

STATE CO-OPERATIVE INTERFACE :

**A Study
of
Sugar Co-operatives in Maharashtra**

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STATE - CO-OPERATIVE INTERFACE :
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IN MAHARASHTRA

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Development experience of India has brought forth many long drawn puzzles. One of the important constituents of these happens to be the social structure that emerged in the country over centuries. A constant mismatch of the developmental path with the ground level institutions caused distortions in the impact parameters. All this began with the imposition of ideas during the colonial era which caused perverse impulses and perpetuation of the process thereafter. Mile-stones in our development experience viz : Community Development Programme, Grow More Food Campaign, Area Development Approach, Target Group Specific Approach; amply demonstrated the gap between ex- ante presumptions and ex-post parameters. The programmes are conceived and implemented with an overt assumption that 'the society shall participate' . In the most appropriate words of a vivid social thinker, 'The model (developmental model) is based less on coercing individuals

and groups into new directions of action than on indulging them towards their own growth, albeit within a framework enacted from above. It is based on transcendence of individual self interest by reference to 'reason of state' than on reconciling such self interest with the common good as interpreted by a legitimised elite in an idiom of persuasion'' (Kothari, 1970 : 9). The missing link seems to be the belief that 'participants shall participate' in the framework directed from above.

There were two extreme development philosophies which worked as under-currents in our development programmes. On the one hand, we had sprawling private enterprises spreading their business transactions but mostly confining themselves to industrial sector. These groups wielded significant clout in the political decision making process. On the other hand, there was a commitment to democratic socialism. The political structure representing the weaker sections was comprised of the rural elites and urban 'thinkers'. "The weak elements (smallest peasantry and landless labourers) are also those which cannot exercise any political power and for which none of the usual institutional or organisational devices thrown up by industrial societies could prove appropriate'' (Gadgil 1961 : 4). Therefore, the natural alternative was to induce them to get together and help them draw a blueprint of their own planned development.

Co-operative efforts thus formed the crux of many developmental activities in the country. People with small means of production get together and combine their resources in order to venture a task which is otherwise difficult. Small scale units together will thus overcome the constraints of scale, capital, incidence of risk, distribution of gains, economic and political concentration (Gadgil, 1961, Karve, 1968,). Thus the process of co-operative efforts is germane to the socio-political structure of the country. While concluding Prof. Brij Narain Memorial lecture, Prof. Gadgil said, "I should reiterate my belief that the Indian situation, political and economic requires today a categorical rejection of competitive philosophy and psychology and the assertion of a belief in co-operation. Such an act of assertion followed by the implementation of a programme of concrete logical action is alone likely to lead us out of our present situation". (Gadgil 1961 : 71).

The process of co-operation begins at bringing together the people and providing base to the group, in order to enable them to undertake economic activities. Thus, in a democratic society the role of state enters the picture as the provider of basic confidence needed for establishment. State in the Marxian terminology would mean the representative of economically dominant class, thereby holding down and exploiting them. This action presumes a large group of those who direct the

state policies and at the same time control major share of the means of production. On the background of this, the concept of welfare state is diagonally different. Here the state is treated as a custodian of well-being and provider of welfare services. Under the capitalistic order of society, the state had the responsibility of providing social security achieving greater equity and justice. The role envisaged by this conception is wider and does not totally refute the existence of a shade of Marxist state due to the difficulty in perception of a politically neutral entity. Political economists view state as an admixture of these two conceptions. State has to balance the interests of the dominant political groups and serve the interest of the class comprising of this group. Hence as a ground reality, the state would represent the interests of rich farmers, industrialists, capitalists and bureaucrats. Under these conditions, it is not surprising to come across an increased role of state in the co-operative movement.

The role of state in the co-operative movement begins as a supporter and initiator. In a pure theoretical parlance, when the existing institutional setting does not offer conducive atmosphere to the weak and poor to get together it becomes necessary to derive help from a democratic state. State sponsored co-operation therefore, is quite common across countries and most of the times, initiative is sustained by the state in terms of capital contribution,

laying the institutional frame, technical guidance from able professionals, etc. Therefore, the role of state seems essential in these components. The movement is designed to establish an economic democracy so as to make political democracy more meaningful. But when there is a strong element of state sponsorship in their establishment, the state directives in terms of decision making become inevitable and when such role perpetuates in long run a difference between a democratic co-operative and a state run unit becomes non-discernible. To put it in the words of Prof. V. K. R. V. Rao: "State interference in the working of co-operative societies practically amounts to state control in the form of bureaucracy and politicians, subsidisation and disappearance of mutual aid and self reliance. We get a virtual conversion of the co-operative movement into a Government Department". Following the recommendations of the Chief Ministers' Conference of 1968, the amendments of law by some states gave sweeping powers to ^{the} Governments and Government nominees. "These provisions have led to progressive erosion of the autonomy of co-operatives, an essential concomitant to their democratic character" (GOI, 1987 :6).

Design of the study :

Present study intends to attempt an analysis of the state co-operative interaction in Maharashtra. Our approach here involves six cohesive steps. Firstly, it is necessary to

understand the political process in the region where such relationship is being analysed because it is this process that conditions the role of ^{the} state. Secondly, while viewing the developmental changes of the society where these are unfolding, it becomes necessary to analyse these from the perspective of the political ^{and} economic structure. Co-operative movement being a mass movement, understanding of the socio-political under-currents becomes a pre-requisite of any such exercise. Thirdly, this background has to be utilised while analysing the changing structure of co-operatives in the state. The fourth logical step in the structure of our study is to trace the historical evolution of ^{the} state-co-operative relationship and the travelogue from the first sugar co-operative established in the state (Pravara Co-operative Sugar Factory) to the recently established sugar co-operative (Pushpavati Co-operative Sugar Factory). Fifthly, this is followed by our analysis of the role of ^{the} state as can be observed presently in the co-operative structure of Maharashtra. This is viewed from three different perspectives viz., state as represented by the political power group and the role of this group in the co-operative movement, the role of bureaucrats as representatives of the apolitical neutral state and the changing legal framework which acts as an enforcement of the state policies. Lastly, given all these factors, it is necessary to understand that the role of ^{the} state can not be uniform across

co-operatives and the heterogeneity would be a function of the local socio-political conditions. Therefore, aggregating the assessment of this role over the motley structure of co-operatives would be erroneous. Keeping in view this, we undertook three case studies of sugar co-operatives. These case studies cover three situations viz :

(a) A co-operative body fully supported by the political structure of the state (COP case). (b) A co-operative operated by person from main political party but those who do not belong to the core power group (COG case). (c) A co-operative established and managed by an opposition group which confronts the power group on every occasion (COD case).

Political Process and Emergence of State Power in Maharashtra

By their very nature and emergence, co-operatives are rooted in the political structure of Maharashtra. It is difficult even to perceive the role of co-operatives without understanding both the process of political emergence and the politico-economic structure of the state. The role of this process, can best be described in the words of Rajani Kothari "We are investigating a society where change is neither wholly induced by, nor is it a reflection of, a given balance of forces, Politics in a society like India is at once restricted in its covers. In a variety of ways, political decision making determines priorities on alloca-

tion of resources and goods" (Kothari 1970 : 12). The socio-political structure of Maharashtra^{is} splintered into caste groups. In the early history of the state, Brahmins as social group dominated the political scenario, mostly acting as the agents of ruling class. Marathas were the dominant majority caste and constituted the hub of the village force. The vatandars were the link between the village and regional political units acting more as power brokers. (Lele, 1990). The dominance of political process by minority Brahmins created a strong resentment leading to the enmassing of the dominant caste group. The roots of this uprising can be traced to the agrarian social order where the high caste Marathas were the owners of means of production and Kunbis were the cultivators. Thus the socio-political setup allowed the structure of pluralist democracy in Maharashtra to remain intact (Lele 1990) which can be seen in the changing political process.

One must trace back the emergence of political process in Maharashtra to the days prior to Independence. Maharashtra was one of the volatile regions of the country and the freedom movement had reached even to the remote rural areas of the state. Social reformist movements of various kinds gave a fillip to the politicisation process. Therefore, when the significant role in these movements. Mr. Y. B. Chavan, the first chief Minister of Samyukta Maharashtra had the required support from the rural masses. It was in his

stewardship that the co-operative movement in Maharashtra took a distinct shape and received political patronage. Four major sources of political process emerged viz. (i) Panchayat raj or grass root level institutions. (ii) Co-operatives and their links with political institutions. (iii) State level political process and (iv) state political process directed from the centre. However, among these the co-operatives emerged as the strongest force in directing the political process both because of its forward and in situ linkages.

Thus co-operative structure emerged as an important determinant of the process. District central co-operative banks and co-operative sugar factories were the initial graduation colleges to enter the state political arena.

Green revolution and increased irrigation availability pushed the growth in crop economy which was more confined to Western Maharashtra. Growth of sugarcane was a natural outcome and this induced establishment of more number of co-operative sugar factories. This was just at the time when Mr. Y. B. Chavan shifted to the Central Government and Mr. Vasant Rao Naik took over as Chief Minister of Maharashtra. Mr. Naik did not belong to the proverbial 'sugar lobby' but then he was not an antagonist. As a sober and experienced politician, he allowed a steady growth in the co-operative structure mainly favouring sugar co-operatives. At the same time Mr. Vasantdada Patil, an able organiser and a leader, emerged

out of masses. He was the president of Maharashtra Pradesh Congress. He belonged to Sangli district but virtually had a strong control over the political force of Western Maharashtra. He represented as the leader of suger co-operatives from Western Maharashtra, a strong-hold of congress.

After Mr. Vasant Rao Naik, Mr. Shankarrao Chavan became the Chief Minister of Maharashtra which was much against the wishes of the 'Sugar Lobby'. He did not rise through the usual process of these three institutions, but his appointment came as a political move. Thus the fourth force became operational. It was at this time that the fourth force in the political process of Maharashtra entered and that the choice of leader was decided at the All India Congress Committee. The simmering discontent found a vent immediately after emergency and the monolithic Maharashtra Congress (especially the 'sugar lobby') was split into two strong groups. An interesting decade in the political process of Maharashtra began in 1978. Many a hypotheses were under cloud because it was during this phase that many stalwarts from 'Sugar Lobby' lost elections and at the same time some of them won these elections even by staying out of the Congress party. The role of sugar co-operatives in the entire process was extremely interesting because even these violent changes in the process had not affected the growth of the co-operatives except some of the sick suger co-operatives which were more affected because of these unstable local

conditions.

It is again in the recent past that the political process is back in the arena of sugar co-operatives. One of the strong proxy indicator of the change is the recent sanction by Government of India for establishing about 36 co-operative sugar factories all over the State. One of these newly sanctioned factories also happens to be promoted by a brother of the present Chief Minister.

From the above discussion, it is quite clear that the political process in Maharashtra is conditioned by the very existence and operations of the co-operative sector more specifically the sugar co-operatives. It is not only the member power and grass root connections that matter in the process but also the influence wielded by a co-operative leader in terms of socio-economic forces that lead to the strengthening of political structure emanating out of these. Therefore, in the case of Maharashtra State, power could be closely identified with the political process which is a direct derivation of co-operative movement. As can be seen from above, there were three phases in the political process of the state spanning over the three decades (1960-1990) and curiously comprising of a decade each. The first phase was of a strong leadership with co-operative structure in the background. The second phase represents the influence exerted by the sector, though the leadership was not entirely in

favour of the sector. Third phase is characterised by a return of the first phase and emergence of a strong co-operative lobby.

Changing Structure and Role of Co-operatives

The roots of India's co-operative movement can be traced back to the report of Sir Fredrick Nicholson. In 1893, the then Government of Madras sent Sir Nicholson to study the system of institutional credit in Europe. He came to the conclusion that 'Raiffeisen type of rural society based on compact units and joint responsibility has most relevance to Indian context', (ICA, 1971, P 65). Simultaneously on the background of peasants' upsurge of 1875 against the money lenders, the Deccan Riots Commission recommended provision of credit through Agriculturists Loan Act of 1884 and Land Improvement Loan Act of 1888.

Since these proved inadequate, ^{the} Government of India recommended establishment of agricultural credit co-operative society passed by the acts of 1904 and 1915*. The acts thus initiated Government sponsorship and administration of co-operative movement. Nicholson's report expressed that a direct subvention by the state would not only be a source of immediate strength to the banks but such public sponsorship would also indicate Government recognition of the banks. In those days, state sponsorship was most welcome, especially in the sectors like banking, where money-lenders were abun-

(12)

* The act of 1915 was introduced to include other types of co-operative societies.

dant, but such step did not help farmers build on their own strength.

A special committee of International Co-operative Alliance whose report was presented before the Co-operative Congress, 1937, discussed at length the co-operative principles. The recommendations were more on the basis of Rochadale principles where open membership and democratic management were the first two items. The Paris Congress of 1937 was followed by second world war^{which} arrested the progress of co-operative movement in many countries including India. In 1964, the central committee of ICA set up a commission to ascertain how far the principles of Rochadale as recommended in 1937 were followed in different countries. In the meanwhile the Rural Credit Survey Committee recommended state sponsored co-operative institutions in the country. After independence the first five year plan recognised co-operatives "As an instrument of democratic planning combining initiative, mutual benefit as social purpose -----" and that "----- in their formative stage they should be ungrudgingly helped by the State to utilise opportunities offered to them and enable to consolidate their strength" (GOI, 1951)

Maharashtra is one of the pioneering state in co-operative movement in the country. When co-operation was transferred as state subject, Bombay state was the first to have its independent law on co-operative societies. The canal irrigation system in the Deccan Plateau induced the local inno-

vative peasant community (especially Mali community) to take up crop like sugarcane. Malis who had the commercial accumen and market aptitude succeeded in developing the sugarcane economy. As an important outcome of this activity, the Saswad Mali Sugar Factory was established in 1934 and it proved to be the initial successful suger production unit run by farmers (Kane, 1959). Malis with their expertise in handling business could properly handle the capital investment, modern equipment, management of crops and the entire production process (Attwood, 1985). The success of the first sugar factory induced the Maratha landowners to think on similar lines and thus the first co-operative sugar factory ^{was} started at Loni in Ahmednagar district. The growers organised themselves into co-operatives and the Government lent them most of the capital wanted (Attwood, 1979 b).

The new impetus came after the publication of the Rural Credit Survey Committee Report. The State of Maharashtra recorded a steady progress in the development of co-operative societies ^{after independence.} Out of the total 3.388 lakh co-operative societies in the country about 27 percent are located in the State of Maharashtra (Table 1). Three peculiarities of the co-operative structure of Maharashtra can be noted. First ly, the societies in Maharashtra have lower member density with 249 members per society as against 462 members at the country level. Secondly, paid up capital as well as working capital per society is lower in Maharashtra as compared to

all India average indicating relatively lower capital density. Thirdly, both the working capital and paid up capital per member is much higher. These observations indicate larger money power in the hands of less number of people. The dominance of sugar factories in the structure of co-operatives in Maharashtra is quite clear and needs no emphasis.

TABLE : 1.

**COMPARATIVE POSITION OF CO-OPERATIVE
SOCIETIES IN MAHARASHTRA
1989 - 90.**

Indicator	Maharashtra	%	India
1. No. of Societies.	92507	27.3	338800
2. Membership in Thousands.	23000	14.7	1,56,657
3. Paid up Capital (^{Rs in} Lakhs).	1,37,725	26.3	5,24,238
4. Working Capital (^{Rs in} Lakhs).	16,70,970	26.9	62,14,453
5. Average Number of Members Per Society.	249	---	462
6. Paid up Capital (^{Rs in} Per Society (Lakhs)).	1.49	---	1.55
7. Paid up Capital Per Member (Rs.).	599	---	335
8. Working Capital (^{Rs in} Per Society (Lakhs)).	18.06	---	18.34
9. Working Capital Per Member. (Rs.).	7,265	---	3,967

Source : 'Co-operative Movement at a Glance in Maharashtra'
Office of the Commissioner of co-operation and Registrar of
Co-operative Societies, Maharashtra State, Pune 1991.

TABLE NO. 2

PROGRESS OF CO-OPERATIVE MOVEMENT IN MAHARASHTRA.

	1961	1971	1981	1990
No. of Co-operative Societies.	31,565	42,603	60,747	98,181
Membership (In lakhs).	42	86	148	255
Paid up Capital (Rs. in Crores).	53	238	600	1,669
Of which Govt. (Rs. in Crores).	8	39	105	331
Owned Funds (Rs. in Crores).	73	345	1,207	3,547
Deposits (Rs. in Crores).	76	315	1,939	9,787
Working capital (Rs. in Crores).	326	1,490	5,210	21,534

Source : 'Co-operative Movement at a Glance in Maharashtra' Office of the Commissioner of co-operation and Registrar of Co-operative Societies, Maharashtra State, Pune 1991.

The co-operative structure of Maharashtra covers three major areas namely Sugar Co-operatives, Dairy societies and Co-operative Credit Societies (PACs). If we look at the changing structure of co-operatives in the state, four broad changes are visible. Firstly, the increase in the number of co-operative societies and membership is quite substantial and that the member density per society is steadily increasing. A substantial increase in number of the members per co-operative society can be seen during the last decade 1981-91. Secondly, the most interesting part of table 2 is the substantial increase in capital flow in co-operative sector over the three decades. A substantial increase can be noted in working capital. Deposits have increased by 128 times of 1961 level, followed by working capital, owned funds, paid up capital from ^{the} Government and total paid up capital. One can easily mark that the density of capital has increased many fold during these three decades. Among the three major components of the co-operative structure, sugar co-operatives are the single largest contributor to the increase in capital stock. Third important observation that can be made from table 3, is that the increase in the membership and factories is not substantial in this sector as compared to dairy co-operative or credit societies but the capital density is much larger and therefore, higher money power is concentrated in the hands of lesser number of people. Lastly, the capital flow in sugar co-operatives is about 18 times

of an average dairy co-operative or double^{that} of the credit co-operatives.

Keeping in view the capital intensive structure of the sugar co-operatives, the density of capital is not surprising but is rather an indicator of the level of transactions and therefore, the political prominence of these.

Last thirty years' scenario of co-operative movement in Maharashtra indicates three broad phases in the development and structure. The first phase covers the period of first decade i.e., from 1961 - 68. This phase begins with the formation of the re-organised state of Maharashtra and the beginning of 'demand politics' phase (Rudolph and Rudolph, 1986), in Maharashtra. This phase was characterised by the growth of co-operatives in an extremely regionally concentrated manner. Moreover, the growth was also unidirectional and only sugar co-operatives increased at a fast rate. During this phase, the private factories were rather discouraged and their number started shrinking. The second phase began with the change in political base in Maharashtra and marginal reduction in the hold of the sugar lobby. This phase began during 1969-70 and can be traced upto 1980-81. However, the political phase was initially stable and it saw a good spread of factories over the regions. More than a dozen sugar factories were allowed in the non-traditional regions. This phase, can be recognized as the phase with

'demand politics', characterised by short term goals, and competitive processes. The fourth political force was strongly emerging during these years. By the middle of the phase, the hold of the central political force disappeared and again the power was back in the hands of sugar lobby. There were also intermittent difficulties in the otherwise smooth political regime of Maharashtra, but these disturbances did not affect the movement of the co-operative sector. Major landmark of this phase was a rapid increase in the number of sugar units as well as the density of money power in the sugar lobby. The entire game was supported by the fluctuating sugar prices and the sugar policy. The third phase which began in 1980-81 and can be traced up to today is characterised by diversification of power base in the hitherto monolithic sugar lobby. The differences arose not only out of the economic reasons (because of the dominance of countable number of families) but it was also a reflection of the national political scene. The political discontent of mid seventies reached the sugar politics with a considerable lag. As regards the structure of co-operative movement, one can visualise large diversification in terms of products and regional spread during this phase. The role of state became more prominent as compared to the earlier phases and it did not remain only statutory but transcended into the decision environs of factory management. The factionalism also caused a great concern about the sick

sugar factories and the reasons though economic, on the face of enquiry, had deep roots in the changing political systems.

Given the changing structure of co-operatives in the state quiet a few issues remain unanswered. Firstly, it is necessary to inter-connect the role of state with this changing structure. For this, it is essential to understand the concept in its full view and the operational definition. Secondly, the economic, political and legal aspects of the role of state in co-operative structure would give a better idea in understanding the causes of changing structure. Finally, in the changing economic scenario one can understand the role of co-operatives, especially when the public sector is being disinvested.

Table No. 3 : A Comparison between three important types of co-operatives in Maharashtra with respect to the important variables.

Items	Co-operative Sugar Factories				Dairy Unions Societies				Co-operative Credit Societies (PACs)			
	1961	1971	1981	1990	1961	1971	1981	1990	1961	1971	1981	1990
No. Registered	20	69	78	124	450	2,067	7,909	13,399	18,998	20,014	18,389	18,493
Membership (oo)	370	1,881	4,376	8,431	175	1,359	7,191	12,103	1,827	3,136	5,391	7,793
Paid-up-capital (Rs. in lakhs)	658	3,116	9,443	27,078	10	117	679	1,338	1,212	5,231	10,691	28,624
of which Govt. (Rs. in lakhs)	210	887	4,513	14,288	NA	10	44	156	90	142	238	1,047
Working Capital (Rs. in lakhs)	4,260	19,106	66,843	2,23,330	36	659	4,095	18,903	5,668	20,984	52,695	1,83,748

Source : 'Co-operative Movement at a Glance in Maharashtra 1991.'
(Office of the Commissioner for co-operation and Registrar of co-operative societies, Pune.)

Note : 1. PACs indicate primary agricultural credit societies.
2. Figures of sugar co-operatives for the year 1990 are the combined figures for the years 1989, 1990

Table No.4: Regional Spread of Co-operatives in 1983 and 1990

	A		B		C	
	1983	1990	1983	1990	1983	1990
1. Bhandara	--	1	147	244	687	673
2. Chandrapur	--	--	110	315	534	515
3. Gadchiroli	--	--	17	71	171	139
4. Nasik	6	6	377	494	804	762
5. Pune	6	8	353	1235	810	892
6. Satara	8	8	611	992	756	800
7. Kolhapur	11	13	820	1242	840	950
8. Dhule	4	5	822	925	599	542
9. Ahamednagar	13	15	393	856	1053	1052
10. Sangli	7	8	417	620	518	514
11. Solapur	7	12	407	632	853	857
12. Jalgaon	3	5	983	1115	856	859
13. Aurangabad	5	6	313	403	679	688
14. Jalna	1	2	93	121	572	572
15. Parbhani	3	3	134	255	883	888
16. Beed	4	5	375	612	755	709
17. Osmanabad	1	5	294	456	446	450
18. Latur	1	3	313	487	522	568
19. Buldhana	1	2	259	329	572	573
20. Akola	--	2	191	152	836	834
21. Amaravati	--	3	232	176	665	649
22. Nanded	2	3	265	561	959	949
23. Yavatmal	1	3	312	276	542	503
24. Wardha	--	2	197	269	403	400
25. Nagpur	--	3	118	223	598	538
26. Bombay	--	--	31	--	9	6
27. Thane	--	--	142	169	355	288
28. Raigad	--	--	126	149	500	478
29. Ratnagiri	1	1	91	136	357	373
30. Sindhudurg	--	--	30	64	219	225

Source : Co-operative Movement at a glance in Maharashtra (office of the Commissioner for co-operation and the Registrar of co-operative societies Pune)

Notes : A stands for sugar co-operatives B for dairy unions and societies and C for primary agricultural credit societies.

Table No. 5 : Regional Spread of Sugar Co-operatives : Yearwise
list of Registered factories

	Western Maharashtra						Eastern Maharashtra					Marathwada						Vidharbha				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
1948-49						*																
52-53						*																
54-55			*	*		***																
55-56	***		*	*			*															
56-57	*	*																				
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84-85																		*				*
87-88		*							*										*			
88-89					*			*	*			*			*	*	*	*	*	*	*	**

Source : Directorate of Sugar, Pune

Notes : 1. Kolhapur 2. Sangli 3. Satara 4. Pune 5. Solapur 6. Ahamednagar 7. Nasik 8. Dhule 9. Jalgaon 10. Aurangabad
11. Jalna 12. Beed 13. Parbhani 14. Wanded 15. Osmanabad 16. Latur 17. Buldhana 18. Akola 19. Amarevati 20. Wardha
21. Nagpur 22. Bhandara.

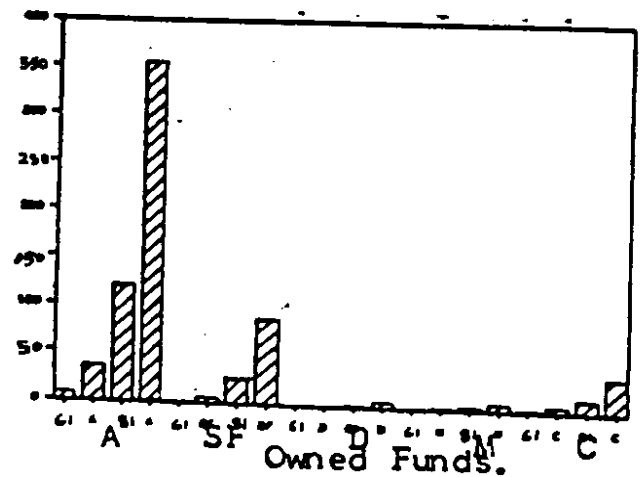
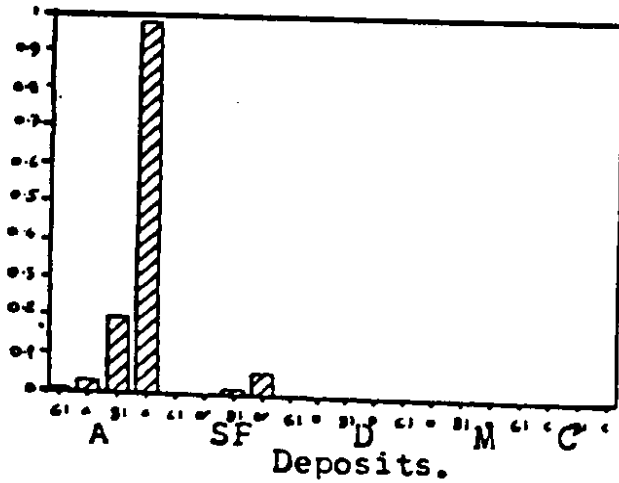
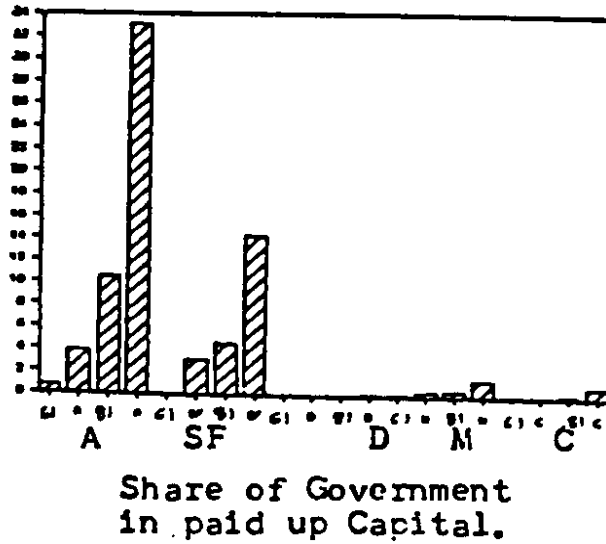
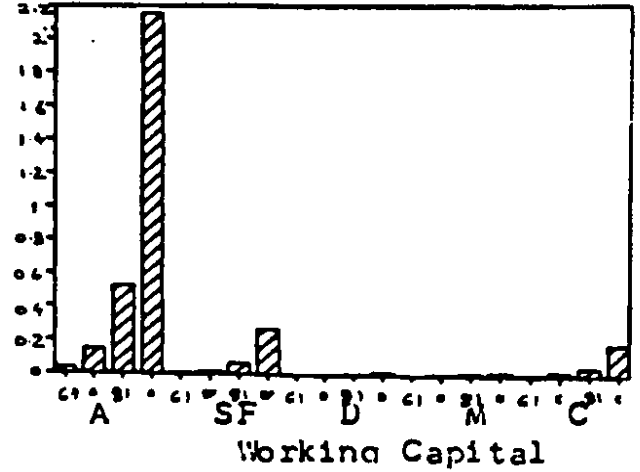
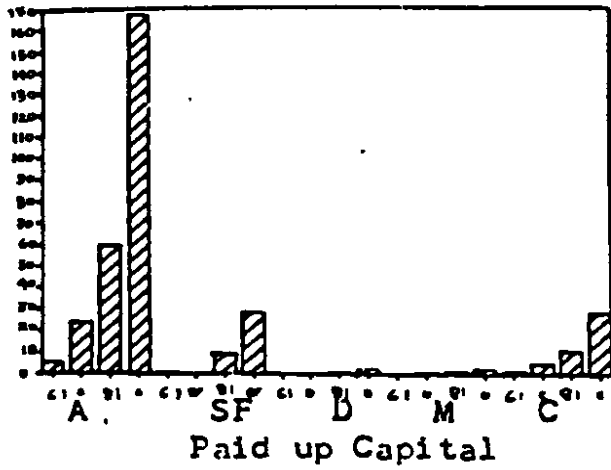
Table No. 5 : Regional Spread of Sugar Co-operatives : Yearwise
list of Registered factories

	Western Maharashtra						Eastern Maharashtra					Marathwada						Vidharbba				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
1948-49						*																
52-53						*																
54-55			*	*		***																
55-56	***		*	*			*															
56-57	*	*																				
59-60	*			*	*																	
60-61						*	*															
65-66						*		*						*	*							
66-67		*		*		*																
67-68					*					*												
68-69	*	*	*		*											*						
69-70	*		*					*		**		*	**				*					
70-71	*		*		*	****	*	*	*	*												
71-72	*																					
72-73							*		*													
74-75									*			**										
75-76													*	*								
76-77	*			*																		
80-81		*	*					*														
81-82		****		*		*					*	*			*							
83-84	*			*							*			*	*	*			*	*	*	
84-85																		*				*
87-88		*							*										*			
88-89					*			*	*			*			*	*	*	*	*	*	**	

Source : Directorate of Sugar, Pune

Notes : 1. Kolhapur 2. Sangli 3. Satara 4. Pune 5. Solapur 6. Ahamednagar 7. Nasik 8. Dhule 9. Jalgaon 10. Aurangabad
11. Jalna 12. Beed 13. Parbhani 14. Nanded 15. Osmanabad 16. Latur 17. Buldhana 18. Akola 19. Amarevati 20. Wardha
21. Nagpur 22. Bhandara.

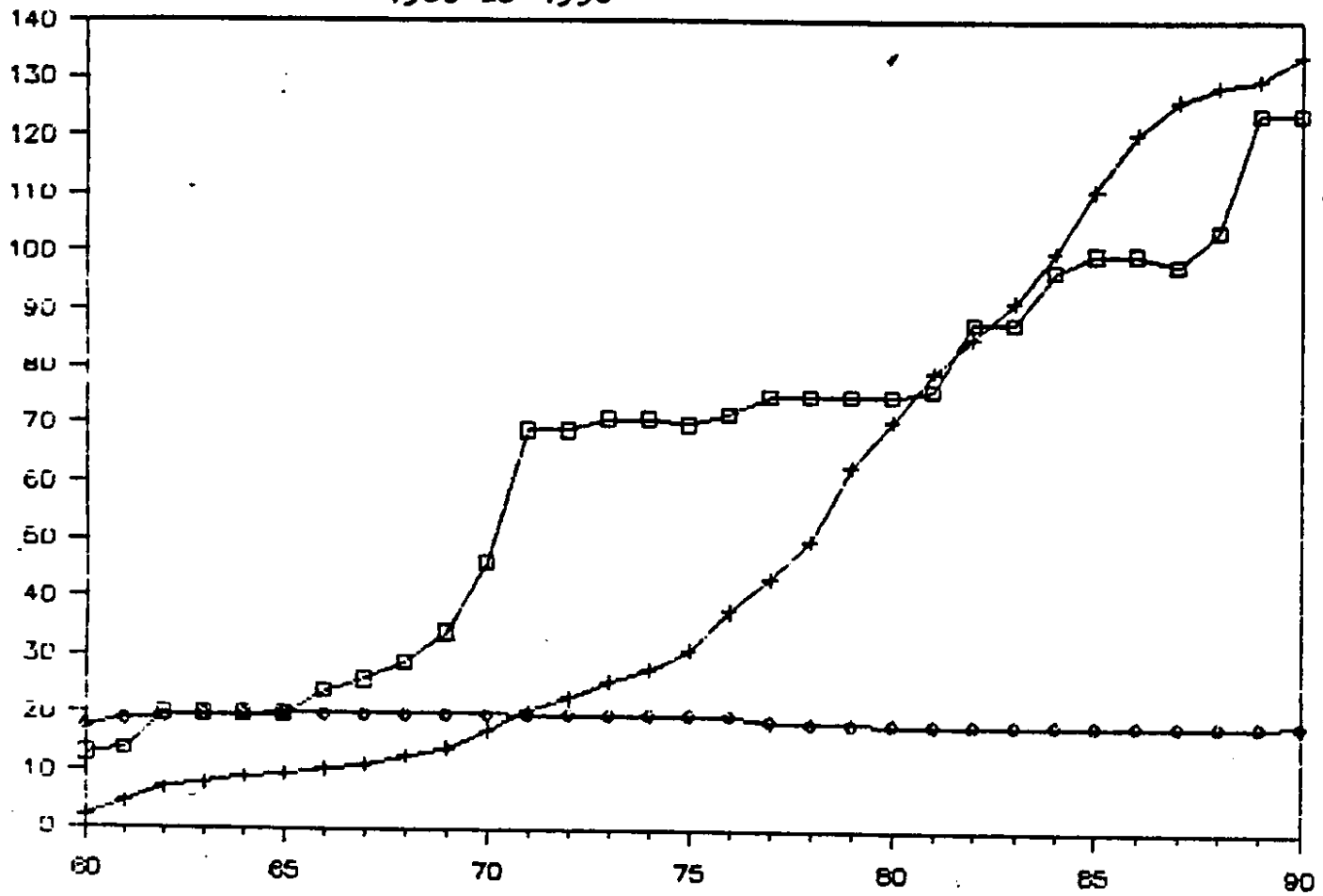
FIGURE NO. 1: A COMPARISON BETWEEN DIFFERENT TYPES OF COOPERATIVE SOCIETIES WITH RESPECT TO IMPORTANT INDICATORS (1961-1991).



A= All Cooperative Societies.
 D= Dairy Unions and Societies.
 C= Primary Agricultural Credit Societies.

SF = Sugar Cooperatives.
 M = Marketing Societies.

FIGURE NO. 2 : CHANGING COMPOSITION OF CO-OPERATIVES OVER 1960 TO 1990

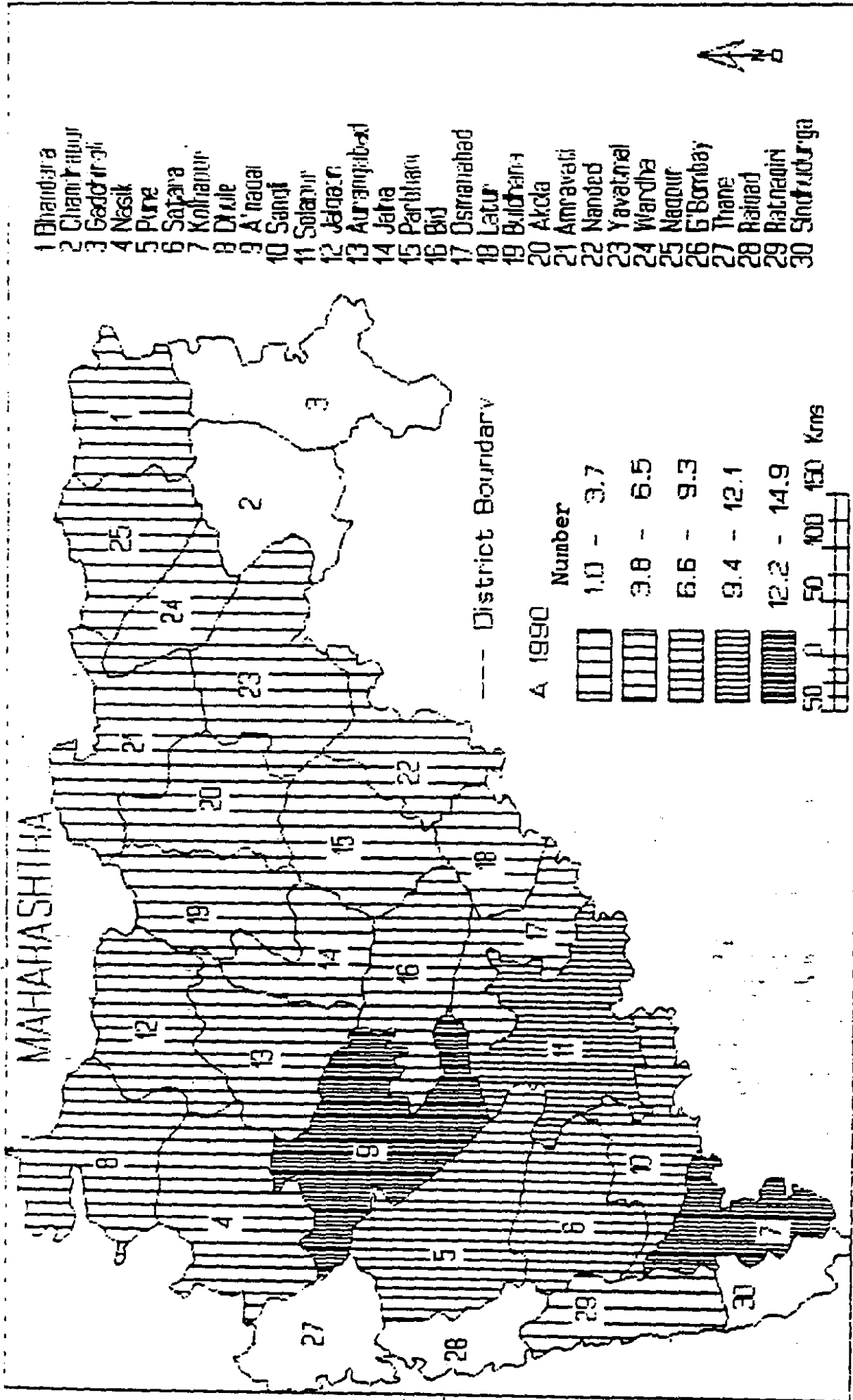


Source : Data collected from 'Co-operative Movement at a Glance in Maharashtra' (Office of the Commissioner for Co-operation and Registrar of Co-operative Societies, Pune).

Note : No. of Sugar Factories; □,
 No. of Dairy Unions and Societies in '00 ; x,
 No. of Primary Agricultural Credit Societies in '000; Δ

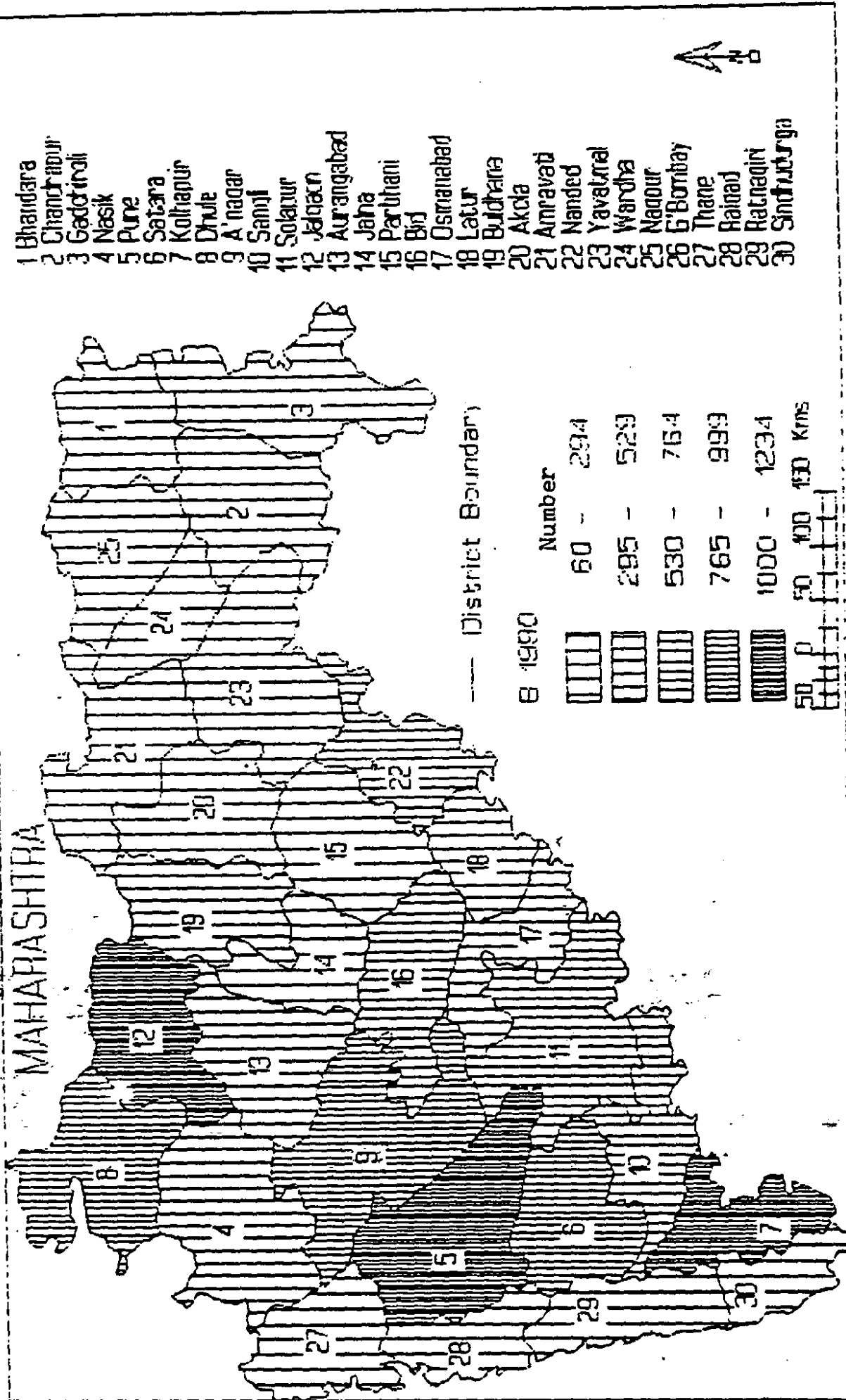
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MAP NO.1 : REGIONAL SPREAD OF CO-OPERATIVE SUGAR FACTORIES : 1990



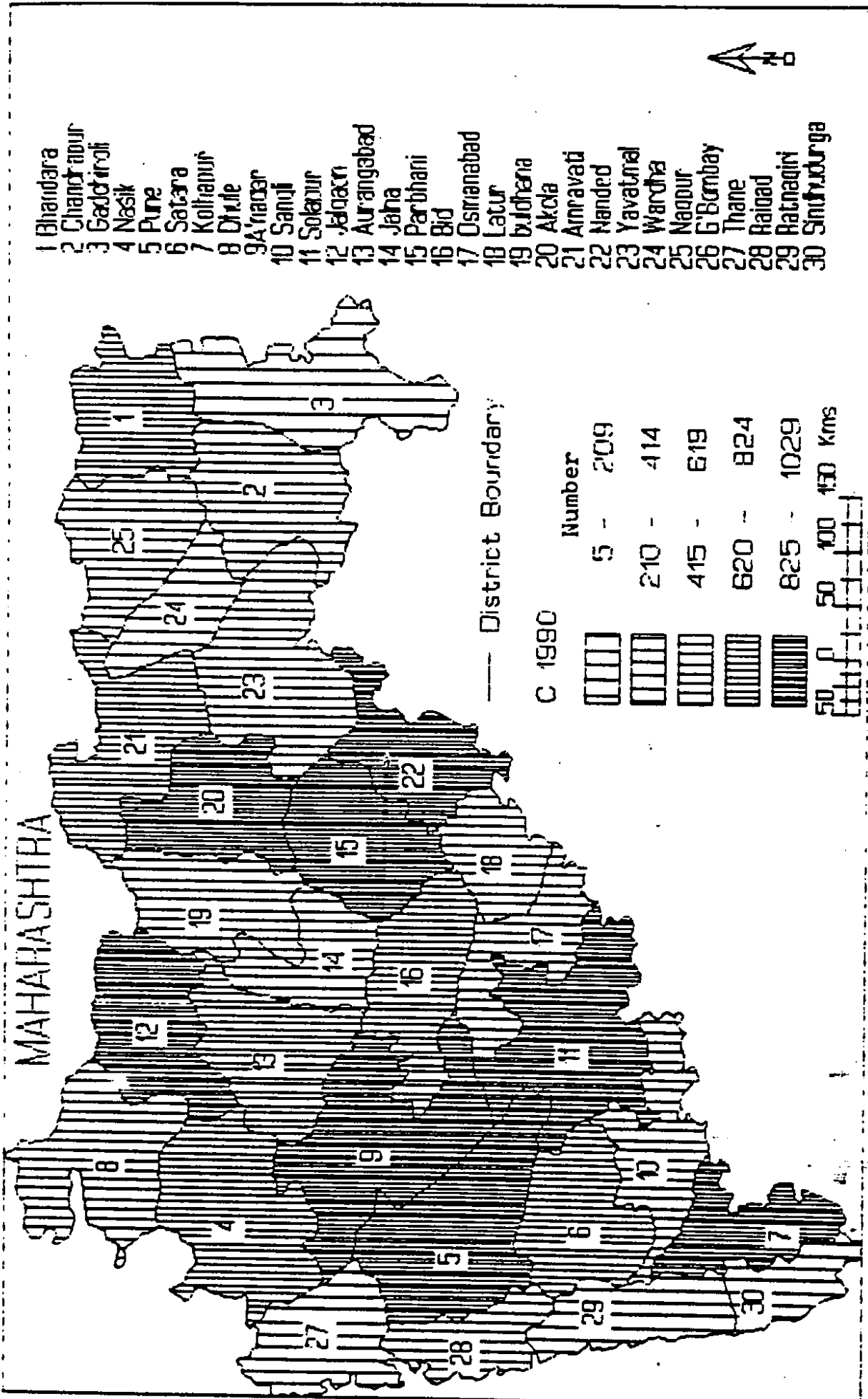
Source : Data collected from 'Co-operative Movement at a Glance in Maharashtra', (Office of the Commissioner for Co-operation and Registrar of Co-operative Societies, Pune).

MAP NO.2 : REGIONAL SPREAD OF CO-OPERATIVE DAIRY UNIONS AND SOCIETIES ; 1990



Source : Data collected from 'Co-operative Movement at a Glance in Maharashtra' (Office of the Commissioner for Co-operation and Registrar of Co-operative Societies, Pune).

MAP NO. 3 : REGIONAL SPREAD OF PRIMARY AGRICULTURAL CREDIT SOCIETIES : 1990



Source : Data collected from 'Co-operative Movement at a Glance in Maharashtra' (Office of the Commissioner for Co-operation and Registrar of Co-operative Societies, Pune).

From Pravara to Pushpavati :

A Travelogue with State - Co-operative Interface

Pravaranagar sugar factory is the first co-operative sugar factory started in Maharashtra. The socio-political scenario of the state has undergone many fold changes since then and sugar industry has become the principle axis of rural politico-economic structure. It is aptly quoted by Baviskar that 'one cannot understand the politico-economic structure of Maharashtra without understanding the role of sugar factories and vice-versa' (Baviskar, 1985). Thus the issue of state co-operative interface in Maharashtra does not remain confined to technical relations alone but penetrates in the structural aspects of both. Here the number of interests and interest groups grow around the basic structure of sugar production. Therefore, the conventional understanding of State either as welfare state or in Marxist paradigms does not fit clearly in the framework. In this section we intend to trace the state co-operative inter relationship as it started from the first sugar factory established at Pravaranagar to Pushpavati sugar factory, which is under construction in Yeotmal district near the home town of the present Chief Minister of Maharashtra (Pravara and Pushpavati are the two rivers in the two regions of Maharashtra which are developmentally different from each other). In this section we shall first try to understand the role of state as perceived in the philosophy of co-operatives follow-

ed by a disscussion of the concept of State. The state co-operatives interface at the time of establishment of Pravaranagar Sugar Factory would be discussed and followed by an analysis of the changing political, economic and legal framework. The last part of the section deals with Pushpavati Sugar Factory in the same perspective.

The very nature of co-operative structure is built on the principle of self help. Nicholson's recommendation of Raiffeisen type of rural society based on compact units and joint responsibility was recommended keeping in view the structure of co-operative credit society. He recommended in the most cautious words that it may be advisable, possibly necessary, for the Government at first to assist the nascent banks either by subvention or by guarantee (ICA, 1971, P. 65). It was further added that in the conditions of India a direct subvention by the State would mark Government recognition of credit operations. A similar view was held by the Rural Credit Survey Committee. The role of Government here and after these can be easily summarised in the resolution passed at the FAO technical meeting on co-operatives in Asia and the Far Eastern Countries way back in 1949. The resolution states "The role of Government in relation to co-operative societies should be one of the active usefulness intended to stimulate co-operative enterprise, to guide it and to keep it on sound lines without either attempting to compel or to replace local initiative and self help" (ICA,

1971, p. 73). The committee set up by International Co-operative Alliance under the chairmanship of Prof. D. G. Karve examined the principles of co-operation. The tone and tenor of the argument was that the co-operatives should be independent entities and the dependence on state must be minimum (Karve, 1968). It is interesting to quote Dr. Karve -

''There is, however, a feeling that we are not doing enough. Especially in the matter of dropping the crutches of Government assistance and securing support from all our country men on the basis of convincing performance, co-operatives as a class do not seem to be doing enough'' (Karve, 1968, P. 32). One must, however, recognise that the views regarding state-co-operative interaction changed over time even in the academic circle. Initially the role perceived for the state was that of initiator and provider. Prof Gadgil visualised a positive role of the state and to that extent of assigning a responsibility to the state of impregnating co-operative values in the spheres of economy, in which actual co-operative organisations may not come up (Gadgil, 1964, P. 62). He also notes elsewhere that the Government participation by way of subscribing to the share capital should not be confused as domination, but adds - ''Currently, the greatest obstacle in the way of progress of co-operatives in India is the situation in relation to direction of co-operative policy at the centre. This is high handed and perverse and is at the same time weak and vacillating. The most impo-

rtant feature of the situation is that co-operative policy is no longer made in the co-operative way'' (Gadgil, 1961 P. 43). These early views express a caution about the role of the state but at the same time it is not expected to be nil. Actually any discussion about the role of state in co-operative sector would be a function of structural parameters. The basic actor here , would mainly be the strength of co-operative spirit, the internal cohesive nature of the society in question and the perception of the concept of state.

Analysis of the concept of state has been a forte of political sociologist and the literature is abundantly rich in the area. There are quite a few methodical reviews available (See Jessop (1990), King (1986)) and hence we address here only to the specific issues pertaining to our analysis of state co-operative interface. From Marx's initial writing, one tends to equate state with a committee for managing the common affairs of the dominant proprietary class in society. In the latter analysis it is argued that bourgeoisie voluntarily abdicate from power because they perceive it that the interest can be served also by remaining out of it. (Elson ,1984). Further, the concept of ^{state as the} executor of national interest, provider of class realignment and ^{performer of} as a protective developmental functions in the agrarian society were the central themes of development of state theory. Durkheim's autonomous bureaucracy assumes somewhat similar functions.

The democratic pluralism did not enter the definitions at least as an explicit component till then, though it is assumed to be one in the background like the Gramscian analysis of state power or the exchange of capital dictatorship to that of state power assumed by Weber. In Indian context the definition of state becomes difficult on the one hand due to the dominant overdeveloped state^{power} inherited from the colonial rulers and, on the other hand, by the super-imposition of socialistic democracy on this. The state policy thus had a testing time for over years because it could neither be called as favouring the dominant classes and at the same time rural elites with aura of the participation in independence movement could not be ignored (Bardhan, 1984).

Jessop's first review stressed the complex and conflicting character of the state (Jessop, 1990). The platform of strategic selectivity gives almost undue flexibility while allowing for the balance between forces and strategies (King, 1986). In Indian federal character, the group behaviour as well as the interactions change over time and space. - One can superimpose the corporatist definition and characters with suitable amendments to define an Indian state. The emergence of corporatist idea can be traced back to Standestat with state, employers and trade unions as an essential tripartite. (King, 1986, P. 115). Viewed in the perspective of the political process developed on the background of sugar co-operatives in Maharashtra, one can

easily note the dominant political group interests organising together to control the state power. The state is thus based on the associated interest groups and this can aptly be described as: 'Corporatist analysis therefore underlines the importance of relationship between the state and those groups corresponding to social organisation of economic production and distribution. These relationships are characterised by exchange : the leaders of these groups help construct and even implement state policy, and in return are expected to successfully secure agreement from members for state policy and if necessary overcome internal dissent' (King, 1986, P. 120).

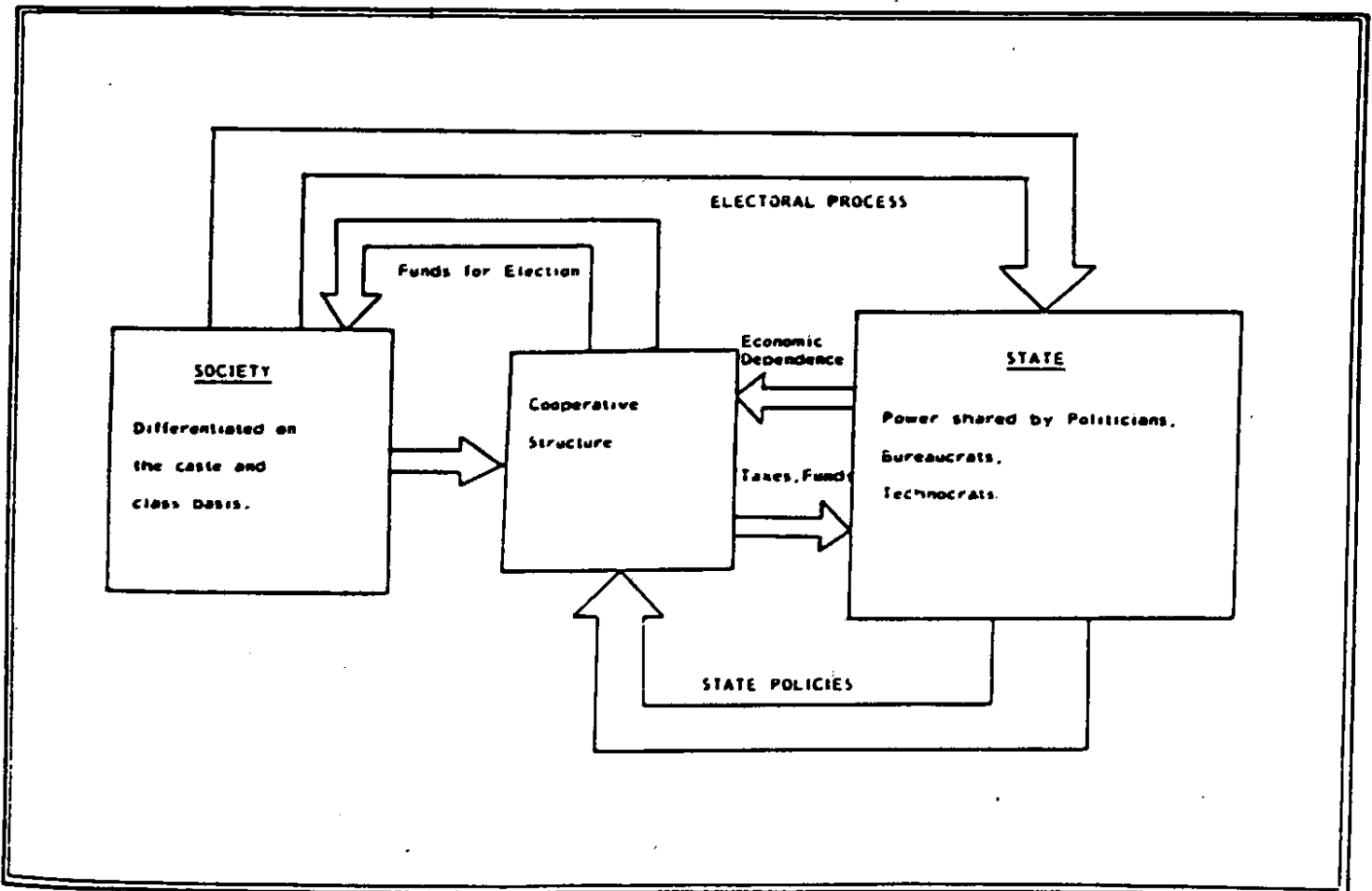
Keeping in view the corporatist definition we may positively view the co-operative structure in the state as an economic institution which created not only a sectoral development but also higher politicisation. One can also pose this aspect as a positive step towards higher democratisation and larger participation in decision process. The co-operatives thus hold a promise to strengthen the democracy on one hand and reduction of the irrational bureaucracy on the other. Further, if properly interfaced it can also help the state in effective formulation and implementation of national economic and social policies alongwith democratic socialism.

The other side of the argumnet, however, is not very

attractive. The voluntarism in the co-operative movement has to be interpreted as state sponsored movement. The co-operative movements are mostly the state (not in the bureaucratic form but in terms of political power which assumes bureaucracy as subservient) sponsored and therefore, conform only to the definition of state run voluntarism. Thus, the symbiotic relationship between the state and the co-operative movement rather suppressed a natural outcome. It is even referred to as 'sarkari' (Government) movement rather than 'sahakari' (co-operative) movement (G. K. Sharma, 1989). But this change has taken place over years and has been caused by several intriguing factors. However, the present day state power, co-operative structure and the rural elites can be intertwined in a simple diagrammatic form.

FIGURE 3

FIGURE 3 : STATE-COOPERATIVES & SOCIETY : AN INTERACTIVE DIAGRAM



A quite simplified three stage relationship can be noted in the diagram. First of all, the society is differentiated on the basis of castes and classes and ^{this} gives rise to co-operatives. It is quite plausible that the co-operatives may be a reflection of the society (in its formation), and possibly a state sponsorship ^{because} of the weak economic structure. Secondly, once the co-operative structure supported by state continues to depend on the state in the role of the policy maker, the co-operatives become dependent structure and lose their voluntary characteristic. At this stage, the economic dependence between ^{the} state and co-operatives is not the major link, but - it is strengthened by the state policies. At this juncture the crucial link is a mirror reflection of the co-operative structure in the state decision making body. The tripartite decision process thus gets dominated by the tied interest within groups and as between the state and co-operatives. No doubt, in the process, a strong state power base emerges which is rooted in the very fibre of the society. But the link is a circular one and it perpetuates strengthening of mutual interest. Therefore, the 'co-operative barons' is not an artificial outcome but a legitimate heir of the process.

Pravara : The Initial Experiment : The first sugar factory in Maharashtra was Saswad Mali Sugar Factory, which started with the initiative of farmers (of Mali (Gardner) community) but can not be termed as co-operative effort in any sense of the word. It was mainly the culture of growing sugarcane and producing sugar, instead of 'gur', that was initiated and, in fact, it was noted that the irrigation water of the Deccan canal system was quite underutilised. The ^{on water utilisation} committee which examined the question of water utilisation in the canal system decided to invite sugar factories to establish in the area. Initial steps towards establishment of sugar factory began in a conference of irrigators in the region which adopted a resolution to that effect (Gadgil, 1952). But before this, the state had the co-operative banking structure operating in the region with Bombay Provincial Co-operative Bank as an apex body. The first step towards establishment of the co-operative sugar factory began with the initiative of Late Shri Vitthalrao Vikhe Patil. Born in the family of a small farmer, he visualised the potential of coming together and establishing a co-operative effort in sugar production. Thus, the experiment is rightly described as 'Peasant Owned Sugar Factory in Bombay State' (Gadgil, 1952).

The initial task of starting a producers' co-operative was described as extremely difficult by the first Managing

Director of the factory. The attitude of the State was more cautious than outright supporting. Majority of the members of the factory were small and marginal farmers, with a small proportion holding lands above 20 acres. The average size of holding of members was only 1.6 acres. (Joshi and Singh, 1989). Thus, the experiment truly represents the peasant community of the region. Actual steps towards establishment of the factory began in 1947 when the scheme was discussed with the Bombay Provincial Co-operative Bank and initial capital of Rs. 2 lakhs was collected by the end of 1949. The society was registered and the two crucial appointments of Managing Director and Chief Engineer were made. (A retired Chief Engineer was appointed as the Managing Director for the first two years followed by an ex-army officer, both had^{of whom} accepted the job more as honorary work than for salary.)

Initially contemplated scheme was with the initial capital of Rs. 25 lakhs but the devaluation and cost of machinery caused an increase in the initially determined capital outlay by 50 percent. The contribution from the members in the form of share capital could reach only Rs. 5 lakhs out of Rs. 6 lakhs. At this juncture, it may be stated that there was a stipulated upper limit on holding of shares which was fixed by the State Government at Rs. 10,000/-. With persuasion it was raised to Rs. 15,000/- but hardly a few members could afford that. This financial bottleneck brought in the role of^{the} Government to subscribe to the

share capital. Prof. Gadgil records this as - "A representation was made to the Government of Bombay, dwelling on the unique character of the experiment, its vast size in relation to the resources of the cultivators and the great potential benefits of its successful operation to the co-operative movement in all directions of farming. It was a lucky circumstance for the society that the Finance Minister, who also held the portfolio of co-operation, was the leading and veteran co-operator Shri V. L. Mehta" (Gadgil, 1952, P. 206). The Government agreed within a few months heralding the first step in the long march of state role in the co-operative sugar factories. However, it was not an easy walk for the Pravaranagar Sugar Factory with ^{the} State Government and Financial Institutions in the days of foundation. First of all it took a long time for registration and securing the finances. Industrial Finance corporation advanced the loan after securing mortgage of the members' land. Further, the price of sugarcane was to be fixed by the board of management and the board had nominees of the Registrar ^{of co-operatives,} Provincial Bank, Industrial Finance Corporation and the Government. Thus began the role of ^{the} state in the co-operative sector and strengthened over years through various policy measures, the most crucial of which was the co-operative policy environment.

Co-operatives, Politics and State : Initially, co-operatives started more as an agglomeration of the weaker classes to get entry into the larger production process. Sugar co-operatives' entry into the political arena was more because of the day-to-day inter-relationship with the state power represented by bureaucrats. The generated rural income flow (which did not have investment avenues in other sectors) and the social composition of the co-operative movement. We may recall here that the caste as well as class composition of Maharashtra had a unimodal type of distribution with least number of dominating fractions at the time when co-operative politics was rooted in it. Co-operatives' interface with the state power represented by bureaucrats gets spread over several aspects. Firstly, it is the procedure of registration which starts the relationship with state power. This is followed by the economic dependence in the form of licence, share of paid-up capital, land acquisition, site selection^{and} purchase of machinery. The political relationship begins with the appointment of the first board of directors and the electioneering process. In the ambit of administrative activities, the role of Sugar Directorate (now enhanced to the level of Commissioner with Directors looking after different functions), audit from co-operative department and co-operative federation, play an important role. Baviskar summaries the political aspects into three sectors namely : Power politics within co-operatives

local level political institutions and co-operatives and the political set up at the state level influenced by co-operatives (Baviskar, 1980).

The interlocking of co-operative politics and state occurs due to various factors. The analysis of the situation in Maharashtra became an interesting aspect due to five factors. These are mostly visualised both out of the earlier literature (Baviskar, 1980, 1985; Attwood, 1977) and our case studies. Firstly, the sugar co-operatives involve membership from rural areas and the families of the members look at the co-operative as an outcome of their efforts. A continued long term relationship thus gets established. Secondly, the co-operatives have developed strong economic ties with the group of members in the form of loans, technology transfer, infrastructural (Schools, Colleges, Hospitals, Transport^{etc.}) and other developmental activities. Thirdly, the most important aspect of the cohesive politicisation of co-operatives was because of the unimodal caste structure in the period when caste was major political fulcrum. Fourthly, with the centralised sugar policy, a larger number of policy instruments become operative in the co-operatives. This spurred the necessity of properly tailoring the policies towards the benefit of the sector and hence need was felt to control the policy arena almost in the early fifties. This could be easily achieved both because of the dominance of the same social group in co-operatives as well

as in ruling parties. Fifthly, the diversification of co-operatives into different economic and developmental fields created income and employment opportunities which could be easily traded for the political hold. Lastly, the circular, self-strengthening flow of co-operatives, influencing the policies through political front which in turn is executed with the help of bureaucrats and finally leads to politisation of bureaucracy to help the process thrive.

We have tried to quantify the control of co-operatives through political process as can be seen in table 6. The table pertains only to the Western Maharashtra, which is not only a sugar belt of the state but also the major political field dominating state politics for over the last four decades. It is very clear from the table that large proportion of the public representatives have close ties with co-operatives either in the form of Chairman, member of the Board or some times though not directly connected, operating all the activities of the sugar co-operative in the constituency. One interesting feature may be mentioned here that following co-operative sugar factory was started in the close vicinity, namely Kisan Sugar Factory promoted by a farmer leader Mr. Autade. Again, within the span of 3 years, four sugar factories were established within the region and each time the role of state went on increasing.

Table No. 6 : Role of Public Representatives (MLAs) in Co-operative Structure (1992)

District	No. of MLAs	MLAs of		Congress MLAs having connections with		MLAs of other parties having connection with	
		Congress Party	Other Parties	SF(%)	Other Co-op(%)	SF(%)	Other Co-op(%)
Ahamednagar	13	10	3	9(90)	1(10)	2(66)	----
Kolhapur	12	7	5	5(71)	1(14)	---	----
Pune	18	15	3	7(46)	5(33)	---	----
Solapur	13	10	3	6(60)	1(10)	1(33)	----
Satara	11	11	--	4(36)	1(9)	---	----
Sangli	6	4	2	2(50)	1(25)	---	----

Source : Personal interviews with several political workers from different regions. Relates to 1992.

Note : SF stands for sugar factories.

Our review of the inter connectedness of co-operative politics and state suggests the increasing symbiotic role of the latter two in the former. If one looks at it purely from the point of view of higher democratisation, then it is a welcome feature but if it is looked from the perspective of socialistic democratisation or even from the other extreme of a market economy, one may possibly find the alliance uneasy. Moreover, the changing composition of the social structure and political issues may further put this relationship in a difficult mould.

State Co-operative Interaction : Changes in Legal Framework : One of the major policy instruments, 'the legal framework', is used to intervene in the co-operative structure. During the last four decades the changes in the Co-operative Societies Act are quite substantial. The Co-operative Societies Act of 1904 was the first co-operative legislation in the country which mainly served the purpose of rural credit co-operative societies. This was subsequently amended in 1912 and 1919. By then, co-operatives were transferred as a state subject and the then Bombay Government passed the first Bombay Co-operative Societies Act of 1925. After independence and under the constitution of India, co-operatives were included as a state subject. In the year 1957, first Co-operative Law Committee suggested to bring uniformity in various provisions of different state laws. The Government of Maharashtra passed the Co-operative Societies

Act of 1960 following the earlier stages of modifications. This act is the reference point of comparison elsewhere as well as in our study.

In the year 1968, the conference of Chief Ministers and State Ministers of Co-operative at Madras, was an important landmark in the history of State Co-operative relationship. It is important to note here that the conference dealt with 'growth of vested interest in co-operatives and to ensure that economic benefits are transferred by co-operatives in a larger measure to weaker sections' (GOI, 1987).

At that time, late Shri V. P. Naik was the Chief Minister of Maharashtra who had to deal with constant political threat from the powerful sugar lobby of the state.

The recommendations of this conference included formation of legislative measures for

- i) Exclusion of money-lenders etc., from membership.
- ii) Reservations for weaker sections.
- iii) Restrictions on holding office for more than a prescribed term and simultaneously of a number of institutions.
- iv) Conducting regulation of loans to office bearers.
- v) Regular elections by an independent authority.

Recommendations of the Chief Ministers' Conference were accepted by the states and accordingly changes were incorporated. In 1975 and 1976, the Government of India issued guidelines to drop the respective provisions which were going against the democratic character of the movement. Following this, in 1984 the Government of India for the first time enacted a comprehensive legislation called Multi-State Co-operative Societies Act of 1984. The meeting of the Registrars of co-operative societies held in 1985 suggested constitution of a committee to examine co-operative legislations, suggest guidelines to activate the democratic process, ^{and} promote professional management. This committee is commonly known as Ardhanareeswaran Committee. It recommended deletion of the following provisions which militated against the democratic character of the movement :

1. Compulsory amendment, amalgamation and division of co-operatives.
2. Power of veto to Government nominee.
3. Power to rescind / annual resolutions of the board.
4. Power to issue directives to the co-operatives.
5. Restriction on membership.

Apart from the deletion of the above, the committee also suggested rationalisation of the following : . . .

1. Supersession of Board of Management. Whenever it is ordered, it should be in consultation with the federal body, with due opportunity to the members. There should be a restriction on the period of supersession.

2. Framing of by-laws and their amendments must be done in consultation with the authorities.

3. Role of Government nominee on the Board of Directors should be positive and contributory and not politicised and intervening.

4. Government share as also the participation at village level societies should be restricted to some types. There should be no Government nominee at village level primary societies.

5. Procedure for liquidation.

However, as regards the issue of restrictions on holding office, either in terms of number of years in one office or simultaneous term in different offices, the Committee felt that such restrictions should not be provided. It recommended that "Legislative restrictions on term of office as also on holding of office in a number of societies simultaneously, should be deleted and replaced by conventions to be established by the co-operative movement itself" (GOI, 1987). It should be interesting to note here that this Committee did not have any member representation from the State of Maharashtra, which constitutes the largest area on the co-operative map of India.

The Government of Maharashtra appointed a high power committee on co-operative law and co-operative finance under the chairmanship of Dr. P. R. Dubhashi (GOM, 1992). The terms of reference of the said committee included (i) to look into the necessity of forming a separate Co-operative Law Board and its powers (ii) desirability and feasibility of making available public funds for the co-operative sector ^{and} (iii) introduction of separate chapters on co-operative banks, processing societies and housing societies in Maharashtra State Co-operative Act.

The Committee dealt elaborately with the extensive powers of the Registrar of co-operative societies as defined by the law. It is interesting that the powers of ^{the} Registrar were grouped by the Committee under three roles namely : (i) the role of Brahma (the Creator), (ii) the role of Vishnu (the protector or regulator, supervisor) and (iii) the role of Mahesh (the destroyer). This gives the span of State control on the co-operative sector which extends through the length and breadth of its existence. The Committee though feels about the span, did not recommend any reduction in the role of the State. It rather suggested delegation of powers to the sub-ordinate officers (GOM, 1992, P. 109). It further recommended constitution of a co-operative law board with a chairman of the level of high court judge. This board will deal with the legal matters pertaining to co-operatives. Further, the committee was not in favour of having separate.

chapters for co-operative banks, processing societies and housing societies in the Maharashtra State Co-operative Societies Act. It further recommends 'a new approach under which the co-operatives will enter into the open market for mobilisation of resources' (GOM, 1992, P. 114). This is an interesting recommendation followed by several points about capital market operations especially on the background of the vast powers of ^{the} Register in the co-operative sector as against a free market private sector. One wonders as to why a private investor should invest in co-operatives with large Government controls as against in a relatively easy capital market outside.

Comparative Analysis of the Co-operative Act : A comparison between the provision of the Co-operative Act at two points of time i.e. 1960 when it was introduced and 1991, would indicate the changes that have taken place in the legislation overtime and the study of the changes can indicate in what manner they have affected the relationship between the state and the co-operatives.

The major aspects of the Act are registration, membership rights and liabilities of the members, audit, management of societies etc. We tried to look into the changes in them from three broad aspects:

- (i) Increased powers of the Registrar and the State Government

(ii) Higher democratisation within the society concerned
and (iii) General administrative improvements.

Any legislation has to change overtime to suit the changing conditions. It can be seen that the scope of the legislation has been widened in these thirty years and with that the powers and rights of ^{the} State Government and the Registrar have increased substantially with respect to major aspects of the co-operative law.

Comparison at the two points of time is presented in Table 7. It can be seen that the Registrar has acquired additional powers with respect to registration of societies. Thus he can deregister a society in place of liquidation, which was a time consuming process. Though this provision aims at correcting administrative inefficiencies, the possibility of its misuse can not be denied. The Registrar now has also acquired the right to direct amalgamation, division, etc., of co-operative banks and primary agricultural credit societies along with other co-operative societies. The Registrar can now decide on certain questions arising in the whole process of registration and the decision he gives (after giving the concerned people an opportunity of being heard) is final. This was a new inclusion in the Act.

It is also provided in the changed provisions that a society can not be registered if its aims and objectives are against

Table No. 7

**CERTAIN MAJOR CHANGES OVER TIME IN
CO-OPERATIVE SOCIETIES ACT : MAHARASHTRA.**

PROVISIONS IN ACT OF

Section No.	1960	1991
	1. Registration	
4. Societies which may be registered.	A society having as its object promotion of economic interest (etc.) of its members shall be registered. No society shall be registered which may have adverse effect on development of co-operative movement.	A society having as its object promotion of economic interest (etc.) of its members shall be registered. No society shall be registered which may have adverse effect on development of co-operative movement. OR registration of which may be contrary to the policy directives of ^{the} State Government (1986).
6. Conditions of registration	Society to be registered should consist of at least 10 persons.	Society to be registered should consist of at least 10 persons. OR higher number of persons as the Registrar may decide (1986). A lift irrigation society consisting of less than 10 but of 5 or more persons may be registered (1969).
9. Registration.	If the Registrar is satisfied that the proposed society has complied with the provisions of this Act, he shall register it within 6 months from the receipt of the application.	If the Registrar is satisfied that the proposed society has complied with the provisions of this Act, and complies with any other law in force or policy directives of the State Government, he shall register the society within two months from the receipt of the application (1986).

11.
Power of
Registrar to
decide
certain
questions

When for purpose of formation, registration etc. of society any question arises, it would be decided by the Registrar.

When for purpose of formation, registration etc. of society any question arises, it would be decided by the Registrar. and his decision shall be final. The persons concerned would be given opportunity of being heard (1974).

13
Amendment
of by laws of
society.

No amendment shall be valid until registered under this Act.

No amendment shall be valid until registered under this Act.

Application for the amendment shall be disposed of by the Registrar within 2 months period (1969). No amendment is registered if it is repugnant to policy directive of ^{the} State Government (1986).

18
Power to
direct
amalgam-
sation
division and
reorganisa-
tion in public
interest.

If the Registrar is satisfied, he may provide for the same.

If the Registrar is satisfied, he may provide for the same.

18 (A) The Registrar may provide for amalgamation of Co-operative Banks (1976) and of Primary Agricultural Credit Society (1977).

21 (A)
Deregistration
of societies.

Not there .

If the Registrar is satisfied, after giving opportunity to the chief promoter of being heard, he may deregister the society (1986).

2. Members and their rights, liabilities.

23 (1)
Open
membership.

No society shall without sufficient cause, refuse admission to membership to any person duly qualified under provisions of the Act

No society shall without sufficient cause, refuse admission to membership to any person duly qualified under provisions of Act

(1 A) If a society refuses to accept, the person may send an application to the Registrar

(4) For the agro-processing units, for which definite zones are allotted, every eligible person in that zone, will have to be admitted (1986).

27 (a)
Voting
Powers

Not there

No nominee of the Government, Financing Bank or any Society shall be entitled to vote at any election of its committee (1989).

28
Restrictions
on holding
shares.

In any society, no member except the Government etc. shall claim any interest in shares of ^{the} society exceeding Rs. 5,000/-

In any society, no member except Government etc. shall claim any interest in shares of ^{the} society exceeding Rs. 20,000/-.

3. Incorporation, duties and privileges of societies.

33
Restrictions
on
borrowings.

A society shall receive deposits and loans from members only under conditions prescribed by laws.

A society shall receive deposits and loans from members only under conditions prescribed by laws.

The Registrar may impose additional conditions on societies to ensure safety of funds (1963).

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cy.

No society shall make a loan to any person other than a member (etc.) . Provided that, with the special sanction of the Registrar, a society may make loans to other society.

No society shall make a loan to any person other than a member (etc.) : Provided that, with the special sanction of the Registrar, a society may make loans to other society.

Registrar may impose additional restrictions (1963).

Elections of committees and officers of certain societies.

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cation
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ter and
itions.

Not there .

The election of members of the committee of societies shall be conducted in a manner laid down under chapter XI - A (1972).

5. Management of Societies.

mittee
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tions.

Not there .

The Registrar may prescribe maximum number of members of the committee (1986).

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Not there .

In certain exceptional cases, notwithstanding any Act/Rule etc. ^{the} State Government may post-pone election of any society for a period of six months (1986).

Section No.	1960	1991
3.1 D Motion of no confidence	Not there .	Members would cease to be President, Vice-President, Vice-Chairman etc.. If a non-confidence motion is passed (1986).
3 A Disqualification for being designated officer simul- taneously of certain societies or being designated officer of the same society more than 10 years	Not there .	No person shall at the same time, continue to be a designate officer of more than 1 society falling in category I/II/III (1969).
6. Audit, Inquiry, Inspection, Supervision.		
Audit shall include examination of overdue debts, verification of cash balance and securities, valuation of assets ^{and} liabilities of society.		Audit shall include examination of overdue debts, verification of cash balance and securities, valuation of assets ^{and} liabilities of society.
		Audit shall also include as to whether loans, advances made have been properly secured, whether they have been shown as deposit etc. (1986).

89 A
Power to
inspect
working of the
society.

Not there

Registrar can inspect working of ^{the} society to ensure that provisions of ^{the} Act etc. are properly followed, records, etc. are kept in proper form, etc. (1986).

7. Property and Funds of Societies.

67.
Restriction
on dividend.

No society shall pay to its members dividend at a rate exceeding 9%.

No society shall pay to its members dividend at a rate exceeding 12% (1986).

8. Settlement of disputes

31 A
Constitution
of
Co-operative
Courts.

Not there .

The State Government may by notification constitute one or more co-operative courts for adjudication of disputes (1974).

9. Maharashtra State Co-operative Council

154. A
Constitution
of ^a State
co-operative
council, its
functions,
etc.

Not there

There shall a council called Maharashtra State Co-operative Council consisting of such numbers of members including the chairman and Vice-Chairman as the State Government may decide and nominate from time to time.

Functions : 1) Advice ^{the} State Government in all matters relating to the co-operative movement (2) Review co-operative movement and

154. A
Constitution
of a State
Co-operative
Council. its
functions. etc.

suggest ways of co-ordinating
activities in the State etc. 1986)

Source :

Government of Maharashtra, The Maharashtra Co-operative Societies Act, 1960.
Maharashtra Act No. XXIV of 1960. Modified upto 5th October 1991, Law and Judiciary
Dept., Bombay, 1991.

the policy directives of the State Government. There is a possibility of this provision of the law being misused by the authorities if the particular policy directive or the law comes into effect ex-ante.

The Registrar has been assigned additional powers as regards financial conditions of the societies too. Thus the definition of audit has been widened and the Registrar can impound the books, records, etc. if the auditor finds any incriminatory evidence. The Registrar can impose additional restrictions to ensure the safety of funds which are contributed by the public and the Government. Thus the loan-making policy, borrowings of the society are closely watched by the Registrar. Similarly restrictions are put on the dividend payable and value of shares which a member holds.

As far as the management of societies is concerned, some new provisions have been added to the Act of 1960. One of the major provisions is that the maximum number of members on the committee of the society is now decided by the Registrar. This restriction may have been imposed to curb the tendencies of favouritism etc., but which again can be misused by the authorities. The state Government can now postpone the elections of the societies under certain exceptional conditions. This can be again a controversial provision if misused by the Government eg. the Government may postpone the election of any society under some pretext, if it is not in the interest of some group within the ruling party.

Higher Democratisation : Some of the provisions which have been added to the law of 1960, overtime aim at attaining higher democratisation within the co-operative societies and at curbing the monopolistic tendencies in the management of the societies. As far as the rights and liabilities of the members are concerned, the members have been given certain additional rights. Thus, if a society refuses the membership of any individual, he can approach the Registrar and the Registrar can enforce his membership on the society. Similarly for agro-processing units, it is made obligatory to accept every eligible person within the allotted zone as its member.

One of the important recommendations of the Chief Ministers' conference of 1968 finds its inclusion in the Act in the form of restriction on the number of years (10) for which an individual can hold the post of Chairman, Vice Chairman, etc. Members are also restricted from holding posts in more than one co-operative society simultaneously.

Another interesting step towards higher democratisation is that members can remove a Chairman or Vice-Chairman if they pass a no confidence motion against them. All these provisions aim at curbing the centralising tendencies in the societies and giving the members more voice as far their rights as members are concerned. The monopoly tendencies in the societies are clearly visible in ^{the} ^{of} case/co-operative sugar

factories where a strongly established group keeps the management of the factory under control. Hence, the relevance of the above provisions indicate, higher democratisation within the society.

General Administration : Some of the new provisions also indicate steps taken to improve the general administration, either of the Government department concerned or the society. eg. , the time period between receipt of an application for registration of a society and it's actual registration by the Registrar has been reduced to two months from six months. It is now specified that the Registrar has to dispose off the application for amendment of bye-laws of the society within a period of two months.

Provision for the establishment of co-operative court is also a step taken to improve the process of distribution of justice and remove the inefficiencies. The need for a separate judicial machinery was felt as the co-operative structure in Maharashtra State diversified and increased its activities. Therefore, to deal with the legal aspects, establishment of co-operative court was felt essential.

In 1972, a Chapter regarding elections of ^{the} Committee and officers was added to the existing act. Now these elections are to be conducted by a separate machinery under the control of the collector. This provision can be looked at from two points of view. On one hand, it means that the concerned

elections would be held in a free and fair environment, free from internal politics and interferences. So this implies an administrative improvement as well as higher democratisation. On the other hand, it also indicates greater and frequent interaction between the State Government and the co-operatives and larger number of rules and regulations and thus greater chances of misuse of the powers by the concerned authorities.

Assembly Debates : : The Co-operative Societies Act was amended to suit the changing times. The amendments were most often incorporated in order to increase the precision and making the law more effective. But even, sometimes the amendments or revisions are introduced at the instance of directives of ^{the} Central Government or due to the recommendations of some committee or commission constituted for the purpose. In the last three decades more than 40 amendments have taken place and some of them have been vehemently debated in the assembly. The major debates that took place regarding the co-operative acts were in 1969, 1974 and 1986. These can be termed as landmarks in the amendments suggested and reflect the internal power struggle within the party as well as across the party lines.

Nine years after the Co-operative Societies Act (1960) was passed, the first major amendment took place. This amendment took place on the basis of recommendations made by 'Mirdha

Committee on Co-operation (1965)' and 'Chief Ministers' Conference (1968). Mirdha Committee's recommendations were based on the principles considered to be essential for the sound growth of co-operatives and they were : Open membership, Democratic control, limited interest on capital, etc. The Ministers' Council considered certain important aspects of management of co-operatives with a view to stop the growth of vested interests in co-operatives and suggested certain legislative measures. The amendment of 1969 tried to incorporate the recommendations of Mirdha Committee as well as the Chief Ministers' Conference of 1968. The major provisions of the amendment were--

1. The elections of certain co-operative societies were to be conducted through a separate machinery and not by the members themselves so that the elections are held in a free and fair environment.
2. The Registrar was given powers to give certain directions to the co-operative societies.
3. The provision put restrictions on the number of years for which a member could hold ^{the} post of Chairman, Vice Chairman, etc. The limit was fixed a six years. Later on, this limit was extended upto 10 years.
4. A person was disallowed to hold posts in more than one co-operative society.

The last two amendments were considered as the most important amendments and were vehemently criticised by the group within the Congress Party led by Late Shri Vasantdada Patil who at that time was the President of Maharashtra Pradesh Congress Committee and enjoyed the support of many co-operative sugar factories. At this time, late Shri V. P. Naik was the Chief Minister of Maharashtra and he had his calculations about the political weight of the sugar co-operatives. The group supported by ^{the} sugar co-operatives opposed these provisions as these tried to shake the enviable position of the sugar factory chairmen from Western Maharashtra who had managed to keep ^{the} sugar factories under their control for many years.

It was argued in the assembly that if there is no bar on the number of years for which an individual can remain MP, MLA, etc. then, the same provisions should be applied to the elections of co-operatives too. Because of the strong opposition, this provision could not be implemented and later on in 1983, the limit of six years was increased to ten years.

Even on this background, the recommendation of Ardhanareeswaran Committee seems to be quite interesting. This Committee also held the view that there should neither be limit on term or positions in the co-operative sector. Though the amendments had taken place on the basis of recommendations of various committees. It appeared that they were used as a

tool by the ruling faction to curb the ambitions of the rebel group in the party. The amendments were passed. It may be noted that this was on the background of various suggestions and guidelines received from ^{the} Government of India.

Wide-ranging changes took place in the Act in 1986. Existing provisions were extended and new ones were added. Again, the initiative was in the form of the model of Multi-state Co-operative Societies Act of 1984 which came into effect from September 1985. Many provisions of the Act of 1986 gave additional powers to the Registrar. The major ones were (1) Right of the Registrar to deregister the society (2) To Prescribe maximum number of members on the committee of a society and (3) To arrange for a comprehensive audit of the society. Similarly, the state government was given the right to post-pone the elections under certain exceptional conditions. This again was an addition to the expanse of power of the Registrar and had enough potential for misutilisation. It was also provided that the society ^{with objectives,} which may be contradictory to the policy directives of the State Government, shall not be registered.

It was argued by the opposition vehemently that the widening of the powers of the Registrar would lead to higher bureaucratisation, governmentalisation and State control. Not only this, the powers of the Registrar can be misused by the

politicians and certain provisions may be used against the rival groups.

The central theme of the arguments against the proposed amendments was always the overpoliticisation of bureaucracy and the powers vested in officers could be misutilised under the directives from above.

Economic aspects

Economic dependence of co-operatives on the Government began alongwith the starting of Pravaranagar Sugar Factory. It is mentioned earlier that the members could not collect the required contribution in terms of share capital and hence, approached the then Government of Bombay to contribute the deficit amount and this was agreed. This was further formalised as the contribution of ^{the} Government to share capital. Apart from this, financial help is provided in term of loans, concessions like waiver of taxes, provision of different subsidies and also guarantee to the financial agencies. It may be recalled that Industrial Finance Corporation had taken as mortagage the lands of the farmers in the case of pravaranagar. The present pattern of raising the capital required for new units is given in ^{the} table 9. As an intial contribution, the share capital of members or internal accruals amounts to 7.5 percent and, during expansion, can grow between 10 to 20 percent. The share capital contribution from

the Government is between 30 to 40 percent. Apart from this, loans for the remaining amounts are raised from term lending agencies like IFCI or IDBI and upto Rs. 100 lakhs from the State Co-operative Bank.

The financial contribution of the state Government to the sugar industry as on 31st March 1989 amounted to Rs. 290.82 crores of which Rs.124 crores was the contribution towards share capital, Rs.70.94 crores was loans under ^{the} Sugarcane Development Fund and Rs.95.88 ^{crores} towards Purchase Tax as well as Rehabilitation Loans (GOM 1990, P. A-XIV 2-3). It is interesting to note that this works out to more than Rs.300 lakhs per factory .

It has been noted by various committees that the co-operative sugar factories fail to generate the internal accruals for meeting the projects cost which causes delay and cost escalations (GOM, 1990) this increases their requirement of funds. They also depend largely on co-operative banks (mostly governed by the group of same political affiliation) for the current requirements which include i) Payments for cane supplies, ii) Payments of salaries and wages and other such expenses to get a cash credit against stocks or stores. Most of the times, it is observed that management of working capital is quite unprofessional and pointed out by the committees enquiring into sickness of the industry (GOM, 1990, P.30). This committee ^{also} observes that ' ---- the capital investment made by them (sugar factories) is quite dispropor-

Table 8 : Funding Pattern in Sugar Co-operatives.

Sr. No.	Agency from which Funds are raised	% Contribution for	
		New Units	Expansion Programme
A) Equity			
i.	Share capital of members or internal accruals.	7.5	10-20
ii.	Share capital contribution from ^{the} State Government.	32.5	--
iii.	Soft loan from Sugarcane Development Fund to meet the gap in equity	--	30-40
B) Loans			
i.	Loan from term lending agencies viz IFCI, IDBI	60	50
ii.	Maharashtra State Co-operative Bank up to Rs. 100 lakhs.	--	--
TOTAL		100	100

Notes : i) Subsidy of Rs. 15 lakhs is available from SICOM to new units but the term loan is reduced to the extent of the amount of ^{the} subsidy.

ii) If the term lending agencies are not able to provide upto 60 percent of the unit cost as loan due to constraints, then Maharashtra State Co-operative Bank is called ^{upon} to provide loan upto Rs. 100 lakhs.

ionate to the return they get from such investment. Some of the factories also invest their so called surplus funds in non-profitable assets without any return' (GOM, 1990, P. 32).

Table 9 : Changing Proportion of Share of Government in the Paid up capital of the Co-operative Societies.

Year	Total Co-operative Societies	Sugar Factories %	Dairy Unions & Societies	Credit societies (PAC's) %
1961	15	31	Nil	7
1971	16	28	8	2
1981	17	47	6	2
1990	19	52	6	3

Source : 'Co-operative Movement at a Glance in Maharashtra' (Office of the Commissioner of Co-operation and Registrar of Co-operative Societies)

Notes : 'PAC's stands for Primary Agricultural Credit Societies.

The share of ^{the} Government in the capital of co-operative sugar factories has been increasing substantially. Table - 9

gives the changes in this share as compared to the other types of co-operatives. The steep increase in the share can be noted especially after 1971. Though, this share in other co-operatives is even less than 10 percent, its prominence in sugar co-operatives can be easily seen. In the recent past it has even exceeded 50 percent.

State Co-operative Interface : Reactions at Factory Level

In order to gather the reactions of the executives and directors of the sugar co-operatives about the state-co-operative interface, we canvassed a questionnaire to this group from the selected factories. These reactions were divided into two groups for the purpose of our interpretation. The first component deals with the Government policies pertaining to different administrative aspects of the co-operative sugar factory and the second includes their reactions to the legal provisions dealing with the areas of interaction. One important aspect of these type of data must be clarified before we enter into the interpretations. As analysed earlier, the sugar factories and their social environment identifies itself closely with the elected Government except in the case of factories run by opposition parties. Such identification blurs the dichotomy between the two and hence answers are to a large extent single sided only with notable exceptions. The questions relating to policy environment, covered nine major aspects. (Table no. 10) A sharp distinction can be found in the case of four aspects.

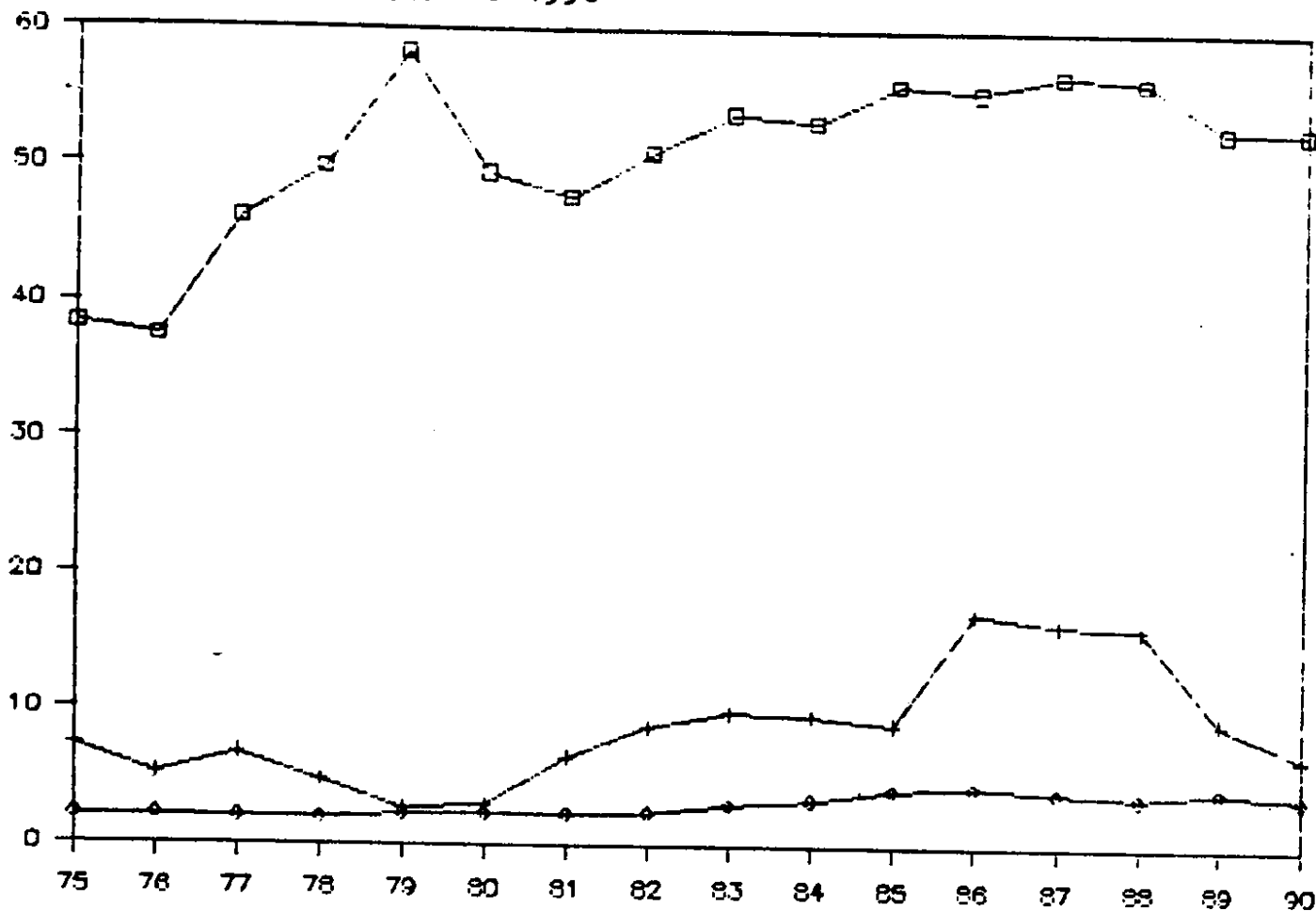
Table No. 10. : Reactions to Policy Environment

Questions (Whether the following policies of the Government are favourable for the co-operative sugar factories in Maharashtra)	Responses		
	Yes (%)	No (%)	Uncertain (%)
1. Determination of SMP by the central Government.	14	86	--
2. Percentage of levy Sugar (45%) to the total sugar to be sold.	18	82	--
3. Percentage of purchase tax.	25	70	5
4. Incentive scheme recommended by 'Sampat Committee'.	40	48	12
5. Sugar Cess Act.	44	44	12
6. Zonal criterion to determine Sugarcane price.	22	77	1
7. Recommendations of Shivajirao Patil Committee.	29	62	9
8. Purchase of cane from outside the area of operation of the factory.	53	44	3
9. Molasses Control Order (1961).	34	59	7

Source : Questionnaire canvassed to the executives of
different sugar factories.

Notes : 1. SMP stands for 'Statutory Minimum Price'.
2. Clarifications about the policies can be
seen from Table 11.

FIGURE NO.4 : CHANGING SHARE OF GOVERNMENT PARTICIPATION :
1975 TO 1990



Source : Data collected from 'Co-operative Movement at a Glance in Maharashtra' (Office of the Commissioner for Co-operation and Registrar of Co-operative Societies, Pune).

Note : Sugar Factories : □
Dairy Unions and Societies : x
Primary Agricultural Credit Societies : △

Table 11 : Explanation of the Policy Points Chosen for Response.

Policy of the Government	Explanation
1. Determination of SMP by the Central Government.	Central Government announces every year the minimum statutory price for cane that has to be paid by the sugar factories to the cane growers.
2. Percentage of levy sugar to the total sugar to be sold.	As per the policy of partial decontrol, the Central Govt. announces the quota of levy sugar and free sale sugar. At present, the proportion of the former to the latter is 45:55
3. Percentage of Purchase Tax.	The State Government increased the rate of the tax from Rs. 16.40 per quintal to Rs. 22 per quintal from 90-91
4. Incentive scheme recommended by 'Sampat Committee'.	Committee established by GOI during 70's to suggest incentives to the new factories on the background of rising costs. The Committee suggested concession in excise duty, and higher proportion of 'free sale' sugar.

contd....

5. Sugar Cess Act, 1982.

According to this Act, the Central Government can impose cess on sugar produced in any sugar factory at the rate of maximum of ten rupees per quintal and the ^{the} amount collected is used under ^{the} Sugar Development Fund Act.

6. Zonal criterion for determination of cane price.

For payment of levy prices, Maharashtra is divided into two zones, south and north. The prices paid are based on the average recovery percentage of the zone.

7. Recommendations of 'Shivajirao Patil' Committee.

This Committee was constituted to study the problem of sickness of the sugar factories and made following recommendations.
i) Strict Economy Measures by co-operatives including lower prices, salaries etc.
ii) Increased irrigation potential.
iii) Higher contribution to ^{the} share capital.
iv) Three recovery zones.

8. Purchase of cane from outside the area of operation of the factory.

The factory has to utilise the cane from its own area of operation and in case of shortfall of cane supply the factory has to acquire permit from the Government.

9. Molasses Control Order (1961).

As per the provisions of this ~~order~~, the factory has to sell the molasses to particular persons, to avoid any misutilisation of the same, has to undertake safety precautions with respect to its storage, etc.

Firstly, about 85 percent of the respondents reported that the minimum support price policy is not favourable to the growth of sugar factories. The floor level fixed is too low and barely covers the cost of cultivation. Secondly, a large majority felt that higher percentage of sugar quota should be available for open market sale. It was strongly felt that, if the entire production is allowed to be sold freely, the role of ^{the} State could be substantially reduced. Thirdly, the zonal criteria was one of the sore points and strong resentment was expressed in following the policy which protects inefficiency and perpetuates the role of ^{the} State. Lastly, another important aspect was about the Government order on Purchase Tax. It was felt that this is not towards a healthy growth of the sector.

About 60 percent of the respondents conveyed their disapproval of the Shivajirao Patil Committee's recommendations and Molasses Control Order. Sugar Cess Act, incentive scheme recommended by Sampat Committee and purchase of cane from outside the stipulated zone were favoured by large number of respondents. There were some respondents who were not properly informed about the policies and hence were uncertain about their answers. At times, the policies were explained to the members of Boards of Directors even when their unit was operating under the policy. It was quite surprising that at times even senior members of the factory were not aware of certain bold policy steps and more often relied on the

strong believe in the chairman.

We have discussed in greater detail the legal provisions governing a co-operative sugar factory. Here we find a large number of respondents unaware of the provisions in the Act and, even when explained, found difficult to express a clear opinion. The question posed to the respondents required them to express their opinion about convenience of the particular provision for healthy growth of the sugar co-operatives. The favourable acts include (i) restriction on holding a position consecutively for 10 yrs, (ii) reservation of seats for weaker sections and women, (iii) powers of ^{the} State Government with respect to election, (iv) right of the Registrar in determining the size of the Board of Directors and (v) powers of the Registrar to deregister the society. The indication one gets out of the analysis of this table is that the State control through legal means is a welcome aspect mainly because of the lack of professional management. Therefore, the State administrative control was felt necessary whereas, the reactions to policy environment suggests reduction of regulatory measures.

Table 12 : Reactions to Legal Environment

Provisions in the Co-operative Societies Act, 1960, Maharashtra.

Whether the provisions regarding following aspects of the law are considered as 'inconvenient'	Responses		
	Yes (%)	No (%)	Uncertain (%)
1. Registration	40	44	16
2. Amendments in by-laws	36	44	20
3. De-registration	20	56	24
4. Contribution to Education Fund	32	30	28
5. Right of the Registrar to dissolve the Board of Directors (BOD) in case of failure to call Annual General Body meeting.	28	40	32
6. Restriction on holding a post consecutively for more than 10 years in a co-operative society	20	70	10
7. Restriction on being an office-bearer in more than one society simultaneously.	36	52	12
8. Powers of the State Government with respect to elections of co-operative societies.	16	60	24
9. Reservation of seats.	16	64	20
10. Right of the Registrar to determine the maximum number of people on the BOD.	20	60	20
11. Distribution of dividend.	16	52	32

Source : Questionnaire canvassed to the executives of different sugar factories.

Pushpavati : A Junction Enroute : Forty years of development of the co-operative movement of Maharashtra has created a strong politico-economic base. When one looks back at the trend in ^{the} State co-operative interaction it is an extremely smooth, steadily increasing and almost converging on each other. Now we can not locate even a single sugar co-operative unconnected with political group of one sort or another. Majority of them however, have affiliations with the ruling party in the State. It becomes extremely difficult to decide on where it started i.e. whether co-operatives strengthened the political process or the other way round. At least, it is quite clear that the bond between the two institutions is quite strong. Speaking in terms of the democratisation of economic institutions this should be considered as a healthy step.

The beginning of the co-operative movement was in the most humble way with an initiative of a farmer from a chronically drought - prone area, with little knowledge about technology, finances, official routines, etc. The initial troubles also extended into getting the finances and machinery. Over the last four decades the structure has changed completely. We have taken up here to describe the initial stages of a sugar factory which is starting soon in Yeotmal district of Maharashtra.

Yeotmal is one of the naturally rich zones of Maharashtra. It does not fall in the traditional sugar belt of Maharashtra. Sugarcane yield in the region is between 45-65 tonnes per hectare which is not in the high yield zone. The site selection committee finalised the location of the factory at 'Gunj-Savana' village in Mahagaon taluka of the district. The area of operation comprises of 294 villages from two talukas and almost 59 percent of the villages fall in the radius of 20 kms from the factory site. Total irrigated area in the operational zone of the factory is about 9 thousand hectares, of which 4 thousand hectares are under well irrigation and 3 thousand hectares are irrigated by canal system. Remaining 2 thousand hectares are irrigated under lift irrigation schemes. Sugarcane is one of the important crops in the irrigation system and the net income per hectare of the crop is about Rs. 5000. The sanctioned crushing capacity of the plant is 2500 CTD and the proposed investment is Rs. 2000 lakhs. Of this, Rs. 200 lakhs is to be collected as share capital from members, Rs. 600 lakhs as share of ^{the State} Government in equity and the rest has to be raised as loan from financial institutions.

The application for sanction of licence was made by the promoters on 8 Dec. 1988 alongwith the full particulars of the project. The letter of Intent was issued on 28th March 1990. The letter of Intent sanctioned the project at

Chikhali in Pusad taluka of the district. But subsequently the factory site was shifted to Gunj-Savana. Shri Manoharrao Naik, a close relative of the present Chief Minister of Maharashtra, is the nominated chairman of the Board of Directors (Govt. letter dated 16th Nov. 1990). Among the other members of the Board, one can note the dominance of the Naik political faction. The registration of the society took place on 2nd July 1990 and one can see that within the span of one year major formalities were completed and the erection work of the factory was started.

As stipulated in the requirements, a 'no objection' certificate was obtained from neighbouring sugar factory (Vasant Sahakari Sakhar Karkhana, controlled by Naik faction of the party). There are two sugar factories in the same region namely (i) Vasant Sahakari Sakhar Karkhana, Pophali Ta. Pusad and (ii) Marathwada Sahakari Sakhar Karkhana in Parbhani district. It is interesting to note that the report of the Committee for Recommending a Package of Rehabilitation of Sick Sugar factories in co-operative sector, constituted by ^{the} Government of Maharashtra, classified the Vasant Sahakari Sakhar Karkhana, Pusad as one belonging to the factories 'leading to sickness' (Group C) (GOM, 1990, P. 43) and the Marathwada Sahakari Sakhar Karkhana is classified in the group E i.e., 'very sick sugar factories'. The prices paid for sugarcane by these two factories in the years 1985-86 and 1986-87 were Rs. 230, Rs.246 and Rs. 230, Rs.236

respectively. This, compared with the average price paid in the State during those years, is quite low and augurs well with the rate paid by very sick sugar factories.

One important observation about the Pushpavati Sugar Factory is that it is located in the region which has a great potential for development. With the help of ^{the} State power it is quite possible that this factory can begin the process of development in the region. For this, however, the need for diversification into other activities is an essential accompaniment. Another co-operative venture in the form of a spinning mill is coming up in the same region. It is yet to be understood if these two activities would compete for the change in cropping pattern and what would be its impact on the co-operative sector.

**Co-operatives : From the View Point of a Farmer
Leader**

Shetkari Sanghata is the prominent farmers' organisation in the State of Maharashtra. It has been in the forefront of the movement on agricultural prices and related farm issues. Their basic argument centres usually around the rural-urban dichotomy and inter sectoral terms of trade. In order to understand the stand that the farmers' leader would take about co-operatives, we discussed on various issues with Shri Sharad Joshi, leader of the Shetkari Sanghata. He has been also writing on this issue in the periodical published on behalf of the organisation and actively participated in various debates concerning the issue. He has the illustrious background both as an academician and a thinker. Our discussion can be grouped into five important sectors, namely (i) rural - urban dichotomy in co-operatives (ii) success of co-operatives (iii) co-operative and developmental activities (iv) remunerative prices ^{and} (v) co-operatives as business entities. Before we begin here, it is necessary to put forth the limitation of the present section i.e., this is based only on the writings of Shri Joshi in 'Gyananba' and his interview with one of the authors.

Firstly, the co-operatives can also be viewed from the point of view of rural-urban dichotomous situation. The economists from urban areas initiated the process of co-operatives.

Impressed by the co-operative movement in Germany, USSR and such other countries they looked at co-operatives as one answer to the complicated question of rural development. The then Government of India, headed by Pandit Jawaharlal Nehru was inclined towards the idea and hence it might have prompted these intellectuals for prospering the self career. It is surprising that right from the days of Independence, the policy of the Government was 'corporation for urban areas and co-operatives for rural areas'. He expressed surprise over such dualistic approach. The voluntary character of the co-operatives is a total misnomer, ^{and} if it is not so, then why the directors of sugar co-operatives need police protection? was his question.

Secondly, dealing with the successful co-operatives, it was agreed that a few experiments have been successful. But these successes should be ascribed not to ^{the} co-operatives as a form of organisation but to the efficient leaders who led the movement there. These leaders were enterprising with foresight and struggled hard for success. Had these people worked elsewhere, similar success could have been achieved in any of the sectors. Even though it is said that the State is committed to co-operatives, ironically the process of sickness in co-operatives starts from the Government itself. The cost of acquiring various policy sanctions from Government is too high in terms of the number of trips one has to make to ^{Bombay,} the State capital. Another aspect of the

success is the contribution of stable market, The sugar co-operatives also fail where they are not supported by this. A further interesting question was the comparative performance of sugar plant as against the ancillary plants of sugar related products started by many co-operatives.

Quite a few co-operative societies have started developmental activities in the area of their operation like schools, colleges, hospitals, etc. The third issue discussed was about the impact of these developmental activities on the population. Co-operatives, create a permanent dependence of the population through such infrastructural development. This was equated to the age old and time tested strategy of money lenders in interlocking of markets. The co-operative departmental stores, established by sugar co-operatives otherwise sell only the products manufactured in urban regions, thereby acting indirectly as a conduit to transfer income from rural to urban areas. The educational institutions mainly cater to the rich students (because of high fees) from other regions, denying the opportunity to local students.

Question of remunerative prices for the farm products has been one of the central themes of farmers' agitations. Fourth issue was addressed to this aspect of the sugarcane economy. Many factories are unable to pay even the minimum support prices declared by ^{the} Government. The cane prices in Punjab and Haryana are about Rs. 475 per tonne as compared to the

very low prices paid in Maharashtra. Even private traders were paying respectable prices to the growers and in addition paid dividends to the share holders. On the background of three fold increase in the salaries of working class over the last decade and half, the increment in prices seems to be meagre.

It is the experience of Maharashtra and Gujarat that production of agricultural products responds to prices more effectively than to the nature of organisation and technology. Government is doing exactly the opposite (Joshi, 1989).

Lastly, Joshi dealt elaborately with the success of co-operatives as business entities. The continued dependence of co-operatives on ^{the} Government has rendered them as the extended political houses. It is essential for the co-operative to prove as a competitive business unit. The perpetual dependence of co-operatives on politicians and ^{the} State have killed the businesslike outlook of the units. They have lost their autonomy and voluntarism is conspicuously absent. If the economy is opened up allowing private sector to enter and compete, then the inefficient co-operatives may not survive in the competition. Some of the sugar factories have attained efficiency mainly because of the oligopolistic market. With the State support in finance, licence and marketing, they enjoy a dominant position. The demand for sugar is stable and steadily increasing overtime unlike the other

sugar is stable and steadily increasing overtime unlike the other products. Sugar co-operatives could not take sufficient business advantage of their dominant position in the market. They ^{have} hardly tried ^{for} any technological innovations. Once the privatisation enters sugar business, it would be difficult for the sugar co-operatives to continue.

Case Studies of Three Sugar Co-operatives

The State co-operative interface is a function of political structure and hence it can be perceived broadly at three different levels. The first level is that of a close coordination between polity and co-operative leadership where the members (at times Ministers or MLAs) of the ruling political party are the members of the Board of Directors and hence can direct State policies in favour of the co-operative unit (COP case). The second level is that of the non-ruling faction of the ruling party which controls the co-operative (COG case) and ^{the} third type involves the co-operative controlled by an opposition party (COD case). It is not incidental that the fourth group of co-operatives without any affiliation to political parties is not included. In fact, in Maharashtra such co-operative sugar unit does not exist.

COP Case : A strong link-up between politics and co-operatives would increase the stability of the structure but may allow certain economic inefficiencies. It can be easily seen that a strong political support can help in diversification of activities, getting a firm control on the political group and finally forging ahead the alliance between politics and co-operatives. Our first case study belongs to this kind of group of factories. We refer to the factory as Co-operative with Political support (COP) factory.

COP is a sugar co-operative established in the early days of thriving co-operation in Maharashtra. It is one of the biggest co-operatives in the State and the largest in certain efficiency criterion. One of the most important features of COP is that it was initiated by a^o veteran freedom fighter with extreme devotion to the development of the region. Like many others, he also entered the active politics immediately after Independence and was very well respected in the area. COP area was not a traditionally sugarcane growing area and did not have sufficient irrigation. The area under factory was less than 1000 hectares of sugarcane. It was felt necessary to develop irrigation in the region which was served by three rivers. Farmers were financially supported to buy oil-engines, lift pumps and irrigation motors. Thus the lift irrigation facilities and consequently area under sugarcane, increased. Thus irrigation could be developed both due to farmers' interest and the leaders' initiative.

COP started functioning as an initiator of lift irrigation schemes and created a well-knit agency which took care of the erection and construction work of the scheme under all aspects. The COP leadership showed that the lift irrigation scheme for riverside farmers was both viable and administratively feasible. Good amount of funds could be procured from the Government to establish the lift irrigation scheme with the help of the leaders of COP.

COP could obtain a steady supply of cane from its growers because of the managerial excellence of its founder, 'Nana'. He had a down to earth approach in his reasoning with farmers and well developed managerial techniques while discussing with bureaucrats. His closer links with almost every individual member carved for him an unenviable position of the leader of masses having managerial capabilities. He not only managed the balance of State politics in an affable, aggressive style but also kept a continued link down to the last member.

Being a gifted dexterous, Nana could expand the factory by leaps and bounds. The lift irrigation schemes developed in the region covering more than 34 thousand hectares stand a testimony for the crafty use of the state power towards development. The capacity utilisation has always been almost full over the decade 1980-81 to 1990-91. Similarly, the cane price ranged between Rs. 300 to Rs. 464 in this period. The amount of

non-refundable deposits in the recent past was more than Rs. 9 crores. One gets a clear picture of large cash flows in the region and ^{the} factory. Cash flows have helped COP to diversify into the by-product production of alcohol, cattle feed and other chemicals. Moreover, the factory helped largely in improving the infrastructure in the area. Problems like treatment of water-logged and saline soils were also taken up with the help of the lift irrigation society. Similarly, other schemes like construction of roads, nallabunds, supply of seeds, fertilisers, pesticides, etc., were taken up. These schemes kept a strong bond between the member farmers and the political leaders managing the COP. Various schemes of the Government were taken up intensively in the COP area. After the death of Nana, the factory is handled by his relatives and the hold in the factory of a particular family can be easily visualised. Being a factory falling in COP category, one can easily note the level of diversification, cash flows, different government schemes, and a solid hold in the constituency.

COG. Case : The political scene in the country has been changing quite fast and large number of issues are getting mixed up. As a result the political parties have been splitting into factions due to differences in interested groups. Economic criterion and the political control of the region is one such aspect on which the factions choose dividing lines. Sometimes, the party does not split into parts but

allows coexistence of minor factions along with the strong ruling group. This was also evident in Maharashtra and the monolithic sugar lobby of early fifties started showing factions by mid-sixties. It is rather difficult to trace the origin of this factionalism at either of the ends i.e., Co-operative and/or political structure. Therefore, a sugar factory under the control of a faction of ruling party without the required political clout will go through a different experience. This is especially true if the faction forms an insignificant part of the party. Here, the factory may not face direct problems but may have to undergo some pressure. Our case study is of such a factory controlled by an opposing faction within the governing party.

(COG)

COG factory is one of the the initial sugar factories without any explicit political support. The factory had to seek State help almost ^{right} from the time of ^{its} inception and this was possible due to the then Minister of Finance. It started with a small capacity and investment. The factory has a very good capacity utilisation right from the beginning. It is after a decade of successful operations that the process of politicisation started in the region. The COG money was being diverted to political parties. When asked about the increased politicisation, one of the directors said 'if we do not take this opportunity others will grab it'. Thus it entered a phase of higher politicisation.

One of the influential leaders holding the charge of factory continuously represented the constituency but could not get any ministerial post. In the meanwhile the factory had its capacity enhanced and also started units for processing of by-products. Each time, the ruling political faction was to be assured of the political and economic clout held by the leaders of this factory. Incidentally, the major political group in the state politics could manage to create factions in the board of directors and some elections were fought with zeal and animosity. The within COG factions still continue to dominate the decision making process.

COG factory also entered the field of regional development through infrastructure building. Initially, it started with construction of roads, farm loans to members, schools and colleges. Now, even professional colleges and institutions are run by the factory. The main promoter of the factory has left an indelible mark of sincerity and service in the region but the subsequent politicisation due to starting of parallel sugar units in the region alongwith the political interference from the top, has changed the situation. Cash resources are abundant and one can see the prosperity around the factory and directors, but not much has trickled down in the remote regions depending on it. Presently the COG factory is undergoing a stress period and the committee enquiring into the sickness of sugar factories has included it as one of the sick units but excluded on the count of capacity

utilisation. Moreover, the factory is facing shortage of cane due to political as well as business competition from neighbouring regions.

COD Case : In the history of sugar co-operatives in Maharashtra most of the factories ^{were} started with the initiative from a political leader. Many times the factions in party as well as in an earlier sugar factory led to establishment of another unit. A factory thus started will always have initial problems of establishment. We took up this case study of a factory, started and run by an opposition group (COD factory). The area of this factory was earlier coming under the zone of another sugar factory owing alliance to a strong group in the ruling party (say group R). The farmers from COD factory region had started an agitation for the laying of road to their village and as a part of the agitation they refused to pay land revenue to ^{the} Government. But at the instance of the Government of Maharashtra, ^{the} Sugar factory belonging to 'R' group deducted the land revenue from the cane bill of the farmers. This particular instance spurred the idea of starting a sugar factory in the COD region. The group was led by a militant freedom fighter who was commonly known as 'Kaka' in the region. He is a selfless person with only one ideal in his life and that is to serve his poor peers. The initiative was supported from another group in the ruling party which was opposed to Group R mentioned above.

The struggle of the factory for getting a Letter of Intent took as many as eight years of a continuous persuasion for obtaining it from Government of India. One of the major hurdles in obtaining the Letter of Intent was a 'no objection' certificate from the factory belonging to 'R' group in the region. This was obtained by pressurising the leaders at the time of ^{general} election. But even after this, there were umpteen, hurdles in obtaining the letter of intent and it was only after persuasion of ^{the} Minister of Agriculture at the centre that the letter was issued. The story of struggle did not end there. It continued while purchasing the machinery, cement, obtaining crushing licence and securing cane from the neighbouring region. The COD factory is unique in many respects in the State. We may note six specific observations that we could make during our visit to the factory.

1. COD factory has the most simple outlook as compared to COP or COG. Its environment does not carry any impression of money power or political power.
2. Electioneering process is unique and depends on unanimous suggestions from the villages in the area. No one is allowed to continue in the same office for more than one term.
3. Every person who sold his land to the factory was given land of the same quality and one of his family members was employed in the factory.
4. Chairman or Directors or none other officials are provi-

ded any vehicle.

5. Schemes of welfare were undertaken for the workers of the factory.

6. All the loans were repaid in ^{the} shortest time.

The major differences in the three factories can now be recapitulated in broad groups. Firstly, their outlook towards state co-operative interface. The members of COP factory feel that the State must hold regulatory and legal powers with it. Favourable policy environs should also be directed by ^{the} State. The opinion of the members of COG factory is that of mixed kind. They expressed that legal powers must be with the State but the regulatory powers are at times troublesome. An exactly opposite opinion was expressed in the COD factory. They felt that the co-operative must be allowed to function as any business establishment, once the financial obligations are cleared. Many times the interventions on the part of the State causes inefficiencies in operation. Secondly, the backward linkages are of political nature in COP and COG cases whereas, these are ^{also} of economic nature in the latter. Thirdly, the work efficiency was extremely high in COD factory followed by COP and COG in that order. The political factionalism has reduced the efficiency of the COG factory. Lastly, as far as the relative economic performance is concerned, we have presented a comparative picture in the Table ^{No 13.} The indicators are the expenditures incurred on various items per bag of sugar produced.

The economies of scale do not seem to be operating in the COP and COD, whereas, the level of efficiency is certainly high in the COD factory. The expenditure on various items seem to be quite high in the other two as compared to COD factory.

Table-No. 13 : Indicators reflecting economic efficiency of
the factories taken for case studies.

Item	COP*	COG*	COD*
1. Interest paid.	26.37	8.39	23.94
2. Bank Commission.	0.47	0.32	0.23
3. Salaries of the office staff.	17.29	17.67	5.23
4. Provident Fund.	3.77	5.02	14.43
5. Expenditure on travel, expenses on meetings.	1.66	2.84	0.27
6. Expenditure on vehicles.	1.97	2.89	3.05
7. Expenditure on postage, telegraph, telex.	1.39	1.75	0.36
8. Other income.	1.01	1.85	5.17
9. Productivity of cane per hectare in 86-87. (tonnes)	75.41	74.64	80.32
90-91	70.64	69.32	76.67

Source : Profit and loss account in the annual reports of corresponding factories.

* See the text for explanation.

Notes : Figures are expressed in rupees per bag of sugar produced.

Conclusions

In this paper we have tried to analyse the state co-operative interface in the State of Maharashtra. The region offers a curious ground for such study because of the proverbial existence of Sugar barons. Our study noted that the emergence of the state-co-operative interaction can be traced back to the deficit in the capital requirement of the first sugar factory in the region. A series of economic, administrative and legal decisions were taken at policy level which strengthened the hold of ^{the} State on co-operative sector. Our analysis leads to the classification of relationship as symbiotic, strengthening each other with tied interests and hence perpetuating a closer bond. In fact, in the process the identity and definition of the State needs to be properly understood. The inner voice of the sector, however, would like flexibility on policy issues at the same time with a stronger hold on the administrative set-up through legal means.

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