative agro-industries will, perhaps, be the most suitable institutions to play the role of growth centres. Co-operative sugar factories and spinning mills in the State have conspicuously exhibited their potentialities in this respect.

In Maharashtra there is vast scope for the development of agro-industries which process agricultural products in various stages. As is already said, most of the territory of Maharashtra is occupied by agriculture and therefore it has the advantage of producing a large variety of crops relative to the soil, climate, rainfall and topography of the area.

Maharashtra produces different types of crops like rice, millets, wheat, maize, cotton, sugarcane, pulses, tobacco, groundnut and other oilseeds; it produces a variety of fruits like mangoes, bananas, grapes, oranges, cashewnuts, areca nuts, coconuts, papayas, pineapples and citrus fruits; it grows vegetables like potato, onion, tomato, brinjal, etc. ; it produces different types of animal, poultry and dairy products also. In view of this, there is wide scope for developing processing activity related to these products. Due to the specificity of the production of these products, the agro-industries will help considerably in the dispersal of industrial activity in the State.

CO-OPERATIVE PROCESSING IN WESTERN MAHARASHTRA

In the preceding paragraph, we have established the case of Maharashtra State for creation of a large number of agro-industries dispersed over the State. But the actual record of progress is not very encouraging so far. Our observation would be vivid from the particulars for the Western Maharashtra. Table-1 gives the details of units 'registered' till November, 1980. It is, therefore, obvious that a few of these units are presently in the construction stage. Even then, the figures as they are, would certainly reflect the composition and extent of co-operative processing activity in the six districts under reference.

The six districts together will have in all 130 processing

Table-1

Co-operative processing units registered in Western Maharashtra
(as in November, 1980)

Particulars	Name of the District						Total
	Ahmednagar	Pune	Satara	Sangli	Solapur	Kolhapur	
(1) Sugar factories	12	5	7	3	8	12	47
(2) Khandsari units	-	-	-	2	-	6	8
(3) Spinning Mills	2	1	2	7	7	22	41
(4) Ginning factories	4	-	6	-	1	-	11
(5) Rice mills	1	1	1	-	-	6	9
(6) Oil mills	1	1	1	1	-	1	9
(7) Other processing units	1	-	2	1	2	3	9
Total	21	8	19	14	18	50	130

Source: Office of the Assistant Registrar of Co-operatives, Kolhapur.

units. Districtwise ranking is Kolhapur with 50 (38.5 %), Ahmednagar with 21 (16.2 %), Satara with 19 (14.6 %), Solapur with 18 (13.9 %), Sangli with 14 (10.8 %) and Pune with 8 (6.7 %) units. Thus, Kolhapur District is much ahead in undertaking processing activity in the co-operative sector.

Activity-wise details also are worth noting. For the six districts taken together, largest number of units will be engaged in the processing of sugarcane. Here we add up 47 sugar factories and 8 Khandsari units. Thus, out of 130 processing units 55 units (42.3 %) will be undertaking sugarcane processing. Second in rank is processing of raw cotton. In this case also we have to consolidate 41 spinning mills and 11 ginning factories, so that cotton processing units come upto 52 (40 %). Rice mills account for 7.0 % share and oil mills just 4.0 % share in the number of processing units. In sum, the six districts have concentrated on the processing of sugarcane, cotton, rice and oilseeds.

CO-OPERATIVE PROCESSING IN KOLHAPUR DISTRICT

The picture of Western Maharashtra as depicted by Table-1 does not exhibit the present position; it refers to the situation which will be met after the registered units are completed and their functioning is started. So, it is a picture of the future. However, there are many a slip between the cup and the lip. As per this saying, the figure

of actual units presently working is bound to be much less. Some idea of reality can be had by studying the details of the Kolhapur District given in Table-2.

Table-2

Co-operative processing units registered and installed in Kolhapur District (as in November, 1980)

	Particulars	No.of registered units	No.of installed units
1)	Sugar factories	12	9
2)	Khandasari units	6	2
3)	Spinning mills	22	3
4)	Rice mills	6	3
5)	Oil mills	1	0
6)	Other processing units	3	1
	Total	50	18

Source: Office of the Assistant Registrar of Co-operative Societies, Kolhapur.

Table-2 reveals that there is a glaring gap between the units registered and units installed. Out of the registered 50 units, only 18 (36 %) units are presently working in the district. The figure of the registered units has been high due to a large number of spinning mills registered (22). Only 3 mills are presently working.

Coming to the things as they are, sugar factories and Khandsari units together number 11, out of the 18 processing units actually working, so that sugarcane processing is conspicuous in the district (61 % units). Processing of cotton and rice follow each with 3 units. Besides these, other types of processing activities are almost not met with. In between cotton and rice processing, the spinning mills are large-sized units and hence have much impact on the economy of the region of their location. All the three spinning mills are located at Ichalkaranji in Hatkanangale Taluka of Kolhapur District.

About the present study

In Kolhapur District presently Ichalkaranji is the only place where co-operative spinning mills are working. This region has co-operative sugar factories also. Quite often the spread effects of sugar factories are discussed; but very rarely other activities are studied. Hence the attempt here to study the working of the spinning mills and their socio-economic impact on the region.

1) OBJECTIVES

The main objectives of this case study are as follows:

1 to study the history and growth of the decentralised textile industry at Ichalkaranji;

2 to study the history and growth of the spinning activities in Ichalkaranji; and

3 to study the spread effects of the co-operative spinning mills in the Ichalkaranji region.

2) HYPOTHESIS

The study presumes that co-operative activity has the greatest force in the process of the betterment of the rural people. Co-operative processing of agricultural produce would help in generating the forces leading to reduction of poverty, unemployment and inequalities in the countryside, besides leading to reduction of regional economic imbalances. Large-scale processing of agricultural produce contributes to the creation of facilities of basic needs required by the community and helps in promoting their well-being.

3) METHODOLOGY

This is a case study of the spinning mills in Ichalkaranji area. As is already said, in Kolhapur District next to sugarcane processing, cotton processing has made its mark so far, and considering a large number (19) of registered mills in this respect, it will have an important place in the economy of the district in the near future. Presently, all the three working units of co-operative cotton spinning activity are concentrated in the district at Ichalkaranji. Hence, for the present study, we have covered all the three co-operative spinning mills, so that the coverage is 100 %.

For collecting the necessary information about the three units, we have relied largely on their official records and documents. They include particularly the Annual Reports, Special Reports and Notes prepared for various occasions, official files and registers. Besides this, personal discussions were carried out with the executives of the spinning mills, as also the social workers in the area.

SCHEME OF THE STUDY

This is a case study of the spinning mills in Ichalkaranji area. It has been divided into five chapters.

Chapter One is introductory and provides a backdrop for the study.

Chapter Two deals with the description of Ichalkaranji as a textile centre and gives a historical account of its emergence as a textile center in the Southern-most part of Maharashtra State.

Chapter Three is concerned with an account of the birth and growth of spinning industry of Ichalkaranji, including its future course and prospects.

Chapter Four delves into the working of co-operative spinning mills of Ichalkaranji and examines their performance.

Chapter Five is devoted to the study of the part played by the co-operative spinning mills of Ichalkaranji in regional development.