

PUBLIC ACCOUNTS COMMITTEE
(1971-72)

(FIFTH LOK SABHA)

TWENTY-THIRD REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 106th Report (Fourth Lok Sabha) on Audit Report (Civil), 1969 and Audit Reports on the Accounts of National Cooperative Development Corporation for the years 1966-67 and 1967-68 (Department of Cooperation).]



LOK SABHA SECRETARIAT
NEW DELHI

August, 1971/Bhadra, 1893 (Saka)

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PUBLIC ACCOUNTS COMMITTEE
(1971-72)

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Shri B. B. Tewari—*Deputy Secretary.*

Shri T. R. Krishnamachari—*Under Secretary.*

*Declared elected to the Committee on 3rd August, 1971 since Shri Niranjan Verma resigned.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Twenty-Third Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 106th Report (Fourth Lok Sabha) relating to the National Cooperative Development Corporation (Department of Cooperation).

2. On the 8th July, 1971, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

1. Shri B. S. Murthy—*Convener.*
 2. Shri Bhagwat Jha Azad
 3. Shri Ram Sahai Pandey
 4. Shri C. C. Desai
 5. Shri Thillai Villalan
 6. Shri Shyam Lal Yadav
- } *Members*

3. The Action Taken Notes furnished by the Government were considered by the Action Taken Sub-Committee of the Public Accounts Committee (1970-71) at their sitting held on the 18th November, 1970. Consequent on the dissolution of the Lok Sabha on the 27th December, 1970, the Public Accounts Committee ceased to exist from that date. The Action Taken Sub-Committee of the Public Accounts Committee (1971-72) considered and adopted this Report at their sitting held on the 4th August, 1971 based on the suggestions of the Sub-Committee of PAC (1970-71) and further information received from the Ministry of Agriculture (Department of Cooperation). The Report was finally adopted by the Public Accounts Committee on the 31st August, 1971.

4. For facility of reference the main conclusions' recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations|observations of the Committee is appended to the Report (Appendix XXIV).

(vi)

5. The Committee place on record their appreciation of the commendable work done by the Convener and the Members of the Action Taken Sub-Committee (1970-71) in considering the Action Taken notes and offering suggestions for this Report which could not be finalised by them because of the sudden dissolution of the Fourth Lok Sabha.

6. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller and Auditor General of India.

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

NEW DELHI;
31st August, 1971.

Bhadra 9, 1893 (Saka).

CHAPTER I

REPORT

This Report of the Committee deals with action taken by Government on the recommendations contained in their 106th Report (Fourth Lok Sabha) on Audit Report (Civil), 1969 and Audit Reports on the accounts of National Cooperative Development Corporation for years 1966-67 and 1967-68 (Department of Agriculture) which was presented to the House on the 28th April, 1970.

1.2. Action taken notes have been received in respect of all the 35 recommendations.

1.3. The action taken notes on the recommendations have been categorised under the following heads:—

(i) *Recommendations Observations which have been accepted by Government.*

Sr. Nos. 3(A) (i), 3(A) (ii), 4, 5, 6, 7, 8(i), 8(ii), 8(iii), 8(iv), 8(vi), 8(vii), 9, 10(i), 10(iii), 11(i), 11(ii), 11(iii), 11(iv), 17(v), 18, 19, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34 and 35.

(ii) *Recommendations Observations which the Committee do not desire to pursue in view of the replies of Government.*

Sr. Nos. 8(v), 10(ii), 14, 16, 17(iv), 20, 21 and 26.

(iii) *Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration.*

Sr. Nos. 12, 13 and 17(iii).

(iv) *Recommendations/Observations in respect of which Government have furnished interim replies.*

Sr. Nos. 1, 2, 3, 15, 17(i) and 17(ii).

1.4. The Committee hope that final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.

1.5. The Committee will now deal with the action taken by the Government on some of the recommendations.

Share capital of the Cooperative Marketing Societies

1.6. In paragraph 2.23(i) of their 106th Report (Fourth Lok Sabha), the Public Accounts Committee had commented upon the deficiencies in the cooperative marketing movement with reference to growth of their capital in the following terms:

“The ‘owned funds’ of primary societies have increased from Rs. 3.82 crores in 1957-58 to Rs. 33.13 crores in 1966-67. However, this impressive increase has been largely due to the progressive increase in financial support from Government. Taking share capital contribution alone, Government assistance increased from Rs. 0.64 crore, in 1957-58 (i.e., one-sixth of the ‘owned funds’) to Rs. 14.44 crores in 1966-67 (i.e. more than two-fifths of the ‘owned funds’). A similar increase in the scale of Government assistance can also be observed in the case of Central marketing societies and State Apex Federations.”

1.7. In a note dated the 31st October, 1970, the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Cooperation) have stated as under:

“The large increase in the Government contribution to the share capital of primary marketing societies has also been accompanied by a substantial step up in the members’ share capital and reserve as may be seen from the table at Appendix I.

While there has been an average annual increase of Rs. 1.51 crores in the share capital contributed by the State Governments, this increase was of the order of Rs. 1.85 crores in the case of share capital collected from members and reserves. Further to enable primary marketing societies to have a strong capital base, certain guidelines have been suggested to State Governments for augmenting share capital from members vide Appendices II to V.

The P.A.C. have also observed that there has been large scale Government contribution to the share capital of central and apex marketing federations. The central marketing societies had total owned funds of Rs. 5.22 crores in 1957-58 when the Government share capital amounted to only Rs. 0.33 crores. In 1967-68, the total owned funds increased to Rs. 7.96 crores of which the State Government contribution was Rs. 1.21 crores. While State Government contribu-

tion registered an increase of Rs. 0.88 crores only during the 10 years period, the members' share capital and reserves rose by Rs. 1.86 crores."

1.8. Outlining the remedial measures that should be taken to strengthen the capital base of the cooperative marketing societies, the Committee had made the following observation in paragraph 2.28(i) of the Report:

"The capital base of marketing societies will have to be strengthened so that their turnover could be increased. The Dantwala Committee had as early as 1966 pointed out that 'an average primary marketing society will need a capital base of about Rs. 2 lakhs to enable it to have a reasonable turnover.' The capital base should be propped up not by Government but mainly by the societies themselves, so that more and more cultivators could acquire a stake in their working."

1.9. In a note dated the 31st October, 1970, the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Cooperation) stated:

"While the need for marketing societies to build up their own share capital with additional collections from the members cannot be overemphasised, the rapid expansion in the business of marketing societies due to the HYVP programmes and the increased distribution of agricultural requisites calls for additional government support towards their share capital to enable them to raise necessary working capital finance. This position has also been recognised by the All India Rural Credit Review Committee which have made the following observations:

'We are of the view that in the context of the responsibilities entrusted to the cooperative marketing structure for supply as well as marketing activities, their share capital structure will need to be further strengthened very considerably, if they are to borrow from banks on a correspondingly large scale. Ideally, such additional share capital should come from members through steps to which we refer in the following paragraphs. This, however, will take time and can only take place in step with the expanding marketing business. *Meanwhile, the need for larger owned funds will have to be met by government contribution. We understand that provision has been made for the purpose in the*

Fourth Plan and generally recommend that state governments should contribute to the share capital of marketing societies on the scale that they may require." (page 910 of the Report)'.

The Member's own contribution to the share capital of the primary marketing societies has also made significant progress during the past 10 years. As compared to the members' paid up share capital of Rs. 1.57 crores in 1957-58, their capital in 1967-68 stood at Rs. 7.98 crores recording an increase of 409 per cent. In assessing this progress, it is necessary to take into account the constituents from whom collections of additional share capital are to be made. Marketing societies have village primaries and individual growers as their members. The credit structure at the primary level being very weak in certain areas, it has been difficult for the marketing societies to raise any substantial contributions from them. Greater reliance has therefore to be placed on collecting share capital from individual growers. It may also be pointed out that with a view to ensuring members' participation in the share capital on an increasing scale, additional government contribution is made proportionate to the members' efforts, the proportion varying from state to state, depending upon the stage of development of cooperative movement. Vigorous efforts are continued to be made to augment members' share capital. A number of measures have been suggested to the State Governments from time to time for adoption by marketing societies to raise additional share capital from members. A copy each of the circulars issued in this regard is given in Appendices II to V. The recommendations contained in these circulars are being followed up with the State Governments."

1.10. The Committee can hardly be satisfied with the progress made by the cooperative marketing societies in enlisting members. While the Government's share capital contribution has risen from Rs. 0.64 crores in 1957-58 to Rs. 15.75 crores in 1967-68 recording an increase of 2361 per cent, the paid up share capital of members has risen from Rs. 1.57 crores to Rs. 7.98 crores only during the corresponding period accounting for an increase of 409 per cent. It is thus obvious that the members share capital consistently lagged far behind the contribution of the Government which phenomenon needs to be arrested if the cooperative movement is to be a success. The Committee would

therefore suggest that concerted measures should be taken to increase the members share in the capital structure of the societies to atleast match the contribution of the Government failing which the Committee question the purpose and necessity of their existence.

Revitalisation of Marketing Societies

1.11 Emphasizing the need for revitalisation of weak cooperative marketing societies, the Committee had in paragraphs 2.28 (vii) and 2.29 of their 106th Report observed as under:

“The Dantwala Committee had in 1966 drawn attention to the existence of a large number of weak societies and suggested a programme for their revitalisation. The data furnished to the Conference of Ministers of Cooperation in July, 1968 would suggest that roughly 25 per cent of the societies fall in this category. The Committee find it difficult to understand why, even though four years have passed since the Dantwala Committee reported, a survey of weak societies has still not been completed. This only shows that the National Cooperative Development Corporation is not sufficiently alive to its responsibilities in this regard. What is even more regrettable is that the Corporation does not even have information about the quantum of financial assistance extended by it to the weak and moribund societies. The Committee would like a programme for revitalisation to be launched without further delay. The weak and effete societies may have to be written off for realistic norms of operations fixed for societies in future. Each society will have to draw up a phased programme for increasing its turnover for implementation.”

“The Committee observe that during the Fourth Plan, an outlay of Rs. 45 crores is contemplated in the cooperative marketing sector. The experience gained so far suggests that planning for this sector has been impractical and unbusinesslike. There has been what the Reserve Bank Survey has characterised as a “target approach” to the whole movement, which has resulted in proliferation of societies with “very little attention” to “appropriate norms in regard to the coverage of area, the volume of agricultural produce, etc.” to be handled by the societies. The Committee therefore, feel that the accent during the Fourth Plan should be on consolidation of the position of existing societies rather than on creation of new societies.”

1.12. In their notes dated the 31st October, 1970 the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Cooperation) stated:

“The recommendations of the Dantwala Committee for revitalisation of the cooperative marketing societies were communicated to the State Governments in July 1967 with a request to draw up a phased programme to revitalise the inactive and marginal societies. The Registrars of Cooperative Societies were also requested to identify weaker societies which should be taken up for strengthening or, if found necessary, to liquidate dormant societies. In response to this, the State Governments of Punjab, Haryana, Gujarat, Temil Nadu, Kerala, Orissa and Madhya Pradesh have already selected societies for strengthening. Some of the States have already prescribed the minimum share capital to be collected from members, minimum turnover to be achieved within reasonable period. The matter is being pursued with the State Governments.

As regards the observation that “what is even more regrettable is that the Corporation does not even have the information about the quantum of financial assistance extended by it to weak and moribund societies” it may be stated that the basic principle underlying Government assistance to cooperatives, is that such assistance should be extended to those societies which could be activated and whose operations could be stepped up. It may also be mentioned that there is no specific scheme for providing financial assistance to weak marketing societies.

Government accept the recommendation of the Committee and recognise the need for expediting the implementation of the programme for re-organising primary marketing societies. The recent Conference of Registrars of Cooperative Societies also emphasised the urgent need for reorganisation of cooperative marketing structure, particularly at the primary level to enable it to effectively provide marketing distribution facilities to the grower members on intensive scale based on systematic society-wise surveys. These surveys will have to be completed immediately and programmes for development of individual primary marketing societies regarding membership, share capital, owned funds, marketing, distribution etc., chalked out. Programmes for such intensive development

will have to be implemented on priority basis in intensive agricultural areas."

"The outlay of Rs. 45 crores contemplated for the cooperative marketing sector during the Fourth Plan includes an amount of Rs. 25 crores for programmes of cooperative storage.

Planning for this sector cannot be termed to have been impractical and unbusinesslike. Integrated programme of cooperative marketing was taken up in the Second Plan and followed up in the Third. As a result, the framework of institutional structure for cooperative marketing of agricultural produce has been completed. There are 3280 primary marketing societies covering all the important markets in the country. The super-structure of state and national federations has also been completed. The value of agricultural produce handled by cooperatives increased from Rs. 175 crores in 1960-61 to nearly Rs. 583 crores in 1968-69, the value of fertilisers distributed by the cooperatives increased from Rs. 28.2 crores in 1960-61 to Rs. 200 crores in 1968-69.

The Government are aware of the areas of weakness of the cooperative marketing structure and conscious efforts are being made to develop these cooperatives as viable and efficient organisations. The recommendation of the Committee that the accent in the 4th Plan should be consolidation of existing position has been incorporated in the 4th Plan document which emphasises that "consistently with the programmes for increasing agricultural production, the steps will be taken to "strengthen the existing cooperative marketing structure especially at the primary level". The accent, thus, in the 4th Plan is on strengthening of the existing structure rather than on expansion."

1.13. Although Dantwala Committee had recommended revitalisation of weak cooperative marketing societies as far back as 1966 and the State Governments had been asked to draw up a phased programme to identify and strengthen weaker societies and if found necessary to liquidate dormant societies, only 7 States (Punjab, Haryana, Gujarat, Tamil Nadu, Kerala, Orissa and Madhya Pradesh) are reported to have selected societies for strengthening. Even in regard to these States the Committee do not get any precise idea of the contemplated programme in the absence of statewise details

of weaker societies and the steps taken or proposed to be taken to revitalise them. The Committee desire that special steps should be taken to have a targeted programme for a proper survey to identify weak and moribund societies and strengthen|liquidate them early in all the States.

1.14. The Committee note that their recommendation that the "accent during the Fourth Plan should be on consolidation of the position of existing societies rather than on creation of new societies" has been incorporated in the Fourth Plan document. The Committee desire that in order to ensure this, there should be a six-monthly review of the progress made in the consolidation of existing societies by obtaining necessary data from the States.

Construction of Cooperative Godowns

1.15. Expressing dissatisfaction over the progress achieved by the National Cooperative Development Corporation in the construction of cooperative godowns the Committee had observed as under in paragraphs 4.21 and 4.22 of their 106th Report:

"4.21. The Committee are not happy about the progress achieved in the scheme for provision of cooperative godowns, in which the investment by the Corporation as at the end of March, 1968 amounted to Rs. 1440 lakhs."

"4.22. In the first place, as many as 4029 rural and mandi godowns, or nearly a third of the godowns assisted, have not come up. Data about the year in which the construction of these godowns was started, which unfortunately is not complete, shows that the construction in respect of 178 of the godowns had commenced between 1956-57 and 1960-61 and 2828 other godowns thereafter. It is strange that when "normally a godown takes two years to complete construction", such a large number of godowns should remain incomplete over such a long period. What is even more hard to explain is that as much as 48 per cent of godowns taken up for construction under "a crash scheme" have still to be completed. The amount of money blocked up in 3477 incomplete godowns under construction is Rs. 331 lakhs. As this data does not cover all the incomplete godowns, the Corporation not being in a position to give complete information in this regard, the money locked up in godowns yet to come up should be much larger."

1.16. In a reply dated the 31st October, 1970, the Ministry of Food, Agriculture, Community Development & Cooperation (Department of Cooperation) stated as under:

4.21. "(1) Upto the year ending March, 1968, financial assistance has been provided for the construction of 16,515 cooperative godowns (3,005 mandi/rail head godowns and 13,510 rural godowns) under Centrally Aided Plan Scheme for the whole country (excluding the States of Jammu & Kashmir and Nagaland and Union Territories which are outside the purview of NCDC). During the year 1968-69, financial assistance was provided for the construction of additional 1266 cooperative godowns thus bringing the total to 17781 godowns (3,514 mandi/rail head godowns and 14,267 rural godowns) by the end of the year 1968-69. Of these, 13,729 godowns (2,696 mandi rail head godowns and 11,033 rural godowns) were constructed by the end of the financial year 1968-69. Out of the remaining 4,052 godowns, 557 godowns are reported to have been dropped in various States as the concerned cooperative societies could not take effective steps for their construction. As a result of this, the number of unconstructed godowns upto 31st March, 1969 comes to 3,495 i.e. 20 per cent or in other words, 80 per cent of the cooperative godowns have already been constructed and the remaining are at various stages of completion. Some more will have been completed in 1969-70 information about which has not yet become available from the States.

(2) The position about the year-wise progress from 1964-65 onwards in this regard is given below:

Year	Godowns assisted		Godowns constructed		Percentage of construction
	During the year	Cumulative position	During the year	Cumulative position	
1964-65	2823	13460	610	7300	54
1965-66	1197	14657	960	8260	56
1966-67	956	15613	1350	9610	61
1967-68	903	16516	2340	11950	72
1968-69	1266	17782	1779	13729	77

It may be observed that the percentage of constructed godowns has been steadily rising from 54 per cent during the year 1964-65 to 77 per cent as at the end of 1968-69. Further, progress of construction of godowns has been considerably stepped up during the last 3 years i.e. from 1966-67 onwards. The number of godowns assisted during these 3 years was 3,125 as against which 5,469 godowns had been constructed.

- (3) Normally a godown takes 2 years to be completed. For practical purposes, therefore, for estimating the backlog in the construction of godowns, the number of godowns assisted upto 31st March, 1967 would be relevant. The number of assisted godowns as on 31st March, 1967 was 15,613. Of these, 557 godowns were dropped, bringing down the number to 15,055, of these, 13,729 godowns or over 90 per cent had been constructed upto March 31st, 1969.
- (4) Similarly, under Centrally Sponsored Crash Programme financial assistance was provided for the construction of 1,70 godowns (472 mandi/rail head and 1,298 rural) to various States during the years 1965-66 and 1968-69. Of these, 1,154 godowns were constructed by the end of 1968-69. Allowing the period of 2 years for construction, the position will be that by the end of 1966, 1,694 godowns (451 mandi/rail head and 1,243 rural) were assisted, of which 24 godowns have been dropped and 1,154 godowns (335 mandi/rail head and 819 rural) i.e. over 70 per cent have been constructed and the remaining are under various stages of completion.
- (5) In the last 3-4 years, the backlog is being progressively reduced."

4.22. "The position of progress of construction of godowns has been clarified in detail in reply to para 4.21 (above). Allowing the period of 2 years for construction, it may be seen that 90 per cent of the godowns have already been constructed and only 10 per cent godowns are pending completion which are also under various stages of construction. Taking cognizance of the handicaps, particularly in the rural areas like difficulty in obtaining suitable site, inadequacy of building and construction material, absence of suitable technical guidance and arrangements etc., the progress of construction 90 per cent cannot be termed as unsatisfactory. Similarly, under Crash Programme, 70 per cent of the godowns have already been constructed and there is backlog of only 30 per cent and not 48 per cent.

- (2) As regards the observation of the P.A.C. that larger amounts have been locked up in regard to godowns under construction it may be clarified that, firstly, the number of godowns under construction as stated in the replies to earlier paragraphs is not unduly large. Secondly, since 1965-66 financial assistance is provided for the construction of godowns on progress basis. According to this procedure, 50 per cent of the amounts is released while approving the proposal of the State Government and the remaining 50 per cent is released only when the concerned co-operatives have secured sites. In view of this, the full amounts in respect of godowns under construction, are not locked up. State Governments are making efforts to ensure that the time-lag between release of assistance and construction of godowns is reduced to the minimum and the results during the last 3-4 years, as already pointed out in reply to para 4.21, are encouraging."

1.17. The Committee note that construction of 90 per cent of the godowns for which assistance was rendered upto 1966-67 were completed by 31st March, 1969. Although the overall position may be satisfactory the delay in construction of individual godowns needs investigation. According to the data given in paragraph 4.10 of the 106th Report the delay in construction went upto 10 years. Further as many as 557 godowns were ultimately dropped and the Committee have elsewhere in this Report dealt with this question. Against this background the Committee are unable to agree with the Government's view that progress of construction of godowns assisted upto 1966-67 "cannot be termed as unsatisfactory."

1.18. The Committee are also unable to agree that under the crash programme of construction of godowns "there is a backlog of only 30 per cent". They note that the Government have come to this conclusion after allowing a period of 2 years for construction of godowns although according to the conference of Ministers of Co-operation held in July, 1962, "the programme of construction of godowns under the crash scheme was taken up on the specific understanding that the godowns assisted under this programme would be constructed within a period of one year." The Committee desire that efforts should be made to complete the construction of godowns within one year.

1.19. The Ministry have explained that the entire funds in respect of godowns under construction are not locked up as only 50 per cent of the financial assistance is released while approving the proposal of the State Government and the remaining 50 per cent is released

2029 (Aii) LS.—2.

when the concerned cooperatives have secured sites. In view of the time-lag between release of assistance and construction of godown and the fact that a large number of godowns are ultimately dropped the Committee would suggest that the release of assistance should be more progress oriented so that the entire funds may not be released before the actual commencement of construction as it is done now.

UNDER-UTILISATION OF GODOWNS :

1.20. Commenting on unsatisfactory utilisation of cooperative godowns the Committee had observed as follows in paragraph 4.24 of their 106th Report (Fourth Lok Sabha):

“Thirdly, the utilisation of capacity of completed godowns, as reflected in sample surveys carried out by the Corporation, has not been very satisfactory. 32 per cent of the godowns covered by the survey utilised 75 per cent of their effective capacity, 31 per cent of the godowns between 41 per cent and 75 per cent of the capacity; 30 per cent of the godowns utilised capacity to the extent of 11 per cent—40 per cent; while the capacity in the remaining 7 per cent had not been utilised to the extent of more than 10 per cent—“Renting of godowns by the societies to Government appears to be quite common” and construction of new storage capacity in some places “was well ahead of and in excess of demand.” Apart from this factor, faulty location of godowns seems to have substantially impeded utilisation of capacity.”

1.21. In a note dated the 31st October, 1970, the Ministry of Food, Agriculture, Community Development & Cooperation (Department of Cooperation) stated:

“(1) The observation of the P.A.C. regarding under utilisation of godowns appears to be based on the sample survey conducted by the Officer of the N.C.D.C. The Study undertaken by the Officer of the Corporation was on the basis of random sampling and of a very limited nature. However, the State Governments were also advised to undertake the studies regarding utilisation of godowns in their areas. Eight States have already undertaken such studies and the summary of their reports are given in the Appendix VI. It may be observed that the position regarding utilisation of godown capacity is particularly encouraging in Assam, Andhra Pradesh, Madhya Pradesh, Kerala and Punjab. The State Governments have been

advised to carry on such studies on continuous basis to assess the utilisation of godowns.

- (2) However, in view of the fact that cooperative godowns are being substantially utilised in the distribution of agricultural inputs, the storage of which is a seasonal operation, there are bound to be fluctuations in the percentage utilisation of capacity, adversely effecting sometimes the average utilisation percentage. In some of the hinterland areas, there are cases where a godown initially may not be an economic proposition but all the same, it is needed there for the development of agricultural production programme.
- (3) As regards construction of new storage capacity, it may be clarified that storage programmes are worked out in consultation with the State Government, keeping in view the present and potential requirements of storage capacity to match the agricultural productivity effort within an overall framework of five year plans. No additional storage capacity is planned without keeping in view the projected field requirements.
- (4) As regards observation regarding faulty location of godowns, as already explained, it is not possible for the Corporation to examine the proposal of individual godowns but the programme as a whole for the year in respect of each State is examined and sanctioned. However, the State Governments have been advised to issue instructions to pay proper attention to the locational planning of godowns. The circulars issued in this regard during the year 1964 and 1968 indicating broad guide-lines for the locational planning of godowns are enclosed (Appendices VII and VIII). The State Governments have been advised to make advance locational planning and prepare district-wise maps for this purpose. The State Governments have also been given number of suggestions which are contained in these circulars regarding the selection of societies for the allotment of godowns."

1.22. The Committee note that only eight States have so far undertaken studies regarding utilisation of godowns. They would like the studies to be undertaken by the remaining States early.

1.23. The Committee feel that the reasons for the low utilisation of godowns have not been adequately investigated and explained by

Government. They would therefore suggest an examination as to how far under-utilisation of godowns was due to improper storage conditions, mismanagement etc. Based on a comprehensive study of the position purposeful steps including necessary promotional measures should be taken to remedy the situation and to maximise the utilisation of godowns.

1.24. With a view to improving the planning and utilisation of godowns the Committee had desired Government to initiate action on the following lines in paragraph 4.26 of their 106th Report (Fourth Lok Sabha)

- “(i) Proposal for construction of godowns are obviously not examined by the Corporation with requisite care. It is necessary to streamline the procedures for examination of these proposals, so that their viability may be examined from all angles, such as location, demand, etc.
- (ii) A number of States in which godowns have been constructed have yet to carry out surveys to assess utilisation of capacity in those godowns. A regular drill should be laid down in this regard so that adequate data is periodically collected. Such data would also provide a useful guideline for future planning for godown capacity.
- (iii) The inadequate utilisation of capacity in godowns already constructed will act as a drag on the finances of the societies which have raised those godowns. Purposeful steps have to be taken to ensure that these cooperatives attract custom.
- (iv) Godowns are also being constructed by the Food Corporation of India, the Central Warehousing Corporation and the State Warehousing Corporations. The reasons for high utilisation of their godowns by the cooperatives should be enquired into. The Fourth Plan proposals envisage augmentation of storage capacity in the cooperative sector to the tune of 1.6 million tonnes. While it is indisputable that, with the favourable trend of harvests in the recent years the demand for the additional storage capacity would increase it will still be necessary to ensure proper coordination and demarcation of spheres between the various authorities undertaking construction of godowns so that wasteful duplication of efforts does not take place.
- (v) Cases where godowns have been under construction for two years or more will need particular attention. The factors

leading to delay should be closely examined to ascertain whether the original proposals are sound in the changed context of things, in respect of those 557 cases, where construction of godowns has been abandoned, refund of the assistance given should be promptly obtained."

1.25. In a note dated the 31st October, 1970, the Ministry of Food, Agriculture, Community Development & Cooperation (Department of Cooperation) stated as Under:—

"(1) As already explained in reply to para 4.23 it is not possible for the Corporation to examine the proposals of each individual godowns. However, the programme as a whole for each State is examined keeping in view the overall requirements and the targets finalised in consultation with the State Central officials. The State Governments have also been advised to take proper care of the location planning and the selection of the societies to ensure the viability of the programme (Appendices VII and VIII). To stream-line the planning and execution of the programme of construction of godowns by cooperatives, the recent Conference of Registrars of Cooperative Societies held at Delhi on 18th and 19th September, 1970 recommended that:

'Centralised arrangements for procurement of construction material and supervision of construction would be very helpful. The Central agency should be vested with the responsibility of making advance locational planning for undertaking a phased programme of construction of godowns, preparation of suitable designs for different areas etc. Such locational planning will also help in fuller utilisation of godowns.'

- (ii) As already stated, the State Governments have been addressed and requested to undertake utilisation studies on continuous basis. Eight States of Assam, Maharashtra, Tamil Nadu, Madhya Pradesh, Gujarat, Andhra Pradesh, Punjab, and Kerala have already undertaken such studies. Summary of these reports is given in Appendix VI.
- (iii) As mentioned in reply to para 4.25 the utilisation studies undertaken by various State Governments shows that utilisation of storage capacity with cooperatives is satisfactory. However, the State Governments have been already addressed and advised to make proper locational planning

and select suitable societies to ensure effective utilisation and viability of godowns.

- (iv) The utilisation of the storage capacity of Warehousing Corporations by cooperatives has been clarified in reply to para 4.25.

As regards coordination amongst various agencies in undertaking the construction of storage programme during the 4th Plan period, it may be mentioned that there is already a central Storage Committee appointed by the Government of India comprising of the representatives of the Union Departments of Agricultural Food, Food Corporation of India, Central Warehousing Corporation, N.C.D.C. Planning Commission, etc. to decide about the programmes to be undertaken for construction of storage capacity by various agencies to avoid overlapping. The Planning Commission have recently appointed an Expert Committee on storage to prepare a Master Plan for construction of storage capacity in the country during the 4th Five Year Plan period. N.C.D.C. is also represented on this Committee. This Committee will, *inter-alia*, look into the problems of requirements of storage capacity at various points, locational pattern, types of storage needed and co-ordination among the different organisations concerned with the provision of storage facilities including the Food Corporation of India, the Central Warehousing Corporation, the State Warehousing Corporations and Cooperatives.

- (v) The State Governments have already been addressed by the Corporation to review the progress of construction of godowns and to specifically look into the problems of unconstructed godowns which had been provided assistance more than 2 years back and, if need be, withdraw assistance from the concerned societies. The State Governments have also been requested to recover the financial assistance in respect of dropped godowns and refund the same to this Corporation at the earliest. A statement indicating the number and dates of such letters addressed to various State Governments in this regard is enclosed (not printed)."

1.26. The Committee desire that Government should take steps to ensure that the cooperative godowns serve the needs of the weaker section of the farming community.

1.27. In respect of 557 godowns which were dropped, the Committee consider it worthwhile to examine in detail the state of the societies concerned which were sanctioned assistance for the construction of these godowns in order to know the reasons for their abandonment. The Government should also pursue vigorously the refund of the assistance granted to such societies and keep the Committee informed of the progress made. The Committee wish that Government should take adequate precaution in future at the time of sanctioning the assistance so as to ensure that assistance is granted only to such of the societies as are capable of constructing and maintaining the godowns.

1.28. The Committee would also like to be informed about the action taken or proposed to be taken on the recommendations of the recent conference of the Registrars of Cooperative Societies held in September, 1970 regarding centralised arrangements for construction and supervision of godowns.

CONSTRUCTION OF COOPERATIVE COLD STORAGE:

1.29. Referring to the progress in the construction of cooperative cold storage in the country the Committee had observed as follows in paragraph 5.9 of their 106 Report (Fourth Lok Sabha):

“The Committee find the progress in regard to installation of cold storages disappointing. Assistance amounting to Rs. 269 lakhs had been provided by the Corporation to the end of March, 1968 for the installation of 67 cold storages. 50 of these cold storages (assistance provided Rs. 213 lakhs) had not been commissioned till 1968-69, 47 of them after a lapse of two to four years.”

1.30. In a note dated the 31st October, 1970, the Ministry of Food, Agriculture, Community Development & Cooperation (Department of Cooperation) stated as under:

“According to the latest information available, out of 67 cold storages assisted by the end of March, 1968, 50 have been installed and 3 units have been dropped. Thus, there are only 14 units yet to be installed (Three units dropped are exclusive of 6 other units dropped which were not assisted and, therefore, not taken into account here). For statewide details please see Appendix IX.”

1.31. The Committee would like Government to take appropriate steps to ensure that the construction of the remaining 14 cold storages is expedited.

REGIONAL IMBALANCES IN THE COOPERATIVE MOVEMENT:-

1.32. Commenting upon the regional imbalances in the Cooperative movement in the country the Committee had, in paragraphs 8.4 and 8.5 of their 106th Report observed:

"The Committee find that the progress of the cooperative movement in the country has been very uneven. The movement has yet to strike firm roots in places like Rajasthan, Bihar, Orissa which are comparatively less developed in this regard than areas like Maharashtra, Gujarat, Punjab.

The Committee recognise that the development of cooperatives in these areas will be conditioned largely by sound leadership and the popular support for the movement and that the provision of financial incentives by Government cannot by itself effectively fill up these voids. Still Government will do well to examine how best the movement can be stimulated in these areas by enlisting the support of the public which should be suitably educated for this purpose."

1.33. In a note dated the 31st October, 1970, the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Cooperation) stated:

"It is true that the progress of the cooperative movement in the country has been very uneven. Generally speaking, the movement is weak in the Eastern States (Assam, Bihar, West Bengal, Orissa and the Union Territories of Manipur and Tripura) and Rajasthan. The special steps which can be taken for developing the movement in these states had been considered repeatedly on different occasions. In the course of 1960-61 and 1962-63 the problems relating to the cooperative credit, cooperative marketing and processing were considered in detail. The reasons for lack of progress of the movement in these states were analysed as lack of non-official leadership, inadequate and untrained staff both in the cooperative department and in the Central Financing Agencies, pre-ponderance of weak (D & E class) societies, most of which were due for liquidation, mounting over-dues, wrong policies followed in mixing credit with trading activities, comparative negligence in drawing up programmes of development, bad location of marketing societies etc. The following measure were suggested for building up the movement:—

- (a) The control of cooperative institutions by officials should be removed and non-officials should be enabled

to assume positions of responsibility in these institutions.

- (b) Steps should be taken to remove the structural weakness of the movement and implement the suggested programmes including reorganisation of the credit structure, revitalisation and liquidation of moribund societies, reorganisation of marketing societies, linking credit with marketing, streamlining the procedure for supply of marketing finance, fixing targets for marketing operations and ensuring that the targets are fulfilled etc.
- (c) The present deficiency in the staffing of the cooperative department and institutions should be made good both in numbers and in quality. The Conference also agreed that special assistance for the cooperative development schemes will be necessary in these states.

A scheme for special additional central assistance for cooperative schemes in these states was drawn up in accordance with the recommendation at (c) above and a provision was made for the purpose. The special assistance was given by adopting a more liberal pattern for subsidising the cost of managerial staff, for participation in share capital and for giving loans to various types of cooperative societies. This was operated as a Centrally sponsored Scheme from 1962-63 to 1968-69 in Eastern States and 1966-67 to 1968-69 in the case of Rajasthan. The State-wise figures of assistance provided under this scheme are given below:

Name of the State	(Rs in lakhs)			
	1962-63 to 1965-66	1966-67	1967-68	1968-69
Assam	11.445		4.100	3.650
Bihar	23.309	3.120	7.310	6.000
Ori.ssa	16.754	4.484	13.418	2.720
West Bengal	8.769	24.510	22.140	2.805
Rajasthan		50.310	1.666	4.523
	60.277	87.424	48.634	19.698

This scheme of special assistance has been discontinued from 1969-70 on account of the decision of National Development Council to reduce the number of centrally sponsored schemes and make available central assistance for state plan schemes in the form of block grants and loans. A set of criteria which includes population, per capita income of the State etc. was also approved by the National Development Council for allocation of Central assistance among the different States. Therefore to a large extent the relative backwardness of the States is taken into account while deciding the total allocation of central assistance for plan schemes to the States.

Certain other measures taken for assisting these States are, however, continuing. These are briefly:

- (a) a lower percentage of share capital from members for establishing cooperative sugar factories and other processing units in these areas.
- (b) allowing a higher rate of growth while determining the debenture programmes of land mortgage banks in these states.
- (c) special initiative by the agricultural refinancing corporation in drawing up and implementing schemes in these States.

In the field of cooperative credit, an informal committee, set up by the R.B.I. in 1964, recommended the setting up of agricultural credit corporations in the four Eastern States, Rajasthan and the Union Territories of Manipur and Tripura. Based on these recommendations, legislation has already been enacted by Parliament for setting up such corporations in the States and Union Territories. The question of setting up of these corporations is now under consideration of the Department of Agriculture and the Department of Banking. These corporations are expected to function as transitory institutions for providing agricultural credit either through the cooperative societies or directly till the cooperative structure in the States is suitably strengthened.

The All India Rural Credit Review Committee set up by the Reserve Bank of India which submitted its report in 1969 has also reviewed the factors responsible for regional imbalance in the growth of the cooperative credit move-

ment. A State-wise review of the present position of cooperative credit in individual States is contained in chapter 8 of the report of this Committee. The Committee pointed out that apart from internal factors like operational weaknesses and lack of leadership, external factors like poor endowment of natural facilities, insufficient development of the agricultural and economic infrastructure, overall economic backwardness of the area and tardy implementation by the cooperative institutions and State Governments of policies agreed upon for developing the cooperative movement on sound lines, also contributed to the weakness of the cooperatives.

Basically, the responsibility for implementing the accepted policies and programmes for strengthening the cooperative movement rests with the State Governments. The Central Government and the R.B.I. have been drawing the attention of the State Governments to the areas of weakness and the need for giving priority and making adequate financial provisions for the cooperative development schemes in the annual plans. During 1969-70 also the States of Assam and Orissa were not able to utilise the central assistance in full due to inadequate budget provision made by the State for cooperative schemes. The emergence of economically viable units in all sectors of cooperative activity is also a basic requirement for the progress of the movement. Specific programmes for achieving viability of the units have been drawn up and unless these are implemented with determination and the necessary financial support provided to the selected potentially viable units during the interim period, progress will continue to be halting. Teams of officers from the Department of Cooperation are being deputed to these States to study the existing position and recommend specific measures for strengthening the cooperative movement in these States."

1.34. The Committee trust that Government will take expeditious steps to eliminate the regional imbalances in the growth of cooperative movement in the country.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

Cooperative marketing societies in the country have received financial assistance amounting to about Rs. 10 crores from the National Cooperative Development Corporation till March, 1968. Statistics about the growth of these societies which have been furnished to the Committee look impressive. Without belittling the achievements of some of the cooperatives, notably the National and some of the State Marketing Federations, the Committee would like to point out that these statistics conceal quite a few vital deficiencies in the cooperative marketing movement. The Committee have listed some of them below:—

- (i) The 'owned funds' of primary societies have increased from Rs. 3.82 crores in 1957-58 to Rs. 33.13 crores in 1966-67. However, this impressive increase has been largely due to the progressive increase in financial support from Government. Taking share capital contribution alone, Government assistance increased from Rs. 0.64 crores in 1957-58 (i.e., one-sixth of the 'owned funds') to Rs. 14.44 crores in 1966-67 (i.e. more than two-fifths of the 'owned funds'). A similar increase in the scale of Government assistance can also be observed in the case of Central marketing societies and State Apex Federations.

[Sl. No. 3 (A) of Appendix VIII—Para 2.23(i)—of 106th Report
(Fourth Lok Sabha)]

Action taken

The large increase in the Government contribution to the share capital of primary marketing societies has also been accompanied

by a substantial step up in the members' share capital and reserve as may be seen from the following table:—

Sr. No.	Year	Total owned funds	Govt. share capital	Share Capital from members & reserves	Annual increase	
					Govt. share capital	Members share capital & reserves
1.	1957-58	3.82	0.65	3.18		
2.	1958-59	5.94	1.44	4.50	0.79	1.32
3.	1959-60	7.54	2.24	5.30	0.80	0.80
4.	1960-61	11.70	3.56	8.14	1.32	2.84
5.	1961-62	13.58	4.15	9.42	0.59	1.28
6.	1962-63	15.24	4.94	10.30	0.79	0.88
7.	1963-64	17.26	5.54	11.72	0.60	1.42
8.	1964-65	23.76	10.20	13.56	4.66	1.84
9.	1965-66	27.82	12.01	15.81	1.81	2.25
10.	1966-67	33.13	14.44	18.69	2.43	2.88
11.	1967-68	37.39	15.75	21.64	1.31	2.95

While there has been an average annual increase of Rs. 1.51 crores in the share capital contributed by the State Governments, this increase was of the order of Rs. 1.85 crores in the case of share capital collected from members and reserves. Further to enable primary marketing societies to have a strong capital base, certain guidelines have been suggested to State Governments for augmenting share capital from members *vide* Annexures II(a) to II(d) (Appendix I).

The P.A.C. have also observed that there has been large scale Government contribution to the share capital of central and apex marketing federations. The central marketing societies had total owned funds of Rs. 5.22 crores in 1957-58 when the Government share capital amounted to only Rs. 0.33 crores. In 1967-68, the total owned funds increased to Rs. 7.96 crores of which the State Governments contribution was Rs. 1.21 crores. While State Governments contribution registered an increase of Rs. 0.88 crores only during the 10 year period, the members' share capital and reserves rose by Rs. 1.86 crores.

[Department of Cooperation O.M. No. G-25015/1/70-P&B.
dt. 16-2-1971]

Recommendation

The turnover of the primary marketing societies has shown a spurt. It was about Rs. 70 crores in 1955-56 and according to data given by the Reserve Bank, it has increased to Rs. 310.9 crores in 1965-66, Rs. 366.7 crores in 1966-67 and Rs. 412 crores in 1967-68. However, this increase in turnover has to be weighed against several factors mentioned below.

[Sl. No. 3(A) of Appendix VIII (Para 2.23(ii) of 106th Report (Fourth Lok Sabha)].

Action taken

The figure of Rs. 70 crores for 1955-56 mentioned in the above paragraph includes figures of turnover of sugarcane societies also. It is, therefore, not strictly comparable with figures for subsequent years of turnover of primary marketing societies. Comparable data of turnover of primary marketing societies began to be published by the R.B.I. from 1957-58 onwards. According to these statistics, the turnover of primary marketing societies in 1957-58 was Rs. 21.40 crores.

[Department of Cooperation O.M. No. G. 25015/1/70-J&B dated 16-2-1971].

Recommendation

In the first place, the turnover is attributable to a relatively small proportion of societies. The Reserve Bank reported in 1969 that out of 3295 societies in 1966-67 the number of societies "doing marketing business" was 2300. More recently at the meeting of Ministers of Cooperation held at Bangalore in July, 1969, it was reported that "25 per cent of the primary marketing societies do not undertake marketing and the marketing operations of another 25 per cent are less than Rs. 1 lakh each".

[Sl. No. 4 of Appendix VIII (Para 2.24) of 106th Report (Fourth Lok Sabha)].

Action taken

Out of 3295 primary marketing societies in 1966-67, the number of societies doing marketing business was 2290 or 70 per cent. In 1967-68, 70.4 per cent of primary marketing societies were undertaking marketing business. The observations of the PAC in para 2.24 relate only to marketing operations of primary societies, while the figures of turnover referred to in the earlier para 2.23(ii) relate

to marketing as well as distribution functions. According to the statistical statement published by RBI for the year 1967-68, out of 3280 societies 2255 societies did marketing business, 1974 societies undertook distribution of agricultural requisites and 1871 societies undertook supply of consumer goods. In other words, some of the societies which were not undertaking marketing business, undertook distribution activities.

[Deptt. of Cooperative O.M. No. G. 25015/1/70-P.&B. dated 16-2-1971].

Recommendation

In the second place, the figures of turnover are not by themselves very reliable. A sample survey carried out by the Reserve Bank covering 22 primary marketing societies indicated that the reported turnover of marketing societies included "even fictitious marketing transactions, apart from pledged produce which the loanees had redeemed from the societies for sale through alternative channels. The Dantwala Committee also recognised the "possibility of inaccuracies and also duplication in the statistics at primary levels". [Sl. No. 5 of Appendix VIII (Para No. 225) of 106 Report (Fourth Lok Sabha)].

Action taken

The observation that the turnover of marketing societies included fictitious marketing transactions is based on the study made by the Reserve Bank of India in 11 districts covering 22 primary marketing societies. The relevant extracts from the survey report are at Annexure I (Appendix II). The Survey Report shows that the practice of recording fictitious marketing transactions was reported only in one district of Meerut where members of the large-sized and service societies applying for crop loan had committed themselves in writing to sell their produce through the cooperative marketing society to which their credit society was affiliated. A penal rate of interest of 3 per cent per annum on borrowings was charged from the members who failed to sell their produce through the marketing society. This penalty being more than the charges including the commission that the borrower had to pay if he sold through the society, some marketing societies resorted to fictitious recording of sales by those who had cleared their dues to the credit societies. This practice deserves to be severely condemned; but the number of societies resorting to such practices is only marginal. Even in Meerut, where only 15 per cent of the demand was recovered through linkage, the proportion of the borrowers resorting to this practice would only be insignificant.

The P.A.C. have also observed in this para that the figures of turnover of marketing societies also included figures of pledged produce which the loanees had redeemed from the societies for sale through alternative channels. This observation is also based on the Reserve Bank's survey conducted in 1962-63 and has been highlighted by the survey relating to marketing of paddy by one of the two societies in North Arcot district and in respect of wheat in Meerut, Vidisha and Sangrur districts. The data presented in the Reserve Bank's Survey shows that in relation to the total number of individual members per society in the three districts of Sangrur, Vidisha and Meerut, the number of 'pledge loan borrowers' was insignificant. This is clear from the following figures:—

	Sangrur	Vidisha	Meerut	Total
(1) No. of individual members per society .	460	161	4424	5045
(2) No. of pledge loan borrowers per society	5	46	9	60

It has also been observed in this para about the possibility of inaccuracies and duplication in the statistics at primary level. The data relating to operations of marketing societies is collected by the departmental inspectors, checked at various levels from the Assistant Registrar's Office to the Registrar's Office and forwarded to the Reserve Bank. In order to streamline the procedure for collection of the data, separate statistical cells have been set up at the state level in all States by the cooperative departments, a part from strengthening the staff of the cooperative marketing societies. Further, in pursuance of the observations of the Dantwala Committee, the State Governments were again advised by the N.C.D.C. to systematise and streamline the method of collection and condition of statistics from marketing cooperatives at various levels. The state level marketing federations are also being assisted by the NCDC to constitute field trained statistical cells to help the affiliated primary marketing societies in the collection of statistical data.

[Deptt. of Cooperation O.M. No. G. 25015/1/70-P and B, dated 16-2-1971].

Recommendation

Thirdly, sales of agricultural produce and agricultural requisites constitute the bulk of the turnover of societies. The statistics given by the Reserve Bank in their Review would show that 60 per cent

to 70 per cent of the agricultural produce handled was attributable to the States or the Food Corporation giving the societies a virtual monopoly in procurement operations. As regards agricultural requisites, the data incorporated in the Reserve Bank's Review would show that fertilisers accounted for the bulk of the sale and that in most of the States, cooperatives had been appointed as 'sole agents' for distribution of agricultural requisites, including chemical fertilisers".

{Sl. No. 6 of Appendix VIII (Para 2.26) of 106th Report (Fourth Lok Sabha)}.

Action taken

The Government policy is to encourage cooperatives as they have been recognised as appropriate agencies of national policy because their operations are expected to be informed with a social purpose. The Fourth Five Year Plan document recognises: "the cooperative marketing structure has proved an agency in implementing Government's food policy in recent years". The document also observes that:

"The aim will be to ensure that services which the farmer requires are institutionalised to the greatest extent possible. In the process of such institutionalisation, which will be to a set pattern, the cooperative form of reorganisation will have ample opportunities not only to expand but also to establish itself as viable and efficient".

Where cooperatives have acted as agents for the procurement of foodgrains and distribution of fertilisers, they have acquitted themselves creditably. The Fertiliser Credit Committee set up by the Fertiliser Association of India had observed: "On the whole, in areas where they have been entrusted with distribution, the cooperatives have shown enterprise and have done commendable work from the point of view of taking fertilisers to the consumer in advance of assured demand and long before it had become widely acceptable". Cooperatives have rendered yeoman service in carrying fertilisers to remote and inaccessible areas and distributing them more as a service function rather than as an economic proposition. The value of fertilisers distributed by cooperatives rose from Rs. 32.27 crores in 1961-62 to more than Rs. 200 crores in 1968-69.

A survey on Wheat Market Behaviour in Punjab and Haryana for the post-harvest period 1969-70 recently conducted by Shri K. S. Gill of the Punjab Agricultural University, had observed that

"Handling of the produce in the market by the State Marketing Federation was better compared to Food Corporation of India".

[Deptt. of Cooperation O.M. No. G-25015/1/70-P and B., dated 16-2-1971].

Recommendation

The last and most serious qualification concerning the marketing operations of the societies is the fact pointed out by the Reserve Bank in their sample survey that "in a number of societies, the agencies from whom they purchased the produce were traders" and "the agency on whom they depended for the sale of the produce were also the traders to a very large extent". This seems to be true not only of primary societies, but also of societies in the upper tier, which, according to the findings reported to the Conference of Ministers were making "purchases in Mandis not from growers". In the opinion of the Committee this is alien to the very concept of cooperation which seeks to eliminate the middleman and his margin, in the interests of the growers as well as the consumers.

[Sl. No. 7 of Appendix VIII Para 2.27 of 106th Report (Fourth Lok Sabha)].

Action taken

The accepted policy is to encourage direct purchases from producers and to discourage purchases from intermediaries. The N.C.D.C. has been impressing on the State Governments the need for developing healthy practices among cooperative marketing societies. This was also brought to the notice of the Conference of State Ministers of Cooperation so that they could, through the State administrative machinery, effectively check unhealthy practices in cooperatives.

The cooperative marketing societies have been selling the produce mainly on a commission basis with the result that they have been selling in Pucca Arhatias. The Reserve Bank's survey referred in the PAC Report, had also suggested that "pending the evolution of an integrated cooperative marketing structure with the built-in mechanism for channeling the produce from the primary markets to the secondary/terminal markets, primary marketing societies in the present stage of their development have to depend upon local traders for the disposal of produce". Since the past few years efforts have been made to develop an integrated system of cooperative marketing under which the primary marketing societies, acting in collaboration with apex cooperative marketing federations and

the national marketing federation, have been selling agricultural produce in terminal markets. In certain cases sale of agricultural produce has also been made direct to the cooperative consumer federations. With the progressive development in integrated marketing, the dependence on traders for sale of produce will decrease. Since 1964-65, the inter-state trade in the cooperative sector increased from Rs. 5.76 crores to Rs. 56.86 crores in 1968-69. Similarly, the exports of agricultural produce through cooperatives has also gone up from Rs. 0.89 crores in 1964-65 to Rs. 4.65 crores in 1968-69.

(Deptt. of Cooperation O.M. No. G-25015/1/70-P&B, dt. 16-2-1971).

Recommendation

The Committee observe that Government themselves are of the view that "the position of marketing societies is not an ideal one". The foregoing review suggests that remedial action should follow the lines set out below:

- (i) The capital base of marketing societies will have to be strengthened so that their turnover could be increased. The Dantwala Committee had as early as 1966 pointed out that "an average primary marketing society will need a capital base of about Rs. 2 lakhs to enable it to have a reasonable turnover." The capital base should be propped up not by Government but mainly by the societies themselves, so that more and more cultivators could acquire a stake in their working.

[Sl. No. 8 (i) of Appendix VIII, Para 2.28(i) of 106 Report (Fourth Lok Sabha)].

Action taken

While the need for marketing societies to build up their own share capital with additional collections from the members cannot be overemphasized, the rapid expansion in the business of marketing societies due to the HYVP programmes and the increased distribution of agricultural requisites calls for additional government support towards their share capital to enable them to raise necessary working capital finance. This position has also been recognised by the All India Rural Credit Review Committee which have made the following observations:

"We are of the view that in the context of the responsibilities entrusted to the cooperative marketing structure for supply as well as marketing activities, their share capital structure will need to be

further strengthened very considerably, if they are to borrow from banks on a correspondingly large scale. Ideally, such additional share capital should come from members through steps to which we refer in the following paragraphs. This, however, will take time and can only take place in steps with the expanding marketing business. *Meanwhile, the need for larger owned funds will have to be met by government contribution.* We understand that provision has been made for the purpose in the Fourth Plan and generally recommend that state governments should contribute to the share capital of marketing societies on the scale that they may require". (page 910 of the Report).

The member's own contribution to the share capital of the primary marketing societies has also made significant progress during the past 10 years. As compared to the members' paid up share capital of Rs. 1.57 crores in 1957-58, their capital in 1967-68 stood at Rs. 7.98 crores recording an increase of 409 per cent. In assessing this progress, it is necessary to take into account the constituents from whom collections of additional share capital are to be made. Marketing societies have village primaries and individual growers as their members. The credit structure at the primary level being weak in certain areas, it has been difficult for the marketing societies to raise any substantial contributions from them. Greater reliance has therefore to be placed on collecting share capital from individual growers. It may also be pointed out that with a view to ensuring members' participation in the share capital on an increasing scale, additional government contribution is made proportionate to the members' efforts, the proportion varying from state to state, depending upon the stage of development of cooperative movement. Vigorous efforts are continued to be made to augment members' share capital. A number of measures have been suggested to the State Governments from time to time for adoption by marketing societies to raise additional share capital from members. A copy each of the circulars issued in this regard is given in Annexure II(a,b,c & d). (Appendix I) The recommendations contained in these circulars are being followed up with the State Governments.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B., dated 16-2-1971].

Recommendation

The Dantwala Committee had pointed out that "the bulk of the marketable surplus of the farmer is sold in villages". The societies should not, therefore, be "content to handle whatever comes to their door" but should be revitalised and encouraged to go to the

villages so that their dependence on intermediaries could be reduced if not altogether eliminated."

[Sl. No. 8 (ii) of Appendix VIII, Para 2.28 (ii) of 106th Report (Fourth Lok Sabha)].

Action Taken

This recommendation is a part of the accepted policy for the implementation of which various measures are being taken. With a view to ensuring collection of produce at village level, particularly from the medium and smaller farmers in an increasing manner, the village societies are required to be appointed as grants of local primary marketing societies for collection/purchase of agricultural produce of the farmer members at the village level. The village society is expected to make suitable arrangements for such collection either through its paid staff or by one of the members of its managing committee. The marketing society, in turn, is to arrange transport of the produce to its godowns. Suitable commission is also allowed by the marketing society to the village society for undertaking this service. The marketing society also provides advances to the village societies for making immediate payments to the growers wherever purchases are made on outright basis. This system is an essential ingredient of the scheme of linking cooperative credit with cooperative marketing. The progress achieved in implementing this policy is, however, not very significant. The NCDC, has, from time to time, reviewed the progress and problems in this behalf and has issued guidelines to State Governments for effective linking of cooperative credit with cooperative marketing. In particular, the need for collection of produce at village level has been emphasized. Extracts from relevant circulars are given at Annexure III (Appendix III).

Apart from various guidelines given, a scheme was introduced by the NCDC in September, 1964 for enabling marketing cooperatives to increasingly undertake outright purchases of agricultural produce from small farmer and for the creation of a special price fluctuation fund with government contributions to meet the losses that may arise in such transactions. A summary of the scheme as modified from time to time in the light of the experience is at Annexure IV (Appendix IV). The scheme is at present under review with a view to ensure its effective implementation. Some of the main limitations in expanding purchases/collections of agricultural produce at the village level are:—

- (a) existence of a large number of weak agricultural credit societies;

- (b) lack of adequate storage facilities in the villages;
- (c) difficulties in transporting small lots of agricultural produce;
- (d) lack of properly trained managerial personnel at the village level;
- (e) risk of losses due to price fluctuation, driage, storage, etc.
- (f) lack of enthusiasm on the part of marketing society itself in some cases; and
- (g) inadequate working capital.

Various measures are already under implementation to meet the above difficulties. Programmes for revitalisation of village co-operatives, construction of rural godowns, purchase of transport vehicles by marketing cooperatives, revitalisation and strengthening of marketing societies, creation of common cadres for managerial personnel, creation of special price fluctuation fund, etc. are directed to forge an effective link between cooperative credit and marketing and to ensure that marketing societies reach out to the village for their marketing activities.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B., dated 16-2-1971].

Recommendation

Societies at various tiers, primary, district and apex societies should function as a concatenated whole, without by-passing each other, as, in the absence of a coordinated effort on their part, middlemen will flourish.

[Sl. No. 8(iii) of Appendix VIII, Para 2.28 (iii) of 106th Report (Fourth Lok Sabha)].

Action Taken

The Government accept the recommendation that the cooperative marketing structure should function as a concatenated whole. In fact, one of the basic objectives is to develop the cooperative movement as an integrated one. The efforts to develop cooperative marketing structure as an integrated one has begun to yield integrating results. The inter-state trade in the cooperative sector which calls for coordination, between various tiers, has increased from Rs. 5.76 crores in 1964-65 to Rs. 56.86 crores in 1968-69. The efforts to bring about integrated development of the marketing structure will be further intensified.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B., dated 16-2-1971].

Recommendation

Outright purchases by cooperatives will act as a great inducement to cultivators. The National Cooperative Development Corporation has started a scheme for subsidising losses on such purchases, but the data furnished to the Committee shows that there have been instances of such subsidies being used to cover up losses sustained by societies in making purchases from middlemen and not from growers. This tendency should be curbed.

[Sl. No. 8 (vi) of Appendix VIII, Para 2.28 (iv) of 106th Report (Fourth Lok Sabha)].

Action Taken

Government agree with the observation of the Committee that subsidies for outright purchases should not be used to cover up losses sustained by societies in making purchases from middlemen. No such instances have come to the notice of the NCDC. The information available with the NCDC shows that out of the 9 states from which detailed information is available regarding the application of price fluctuation funds for writing off losses only 3 societies suffered losses on outright purchases of agricultural produce made under the scheme in 1967-68 as against 2 in 1966-67 and 1 in 1965-66. Out of these, only one society in Andhra Pradesh has so far adjusted losses amounting to Rs. 900 incurred on outright purchases. Adjustments in the case of 2 other societies in Kerala and U.P. have not yet been made. For checking the utilisation of money from the special price fluctuation fund, committees have been constituted in various states with the Registrar or his nominee and representatives of the marketing societies as members. It is one of the functions of these committees to ensure that the requirements of the scheme have been properly observed before the societies are allowed to draw upon this fund to set off losses. In the case of NAFED, to which NCDC makes contribution directly under this scheme, a similar committee has been constituted by the NCDC with two representatives of the NCDC, two of the NAFED and one from the Department of Cooperation as members.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B., dated 16-2-1971].

Recommendation

Concerted steps should be taken to eliminate middlemen and traders who have acquired a vested interest in these societies. The

Committee have dealt with the question of vested interests in some detail later in this report.

[Sl. No. 8 (vi) of Appendix VIII, Para 2.28 (vi) of 106th Report (Fourth Lok Sabha)].

Action Taken

On the recommendations of the Mirdha Committee, the State Governments were requested to ensure that only bonafide producers are elected to the Managing Committees of primary marketing societies. In this connection, it was suggested that they should prescribe in the bye-laws of the societies that, to be eligible for election, a representative of affiliated society or an individual member should have sold a sizeable share of the marketable surplus of his produce through the marketing society in the preceding two years. He should also undertake to sell his produce through the marketing society during his term of office, failing which he should be disqualified from continuing as Director. It was also suggested to the State Governments that producer-cum-traders should not be allowed to become full members of the marketing societies and that they should be admitted only as associate and nominal members, without right to vote or to participate in the management. These recommendations are being actively pursued with the State Governments. The details of measures taken to eliminate vested interests are given in the reply to Chapter IX. (Sr. Nos. 29, 30 and 31).

[Deptt. of Cooperation O.M. No. G-25015/1/70-P.&B. dated 16-2-1971].

Recommendation

The Dantwala Committee had in 1966 drawn attention to the existence of a large number of weak societies and suggested a programme for their revitalisation. The data furnished to the Conference of Ministers of Cooperation in July, 1968 would suggest that roughly 25 per cent of the societies fall in this category. The Committee find it difficult to understand why, even though four years have passed since the Dantwala Committee reported, a survey of weak societies has still not been completed. This only shows that the National Cooperative Development Corporation is not sufficiently alive to its responsibilities in this regard. What is even more regrettable is that the Corporation does not even have information about the quantum of financial assistance extended by it to the weak and moribund societies. The Committee would like a programme for revitalisation to be launched without further delay. The weak and effete societies may have to be written off and realistic norms

of operations fixed for societies in future. Each society will have to draw up a phased programme for increasing its turnover for implementation.

[Sl. No. 8(vii) Appendix VII, Para 2.28(vii) of 106th Report
(Fourth Lok Sabha)]

Action Taken

The recommendations of the Dantwala Committee for revitalisation of the cooperative marketing societies were communicated to the State Governments in Junly 1967 with a request to draw up a phased programme to revitalise the inactive and marginal societies. The Registrars of Cooperative Societies were also requested to identify weaker societies which should be taken up for strengthening or, if found necessary, to liquidate dormant societies. In response to this, the State Governments of Punjab, Haryana, Gujarat, Tamil Nadu, Kerala, Orissa and Madhya Pradesh have already selected societies for strengthening. Some of the States have already prescribed the minimum share capital to be collected from members, minimum turnover to be achieved within reasonable period. The matter is being pursued with the State Governments.

As regards the observation that "what is even more regrettable is that the Coporation does not even have the information about the quantum of financial assistance extended by it to weak and moribund societies" it may be stated that the basic principle underlying Government assistance to cooperatives, is that such assistance should be extended to those societies which could be activised and whose operations could be stepped up. It may also be mentioned that there is no specific scheme for providing financial assistance to weak marketing societies.

Government accept the recommendation of the Committee and recognise the need for expediting the implementation of the programme for reorganising primary marketing societies. The recent Conference of Registrars of Coop. Societies also emphasised the urgent need for reorganisaæon of cooperative marketing structure, particularly at the primary level to enable it to effectively provide marketing/distribution facilities to the grower members on intensive scale based on systematic society-wise surveys. These surveys will have to be completed immediately and programmes for development of individual primary marketing societies regarding membership, share capital, owned funds marketing, distribution etc. chalked out. Programmes for such intensive development will have to be implemented on priority basis in intensive agricultural areas.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P.&.B dated
16-2-1971].

Recommendation

The Committee observe that during the Fourth Plan, an outlay of Rs. 45 crores is contemplated in the cooperative marketing sector. The experience gained so far suggests that planning for this has been impractical and unbusiness like. There has been what the Reserve Bank Survey has characterised as a "target approach" to the whole movement, which has resulted in proliferation of societies with "very little attention" to "appropriate norms in regard to the coverage of area, the volume of agricultural produce, etc." to be handled by the societies. The Committee, therefore, feel that the accent during the Fourth Plan should be on consolidation of the position of existing societies rather than on creation of new societies.

[Sl. No. 9 of Appendix VIII, Para 2.29 of 106th Report (Fourth Lok Sabha)]

Action taken

The outlay of Rs. 45 crores contemplated for the cooperative marketing sector during the Fourth Plan includes an amount of Rs. 25 crores for programmes of cooperative storage.

Planning for this sector cannot be termed to have been impractical and unbusinesslike. Integrated programme of cooperative marketing was taken up in the Second Plan and followed up in the Third. As a result, the framework of institutional structure for cooperative marketing of agricultural produce has been completed. There are 3280 primary marketing societies covering all the important markets in the country. The super-structure of state and national federations has also been completed. The value of agricultural produce handled by cooperatives increased from Rs. 175 crores in 1960-61 to nearly Rs. 583 crores in 1968-69, the value of fertilisers distributed by the cooperatives increased from Rs. 28.2 crores in 1960-61 to Rs. 200 crores in 1968-69.

The Government are aware of the areas of weakness of the cooperative marketing structure and conscious efforts are being made to develop these cooperatives as viable and efficient organisations.

The recommendation of the Committee that the accent in the 4th Plan should be on consolidation of existing position has been incorporated in the 4th Plan document which emphasises that "consistently with the programmes for increasing agricultural production, the steps will be taken to *strengthen the existing cooperative marketing structure* especially at the primary level". The accent, thus, in the 4th Plan is on strengthening of the existing structure rather than on expansion.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B.
dt. 16-2-1971]

Recommendation

The Committee observed that the National Cooperative Development Corporation has provided financial assistance amounting to Rs. 26 crores to the end of March, 1968, for various schemes in the cooperative processing sector. While the performance has been impressive in certain spheres, notably in the field of sugarcane processing, where the cooperative factories between them account for a third of the country's sugar production, the over-all position has to be considered unsatisfactory for the following reasons:—

There is a heavy backlog in installation of processing units. At the end of March, 1968, as many as 583 units out of 1,580 units organised i.e. 37 per cent had not been installed. Of the uninstalled units, the majority, i.e. 519 units were organised two years back or even in earlier years, going back to 1960-61. Considering that it takes about two years to install a processing unit, the performance has to be considered rather poor. It has been indicated to the Committee that there has been an improvement in the position lately, but the data on this point shows that as on 31st March, 1969, 471 units out of 1,672 remained uninstalled. This is about 28 per cent of the number of the units organised.

The delay in the installation of these units is bound to push up costs and has let to Government capital getting avoidably blocked up. Complete information on this point strangely enough is not available with the National Cooperative Development Corporation, which provided financial assistance to these units. Such data as has been furnished shows that a sum of Rs. 709.73 lakhs had been invested by Government in 386 of the uninstalled units. Of this investment, a sum of Rs. 289.79 lakhs, i.e., over a third of the assistance had been provided in 1965-66 or earlier years, going back to 1960-61.

The Committee note that the progress installation has been particularly poor in regard to paddy mills and hullers (27 per cent uninstalled), oil mills, (33 per cent uninstalled), and some of the plantation crop units (50 per cent uninstalled), to cite just a few major schemes. The progress as between the various States has also been very uneven. For instance, in Rajasthan, where assistance has

been provided for setting up 6 rice mills, not one has so far been installed.

[Sl. No. 10 (i) of Appendix VIII, Para 3.29 (i), of 106th Report
(Fourth Lok Sabha)]

Action taken

Since reported to the PAC earlier, there has been further progress in the installation of processing units. Out of 1672 units organised/assisted as on 31st March, 1969, 55 units were assisted only during the years 1967-68 and 1968-69. Besides, as per latest information available (Appendix V), 120 units have been dropped. Out of the remaining 1497 units, as per latest reports, 1334 units have been installed. Thus, units still under installation are only 163 i.e. about 10 per cent. The details may be seen at Annexure IA (Appendix VI).

As regards the availability of information in respect of uninstalled units, continuous efforts are being made by the Corporation to collect required information from the States.

As regards paddy mills, out of 765 such units (after excluding units dropped). 639 units i.e. more than 83 per cent have been installed. Delay in installation of the rice mills as well as other processing units is generally due to the difficulties in securing suitable site, construction material, machinery, etc. The Conference of Registrars of Cooperative Societies held at Delhi on 18th and 19th September, 1970 recommended that, for the purpose of planning and construction of new rice mills and modernisation of existing rice mills, centralised arrangements at the level of apex marketing federations should be strengthened.

In the case of large sized processing units, such as sugar factories, spinning mills, solvent extraction plants, etc. installation period is spread over 3 to 4 years because they have to raise finances from financing institutions like IFC, IDBI, LIC, etc. which take considerable time in processing loan applications. Further, the number of machinery manufacturers is also limited and it take considerable time for cooperatives to procure required type of machinery from them.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B.
dt. 16-2-1971]

Recommendation

Adequate notice does not seem to have been taken of existing capacity in various fields before organising cooperative processing units. The Expert Committee on Financing of Cooperatives pointed out for instance, that in the field of cotton processing "no precise information is available about the ginning and pressing factories in the country" and that an assessment made in 1963-64 indicated that nearly a fifth of the existing units "were either idle or closed down permanently". In regard to groundnut processing, the Expert Committee similarly drew attention to the fact that "no reliable statistics are available regarding the number of various types of units in operation". The Committee find little reason for wonder that cooperative processing units set up in these fields have failed to utilise more than a third of the capacity.

[Sl. No. 10 (iii) of Appendix VIII, Para No. 329 (iii) of 106th Report
(Fourth Lok Sabha)]

Action taken

Processing is an integral part of marketing since success in the latter activity by a cooperative depends largely on the arrangement made by it for processing of the produce. Cooperatives were therefore encouraged to undertake processing of agricultural produce.

In respect of bigger units like cooperative sugar factories and spinning mills, licensing of cooperative units has been based on the overall installed capacity and the targetted programme under various Plans.

With a view to ensuring that proper feasibility studies are conducted for organisation of cooperative processing units, the Corporation had recently approved a scheme for meeting the cost of preparation of such feasibility studies/project reports. A copy of the same is enclosed at Appendix VII.

Further, nearly 50 per cent of the processing units in the cooperative sector are rice mills. The licensing of these units under the Rice Milling Regulation Act is preceded by enquiries about the number of rice mills in the area, availability of raw material etc. In respect of cooperative processing units in the delicensed sectors, the emphasis in the organisation of units is on the felt needs of the farmers in the areas so that they could obtain a better price for their produce through the cooperative. In spite of all the careful planning, the problem of under-utilisation of installed capacity still

persists. Concerted and continuous efforts are being made to improve the operational efficiency of these units.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P & B.,
dt. 16-2-1971]

Recommendation

The Committee would like to make the following suggestions:—

- (i) Capital has remained avoidably locked up in processing units which have not yet been installed. In respect of the units which have remained un-installed for two years or more, a reasonable period should be given to the unit for installation, failing which the financial assistance given to it should be recovered.
- (ii) The existing system of release of assistance is not adequately progress-oriented. 50 per cent of the assistance is extended after preliminary clearance and the balance after choice of site etc. The assistance should be phased out over a larger number of instalments which should be related to the progress of the work.
- (iii) The alarming extent of under-utilisation of capacity constitutes a waste of national resources. Concrete steps should be taken to bring about better utilisation.
- (iv) Government are proposing a further investment of Rs. 21.72 crores in organising 399 new units during the Fourth Plan. With a substantial capacity already created still remaining under-utilised and with the prospect of more capacity being created. After the heavy backlog of un-installed units is cleared, the Committee see reason to apprehend that the organisation of more processing units will only aggravate the existing situation. Besides as the Committee have pointed out earlier, enough homework has not been done to ascertain what capacity is available in various fields. If the organisation of new units is considered necessary, the Committee would like Government to ensure that the proposals in that regard are formulated only after adequate feasibility studies, which duly take note of factors like unsatisfied demand, location, requirements of working capital, managerial capacity etc. In the meantime, stress should be on modernisation of conventional units where utilisation has been high.

[Sl. No. 11 of Appendix VIII Para No. 330 of 160th Report
(Fourth Lok Sabha)]

Action Taken

3.30 (i) The observations of the P.A.C. are noted and will be followed.

3.30. (ii) The need for progress based releases is being impressed on the State Governments from time to time. The State Governments, however, prefer to minimise the number of instalments of central assistance. Besides, the bulk of the government assistance to the processing units given so far is in the form of share capital contribution. Release of such assistance, is primarily related to the share capital collected by the members of the concerned cooperatives according to the patterns laid down for this purpose. The Government's assistance given in the form of equity capital is mainly to facilitate the cooperatives to raise block loans from the financing institutions. Where units of very small size like oil mills, ginneries, etc. mostly the cost of the project is met from the share capital contributed by the State Government and by the growers. In view of this, the Government assistance for share capital contribution could not be linked with physical progress in installation of a processing unit. Where assistance is in the form of block loans, the same is related to the physical progress of the concerned processing units.

Under the Central Sector Scheme for financing small and medium sized processing units proposed to be implemented during the Fourth Plan, the Central assistance will be in the form of block loans to the cooperative processing societies. Under this scheme, the releases will be progress oriented and central assistance will be only in the form of refinancing to the concerned State Government/State Cooperative Banks. A copy of the terms and conditions of the scheme is enclosed at Appendix VIII.

3.30. (iii) & (iv). Under-utilisation of installed capacity of many processing units is an outcome of State Government's procurement policy of foodgrains, speculative market conditions and steep fluctuations in the prices of some of the agricultural commodities, etc. These factors are beyond the control of the cooperatives. For instance, many cooperative rice mills could not utilise their installed capacity because of government procurement policy. This was in spite of the fact that these mills were set up in the areas where paddy is abundantly grown. However, the Corporation has taken following steps to improve utilisation of the installed capacity of the processing units:--

For raising margin money required for working capital, NCDC has sponsored a scheme under which State

Governments can avail of assistance outside their plan resources for assisting the processing units for this purpose. A copy of the circular letter in this regard is at Appendix IX.

- (b) For speedy execution and efficient functioning of small and medium sized processing units, centralised arrangements are being made at the level of the Apex Marketing Federations and also for creating cadres/pools of managerial personnel for manning such small and medium size processing units.
- (c) The scope of the promotional and technical cells has recently been enlarged by the NCDC for covering larger number of processing units for the purpose of providing technical know-how and necessary expertise for their installation and functioning. A copy of the circular is placed at Appendix X.
- (d) The NCDC has taken steps to further strengthen its own technical personnel and has made arrangements for recruiting Management Consultant, Cost Accountant, Refrigeration Engineer, Fruit and Vegetable Processing Experts, etc.
- (e) For training the management personnel of the processing units, the NCDC has introduced a scheme under which part of the cost of the trainees of the processing units would be borne by the NCDC. A copy of the circular letter in this regard is placed at Appendix XI.
- (f) At the instance of the NCDC, Vaikunth Mohta National Institute of Cooperative Management has introduced special course for training managerial personnel of the cooperative processing units. In addition, steps have been taken to organise conferences, seminars of the personnel involved in cooperative processing activity
- (g) The approach to the programmes of cooperative processing as has been spelt out in the Fourth Plan document, is as follows:—

“In the Fourth Plan, it is proposed that organisation of new processing units should be preceded by proper feasibility studies, advance locational planning with reference to supply of raw material, storage and marketing of finished products and overall economics of each project. Facilities to provide technical advice are already being developed in various apex marketing societies. Efforts will be made to strengthen this technical machinery. Attention will also be paid to the need to consolidate and maximise

the operational efficiency of existing units and ensure the fuller utilisation of their installed capacity."

This approach is in conformity with the principle suggested by the PAC.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P.&B.,
dt. 16-2-1971]

Recommendation

In the light of the foregoing findings the Committee would like government to initiate action on the following lines:—

Cases where godowns have been under construction for two years or more will need particular attention. The factors leading to delay should be closely examined to ascertain whether the original proposals are sound in the changed context of things, in respect of those 557 cases, where construction of godowns has been abandoned, refund of the assistance given should be promptly obtained.

[Sl. No. 17 (v) of Appendix VIII Para 4.26 (v) of 106th Report
(Fourth Lok Sabha)]

Action Taken

(v) The State Governments have already been addressed by the Corporation to review the progress of construction of godowns and to specifically look into the problems of unconstructed godowns which had been provided assistance more than 2 years back and, if need be, withdraw assistance from the concerned societies. The State Governments have also been requested to recover the financial assistance in respect of dropped godowns and refund the same to this Corporation at the earliest.

A statement indicating the number and dates of such letters addressed to various State Governments in this regard is enclosed (Appendix XII)

[Deptt. of Cooperation O.M. No. G-25015/1/70-P.&B.,
dt. 16-2-1971]

Recommendation

The Committee find the progress in regard to installation of cold storages disappointing. Assistance amounting to Rs. 269 lakhs had been provided by the Corporation to the end of March, 1968 for the installation of 67 cold storages. 50 of these cold storages (assistance

provided Rs. 213 lakhs) and not been commissioned till 1968-69, 47 of them after a lapse of two to four years.

[Sl. No. 18 of Appendix VIII (Para 5.9) of 106th Report
(Fourth Lok Sabha)]

Action Taken

According to the latest information available, out of 67 cold storages assisted by the end of March, 1968, 50 have been installed and 3 units have been dropped. Thus, there are only 14 units yet to be installed (Three units dropped are exclusive of 6 other units dropped which were not assisted and, therefore, not taken into account here). For Statewise details please see Appendix XIII.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B.
dt. 16-2-1971]

Recommendation

The Committee note that the position as at the end of June, 1960 indicates some improvement, in that 55 units had been installed as against 87 assisted. There is, however, still scope for improvement, considering that "it normally takes one to two years to set up a cold storage plant." Proposals for installing 8 units have been reported to have been scrapped. The Committee would like the Corporation to ensure that the financial assistance provided for these 8 units is promptly refunded by the State Governments concerned.

[Sl. No. 19 of Appendix VIII (Para 5.10) of 106th Report
(Fourth Lok Sabha)].

Action Taken

The total number of units dropped has gone upto 9. Out of the 9 units dropped (please see the Appendix XIV for details) National Cooperative Development Corporation has not given assistance in the case of 6 units of Orissa. From the remaining 3 cold storages, where assistance is to be recovered from the State Governments, it may be mentioned that in case of 2 units, the State Governments have requested the National Cooperative Development Corporation to allow them to utilise the amounts of assistance to two other co-operatives for setting up of cold storages. The State Governments have been requested to send their project reports for consideration. In respect of the remaining one unit, the Corporation has already recovered the amount.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B, dt.
16-2-1971].

Recommendation

The Committee are disappointed with the performance of export oriented cooperatives which have been assisted by the National Co-operative Development Corporation. Assistance amounting to Rs. 165 lakhs has been provided since 1966-67 to 23 units in an effort to boost the country's exports, though no definite export targets were set. Only 9 of these units have so far gone into production and 2 units have made exports, the remaining 7 being still "in their gestation period".

The Committee would like action to be taken by the Corporation to ensure speedy installation of the remaining 14 units. A definite export programme for these units should also be drawn up for implementation.

[Sl. Nos. 22 & 23 of Appendix VIII (Paras 6.9 & 6.10) of 106th Report (Fourth Lok Sabha)].

Action Taken

Out of 23 units assisted under the Centrally Sponsored Scheme for Export-Oriented Processing Units, 18 units have so far been installed. 2 units in Rajasthan and one each in Andhra Pradesh, Bihar and Orissa are in various stages of installation and the matter is being pursued with the concerned State Governments for expediting the installation of these units.

All the units assisted under this Scheme viz. 4 rice bran oil mills, 6 oil-Seeds processing and solvent extraction plants, 11 fruits and vegetable processing units, 1 cashewnut processing unit and 1 coffee processing unit have export potential. Since most of these units have gone into production very recently, it is too early to assess their performance. One of the units assisted under this scheme viz. Khanna Coop. Solvent Extraction Plant, Punjab, has already made a beginning in export of de-oil cake. This unit has exported de-oil cake worth Rs. 1 crore to various countries. In respect of other units in production, their programme and performance will be periodically reviewed.

[Deptt. of Cooperation O.M. No. G. 25015 1 70—P&B, dt. 16-2-1971].

Recommendation

The Committee observe that the Corporation has still to obtain acknowledgements of correctness of loan balances amounting to Rs. 7.94 crores from different State Governments. They would like

the matter to be followed up and the requisite confirmation to be obtained speedily.

[Sl. No. 24 of Appendix VIII (Para 7.23) of 106th Report (Fourth Lok Sabha)].

Action Taken

The Committee were informed that according to the information furnished by the State Governments certain States had still (September, 1968) to confirm the correctness of the balance of loan amounting to Rs. 7.94 crores as on 1st April, 1968. As against this, confirmation has been received from all except for an amount of Rs. 11.77 lakhs. This amount represents loans granted to the old Punjab State which were allocated to the Union Territories of Himachal Pradesh and Chandigarh on the reorganisation of the erstwhile State of Punjab. The amount had to be allocated to the successor states on the basis of the extent to which each loan was utilised in the areas, societies in each successor state. This information has been obtained from the Punjab Government and the procedure to be adopted for the repayment of the amount allocated to the Union Territories of Chandigarh and Himachal Pradesh is under consideration.

[Deptt. of Cooperation O.M. No. G.25015 1/70—P&B, dt. 16-2-1971].

Recommendation

The existing system for obtaining utilisation certificates from State Governments cannot be considered satisfactory. These certificates are furnished by the State Governments on the basis of disbursement of funds to the cooperatives and not after ascertaining the actual utilisation of the funds by the cooperatives themselves. While it is no doubt necessary to ensure that the funds made available to State Governments are disbursed by them, it is also necessary that the manner of actual application of these funds should be kept under watch. The Committee would like suitable arrangement to be evolved in this regard.

[Sl. No. 25 of Appendix VIII (Para 7.24) of 106th Report (Fourth Lok Sabha)].

Action taken

In addition to the financial Utilisation Certificate which the National Cooperative Development Corporation is obtaining from the State Governments within the prescribed period after the close of financial year, completion certificates for schemes and projects involving civil work installations, construction of buildings etc. have been prescribed by the National Cooperative Development Corpora-

tion with effect from 1st April, 1970. A copy of Office Order of the National Cooperative Development Corporation is enclosed as Appendix XV.

It may be added that the financial assistance given by the National Cooperative Development Corporation to State Governments falls broadly into two categories *viz.* (i) for schemes involving construction, installation and other civil works and (ii) for schemes not involving such expenditure. In both these categories of assistance, the Corporation has devised elaborate methods of watching the manner of actual application of the funds, even after financial utilisation certificate has been received. In the case of former category of assistance, the Corporation calls for monthly reports on different stages of construction or civil work i.e. acquisition of site, placing of orders for plant and machinery, stage of construction of civil work and installation of machinery and commissioning of the project. A set of proformae prescribed in this behalf for storage, rice mills and sugar factory are appended (not printed). In the case of latter category of assistance it is ensured through periodical progress reports that the funds are utilised for the purpose for which they were given and the society concerned performs the function for which the assistance was sanctioned to it.

Thus in both the cases of assistance, a constant watch is maintained not only on the progress of utilisation of funds, but also on the progress of functioning of the society concerned. The problems and bottlenecks in the progress coming to notice through the reports are reported to the State Governments suggesting also the remedial measures, wherever necessary.

Recommendation

The Committee find that the progress of the cooperative movement in the country has been very uneven. The movement has yet to strike firm roots in places like Rajasthan, Bihar, Orissa which are comparatively less developed in this regard than areas like Maharashtra, Gujarat, Punjab.

The Committee recognise that the development of cooperatives in these areas will be conditioned largely by sound leadership and the popular support for the movement and that the provision of financial incentives by Government cannot by itself effectively fill up these voids. Still Government will do well to examine how best the movement can be stimulated in these areas by enlisting the support of the public which should be suitably educated for this purpose.

[SL. Nos. 27 & 28 of Appendix VIII (Paras 8.4 and 8.5) of 106th Report (Fourth Lok Sabha)].

Action Taken

It is true that the progress of the cooperative movement in the country has been very uneven. Generally speaking, the movement is weak in the Eastern States (Assam, Bihar, West Bengal, Orissa and the Union Territories of Manipur and Tripura) and Rajasthan. The special steps which can be taken for developing the movement in these states had been considered repeatedly on different occasions. In the course of 1960-61 and 1962-63 the problems relating to the cooperative credit, cooperative marketing and processing were considered in detail. The reasons for lack of progress of the movement in these states were analysed as lack of non-official leadership, inadequate and untrained staff both in the cooperative department and in the Central Financing Agencies, pre-ponderance of weak (D&E class) societies, most of which were due for liquidation, mounting over-dues, wrong policies followed in mixing credit with trading activities, comparative negligence in drawing up programmes of development, bad location of marketing societies etc. The following measures were suggested for building up the movement:—

- (a) The control of cooperative institutions by officials should be removed and non-officials should be enabled to assume positions of responsibility in these institutions.
- (b) Steps should be taken to remove the structural weakness of the movement and implement the suggested programmes including reorganisation of the credit structure, revitalisation and liquidation of moribund societies, reorganisation of marketing societies, linking credit with marketing, streamlining the procedure for supply of marketing finance, fixing targets for marketing operations and ensuring that the targets are fulfilled, etc.
- (c) The present deficiency in the staffing of the cooperative department and institutions should be made good both in numbers and in quality. The Conference also agreed that special assistance for the cooperative development schemes will be necessary in these states.

A scheme for special additional central assistance for cooperative schemes in these states was drawn up in accordance with the recommendation at (c) above and a provision was made for the purpose. The special assistance was given by adopting a more liberal pattern for subsidising the cost of managerial staff, for participation in share capital and for giving loans to various types of cooperative societies. This was operated as a Centrally Sponsored Scheme from 1962-63 to 1966-69 in Eastern States and 1966-67 to 1968-69 in the case of

Rajasthan. The Statewise figures of assistance provided under this scheme are given below:—

(Rs. in lakhs)

Name of the State	1962-63 to 1965-66	1966-67	1967-68	1968-69
Assam	11.445	—	4.100	3.650
Bihar	23.309	8.120	7.310	6.000
Orissa	16.754	4.4484	13.418	2.720
West Bengal	8.767	24.510	22.140	2.805
Rajasthan	—	50.310	1.666	4.523
	60.277	87.424	48.634	19.698

This scheme of special assistance has been discontinued from 1969-70 on account of the decision of National Development Council to reduce the number of centrally sponsored schemes and make available central assistance for state plan schemes in the form of block grants and loans. A set of criteria which includes population, *per capita* income of the state etc. was also approved by the National Development Council for allocation of central assistance among the different states. Therefore to a large extent the relative backwardness of the states is taken into account while deciding the total allocation of central assistance for plan schemes to the States.

Certain other measures taken for assisting these States are, however, continuing. These are briefly:—

- (a) a lower percentage of share capital from members for establishing cooperative sugar factories and other processing units in these areas.
- (b) allowing a higher rate of growth while determining the debenture programmes of land mortgage banks in these states.
- (c) special initiative by the agricultural refinancing corporation in drawing up and implementing schemes in these States.

In the field of cooperative credit, an informal committee, set up by the R.B.I. in 1964, recommended the setting up of agricultural credit corporations in the four Eastern States, Rajasthan and the

Union Territories of Manipur and Tripura. Based on these recommendations, legislation has already been enacted by Parliament for setting up such corporations in the States and Union Territories. The question of setting up of these corporations is now under consideration of the Department of Agriculture and the Department of Banking. These corporations are expected to function as transitory institutions for providing agricultural credit either through the cooperative societies or directly till the cooperative structure in the States is suitably strengthened.

The All India Rural Credit Review Committee set up by the Reserve Bank of India which submitted its report in 1969 has also reviewed the factors responsible for regional imbalance in the growth of the cooperative credit movement. A statewise review of the present position of cooperative credit in individual states is contained in chapter 8 of the report of this committee. The Committee pointed out that apart from internal factors like operational weaknesses and lack of leadership, external factors like poor endowment of natural facilities, insufficient development of the agricultural and economic infrastructure, overall economic backwardness of the area and tardy implementation by the cooperative institutions and State Governments of policies agreed upon for developing the cooperative movement on sound lines, also contributed to the weakness of the cooperatives.

Basically, the responsibility of implementing the accepted policies and programmes for strengthening the co-operative movement rests with the state Governments. The Central Government and the R.B.I. have been drawing the attention of the State Governments to the areas of weakness and the need for giving priority and making adequate financial provisions for the cooperative development schemes in the annual plans. During 1969-70 also the States of Assam and Orissa were not able to utilise the central assistance in full due to inadequate budget provision made by the State for co-operative schemes. The emergence of economically viable units in all sectors of cooperative activity is also a basic requirement for the progress of the movement. Specific programmes for achieving viability of the units have been drawn up and unless these are implemented with determination and the necessary financial support provided to the selected potentially viable units during the interim period, progress will continue to be halting. Teams of officers from the Department of Cooperation are being deputed to these states to study the existing position and recommend specific measures for strengthening the cooperative movement in these states.

[Deptt. of Cooperation O.M. No. G.25015/1/70—P&B, dt. 16-2-1971].

Recommendation

The Committee are disturbed to find that vested interests are subverting the working of cooperatives in the country. These interests have managed to perpetuate themselves in office and corner "the lion's share" of the societies' services "for self, friends and relatives." A host of devices have been employed by them such as "restriction on admission of fresh members", "avoiding general body meetings", "manipulating elections", "employing near relations in the paid services of cooperatives", "granting liberal loans to friends and relatives", not recovering these loans etc. In the result, as was pointed out at the conference of Ministers of Cooperation held in Bangalore in July, 1968, "very often 15 per cent to 20 per cent of the membership are in a position to get the major benefit from cooperatives". The scope for self-aggrandisement and personal enrichment should be very vast indeed, considering that the National Co-operative Development Corporation alone has extended assistance aggregating Rs. 90 crores to cooperatives till the end of 1967-68. Besides, Government have on their own been extending assistance on a sizeable scale for schemes connected with consumer cooperatives, labour cooperations, thrift and credit societies etc.

In the opinion of the Committee, this situation is fraught with great danger for the future of cooperative movement and will undermine people's faith in its usefulness and necessity. As early as 1965, the Mirdha Committee had investigated this problem and reported on the measure necessary to eliminate the vested interests. Effective measures, administrative as well as legislative, are, however, still to be taken, though lip-service continues to be paid. A conference of State Ministers endorsed the suggestions of the Mirdha Committee in November, 1965. Thereafter a conference of Chief Ministers considered the matter further in June, 1968 and formulated a series of suggestions. Only one State has so far undertaken comprehensive legislation incorporating the recommendations of the Chief Ministers Conference but the Committee gather that even that State has yet to formulate rules under the Act to give effect to the legislation. The whole issue meanwhile continues to be at the stage of deliberation, with the latest conference of Ministers held in July, 1969 suggesting that for this purpose "a certain amount of compulsion need not be ruled out". The Committee feel that in order to give necessary impetus to the movement the Central Government should take a more active part in providing leadership to the States in this matter.

The Committee recognise that "vested interests in cooperatives cannot be tackled in isolation from the rest of the community" and

that the problem has to be viewed against the background of "the political climate of the country, the social traditions and the general level of educational development." Nevertheless what can be done to remedy the situation has not yet been even attempted. The Committee would like the Government of India to take up the matter with the State Governments in right earnest, so that suitable legislative and administrative measures are initiated without further delay. The aim should be to secure that—

- (a) Positions of influence in cooperative societies are not monopolised by a few influential persons and no one is allowed to hold more than one or two key posts at the apex, district or Taluka level;
- (b) membership of societies is open to all;
- (c) persons conducting business in competition with societies are debarred from membership;
- (d) transactions in so far as they pertain to members of managing committee of societies or their relatives are adequately publicised;
- (e) elections are regularly and properly conducted;
- (f) accounts of societies are regularly audited and the results of audit reported to the General body promptly.

[Sl. Nos. 29, 30 & 31 of Appendix VIII (Paras 9.15, 9.16 & 9.17 of 106th Report (Fourth Lok Sabha)).

Action Taken

Several States have undertaken legislative-administrative measures to implement the recommendations of the Conference of Chief Ministers and Minister in-charge of Cooperation held in 1968. The present position is indicated in Appendix XVI.

As Cooperation is a state subject under the Constitution, it is primarily the responsibility of State Governments to implement suitable measures including legislation and curb the growth of vested interests in cooperation. The Central Government has been impressing upon the State Governments the need for effective action and the position is reviewed in the Annual Conference of the Registrars of Cooperative Societies and State Ministers in-charge of Cooperation. As will be evident from the details given in Appendix XVII, several States have already initiated action as recommended. The Central Government would keep a constant watch over the implementation of their recommendations, review the position from time to time and pursue the matter with the States.

[Deptt. of Cooperation O.M. No. G.25015/170—P&B, dt. 16-2-1971].

Recommendation

In the foregoing sections of the Report, the Committee have reviewed the progress made in certain sectors of cooperative activity like marketing, processing and storage. The investment of Government in these sectors, channelised through the National Cooperative Development Corporation, amounted to about Rs. 55 crores as at the end of 1967-68.

The review shows a number of shortcomings in these sectors:

- (i) The organisation of societies seems to have proceeded on the basis of what the Reserve Bank has aptly characterised as a 'target approach' to the whole movement. This has resulted in accelerated organisation of a number of cooperative societies without adequate investigation about their viability. In consequence, a number of societies set up in various sectors are either moribund or are not functioning effectively. As examples may be cited, the marketing sector where 25 per cent of the societies are doing no business, or the processing sector, where capacity installed has not been gainfully utilised in several fields like paddy processing, cotton ginning etc. The same problems of gainful utilisation is faced by cooperative godowns also.
- (ii) Ambitious plans for organisation of new societies have suffered for lack of a purposeful follow-up. This is reflected in a large number of processing units, cold storages, godowns etc. not having come up, years after financial assistance for these units was disbursed. They delay in installation, apart from pushing up the cost of these projects, has resulted in a substantial amount of Government capital getting blocked up.
- (iii) The cooperative movement is still largely dependent on Government for its survival. The cooperative marketing structure in particular has been reared on business which has been provided to it by Government almost on a monopoly basis. While Government support is certainly essential, the societies should also be encouraged to stand on their own legs, by enlisting the support, loyalty and assistance of their constituents and diversifying their activities.
- (iv) Vested interests have secured a hold on a number of societies, which they are turning to their advantage. It is essential that all the maladies should be diagnosed and effective legislative and administrative sanctions applied

against them in the interests of sound and healthy growth of the movement.

- (v) Above all, it is necessary, to secure that the movement progresses on an even keel throughout the country. The progress of the movement in different States has so far been uneven.

The Fourth Plan proposals for the cooperative sector are at present under the consideration of Government. It is essential that all investment proposals under the Plan are preceded by a careful examination of their economics. The existence of a large number of ineffective societies in the marketing sector and large unutilised capacity in the cooperative processing and storage units suggests that the accent should be on consolidation of the position of societies already organised, rather than on setting up new societies.

The Committee also consider it important that steps should be taken to 'de-officialise' the cooperative movement, which is essentially a voluntary activity. There is at present a full-fledged Department of Cooperation under Government, apart from another official organisation like National Cooperative Development Corporation. The proliferation of official agencies is not in the Committee's opinion conducive to the 'de-officialisation' of the cooperative movement. Many of the functions of the Central Warehousing Corporation, State Warehousing Corporations and the National Cooperative Development Corporation are common, e.g., setting up of godowns, cold storage, purchase, sale, storage and distribution of agricultural produce, seeds, fertilizers etc. There are also Primary Credit Societies, Central Cooperative Banks etc. some of which seem to be working at cross purposes. It is in this context that the Committee have suggested a reconsideration of the need for an organisation like the National Cooperative Development Corporation which, as an institution, has not to any considerable extent succeeded in securing the objectives for which it was set up.

[Si. Nos. 32, 33, 34 & 35 of Appendix VIII (Paras 10.1, 10.2, 10.3 & 10.4) of 106th Report (Fourth Lok Sabha)].

Action Taken

The observations of the Committee regarding the existence of weak units and under-utilisation of capacity have been dealt with in details in the replies given with reference to paras 3.29(I), 3.29.(II), 3.29.(III), 4.24. The remedial steps taken and those proposed for fuller utilisation of the capacity of units completed and for expeditious completion of the units still under construction or

installation have also been given in the replies to these paragraphs and para 5.12. Regarding marketing societies, information has been furnished in reply to para 2.24. The measures being taken for re-organising and strengthening marketing societies have been explained in the replies to the observations made in para 2.28 of the Committee's report.

The general approach in the Fourth Plan is one of consolidation of the existing structure rather than expansion by way of new units. Where new units are to be set up, this will be preceded by an assessment of their economic viability.

The measures already being taken to curb vested interests in cooperative movement and to correct the imbalances in the progress of the movement between different parts of the country have been outlined in replies to the Committee's observations in paras 8.4, 8.5, 9.15, 9.16 and 9.17 of the Report.

The Government agree with the principle that the cooperative movement is essentially a voluntary activity and should be developed as such. As explained in reply to paras 1.20 and 1.21 of the Report, an Expert Committee has been constituted to go into the working of the National Cooperative Development Corporation.

[Deptt. of Cooperation O.M. No. G.25015 170—P&B. dt: 16-2-1971].

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PERSUE IN VIEW OF THE REPLIES OF GOVERNMENT.

Recommendation

Agricultural credit societies extended loans to cultivators. The affiliation of these societies to marketing societies should help to establish a link between credit and marketing and facilitate recovery of credit through sale of produce through marketing societies. Though the progress in affiliation has been quite satisfactory, a large proportion of recoveries of credit (86 per cent) continue to be made in cash. This shows that cultivators, after availing of credit facilities from the cooperatives, prefer not to use their agency for sale of produce. The causes underlying this phenomenon should be closely studied and appropriate remedial measures taken.

[Sr. No. 8(v) of Appendix VIII (Para 2.28(v)) of 106th Report (Fourth Lok Sabha)].

Action Taken

The observations of the Public Accounts Committee are noted. The causes underlying the lack of effective between credit and marketing, have been continuously studied by various Committees like the Working Group on Cooperatives in IADP districts, Dantawala Committee etc. The NCDC is pursuing with the State Governments for the implementation of the various measures for forging an effective link between the credit and marketing societies.

Recommendation

Units already set up are plagued by the problems of inadequate utilisation of the capacity installed. The statistics furnished to the Committee in this regard are very revealing. In sugarcane the capacity utilised is about two-thirds of that installed and in cotton ginneries and groundnut processing units one-third. Data in regard to paddy and rice units is not available, but the statistics collected by the Reserve Bank indicate that the quantity processed in 1966-67 was of the order of 0.89 lakh tonnes. As against this, the capacity

of the units installed as at the end of March, 1968 was 18.63 lakh tonnes. Even allowing for the fact that two sets of data are not strictly comparable, it is obvious that the utilisation of capacity is only fractional.

An examination of the reasons given for under-utilisation of capacity indicates that it has been caused by inadequate supply of raw material, lack of working capital and suitable managerial personnel. The Committee can only conclude from this that planning for these cooperatives has been lop-sided and that, in their enthusiasm to organise cooperatives, Government overlooked various inherent practical difficulties.

One point bearing on the under-utilisation of the capacity of rice mills needs particular mention. The utilisation of their capacity seems to have been hampered due to faulty location. The statistics regarding the rice mills organised in the cooperative sector in various parts of the country at Appendix V to this report would indicate that the number of units organised in various districts bear no correlation to the relative importance of these districts in rice production in the country. While factors like existence of capacity in those districts could have conceivably weighed with the Corporation, the statistics leave some room for doubt whether inadequate attention was paid to the location factor.

[Sl. No. 10(ii)—Appendix VIII (Para 3.29(ii)) of 106th Report (Fourth Lok Sabha)].

Action Taken

As regards inadequate utilisation of installed capacity of the processing units, it may be mentioned that the years 1966-67 and 1967-68 were very unusual agricultural years on account of drought conditions. For instance, production of sugarcane had gone down considerably and as a result, sugar factories were not able to procure adequate sugarcane for utilising their installed capacity fully. In this connection, however, it would be relevant to mention that under-utilisation of the installed capacity of the cooperative sugar factories was less as compared to that of installed capacity in the private sector. The fall in the total production of sugar in 1966-67 over the year 1965-66 was 39.25%, while the fall in the cooperative sector was only 30.33 per cent. In the years 1965-66 and 1968-69 the cooperative sugar factories over-utilised their installed capacity.

2. In respect of oil mills/cotton ginneries, under-utilisation of the installed capacity has been mainly on account of speculative markets of groundnut and cotton. Production of these two commodities

has been less than the demand throughout the last decade. This situation has created unpredictable market conditions and adversely affected utilisation of installed capacity of their oil units and ginneries.

3. In respect of paddy processing units, it may be mentioned that this programme is of recent origin and majority of the rice milling units set up in cooperative sector were in their gestation period.

4. Regarding the location of rice mills, it may be mentioned that the establishment of rice mills is regulated by the Rice Milling Industry (Regulation) Act. Before granting permit under the Act, complete investigation, among others, about the number of rice mills in the consumer areas, availability of raw material etc. is conducted by the State authorities. In fact, out of 437 rice mills sanctioned under the Corporation Sponsored Scheme, more than 400 rice mills have been located in the H. V. P. areas which are predominantly paddy growing regions.

5. As regards the statistics given at Appendix V of the PAC Report, the true position would be reflected by the capacity of the rice mills rather than number of units alone. For instance, in the case of Thunjavur District (Tamil Nadu) which is one of the highest paddy producing districts, the number of rice mills is only 8. But, as most of these rice mills are of 4 tonnes capacity modern rice mills, the total capacity created about 1.22 lakh tonnes of paddy which is the highest as compared to other districts. In the case of Bhandra District (Maharashtra), which has highest number of rice mills i.e. 27 most of the units are of 1/2 ton capacity conventional rice mills. As a result, the total paddy processing capacity of this district with so many units is only 50,000 tonnes per annum which is less than many other districts.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B. dt. 16-2-1971]

Recommendation

In the second place, construction of godowns has been abandoned in a large number of cases. The number of cases of such abandonment as indicated in the Annual Report of the National Cooperative Development Corporation is 557. It is obvious, therefore, that the Cooperation failed to screen proposals for construction of godowns.

[Sl. No. 14 Appendix VIII Para No. of the Report 4.23].

Action Taken

1. As stated in the replies to earlier paragraphs, assistance has been provided for the construction of 19,551 godowns (17,781 under

CAP Scheme and 1770 under Crash Programme) in various States upto the year ending March, 1960. Of these, 581 godowns (557 under CAP Scheme and 24 under Crash Programme) have been reported from various States to have been dropped. The percentage of dropped godowns works out to less than 3% of the total assisted godowns and as such, this cannot be considered a large number, particularly taking note of the large number of godowns assisted and the agencies involved in the rural areas for their construction.

2. Regarding the observation that the Corporation failed to screen proposals for the construction of godowns with sufficient care, it may be mentioned that in view of the large number of godowns scattered over thousands of villages, it is not physically possible for one Corporation to examine proposals for individual godowns. However, broad guide-lines have been communicated to the State Governments for the selection of societies and locations for construction of godowns. The programme to be sanctioned annually is decided on the basis of needs of each State, particularly keeping in view the agricultural production programme in those areas. The selection of individual locations and societies is left to the discretion of the State Governments, as they are the implementing agency in the field and they are in a better position to take decision about the suitability of the location and societies, etc.

3. This Corporation, however, keeps a watch on the progress of construction in each State and analyses the problems and suggests various measures to the concerned State Governments. The difficulties mainly being experienced by the Cooperatives in the construction of godowns particularly in the rural areas and the measures suggested to the State Governments to overcome these difficulties are enumerated in Appendix XVIII. The State Governments are also advised that wherever cooperatives have failed to take effective steps for the construction of godowns during the period of 2 years sanctioning assistance, they may recover the assistance from such societies.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B,
dt. 16-2-71].

Recommendation

"Fourthly, while the utilisation of cooperative godowns has been poor, the cooperatives occupancy of the Central Warehousing Corporation godowns is as high as 30 per cent of the space occupied. The Cooperatives also deposit their produced in the godowns of the State Warehousing Corporations."

[Sl. No. 16 of Appendix VIII (Para 4.25) of 106th Report
(Fourth Lok Sabha)].

Action Taken

The godowns of Central/State Warehousing Corporations are mainly located in the important secondary and terminal markets. Cooperative rural godowns are located at the village level and godowns of cooperative marketing societies are located in the mandi centres. Cooperatives are utilising the godowns of Warehousing Corporations there either they do not have their own godowns at such centres or when their own godowns at these places have already been fully occupied and they have to hire the accommodation of Warehousing Corporations for their additional requirements.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B, dt. 16-2-1971]

Recommendation

In the light of the foregoing findings, the Committee would like government to initiate action on the following lines:—

(iv) Godowns are also being constructed by the Food Corporation of India, the Central Warehousing Corporation and the State Warehousing Corporations. The reasons for high utilisation of their godowns by the cooperatives should be enquired into. The Fourth Plan proposals envisage augmentation of storage capacity in the cooperative sector to the tune of 1.6 million tonnes. While it is indisputable that, with the favourable trend of harvests in the recent years the demand for the additional storage capacity would increase it will still be necessary to ensure proper coordination and demarcation of spheres between the various authorities undertaking construction of godowns, so that wasteful duplication of efforts does not take place.

[Sr. No. 17(iv) of Appendix VIII (Para 4.26(iv)) of 106th Report
(Fourth Lok Sabha)]

Action Taken

(iv) The utilisation of the storage capacity of Warehousing Corporations by cooperatives has been clarified in reply to para 4.25.

As regards coordination amongst various agencies in undertaking the construction of storage programme during the 4th Plan period, it may be mentioned that there is already a central Storage Committee appointed by the Government of India comprising of the representatives of the Union Departments of Agriculture, Food, Food Corporation of India, Central Warehousing Corporation

N. C. D. C., Planning Commission, etc. to decide about the programmes to be undertaken for construction of storage capacity by various agencies to avoid overlapping. The Planning Commission have recently appointed an Expert Committee on Storage to prepare a Master Plan for construction of storage capacity in the country during the 4th Five Year Plan period. N. C. D. C. is also represented on this Committee. This Committee will, *inter-alia*, look into the problems of requirements of storage capacity at various points, locational pattern, types of storage needed and coordination among the different organisations concerned with the provision of storage facilities including the Food Corporation of India, the Central Warehousing Corporation, the State Warehousing Corporations and Cooperatives.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B. dt. 16-2-1971]

Recommendation

The Committee observe that there is a proposal to set up 45 cold storages during the Fourth Plan in the cooperative sector. A Working Group of the Planning Commission had, however, recommended that the development of cold storage capacity during the Fourth Plan "may be left to take place in the private sector which has exhibited the requisite enterprise in this sphere". The proposal for further development of cooperative cold storage is not consistent with the view taken by the Working Group of the Planning Commission. The Committee would like the proposal to be further examined in order to bring about proper utilisation of scarce resources according to a system of priorities.

[Sl. No. 20 of Appendix VIII (Para 5.11) of 106th Report
(Fourth Lok Sabha)]

Action Taken

To ensure better returns to the fruit and vegetable growers, it is considered important to develop cold storage facilities in the cooperative sector. The share of the cooperatives in fruit and vegetable marketing is, at present, negligible mainly on account of inadequate cold storage facilities at their disposal.

At the end of the Fourth Plan, potato production is expected to go up to 152 lakh tonnes from 45 lakh tonnes in 1967-68. Keeping this in view, the Internal Action Group set up the Union Department of Agriculture, has recommended creation of additional cold storage capacity of 10 lakh tonnes for potatoes alone. Similarly, in respect of apples, Jammu & Kashmir and Himachal Pradesh Governments expect rise in production from 0.72 and 0.64 lakh tonnes in 1960—70

to 1.73 lakh and 1.30 lakh tonnes respectively, by the end of the Fourth Plan. These States propose to associate cooperatives actively in apple marketing. Therefore additional cold storage capacity would be needed in the cooperative sector. In the context of these developments, the Fourth Plan target of 45 cooperative cold storages may be inadequate.

As regards the observation that the Planning Commission's Working Group on storage about the creation of the cold storage capacity during the Fourth Plan period, the Planning Commission has indicated (vide Appendix xix) that it was only an assessment of one of the Working Group and does not represent the considered view of the Planning Commission in the matter. The Planning Commission recognises that in the Fourth Plan, apart from private sector, cooperative sector has to play a distinct role in developing cold storage facilities as part of development of the cooperative marketing and storage system for the benefit of the primary producer.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B. dt. 16-2-1971]

Recommendation

The existing cold storages in the cooperative sector are still in the process of gestation as would be evident from the results of the review of their operations conducted by the National Cooperative Development Corporation which are given in this section of the report. It is, therefore, necessary that due note should be taken of the results of their working before launching new units.

[Sl. No. 21 of Appendix VIII (Para 5.12) of 106th Report
(Fourth Lok Sabha)]

Action Taken

The review given on the operations of the cold storages to which the committee has made reference, indicates that, out of 34 cooperative cold storages, more than 50% utilised over 75% of their installed capacity within the first 3 years of their operations. The latest reports from some of the cold storages indicate that the utilisation is about 80-100% of their installed capacity. This performance is considered satisfactory. As mentioned in the Review, the remaining cold storages were recently started and as such they were in gestation period.

The cold storage programme is of recent origin in the cooperative sector. With more experience, utilisation position of the cold storages is expected to improve further.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B. dt. 16-2-1971]

Recommendation

The Committee note that there have been some instances of deviations/non-utilisation or ineffective utilisation of funds made available to the States for certain schemes. In one case, a State Government charged the cooperatives a higher rate of interest on loans than provided in the terms and conditions on which funds for the loans were provided to that Government by the Corporation. In another case, where assistance to tune of Rs. 4.69 lakhs was provided from August, 1966 onwards by the Corporation to a state for setting up a cooperative rice mill, the mill has yet to go into effective operation. There has been a third case, where assistance amounting to Rs. 2 lakhs was provided to a State Government for a pilot cooperative project for insecticides, which has not yet come up. The Corporation is stated to be pursuing all these cases. It is hoped that proper overhaul of their structure would be carried out in order to make up the deficiencies. The Committee would like to be apprised of the outcome of the Corporation's effect in this regard.

[Sl. No. 26 of Appendix VIII (Para 7.25) of 106th Report
(Fourth Lok Sabha)]

Action Taken

Since full reimbursement of the expenditure incurred by the State Government on schemes of Cooperative development within the purview of this Corporation is not allowed by the Corporation, it has to incur some expenditure on such schemes from its own resources. As the rate of lending determined by the Finance Department of the State Government is different from the rate prescribed by the Corporation, the cooperatives are charged rate of interest determined by the State Government on that portion of funds which is disbursed out of its own revenues. Since a cooperative society is advanced loans partly out of the funds received from the National Cooperative Development Corporation and partly from the funds of the State Government, there cannot for obvious reasons be two rates of interest on a sum advanced to a cooperative society. So long as reimbursement of expenditure on cooperative development schemes within the purview of the Corporation is not cent per cent, some funds will have to be provided by the State Govt. out of its own resources and the rate of interest on such amounts will have to be that which is determined by the State Government.

The Corporation sanctioned in August, 1966, a sum of Rs. 4.69 lakhs (Rs. 4.33 lakhs as loan and Rs. 0.36 lakhs as subsidy) towards the financial assistance for establishment of modern rice mills of one tonne per hour capacity by the Baragarh Rice-sum-Oil

Processing and Marketing Cooperative Society, Baragarh, District Sambalpur (Orissa). The actual assistance to the mill was, however, made by the State Government partly in August, 1966 and partly in January, 1968. Although the imported machinery has been installed, the ancillary units such as silos, parboiling unit and mechanical drying, etc. are not yet installed by the Society. In the absence of these, the mill has not been able to function satisfactorily and utilise installed capacity fully. The mills is also facing problem of procurement of paddy on account of State Government's Paddy Procurement Policy. In order to complete the installation of this Mill, the National Cooperative Development Corporation has already taken up the matter with the State Government. The State Government has been informed that if the installation of the ancillary units of this Mill are not completed within the stipulated period, the Corporation will recover the amount of assistance given for this purpose.

Under the National Cooperative Development Corporation Schemes for establishment of units for formulation of pesticides/insecticides etc., 4 selected apex cooperatives marketing federations were assisted during the year 1966-67. As per the approved pattern laid down for the release of financial assistance, the entire amount of financial assistance of Rs. 1.990 lakhs per unit was provided in one instalment. This procedure was envisaged in view of the pilot nature of the scheme and also with a view to enabling the concerned apex cooperative marketing federations to undertake the implementation of the scheme quickly and expeditiously. In view of the subsequent experience, pattern of releases was revised and made progress oriented from the year 1967-68 onwards. The financial assistance is now released in two instalments instead of one. During the year 1966-67, alongwith two other apex marketing federations. Mysore Apex Cooperative Marketing Federation and Haryana Apex Cooperative Marketing Federation were provided financial assistance at the rate of Rs. 1.966 lakhs each. The Mysore Apex Marketing Federation have acquired the site and preliminary arrangements for construction of building etc. and for setting up the unit have been made. The unit is progressing further and is likely to be installed shortly. The Haryana Apex Marketing Federation could not take effective steps towards the installation of units and hence the State Government was requested to recover the financial assistance sanctioned to the Federation and refund the same to this Corporation. The above financial assistance of Rs. 1.996 lakhs has since been recovered in full vide this Corporation's letter No. NCDC. 5 (19)'69-Budt. dated the 28th October, 1969.

[Deptt. of Cooperation O.M. No. G-25015/1/70-P&B. dt. 16-2-1971]

CHAPTER IV

RECOMMENDATIONS|OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

"The Committee are not happy about the progress achieved in the scheme for provision of cooperative godowns, in which the investment by the Corporation as at the end of March, 1968 amounted to Rs. 1440 lakhs".

[Sl. No. 12 of Appendix VIII (Para 4.21) of 106th Report (Fourth Lok Sabha)].

Action Taken

1. Up to the year ending March, 1968, financial assistance has been provided for the construction of 16,515 cooperative godowns (3,005 mandi|rail head godowns and 13,510 rural godowns) under Centrally Aided Plan Scheme for the whole country (excluding the States of Jammu & Kashmir and Nagaland and Union Territories which are outside the purview of NCDC). During the year 1968-69, financial assistance was provided for the construction of additional 1266 cooperative godowns thus bringing the total to 17781 godowns (3,514 godowns and 11,033 rural godowns) were constructed by the end of the year 1968-69. Of these, 13,729 godowns (2,696 mandi|rail head godowns and 11,033 rural godowns) were constructed by the end of the financial year 1968-69. Out of the remaining 4,502 godowns, 537 godowns are reported to have been dropped in various States as the concerned cooperative societies could not take effective steps for their construction. As a result of this, the number of unconstructed godowns upto 31st March, 1969 comes to 3,495 i.e. 20 per cent or in other words, 80 per cent of the cooperative godowns have already been constructed and the remaining are at various stages of completion. Some more will have been completed in 1969-70 information about which has not yet become available from the States.

2. The position about the year-wise progress from 1964-65 onwards in this regard is given below:—

Year	Godowns assisted		Godowns constructed		Percentage of construction:
	During: the year	Cumulative position	During: the year	Cumulative position	
1964-65	2823	13460	610	7300	54%
1965-66	1197	14657	960	8260	56%
1966-67	956	15613	1350	9610	61%
1967-68	903	16516	2340	11950	73%
1968-69	1266	17782	1779	13729	77%

It may be observed that the percentage of constructed godowns has been steadily rising from 54 per cent during the year 1964-65 to 77 per cent as at the end of 1968-69. Further, progress of construction of godowns has been considerably stepped up during the last 3 year i.e. from 1966-67 onwards. The number of godowns assisted during these 3 years was 3,125 as against which 5,469 godowns had been constructed.

3. Normally a godown takes 2 years to be completed. For practical purposes, therefore, for estimating the backlog in the construction of godowns, the number of godowns assisted upto 31st March, 1967 would be relevant. The number of assisted godowns as on 31st March, 1967 was 15,613. Of these, 557 godowns were dropped, bringing down the number to 15,055. Of these, 13,729 godowns or over 90 per cent had been constructed upto March 31, 1969.

4. Similarly, under Centrally Sponsored Crash Programme, financial assistance was provided for the construction of 1,770 godowns (472 mandi/rail head and 1,298 rural) to various States during the years 1965-66 and 1968-69. Of these, 1,154 godowns were constructed by the end of 1968-69. Allowing the period of 2 years for construction, the position will be that by the end of 1966, 1,694 godowns (451 mandi/rail head and 1,243 rural) were assisted, of which, 24 godowns have been dropped and 1,154 godowns (335 mandi/rail head and 819 rural) i.e. over 70 per cent have been constructed and the remaining are under various stages of completion.

5. In the last 2-4 years, the backlog is being progressively reduced.

[Deptt. of Cooperation O.M. No. G. 25015/1/70-P & B dt. 16-2-71].

Recommendation

In the first place, as many as 4029 rural and mandi godowns, or nearly a third of the godowns assisted, have not come up. Data about the year in which the construction of these godowns was started, which unfortunately is not complete, shows that the construction in respect of 178 of the godowns had commenced between 1956-57 and 1960-61 and 2828 other godowns thereafter. It is strange that when "normally a godown takes two years to complete construction", such a large number of godowns should remain incomplete over such a long period. What is even more hard to explain is that as much as 48 per cent of godowns taken up for construction under "a crash scheme" have still to be completed. The amount of money blocked up in 3477 incomplete godowns under construction is Rs. 331 lakhs. As this data does not cover all the incomplete godowns, the Corporation not being in a position to give complete information in this regard, the money locked up in godowns yet to come up should be much larger."

[Sl. No. 13 of Appendix VIII (Para 4.22) of 106th Report (Fourth Lok Sabha)].

Action Taken

The position of progress of construction of godowns has been clarified in detail in reply to para 4.21. Allowing the period of 2 years for construction, it may be seen that 90 per cent of the godowns have already been constructed and only 10 per cent godowns are pending completion which are also under various stages of construction. Taking cognizance of the handicaps, particularly in the rural areas like difficulty in obtaining suitable site, inadequacy of building and construction material, absence of suitable technical guidance and arrangements, etc., the progress of construction of 90 per cent cannot be termed as unsatisfactory. Similarly, under Crash Programme, 70 per cent of the godowns have already been constructed and there is backlog of only 30 per cent and not 48 per cent.

2. As regards the observation of the P.A.C. that larger amounts have been locked up in regard to godowns under construction it may be clarified that, firstly, the number of godowns under construction as stated in the replies to earlier paragraphs is not unduly large. Secondly, since 1965-66 financial assistance is provided for the construction of godowns on progress basis. According to this procedure, 50 per cent of the amounts is released while approving the proposal of the State Government and the remaining 50 per cent is released only when the concerned cooperatives have secured sites. In view of this, the full amounts in respect of godowns under construction,

are not locked up. State Governments are making efforts to ensure that the time-lag between release of assistance and construction of godowns is reduced to the minimum and the results during the last 3—4 years, as already pointed out in reply to para 4.21, are encouraging.

[Deptt. of Cooperation O.M. No. G-25015/1/70—P&B, dt. 16-2-1971].

Recommendation

In the light of the foregoing findings, the Committee would like Government to initiate action on the following lines:

(iii) The inadequate utilisation of capacity in godowns already constructed will act as a drag on the finances of the societies which have raised those godowns. Purposeful steps have to be taken to ensure that these cooperatives attract custom.

[Sl. No. 17 (iii) of Appendix VIII (Para 2.26—(iii)) of 106th Report (Fourth Lok Sabha)].

Action Taken

(iii) As mentioned in reply to para 4.25 the utilisation studies undertaken by various State Governments shows that utilisation of storage capacity with cooperatives is satisfactory. However, the State Governments have been already addressed and advised to make proper locational planning and select suitable societies to ensure effective utilisation and viability of godowns. The circulars issued to this effect have already been added as enclosures to reply to para 4.24. (Appendix XX).

[Deptt. of Cooperation O.M. No. G-25015/1/70—P&B, dt. 16-2-1971].

CHAPTER V

RECOMMENDATIONS|OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee observe that Central assistance to States for the majority of cooperative schemes is at present being routed through the National Cooperative Development Corporation. It has been stated that this arrangement is advantageous for a variety of reasons. It prevents diversion of assistance by States to other sectors, secures association of the Corporation with the implementation of cooperative schemes thereby facilitating formulation of programmes on sound and realistic lines and ensures association of non-official leadership with the cooperative movement. The Committee are, however, unable to accept these arguments as valid for the following reasons:

- (i) The Corporation is not at present in a position effectively to stop diversion of funds by the States, if at all it is taking place. It is releasing assistance for schemes on the basis of proformae submitted by State Registrars of Cooperative Societies which give details of proposals, estimates, or expenditure incurred etc. As pointed out by a Study Group of the Administrative Reforms Commission "no detailed scrutiny" is done by the Corporation; "but on the basis of facts intimated in the prescribed form financial assistance is released." The Study Group concluded that this 'spoon-feeding is unnecessary and undesirable' and "leads to an avoidable load of work and unnecessary centralisation of functions at headquarters" which "can be done away with." It was stated during evidence that the Corporation does conduct scrutiny prior to release of assistance in respect of centrally-sponsored schemes (as opposed to centrally aided schemes). The data furnished to the Committee, however, shows that the number of centrally-sponsored schemes at present administered by the Corporation is only 1. The only other check on utilisation of funds that the Corporation has is the utilisation certificates that it obtains from the State Governments. The findings in a later section of this report will, however, show that these utilisation certificates are furnished on

the basis of "mere disbursements" without ascertaining how far moneys have been applied for the various schemes for which assistance has been given.

- (ii) For other Plan Schemes, Central assistance is now released to States under a system of block loans and grants, without relating them to specific sub-heads. In respect of these releases, States enjoy flexibility in utilisation of funds, subject to the need to conform to certain proprieties arising out of the Plan. There is no reason why funds released by National Cooperative Development Corporation for certain cooperative schemes should be made an exception to this arrangement which covers other fields of Central assistance, involving substantial outlay. What makes the arrangement inconsistent is the fact that there are cooperative schemes themselves outside the purview of the National Cooperative Development Corporation in respect of which release of assistance to the State Governments is made under the system of block loans and grants.
- (iii) It has been stated that National Cooperative Development Corporation evaluates schemes for which assistance is released by it and thereby a realistic formulation of programmes is facilitated. The findings in the letter section of the Report will show that important schemes like cooperative marketing have never been subjected to an overall appraisal by the Corporation at any stage. The Corporation has also not been able to furnish to the Committee complete data on a number of major points like the quantum of financial assistance provided by it for marketing societies covered by 'revitalisation' programmes, the position of godowns under construction in various States, financial assistance provided by it in respect of uninstalled processing units etc. Besides, any evaluation that is required to be done could well be done by the Department of Cooperation or agencies like the Programme Evaluation Division.
- (iv) As regards the argument that the Corporation, through its constitution secures association of non-official leadership with the cooperative movement, the Committee find it difficult to understand why the purpose could not be served equally well by devices such as informal consultative committees. In any case, there is a full-fledged Department of Cooperation under Government and the inter-

position of the Corporation between the Department and the cooperative sector will only hamper, instead of facilitating the 'de-officialisation of the cooperative movement. Besides as the Corporation itself has no substantial means of independent income, being fed by grants and loans by Government, it just acts as one more intermediary in the process of channelisation of funds to cooperatives.

{Sl. No. 1 of Appendix VIII (Para 1.19) of 106th Report (Fourth Lok Sabha) I.

Action Taken

In this paragraph, the Committee have raised the issue of routing of Central assistance through the National Cooperative Development Corporation. In pursuance of P.A.C.'s recommendation in the subsequent para 1.21, the Government of India have appointed an Expert Committee. One of the terms of reference of this Committee is: "to examine whether the present system of channelising Central assistance to the States through the Corporation is necessary and to suggest any change, modification or improvement therein." The Government's view on the P.A.C.'s observations will be communicated on receipt of the Expert Committee's Report.

[Deptt. of Cooperation O.M. No. G-25015 1 70—P&B, dt. 16-2-1971].

Recommendation

The National Cooperative Development Corporation is a successor to the National Cooperative Development and Warehousing Board which was set up as a result of the recommendations of the All-India Rural Credit Survey Committee. At the time the National Cooperative Development and Warehousing Board was set up in 1956, the work relating to cooperation "was handled by a small division in the Ministry of Food and Agriculture". As pointed out by the Expert Committee on 'Financing of Cooperative Processing', one of the considerations of the Rural Credit Survey Committee in recommending establishment of a statutory body with an independent fund of its "was to insulate the processing, marketing and other cooperative development programmes from the limitations of annual budgetary allocations" as a prelude to their becoming "a non-departmental and non-Government activity." This objective has not been achieved and the National Cooperative Development Corporation functions just like other Government Departments, the funds, provided to it by Government being subject to lapse, if not utilised, at the end of the financial year. Besides, there is now a full-fledged Department of Cooperation under Government which came into existence in 1958, subsequent to the formation of the Statutory Board. The Committee have reasons to doubt whether the existence of an official orga-

nisation like the National Cooperative Development Corporation in the cooperative sphere, besides the Department of Cooperation is at all necessary. Besides the existence of two official agencies will not certainly be conducive to the de-officialisation' of the cooperative movement.

The Committee would like Government to remit the foregoing consideration for detailed expert study and come to a decision on the necessity for the continuance of the National Cooperative Development Corporation. In any case, even if there is justification for the organisation, the present system of channelising Central Assistance to the States through the Corporation does not appear to be necessary.

[Sl. Nos. 2 and 3 of Appendix VIII (Paras 1.20 and 1.21) of 106th Report (Fourth Lok Sabha)].

Action Taken

A copy of Government of India's notification No. L-12015/8/70-Misc., dated the 15th October, 1970 appointing an Expert Committee to examine the working of National Cooperative Development Corporation is enclosed (Appendix XX). The Committee has been requested to submit its Report by the 30th April, 1971.

[Deptt. of Cooperation O.M. No. G-25015/1/70—P&B, dt. 16-2-1971].

Recommendation

"Thirdly, the utilisation of capacity of completed godowns, as reflected in sample surveys carried out by the Corporation, has not been very satisfactory. 32 per cent of the godowns covered by the survey utilised 75 per cent of their effective capacity; 31 per cent of the godowns between 41 per cent and 75 per cent of the capacity; 30 per cent of the godowns utilised capacity to the extent of 11 per cent—40 per cent; while the capacity in the remaining 7 per cent had not been utilised to the extent of more than 10 per cent. "Renting of godowns by the societies to Government appears to be quite common" and construction of new storage capacity in some places "was well ahead of and in excess of demand." Apart from this factor, faulty location of godowns seems to have substantially impeded utilisation of capacity."

[Sl. No. 15 Appendix VIII (Para 2.24) of 106th Report (Fourth Lok Sabha)].

Action Taken

1. The observation of the P.A.C. regarding under utilisation of godowns appears to be based on the sample survey conducted by the Officer of the N.C.D.C. The study undertaken by the Officer of the

Corporation was on the basis of random sampling and of a very limited nature. However, the State Governments were also advised to undertake the studies regarding utilisation of godowns in their areas. Eight States have already undertaken such studies and the summary of their reports are given in Appendix XXI. It may be observed that the position regarding utilisation of godown capacity is particularly encouraging in Assam, Andhra Pradesh, Madhya Pradesh, Kerala and Punjab. The State Governments have been advised to carry on such studies on continuous basis to assess the utilisation of godowns.

2. However, in view of the fact that cooperative godowns are being substantially utilised in the distribution of agricultural inputs, the storage of which is a seasonal operation, there are bound to be fluctuations in the percentage utilisation of capacity, adversely effecting sometimes the average utilisation percentage. In some of the hinterland areas, there are cases where a godown initially may not be an economic proposition but all the same, it is needed there for the development of agricultural production programme.

3. As regards construction of new storage capacity, it may be clarified that storage programmes are worked out in consultation with the State Government, keeping in view the present and potential requirements of storage capacity to match the agricultural productive effort within an overall framework of five year plans. No additional storage capacity is planned without keeping in view the projected field requirements.

4. As regards observation regarding faulty location of godowns, as already explained, it is not possible for the Corporation to examine the proposal of individual godowns but the programme as a whole for the year in respect of each State is examined and sanctioned. However, the State Governments have been advised to issue instructions to pay proper attention to the locational planning of godowns. The circulars issued in this regard during the year 1964 and 1968 indicating broad guide-lines for the locational planning of godowns are enclosed (Appendices XXII and XXIII). The State Governments have been advised to make advance locational planning and prepare districtwise maps for this purpose. The State Governments have also been given number of suggestions which are contained in these circulars regarding the selection of societies for the allotment of godowns.

[Deptt. of Cooperation O.M. No. G-25015/70—P and B. dated the 16th February, 1971].

Recommendation

In the light of the foregoing findings, the Committee would like Government to initiate action on the following lines:—

- (i) Proposals for construction of godowns are obviously not examined by the Corporation with requisite care. It is necessary to streamline the procedures for examination of these proposals, so that their viability may be examined from all angles, such as location, demand, etc.
- (ii) A number of States in which godowns have been constructed have yet to carry out surveys to assess utilisation of capacity in those godowns. A regular drill should be laid down in this regard so that adequate data is periodically collected. Such data would also provide a useful guideline for future planning for godown capacity.

[Sl. No. 17(i) and (ii) of Appendix VIII (Para 4.26(i) and (ii) of 106th Report (Fourth Lok Sabha)].

Action Taken

(i) As already explained in reply to para 4.23, it is not possible the Corporation to examine the proposals of each individual godowns. However, the programme as a whole for each State is examined keeping in view the overall requirements and the targets finalised in consultation with the State Central officials. The State Governments have also been advised to take proper care of the locational planning and the selection of the societies to ensure the viability of the programme (Appendices XXII and XXIII). To streamline the planning and execution of the programme of construction of godowns by cooperatives, the recent Conference of Registrars of Cooperative Societies held at Delhi on 18th and 19th September, 1970, recommended that:

“Centralised arrangements for procurement of construction material and supervision of construction would be very helpful. The central agency should be vested with the responsibility of making advance locational planning for undertaking a phased programme of construction of godowns, preparation of suitable designs for different areas etc. Such locational planning will also help in fuller utilisation of godowns.”

(ii) As already stated, the State Governments have been addressed and requested to undertake utilisation studies on continuous basis. Eight States of Assam, Maharashtra, Tamil Nadu, Madhya Pradesh, Gujarat, Andhra Pradesh, Punjab and Kerala have already undertaken such studies. Summary of these reports is given in Appendix XXI.

[Deptt. of Cooperative O.M. No. G25015;170-P&B, dated 16-2-1971].

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

NEW DELHI;
31st August, 1971.
Bhadra 9, 1893 (S)

APPENDIX I

Copies of circulars issued regarding augmenting members' share-capital of primary marketing societies

Extracts from Circular letter No. NCDWB.Dev.3.20526/63, dated 14th May, 1962 addressed to all States Governments|Union Territories.

* * * *

Every village society within the area of operation of a marketing society should be enrolled as member and should thus contribute to the share capital of the primary marketing society. This will mean that a primary marketing society will ordinarily have about 100 village societies as its members and this should give them a share capital of about Rs. 10,000.

* * * *

There should be drive for encouraging individual cultivators to become members of the primary marketing society. In this regard Uttar Pradesh has fixed a target of 2,000 cultivators as the minimum membership of a primary marketing society. A similar target in the light of local conditions should be fixed in each state. The enrolment of individual cultivators as member, however, should be subject to the clear understanding that the smaller growers who may be using the village-societies as the agency for transmitting their produce shall be eligible for bonus on the same basis as members for sales done through the societies. In other words, cultivator selling their produce through the marketing society whether directly or indirectly should be eligible for bonus in proportion to the sales done through the societies even though the smaller growers are not directly members of the marketing society.

* * * *

As in the case of a cooperative credit institution, the share holding of a cultivator member in a primary marketing society should bear

some proportion to the amount of pledge loan that may be obtained by him from the marketing society.

A successful marketing society allocates a part of its net profits for distribution as bonus to members in proportion of sales done through the society. As far as possible members should be persuaded to put back the whole or part of this bonus in the marketing society as additional share capital.

In a marketing society there should be compulsory contribution to the share capital from the members of the society and such contribution should be related as a percentage to the turnover of the members' sale. In the initial stages, when marketing society will be trying to expand its business operations such deductions may sometimes stand in the way of attracting business, but it should be possible to adopt this measure gradually also for automatic increase in share capital of the marketing society.

It may be pointed out that the manner in which a marketing society should build up its share capital will normally be decided by every marketing society, keeping in view the various suggestions made above. But, it may be emphasised that every marketing society should formulate a definite programme for building up its share capital.

Copy of circular No. NCDC 5-4 66-M dated 26-4-1966 to all State Governments

As the State Governments are aware, the question of financing of the working capital requirements of marketing societies was *inter-alia* considered in the annual conference of the Registrars of Cooperative Societies and State Ministers of Cooperation held at Bombay in November, 1965. It was observed that, while financial accommodation might be available from the State Bank of India and Central financing agencies, it would be necessary that the marketing societies augment their own internal resources to finance the increased marketing and supply operations. The Conference had suggested two sets of measures:—

- (i) Augmentation of the share capital of the primary marketing societies by way of enhanced share capital contribution from the village cooperatives affiliated to the marketing societies and from individual producer members in addition to increases government share capital contribution, and

- (ii) augmentation of the share structure of the apex marketing societies.

2. For augmenting the internal resources, particularly share capital from village cooperatives affiliated to marketing societies, the following measures were recommended by the Conference:—

- (i) Every village society within the area of operation of marketing society should be enrolled as member and should contribute to the share capital of the primary marketing society.
- (ii) It should not be sufficient for an affiliated village credit society to take out just one share of the marketing society. The village societies may, in the initial stages, be persuaded to voluntarily subscribe more than one share. A certain proportion of the paid-up share capital of the village society may be required to be invested in a primary marketing society. The quantum of this proportion may be determined in the light of local conditions.
- (iii) Over a period of time, efforts may be made to link the share holding of the village society with the volume of services availed of by it (both on the supply and marketing sides) from the marketing society. Such a linkage should help to automatically build up the share capital of the marketing societies.

3. For raising the share capital base from individual producer member of primary marketing societies, the following measures were recommended:—

- (i) Wherever the value of the minimum share to be taken by individual members is low, it should be suitably raised.
- (ii) Efforts should be made to enrol a sizeable number of individual producer members.
- (iii) As in the case of a cooperative credit institution, the share holding of a cultivator member in a primary marketing society should bear some proportion to the amount of pledge loan that may be obtained by him from the marketing society.
- (iv) In a marketing society there should be compulsory contribution to the share capital from the members of the society and such contribution should be related, as a per-

centage to the turnover of the members' sale. In the initial stages, when the marketing society will be trying to expand its business operations, such deductions may sometime stand in the way of attracting business, but it should be possible to adopt this measure gradually for automatic increase in the share capital of the marketing society.

4. For strengthening the share capital of apex marketing societies, the following measures were recommended:—

- (i) The apex marketing societies should take steps to affiliate the remaining primary marketing processing societies and thus attract additional share capital.
- (ii) The primary cooperative marketing processing societies should contribute a minimum portion of their share capital to the share capital of their respective apex marketing societies as in Madhya Pradesh where the prescribed minimum is 10 per cent.
- (iii) In some states, the government contribution to the share capital of apex marketing societies is related to the extent of members' contribution. In an apex organisation, where share capital is derived essentially from primary marketing processing societies, it would not be appropriate or necessary on the part of the state government to insist on certain ratio between the societies' own share capital and government contribution.

5. The State Government might have already taken steps to implement the above recommendations and to ensure that the primary apex marketing societies augment their own share capital. It is requested that the action taken/proposed to be taken on the above recommendations may kindly be communicated to this Corporation at an early date.

Extracts from N.C.D.C.'s letter No. 9-16 67-Fert. (NCDC), dated 26-12-68 regarding fertiliser distribution finance margin money requirements of marketing cooperatives.

• • • •

"All societies functioning as retailers should be asked to contribute atleast 2.5 per cent of the value of their requirements of fertilisers as share capital or security deposit or earnest money to the higher level institution from whom they obtain consignment facilities.

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION

F. No. NCDC-4-3|68-M.

C-56, South Extn. II,
New Delhi-49.

Dated 26th May, 1970.

To

The Secretaries Incharge of Cooperation,
All States (except J & K and Nagaland).**SUBJECT:**—*Strengthening of share capital of marketing societies
Recommendations of the All India Rural Credit Review
Committee.*

Sir,

I am directed to say that the All India Rural Credit Review Committee, considering the increasing requirements of finance for the growing business of marketing societies, suggested a number of measures for strengthening their share capital so as to enable them to borrow increasingly from the banks. It reiterated the recommendations made at the Conference of the State Ministers of Co-operation held at Bombay in November, 1965 which suggested that:—

- (i) Every village society within the area of operation of a marketing society should be enrolled as a member and should contribute to the share capital of the primary marketing society a certain proportion of its paid-up capital. The quantum of this proportion may be determined in the light of local conditions.
- (ii) Over a period of time, efforts may be made to link the share-holding of the village society with the volume of services availed of by it (both on the supply and marketing sides) from the marketing society
- (iii) Wherever the value of the minimum share to be taken by individual members is low, it should be suitably raised.
- (iv) Efforts should be made to enrol a sizeable number of individual producer members.
- (v) As in the case of cooperative credit institutions, the share-holding of a cultivator member in a primary marketing society should bear some proportion to the amount of pledge loan that may be obtained by him from the marketing society.

- (vi) In a marketing society, there should be compulsory contribution to the share capital from the members of the society and such contribution should be upto a percentage of the turnover of the members' sale.

Much has yet to be done in these directions, even though in the matter of affiliating agricultural credit societies to the marketing societies, progress has been satisfactory in many of the States. Immediate steps may please be taken to implement above recommendations. Society-wise programmes may be chalked out for collection of additional share capital and the most suitable period for this may perhaps be the harvest time when the growers have funds to invest. There is also a need for continuous follow up of these measures by the field supervisory staff, of the Cooperation Departments and annual evaluation may also be undertaken to see the extent to which these recommendations have been implemented.

2. The All India Rural Credit Review Committee felt that although the above measures were ideal and should be vigorously follow, in the "meanwhile, the need for larger owned funds will have to be met by Government's contribution." They have, therefore, recommended that "State Governments should contribute to the share capital of marketing societies on the scale that they may require. In this connection, it is suggested that the State Governments may assess the needs of individual marketing societies for additional share capital and chalk out a phased programme for strengthening the share capital base with additional government contribution during the Fourth Plan (Year-wise). It would be advisable if, in the first instance, societies in the H. Y. V. P. areas are selected for such strengthening.

3. Action taken proposed to be taken in the matter may kindly be intimated to this Corporation.

Yours faithfully,
Sd/- K. SUBRAHMANYAM,
Director (MF).

Copy to:—

1. The Registrars of Cooperative Societies, All States (except J & K. and Nagaland).
2. All Apex Marketing Societies (except J. & K. and Nagaland).
3. The National Agricultural Cooperative Marketing Federation Ltd., D-44, South Extension (Part II), New Delhi-49.

Sd/- K. SUBRAHMANYAM,
Director (MF).

APPENDIX II

Extracts from the R.B.I. Report on Development of Cooperative Marketing

* * * *

Interlinking of credit with marketing was attempted to some extent, in Meerut where members of the large size and service societies applying for crop loans committed themselves in writing to sell their produce through the cooperative marketing society to which their credit society was affiliated. The credit societies had also to send in advance a copy of their demand list to the marketing society which effected the recovery, credited the amount to the credit society's account, and forwarded the member wise details of the recovery to the concerned society. Even so, recoveries through this system were hardly 15 per cent of the demand. This comparatively low linking was despite the provision for a penal rate of interest of 3 per cent per annum on borrowers who failed to sell their produce through the society. This penalty being more than the charges including the commission that the borrowers had to pay if he sold through the society, some marketing societies resorted to fictitious recording of sales by those who had cleared their dues to the credit societies. In fact these societies received a consideration from such members for saving them from payment of the penalty they would have had otherwise to pay. Possibly, since the cultivators in the area of some of these marketing societies did not have much of any crop other than sugarcane to sell, insistence by the Department on interlinking led to such malpractices among the societies. The cultivators too found this device less expensive than the penal interest chargeable to them for failure to sell their produce to the marketing society. In some cases, as in Meerut, fictitious sales to show interlinking of credit with marketing also contributed to this facade of marketing by these societies". (Para 5.8, page 200-10).

APPENDIX III

Extracts from Circular letter No. 6-7:60-CM, dated 1st June, 1962, addressed by the Government of India to All States Union Territories

* * * *

The village society should keep watch over the progress of the harvest and ensure that members honour the agreement given by them. Members may take the produce to the marketing society themselves or the village society may arrange to send it. In either case the produce should be accompanied by a marketing challan prepared by the village society in a suitable form. The challan should be prepared in triplicate, one copy being retained by the village society and two copies sent alongwith truck or the cart carrying the produce. After sale of the produce or its despatch in the godowns of the marketing society against pledge loan, the marketing society should return one of the copies of the challan after making entries regarding the sale and the recovery made from the sale proceeds or the pledge loan.

* * * *

In some States a system of marketing panchayatdars has been evolved. Under this the credit society appoints a marketing agent who may be the president or secretary or director of the society and who is paid a small amount as remuneration for attending to this work. In certain other areas, the responsibility for supervising the programme of linking is left to the cooperative societies as an institution and the remuneration for this work is paid by the marketing society to the village credit society in its corporate capacity. Whatever system may be adopted, it would be necessary to ensure that the village credit society entrusts specifically the responsibility for enforcement of the agreement to one or more persons.

* * * *

Extracts from circular letter No. 5-1 64-M, dated 28th February, 1966 from N.C.D.C. to all States Union Territories.

* * * *

It should be the duty of the primary society to assemble the produce of its members.

APPENDIX IV

Outright purchases of agricultural produce—Government contribution to a special price fluctuation funds in the Cooperative Marketing/Processing Societies—Main features of the Scheme.

For the promotion of cooperative marketing of agricultural produce by undertaking outright purchases on an increasing scale specially from the small growers, the Government of India, on the recommendations of successive Conferences of the State Ministers of Cooperation, sanctioned on 4th September, 1964 a scheme for Government contribution to a special price fluctuation fund at the levels of marketing/processing societies to cover risks in possible losses that may arise out of the transactions relating to such outright purchases. The main features of the scheme as amended from time to time with the approval of the Central Government are as follows:—

- (i) The selected societies will each create a price fluctuation fund and contribute to this fund @ 10 per cent of their net profits every year. Government will also contribute to this fund in a year @ 2 per cent of the value of outright purchases of agricultural produce made by these societies in the preceding year. However, for commodities which are disposed of by cooperatives after processing, or for commodities which are exported outside the country, it may be open to the State Government to raise the rate of government contribution subject to a maximum of 5 per cent.
- (ii) Previously, the scheme envisaged a ceiling of Government contribution to price fluctuation fund of Rs. 20,000, Rs. 1 lakh and Rs. 2.5 lakhs for primary marketing/processing society, apex marketing society and National Agricultural Cooperative Marketing Federation respectively. At present, there is no ceiling in respect of contribution to the fund with the individual marketing/processing cooperatives.

- (iii) To the extent purchases of any agricultural commodity are made by the cooperative marketing societies on behalf of the Government or Government nominated agencies such as State Trading Corporation etc. under any scheme of procurement or any price support scheme, this scheme will not be applicable to such purchases. Perishable crops other than fruits and vegetables are also outside the purview of the scheme. As regards other crops, the State Government may, in the light of local conditions, determine the crops to be included within the purview of the scheme.
- (iv) No society should undertake speculative transactions. In other words, the agricultural produce purchased by them under this scheme should be disposed of as quickly as possible after processing, wherever necessary.
- (v) Each society elected under the scheme will, with the approval of the Registrar of Cooperative Societies, fix a suitable upper limit upto which outright purchases can be made from an individual grower who may be a member of the marketing society or a service society in the area of operation of the marketing society in one year. This limit should normally be Rs. 750 per individual member. In exceptional cases, the State Government may enhance the limit upto a maximum of Rs. 1500 per individual member keeping in view the basic aim of the scheme which is primarily meant for the benefit of the small growers.
- (vi) The Government contribution should be made to a special price fluctuation fund to be kept with the individual marketing processing societies operating under the scheme. This special price fluctuation fund should be distinct from the ordinary price fluctuation fund to be created by each such society out of its own resources by allocating a minimum of 10 per cent of its net profit every year. The special price fluctuation funds created by Government contribution in a marketing processing cooperative shall be part of the owned funds of the society, but shall not be utilised in its business. It shall however, be available for meeting losses arising out of transactions of outright purchases made either for internal trade or for export trade. In a year the utilisation of the special price fluctuation fund created out of the Government contribution at the level of primary marketing processing societies, might first be made upto 50 per cent of the losses and the

remaining losses should be covered from the ordinary price-fluctuation fund created by the societies out of their own resources. In respect of the marketing/processing cooperatives at the regional, state and national levels, no such ratios of sharing losses would be applicable.

- (vii) In the selection of societies for being covered under the scheme, the following criteria would be observed:—
- (a) The societies should have qualified managers and other staff and are, therefore, able to handle outright purchases of agricultural produce successfully.
 - (b) The societies should have good financial strength in terms of their own share capital, reserves etc., and adequate borrowing facilities available to them from the State Bank of India, Central Cooperative Banks etc.
 - (c) The societies should have their own processing arrangements or they can hire such facilities easily. This would be essential in respect of societies which may be dealing in paddy.
 - (d) The societies should be located at Mandi centres.
- (viii) Government contribution to the price fluctuation fund will be provided in the financial year subsequent to the year in which outright purchases are made by the selected cooperative marketing societies. Financial outlay for this scheme as such will have to be found in the State Plan Ceilings and the Government's contribution will be shared by the NCDC and the State Government on 50:50 basis.
- (ix) The State Governments may contribute additional share capital to the primary marketing society selected under the scheme to the extent of Rs. 1 lakh but not exceeding Rs. 25,000 at a time subject to the condition that the society concerned will raise share capital from members on the scale already prescribed within one year of the Government contribution.
- (x) The Board of Management of each selected society would decide the limit of outright purchases which would, however, not exceed two times of the owned funds of the society at any particular time. This maximum limit of two times of the owned funds may be reviewed every year.

- (xi) The produce to be purchased by marketing society on outright basis should belong to its grower members or members of the affiliated credit society. No outright purchases should be made from traders.
- (xii) Agricultural produce purchased on an outright basis should not be held over for a long time but should be disposed of as quickly as possible either in the local market or in any other more favourable market through district/apex marketing society.
- (xiii) At the State level a small committee will be set up comprising a representative each of the State Apex Marketing Society, State Cooperative Department and one representative to represent the interests of primary/regional marketing societies to supervise and ensure proper disbursement under the scheme at the primary/regional level.
- (xiv) Out-right purchases under the scheme may be made by a primary marketing society on its own account or by a higher level marketing society acting through the primary marketing society. The Government contribution would, however, be available only at single point where the risk is borne.
- (xv) To the extent practicable outright purchases may be made only after the produce is properly graded. Hence it will be necessary for societies selected under the scheme to command proper grading facilities.
- (xvi) In the event of this scheme being discontinued in a State, the amount accumulated from Government contribution may be converted into share capital contribution of the societies concerned or used at the instance of the State Government, for developing cooperative marketing.

APPENDIX V

(Para 3-29)

Statement Indicating details of Dropped Processing Units

Name of the State	Type of units	No. of units	Year of assistance	Amount of assistance
1	2	3	4	5
1 Maharashtra	Oil Mills	11 3 4 2	1960-61 1961-62 1962-63 1963-64	3,92,450
		20		
	Ginning & Pressing:	4 2 1 1 3 4 1 2	1959-60 1960-61 1961-62 1962-63 1963-64 1964-65 1965-66 1966-67	8,93,385
		15		

00
00

	Rice Mills	4	1960-61	66,000
	Spinning Mills	1	Not assisted	
2 Uttar Pradesh	Oil Mills	1	1956-57 } 1965-66 }	40,000
		<hr/>		
		2		
		<hr/>		
	Fruit & Vegetables	1	1957-58 } 1958-59 } 1962-63 }	1,20,000
		1		
		1		
		<hr/>		
		3		
		<hr/>		
	Groundnut	1	1963-64 } 1965-66 } 1965-66 }	1,25,000
		1		
		2		
		<hr/>		
		4		
	Rice Mills	1	1961-62 } 1962-63 } 1963-64 } 1964-65 }	2,39,000
		2		
		1		
		2		
		<hr/>		
		6		
		<hr/>		
	Dal mills	2	1965-66 } 1966-67 }	86,000
		2		
		<hr/>		
		4		

1	2	3	4	5
2 Uttar Pradesh—(contd.)	Open Pan crystal	1 3 1 1	1957-58 } 1958-59 } 1959-60 } 1960-61 }	3,25,000
		6		
3 Bihar	Lute Bailing	2	1966-67	62,334
4 Gujarat	Fruit & Vegetable	1	1961-62	20,000
5 Mysore	Spining Mills	2		Not assisted
	Oil Mills	1 2	1963-64 } 1965-66 }	90,000
	Fruit & Vegetable	1	1964-65	20,000
	Ginning & Pressing	1 1	1961-62 } 1962-63 }	70,000
	Rice Mills	1 1 1	1959-60 } 1961-62 } 1964-65 }	1,72,500
	Open pan crystal	1	1959-60	20,000
		10		

West Bengal	Jute Baling	3 1 1	1960-61 } 1963-64 } 1964-65 }	[29,800
	Rice Mills	1 4	1964-65 } 1965-66 }	
		<hr/> 10 <hr/>		
7 Andhra Pradesh	Dal Mills	1	1965-66 } 1958-69 } 1959-60 } 1967-68 }	[52,500
	Oil Mills	1 1		
	Ginning & Pressing	1 1		
	Groundnut Decor- ticators	1 1	1957-58 } 1958-59 }	
		<hr/> 8 <hr/>		
8 Tamil Nadu	Rice Mills	19	1965-66	The amount has been adjusted against the modern rice mills.
9 Punjab	Dal Mills	1	1958-59 } 1967-68 }	10,725
		1		
		<hr/> 2 <hr/>		

1	2	3	4	5
10 Kerala	Ginning & Pressing	<u>1</u>	1964-65	<u>25,000</u>
	Total	<u>120</u>	Total	<u>40,98,194</u>

APPENDIX VI

Name of the commodities	Units organised/as- sisted upto 31st March, 1969.	Installed upto dat ^e (Sept. 1970)
SUGAR FACTORIES		
i. Sugar factories	79	68
ii. Open Crystal pan sugar factories	22	17
iii. By-products	9	3
FOODGRAINS		
i. Paddy mills and hullors	783	639
ii. Rice bran oil units	4	3
iii. Dal mills	33	23
COTTON		
i. Ginning and Pressing units	237	203
ii. Spinning mills	26	11
OILSEEDS		
i. Groundnut decorticators	55	47
ii. Oil mills.	187	134
iii. Solvent extraction plants	5	5
iv. Vanaspati	1	1
v. Cattle feed	1	—
JUTE		
i. Jute baling units	46	40
ii. Jute mills	1	1
FRUIT & VEGETABLE UNITS	33	25
PLANTATION CROPS		
i. Coffee	5	5
ii. Tea	12	12
iii. Copra	32	24
iv. Cashew	89	65
v. Cold Storages	8	4
OTHERS		
	*1672	1334

* Out of these, 55 units were assisted in 1967-68 and 1968-69 and 120 units were dropped. Details of units cropped are given in Annexure IB.

APPENDIX VIII

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION

GRAM: 'COPCORP'

C-56, South Extension (II),

New Delhi-49.

No. NCDC. 3-1/69-CC&H.

Dated May 4, 1970.

From

Shri S. K. S. Chib, IAS,

SECRETARY.

To

The Secretaries in-charge of Cooperation, All States (Except Jammu & Kashmir and Nagaland).

SUB:—Central Sector Scheme for financing small and medium sized processing units.

Sir,

In continuation of this Corporation's letter of even number dated the 23rd December, 1969, (copy enclosed) on the above subject, I am directed to say that the Corporation will refinance the Apex Cooperative Schemes broadly on the following lines:

i. Under the Central Sector Scheme, the National Cooperative Development Corporation will undertake refinancing of new small and medium size cooperative agricultural processing units such as cooperative rice mills, oil mills, cotton ginneries, cottonseed processing plants, cattlefeed factories, solvent extraction plants, fruit and vegetable processing units, cold storage, etc. and their allied/by product industries individually and/or jointly.

Large size processing units such as cooperative sugar factories, spinning mills, jute mills, etc. for which financial assistance is available from the IFC., L.I.C., etc. will be excluded from the purview of the Scheme.

ii. The cooperative processing units, with block cost not exceeding Rs. 10 lakhs will be categorised as small size processing units and above Rs. 10 lakhs to Rs. 40 lakhs as medium size processing units.

iii. A minimum margin of security of 25 per cent of the total block cost will be required in case of small size processing units and 30 per cent in case of medium size processing units.

The margin of security will be found by the concerned cooperative either from the share capital or/and reserves, if any.

- iv. Refinancing will be done primarily through the apex cooperative banks, after satisfying the technical and economic viability of the unit, against the guarantee of the State Government. If for any reason the apex cooperative bank is not considered viable or the State Government is unable to furnish requisite guarantee for the loan or for any other reason the apex cooperative bank is not able to receive the loan from the NCDC, refinancing to the processing units will be done through the State Government concerned.
- v. The processing unit organised by the national and inter-state cooperative federations will be financed by the NCDC directly.
- vi. The NCDC will refinance the apex cooperative banks/State Governments upto 75 per cent in respect of small size processing units and 70 per cent in case of medium size processing units of the total block cost of the project.
- vii. Under the Scheme, financing of the processing units will be in the form of block loans.
- viii. The NCDC may also consider refinancing for a part of the block loan requirement of the cooperative processing unit, provided the NCDC is satisfied that the remaining part of the block loan to be met from the banks/financing institutions/Govt. etc. is fully secured by the concerned processing unit.
- ix. Ordinarily the share capital interse between the members and the state government will be in the ratio 1:2, provided that if the total equity in relation to the total block cost of the concerned processing units comes to less than Rs. 2.00 lakhs, then the ratio of share capital between the growers/their cooperatives and the State Government will not be more liberal than 1:1 and if the total block cost exceeds Rs. 2.00 lakhs, the share capital to be contributed by the cooperative members should not be less than Rs. 1.00 lakh.

It is also under consideration of the Corporation to what extent in affluent areas etc. increased member's share capital in the ratio of 1:2 (members and State Government) and in weaker areas lesser members share capital compared to government contribution in the ratio 1:3 should be allowed and laid down. A further communication in this regard will follow after a policy decision is taken by the Corporation in regard to such areas.

x. The NCDC's rate of interest to the apex cooperative bank is likely to be $6\frac{1}{2}$ per cent per annum. The exact rate will however, be communicated separately. The rate of interest of borrowing by the cooperatives installing the processing units shall not exceed 1 (one) per cent over the rate of interest charged by the NCDC.

In the event of any default in the repayment of loans and payment of interest thereon, the interest rate will be increased by half per cent i.e. a higher rate of interest will be charged on the principal as well as on interest components of overdue instalments from the due date to the date of actual payment.

xi. The period of loans to the apex banks and to the processing units will be for a maximum period of 15 years. Depending upon the feasibility of the projects etc. the repayment period can be reduced, but in no case less than 7 years.

xii. In suitable cases, if necessary, a moratorium for a maximum period of three years since the date of first drawal of loans for repayment of principal could be considered by the financing Apex bank/State Govt. to the processing unit and by the NCDC to the concerned apex cooperative bank/State Government.

xiii. If a borrowing cooperative processing unit for which the NCDC has refinanced loans/loans, repays its loan earlier than the due date, apex bank/State Government will repay to the NCDC all such instalments prematurely paid by the processing unit, until the NCDC's loan amount is fully repaid.

xiv. The application for refinance to the NCDC shall be accompanied by a resolution of the Board of Directors of the concerned borrowing cooperative processing unit and of the apex cooperative bank for availing of refinancing facility.

2. The apex cooperative banks will send to the NCDC for the purpose of examining technical and economic feasibility the proposals of the small and medium size processing units which they intend to finance under the scheme. The NCDC will then communicate to the apex banks the administrative and technical approval to those proposals which satisfy the conditions laid down under the scheme for financial assistance and are techno-economically viable. The apex banks will be eligible for refinancing in the case of only such propo-

sals to which the NCDC has thus given administrative and technical approval.

If the apex bank/State Government does not take effective action to finance the cooperative processing units within one year from the date of administrative approval, the administrative approval will be deemed to have lapsed.

3. It is expected that while financing the processing units the apex cooperative bank/State Government will release funds in relation to the progress made by the concerned processing units in respect of acquiring land, construction of buildings and purchase/installation of machinery etc. In other words, the release of the bank/government need to be progress based. Refinancing to the apex bank/State Govt. will be accordingly made in instalments depending upon the progress made by the cooperatives in implementing the project.

4. In giving assistance to the processing units under this scheme, preference should be given to those units proposed to be set up in the areas to be selected under the Small Farmers Development Agency Scheme provided other things being equal and subject to the viability of projects being satisfied.

5. In the light of the above, the State Governments are requested to furnish suitable proposals for the purpose of refinancing under the scheme in consultation with the apex cooperative banks. The specimen documents for entering into loan agreement by the processing unit with the apex bank and of the apex bank with the NCDC and also Guarantee Form of the State Government are being sent separately in due course.

6. Tentatively the approved allocation during the Fourth Plan period has been since revised from Rs.7.5. crores to Rs.9.00 crores.

7. The receipt of this letter may be acknowledged.

Yours faithfully,

Sd/-

(V. G. PURANIK)

Director

for Secretary.

Encl: one

Copy to:

1. The Registrar of Coop. Societies, All States (except J&K and Nagaland).

2. The Manager/General Manager/Managing Director, Apex Cooperative Bank/Central Coop. Banks.

3. Agricultural Credit Department, Reserve Bank of India, Bombay.

4. The Joint Secretary (CP), Department of Cooperation, Ministry of FACD&C, Krishi Bhavan, New Delhi.

5. All Officers and Sections of the Corporation.

6. The Regional Offices, South & East, NCDC.

7. Planning Commission.

Sd/-
(V. G. PURANIK)
*Director
for Secretary.*

Copy of the letter No. NCDC. 3-1/69-CC&H dated the 23rd December, 1969, addressed to the Secretaries in-charge of Cooperation, All States (Except J&K and Nagaland).

SUB:—Central Sector Scheme for financing small and medium sized processing units.

As you are aware, tentatively a sum of Rs. 7.50 crores has been provided under a Central Sector Scheme for financing small and medium sized cooperative processing units *outside the State Plans Ceilings*, as approved by the Planning Commission during the Fourth Plan, of which, Rs. 1 crore have budgeted for the year 1969-70.

2. Under the scheme the National Cooperative Development Corporation proposes to undertake direct and indirect financing and/or refinancing of small and medium size cooperative agricultural processing units such as cooperative rice mills, oil mills, cotton gins, cotton-seed processing-plants, cattlefeed factories, solvent extraction plants, fruit and vegetable processing units, cold storages, etc, and their allied/bye-product industries individually and/or jointly. Large sized processing units such as cooperative sugar factories, spinning mills, jute mills, etc. will not fall within the purview of this Scheme.

No assistance will, however, be available from the National Cooperative Development Corporation to the State Governments under this particular scheme for participation in the equity capital of the processing units irrespective of their size.

3. For the purpose of the Scheme it is envisaged that the units with block cost not exceeding Rs. 10 lakhs will be categorised as small sized processing units and from Rs. 10 lakhs to Rs. 40 lakhs as medium sized processing units. Margin money required for raising working capital during the gestation period of the projects will be considered as a part of the block cost. For the purpose of financing the small and medium size processing units it is contemplated that

a minimum margin of 25 per cent might be required in the case of small sized processing units and 30 per cent in case of medium sized processing units. For instance, in the case of small size processing unit, if its block investment amounts to Rs. 8.00 lakhs, it would be eligible to get a block loan of Rs. 6.00 lakhs. The remaining amount will have to be raised in the form of share capital and/or reserves, if any. Similarly in case of a medium size processing unit, if its block investment is of the order of Rs. 20.00 lakhs, the unit will have to raise in the form of share capital and/or reserves, if any, Rs. 6.00 lakhs and the remaining Rs. 14.00 lakhs it would get in the form of block loan under this Scheme.

4. The above indicates the outline of the proposed Scheme under consideration. The details about the procedure of refinancing under the Scheme, the agency for financing/refinancing, security required, rate of interest, the period of repayment etc. will be communicated after the scheme is finally cleared by the Ministry of Finance.

In the meanwhile, however, as the current financial year is at an advanced stage, it is suggested that the State Governments may send suitable proposals with relevant dated and estimates etc. of small and medium size processing units with block cost below Rs. 40.00 lakhs, for the NCDC's consideration for financial assistance under this Scheme urgently and preferably before the end of January, 1970. It may however, be mentioned that such proposals need to be furnished after the examining their technical and economic feasibility as usual.

5. The receipt of this letter may be acknowledged.

Sd/-

(V. G. PURANIK)
Director (Processing)
for Secretary.

Copy to:-

1. The Registrar of Cooperative Societies, All States (Except J&K and Nagaland).

2. The Manager/Gen. Manager/Managing Director/Apex Co-operative Banks.

3. The Manager/Gen. Manager/Managing Director/District Central Cooperative Banks.

4. To all Officers of the Corporation including Regional Officers (South and East).

Sd/-

(V. G. PURANIK)
Director (Processing)
for Secretary.

APPENDIX IX

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION
Gram: 'COPCORP' C-56, South Extension (II),
Phones: 617230/617256 New Delhi-49.
No. NCDC. 3-3/70-CC&H Dated the 12th March, 1970.

From

Shri S. K. S. Chib, I.A.S.,
Secretary.

To

The Secretaries in-charge of Cooperation,
All State Governments (except J. & K. & Nagaland).

SUB: Provision of margin money for cooperative processing units under Corporation Sponsored Scheme.

Sir,

Some of the cooperative processing units organised before the commencement of the Fourth Plan have not been able to utilize their installed capacity fully on account of their inability to raise adequate working capital for want of liquid resources to offer margins. The provisions made by these units for margin money in the project costs were either inadequate or were used in the fixed assets on account of rise in the block costs or on account of delay in installation, in the pre-operative expenses.

2. Limitations on raising working capital may restrict the capacity of these processing units to procure raw material for fuller utilisation of their installed capacity. This Corporation, has, therefore, suggested to the State Governments to provide, if need be, by formulating a special scheme, adequate funds for assisting those processing units which are short of liquid funds for the purpose of margin money. Where the State Governments would not be able to provide such assistance adequately for want of resources, this Corporation would consider to supplement financial assistance on a selective basis to a limited extent and has for that formulated a new

scheme which will come into effect from 1st April, 1970. The outlines of this Scheme are as mentioned below:—

- (i) The State Governments would furnish to the Corporation a list of the processing units that would be identified under the scheme for giving assistance to raise margin money. Such units will be only those which were organised before the commencement of the Fourth Plan.
- (ii) The processing units thus identified for assistance should have collected share capital from the grower members and/or from their cooperatives adequate enough to create their stake in the project.
- (iii) The accumulated losses after excluding depreciation and development funds, if any, must not be more than the owned funds of the selected units.
- (iv) After giving margin money to the processing unit, it should be able to procure raw-material from its area of operation. In other words, such unit need to be located in an area where the required raw-material is sufficiently available for fuller utilisation of the installed capacity of the concerned unit.
- (v) While selecting the units under the scheme, it will be ensured that the arrangements made for managing the working of such units are efficient and satisfactory.
- (vi) Only those processing units will be eligible for financial assistance under the scheme which would be able to revive their working as a result of such assistance and stabilize financially in a reasonable period of time.
- (vii) The Corporation will assist the State Governments outside their plan resources, to an extent which shall not exceed 65 per cent of the assistance the state governments give to the processing units for margin money.
- (viii) The Corporation will select, on merit, the units, state-wise for assistance. In doing so, if necessary, priority will be given to cooperatively under-developed areas.
- (ix) Assistance given by the state governments to the processing units under the scheme, should be preferably in the form of share capital contribution.
- (x) The Corporation's assistance to the State Governments will be in the form of loans and will be released as reimbursement finance.

(xi) Where the State governments utilize the Corporation's assistance in the form of share capital contribution for margin money, the Corporation will charge 6 per cent rate of interest on such loans. If the state governments use it in the form of loans to the processing units for raising margin money, the Corporation's rate of interest to the state governments on such loans will be 7½ per cent.

(xii) Term of repayment of loan etc. will be analogous to the terms and conditions of other loans sanctioned to the State Governments by the Corporation from its own funds.

3. In the light of the above, the state governments are requested to furnish a list of the proposals to this Corporation for consideration by the 30th June, 1970. The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(V. G. PURANIK)

Director,

for Secretary.

Copy to:—

1. The Registrar of Cooperative Societies, All States (Except J. & K. and Nagaland).
2. The Chief Executive Officers of Apex Marketing Federations.
3. The Secretary, Maharashtra State Co-operative Industries Commission, Bombay.
4. All Officers of the Corporation.
5. Regional Officers, South and East, NCDC.
6. The Department of Cooperation, Ministry of F.A.C.D. & C., Government of India, New Delhi.
7. The General Secretary, National Cooperative Union of India, New Delhi.
8. The Member-Secretary, Committee for Cooperative Training, South Patel Nagar, New Delhi.
9. Director, Vaikunth Mehta National Institute of Cooperative Management, Poona.

10. Secretaries-in-charge of Planning, All State Governments
(Except J. & K. and Nagaland).

11. The Chief Officer, Rural Credit Department, Reserve Bank of
India, Bombay.

Sd/-

(V. G. PURANIK)

Director,
for Secretary.

APPENDIX X

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION

Gram: 'COPCORP'

C-56, South Extension (II),

Phone: 623434|623435

New Delhi-49.

F. No. NCDC. 4-5|64-M

Dated 3rd February, 1970.

To

Secretaries in-charge of Cooperation,

All States (excluding J. & K. and Nagaland).

*SUBJECT:—Establishment of 'Technical and Promotional Cells'
in the State level marketing federations.*

Sirs,

As you are aware, the National Cooperative Development Corporation sponsored in October 1964, a scheme for the establishment of Promotional & Assessment Cells in the state level marketing federations to enable the apex federations to take requisite promotional interest in the affairs of the marketing and processing co-operatives and provide necessary technical know-how, support and guidance to them. The scheme, as originally approved by the Corporation and communicated to the State Governments in this Corporation's letter of even number dated 31st October, 1964, envisaged the appointment of three principal types of experts, namely:

- (a) those conversant with organisational and financial problems;
- (b) those conversant with the problems of agricultural marketing, marketing techniques, grading etc. and
- (c) those concerned with engineering and technical problems of processing units.

Since this was a new scheme and of vital importance to the development of cooperative marketing, the Corporation agreed to subsidise the cost of these cells on a tapering basis for a period of five years outside the state plan ceilings. Keeping in view the expanding

nature of activities undertaken by the various apex marketing federations, the scope of the Promotional & Assessment Cells was expanded in November, 1967 so as to cover the following types of experts:—

- (i) Organisational and/or Financial Expert;
- (ii) Expert on Agricultural Marketing;
- (iii) Expert on Processing of Agricultural Produce;
- (iv) Expert on Storage;
- (v) Expert in one or two agricultural inputs including fertilizers;
- (vi) Expert on statistics relating to cooperative agricultural marketing, processing, supplies and storage.

In this connection a reference is invited to this Corporation's letter of even number dated 27th November, 1967.

2. The Corporation had, from time to time, approved the establishment of promotional and assessment cells in various apex marketing federations and have provided the requisite subsidy to the state governments to enable them to assist the federations to appoint the experts in these cells. The progress and problems in the implementation of this scheme were reviewed by the Regional Conferences of Registrars of Cooperative Societies of Southern and Western Regions in January-February 1969 and subsequently in a series of regional meetings of Registrars of Cooperative Societies and Chief Executive Officers of the apex marketing federations convened by the National Cooperative Development Corporation at New Delhi in August-September 1969. The general consensus during these discussions was that the promotional and assessment cells in the apex marketing federations should be restructured and strengthened and made to function more effectively. While according to the approved scheme, the cells were to consist of six broad categories of experts, a view was expressed that the existing broad nomenclature was not adequate and comprehensive. It was, therefore, desired that the N.C.D.C. might revise the scope of the promotional cells and circulate a comprehensive list of posts that could be subsidised together with broad range of pay scales prescribed for each post.

3. This matter was considered by the Executive Committee of this Corporation in its meeting held on 23rd January, 1970. On the basis of the decisions of the Executive Committee of this Corporation, I am directed to say that henceforth the existing schedule of six broad types of experts in the promotional cells would be modified and substituted by a schedule of posts comprising about 25

experts indicated in the annexure to this letter. The annexure also indicates the broad qualifications and experience required for each of the experts and the range of pay scale. The other conditions governing the sanction of financial assistance to the state governments under the scheme will be as under:—

- (a) Every state marketing federation can select the posts required for it from out of the schedule of posts with reference to local needs. For instance, where there is a programme of installation of rice mills, a rice technologist may be appointed or where a large programme of establishment of cold storage is envisaged, appointment of a refrigeration engineer may be necessary. Similarly, for promotion of foodgrains, marketing in states with large marketable surplus, a development officer for foodgrain marketing may be appointed. The apex marketing federations will be free to suitably combine the functions of different experts, wherever necessary and possible, with the prior concurrence of the NCDC. The subsidy admissible from the Corporation for these experts in each state marketing federation will not, however, exceed Rs. 1 lakh per annum and Rs. 3.5 lakhs for 5 years for all the experts put together.
- (b) The existing pattern of tapering scale of assistance to the state governments, namely 100 per cent of the expenditure during the first two years, 75 per cent during the third year, 50 per cent during the fourth year and 25 per cent during the fifth year will continue to be followed. The assistance released by the Corporation to the state governments under this scheme will also continue to be outside the state Plan ceilings.
- (c) The qualifications, experience and the pay scales indicated in the schedule of posts should be taken as guidelines. They may be modified in individual cases according to the requirements of each state with the prior approval of the NCDC. The objective is to enable the apex marketing federations to engage suitably qualified and experienced hands, who could be expected to render suitable advice to the Federation and its affiliated societies. In suitable cases, adjustments in the pay scales could be made by offering a few more increments in the scale to attract better talent or to give a slightly higher scale with the approval of the Corporation.

- (d) The prior concurrence of the N. C. D. C. should be continued to be obtained before creating the posts. The Corporation should also be associated with the selection of personnel to these posts whether such selections are made from the open market or by deputation. The Proposals for the creation of a post in the cell should, as hitherto, include details, such as qualifications and experience expected of the incumbent to the post, functions attached to the post, pay scale proposed to be prescribed, method of recruitment, etc.
- (e) Where it is necessary for an apex marketing federation to obtain the services of an expert deputation from government departments or other organizations, it should be ensured that the services of such a deputationist would be available to the apex marketing federation for a minimum period of five years in the interest of continuity of promotional years. If any deputationist gets promotion in his parent department or organisation before expiry of the minimum period, the federation can consider upgrading the relevant post with the concurrence of this Corporation.
- (f) The earlier conditions already stipulated by this Corporation regarding continuity of posts created in the cell for a minimum period of five years after the subsidy is over, will continue to be in force.
- (g) Unless the posts sanctioned under the promotional cell are filled up within a period of six months from the sanction of the posts by the N.C.D.C., sanction for that particular post/posts will lapse. Assistance will be admissible from the date of sanction of the post by the N. C. D. S. or from the date of appointment of the experts in the cell whichever is later. In cases, where an expert appointed under the scheme has been assigned duties or function other than those for which he was appointed or where he has been given additional charge of certain functions without the prior approval of the Corporation, no subsidy from the Corporation will be provided for that expert.
- (b) The expenditure on account of pay and allowances including travelling allowance of the experts will be eligible for subsidy from the Corporation in accordance with the prescribed tapering scale. Bonus, if any, given to the expert is not eligible for subsidy from the Corporation under the scheme. Medical expenses, if any, reimbursed to the expert and employers' contribution to Provident

fund and as per rules of the federation, are however, eligible to be subsidised by the Corporation in accordance with the approved pattern. In the case of experts who have been appointed on deputation from the Government and other organisations, the leave salary contribution and pension contribution, deputation pay and other allowances will continue to be eligible for subsidy from the Corporation. The deputation allowance given in such cases should be in accordance with the rules of the State Govt. or the parent organization concerned.

- (i) The apex marketing federations have to provide the requisite supporting staff to the experts at their own expense. No subsidy will be available from the Corporation for such supporting staff.
- (j) If there is any post which has not specifically been mentioned in the schedule but which, in the opinion of the State Government, is necessary for a particular apex marketing federation, separate proposals will have to be sent by the State Government concerned accompanied by a specific resolution of the apex federation stating reasons therefor, for the prior approval of the Corporation.

4. The above decisions will apply to all posts of experts sanctioned by the Corporation on or after 1st February 1970. However, in respect of the posts of experts already sanctioned and/or filled in the promotional cells in various state marketing federations, their expenditure will continue to be subsidised by the Corporation on the usual tapering scale. Similarly, the expenditure on account of posts of junior technical and other staff such as Assistant Engineers, Draughtsmen, Superintendent, Stenographers, etc., which have been specifically approved by the Corporation will also continue to be subsidised under the tapering scale. The total subsidy eligible from this Corporation on account of the posts *already* sanctioned by the Corporation and on the posts to be sanctioned in further in terms of this circular will, however, be subject to the ceiling of Rs.1 lakh per annum and Rs. 3.5 lakhs for five years.

5. In the interest of proper nomenclature, these cells may in future be called "Technical & Promotional Cells (abbreviated as T & P Cells) instead of 'Promotional & Assesment Cells' as earlier. We hope that with the above modifications now made to the scheme, the apex marketing federations will be in a better position to build up requisite expertise and strengthen their role in providing leadership, guidance and support to their constituents and to build up a federal discipline within the structure.

6. Kindly acknowledge receipt of this letter.

Yours faithfully.

Sd/-

(K. SUBRAHMANYAM)

Director (MF)

for Secretary.

Copy forwarded to:-

1. Registrars of Cooperative Societies, All States (Except J&K and Nagaland.)
2. Apex Marketing Federations of all states (except J&K).
3. All officers and sections in the Corporation.
4. Regional Officer (South & East), N. C. D. C.
5. Bulletin Cell, N. C. D. C.
6. Managing Director, National Agricultural Cooperative Marketing Federation Ltd., D-44, South Extension II, New Delhi-49.

Sd/-

(K. SUBRAHMANYAM)

Director (MF)

for Secretary.

Copy for favour of information to:—

1. P.S. to Vice-Chairman, Executive Committee, N.C.D.C.
2. P. S to Vice-Chairman, Executive Committee, N. C. D.C.

Schedule of posts covered under the scheme of Promotional & Assessment Cells.

Name of the post 1	Qualifications & Experience 2	Pay scale/range 3
A. GENERAL		
1. Management Consultant	Degree in Economics or Commerce or Agriculture or Engineering. Post Graduate degree or diploma in Business Management. <i>Minimum Experience</i> : In a responsible management capacity 7 years. <i>Desirable</i> : Candidates with basic Engineering degree with a post graduate diploma or degree in Business Management will be preferred.	Ra. 800-40-1000-50-1400

1	2	3
2. Cost Accountant	Should be a qualified Cost Accountant. <i>Experience</i> : Minimum of 6 years experience in a responsible position in industrial/commercial undertaking of repute of having practical experience of Costing. <i>Desirable</i> : Preference will be given to candidates who are qualified Chartered Accountants and who possess cooperative background.	R.s 800-40-1000-50-1300
3. Evaluation and Statistical Officer	Post Graduate degree or diploma in Statistics. <i>Experience</i> : Minimum of 5 years in collection, coordination and interpretation of statistical data relating to agriculture including cooperatives in a responsible capacity. <i>Desirable</i> : Experience in interpretation of data relating to operations of cooperatives. Persons with experience in agro-economic surveys will be preferred.	Rs. 600-30-900-40-1100.
B. MARKETING		
4. Marketing Development Officer (General):	Degree in Economics or Agriculture. <i>Experience</i> : 8 years in the field of agricultural marketing in a responsible capacity <i>Desirable</i> : Special training and experience in cooperative marketing.	Rs. 800-40-1 000-50-1300
5. Dy. Marketing Development Officer (Organisation supervision, accounts & book-keeping)	Degree in Commerce or Economics or Agriculture. Training in Cooperation and specialised training in cooperative marketing. <i>Experience</i> : Actual field experience of at least 5 years in the sphere of cooperative marketing, processing, supplies and storage in a responsible capacity.	Rs. 500-25-700-40-900.
6. Development Officer (marketing—Cotton)	Degree in Economics or Agriculture. <i>Experience</i> : 5 years field experience in the marketing of cotton in a responsible capacity	Rs. 500-25-700-40-900.

1	2	3
	<i>Desirable</i> : Experience in ginning and pressing of cotton.	
7. Development Officer (Marketing—Oilsseeds)	Degree in Economics or Agriculture.	Rs. 500-25-700-40-900.
	<i>Experience</i> : 5 years field experience in processing and marketing of oilseeds in a responsible capacity.	
	<i>Desirable</i> : Experience in running oilseeds processing and marketing business including solvent extraction.	
8. Development Officer (Marketing—Horticulture)	Degree in Economics of Agriculture.	Rs. 500-25-700-40-900.
	<i>Experience</i> : 5 years field experience in the marketing and/or processing of horticultural crops in a responsible capacity.	
	<i>Desirable</i> : Experience in internal and/or inter-state trade in fruits and vegetables.	
9. Development Officer (Marketing—Foodgrains)	Degree in Economics or Agriculture.	Rs. 500-25-700-40-900.
	<i>Experience</i> : Field experience for 5 years in marketing of foodgrains in a responsible capacity.	
10. Development Officer (Marketing—Plantation crops)	Degree in Economics or Agriculture.	Rs. 500-25-700-40-900.
	<i>Experience</i> : Field experience for a minimum of 5 years in the marketing of plantation crops in a responsible capacity.	
C. PROCESSING :		
11. Development Officer (Agro-Industries);	Degree in Economics or Agriculture.	
	<i>Experience</i> : 8 years experience in a responsible capacity in the field of agricultural processing, particularly in relation to planning, promotion and financing of agricultural processing units and allied matters.	

Name of the post	Qualifications & Experience	Pay Scale/range
12. Refrigeration Engineer	<p><i>Desirable</i> : Experience in preparation of blue prints for various types of agricultural processing units. Training and experience in cooperative processing preferable .</p> <p>Degree in Mechanical or Electrical Engineering.</p> <p><i>Experience</i> : 6 years experience in design, erection and maintenance of cold storages.</p>	Rs. 700-40-1100-50-1250
13. Oil Technologist	Basic degree with specialisation in field.;	Rs. 700-40-1100-50-1250.
14. Rice Technologist		
15. Fruit Technologist	<p><i>Experience</i> : 5 years experience in planning, erection and maintenance of processing units in the concerned field.</p> <p><i>Desirable</i> : Diploma in specialised field such as oil technology, rice technology and fruit & Vegetable preservation.</p>	Rs. 700-40-1100-50-1250.
16. Mechanical Engineer	<p>Degree in Mechanical Engineering or its recognised equivalent.</p> <p><i>Experience</i> : 5 years experience in technical planning, design and erection as well as maintenance of factories.</p>	Rs. 700-40-1100-1250.
17. Electrical Engineer	<p>Degree in Electrical Engineering or its equivalent.</p> <p><i>Experience</i> : 5 years experience in designing, installation and maintenance in industrial or government undertakings.</p>	Rs. 700-40-1100-50-1250
18. Civil Engineer	<p>Degree in Civil Engineering of its recognized equivalent.</p> <p><i>Experience</i> : 5 years field experience in Civil Engineering in a responsible capacity.</p>	Rs. 700-40-1100-50-1250
D. INPUTS		
19. Development Officer (Fertilizers);	<p>Degree in Agriculture or Economics or Commerce.</p> <p><i>Experience</i> : At least 7 years experience in distribution and financing of chemical fertilisers and techniques of sales promotion in a responsible capacity.</p> <p><i>Desirable</i> : Diploma or Degree in Business Management .</p>	Rs. 700-40-1100-50-1250.
20. Development Officer (Seeds)	<p>Degree in Agriculture.</p> <p><i>Experience</i> : 5 years experience in multiplication, processing and marketing of seeds.</p> <p><i>Desirable</i> : Post Graduate Degree in Agriculture with plant breeding or</p>	Rs. 600-30-900-40-1100

Name of the post	Qualifications & Experience	Pay scale/range
21. Pesticides/Insecticides Specialist.	<p style="text-align: center;">Agronomy as special subjects; Training in the plant diseases.</p> <p>Degree in Agriculture.</p> <p><i>Experience</i> : 5 years experience in handling and marketing of pesticides, plant protection equipment and protection of crops.</p> <p><i>Desirable</i> : Post Graduate Degree in Agriculture.</p>	Rs. 600-30-900-40-110
22. Agricultural Engineer.;	<p>B.E. in Agricultural Engineering or Mechanical Engineering.</p> <p><i>Experience</i> : 5 years experience as Agricultural Engineer in a reputed company or government organisation.</p> <p><i>Desirable</i> : Persons having Post Graduate Degree in Agricultural Engineering would be preferred.</p>	Rs. 600-30-900-40-1100
23. Agronomist	<p>M.Sc. (Agriculture).</p> <p><i>Experience</i> : 5 years field experience in demonstration of improved agricultural practices and in planning, organizing and getting agronomic trails and demonstrations as well as collecting and processing data from these trails.</p> <p><i>Desirable</i> : Post Graduate Degree in Agriculture with specialization in Agronomy.</p>	Rs. 600-30-900-40-1100.
24. Agricultural Chemist	<p>M.Sc. (Agriculture) with specialization in Agricultural Chemistry.</p> <p><i>Experience</i> : Minimum 5 years in a responsible capacity.</p>	Rs. 600-30-900-40-1100
E. STORAGE		
25. Development Officer (Storage)	<p>B.S.c. (Agri.) or M.Sc (Zoology) or M.Sc (Chemistry) or M.Sc. (Bio-Chemistry) or M.Sc. (Entomology)</p> <p>or B.S.c. (Zoology)—first class with any diploma from Central or any foreign University.</p> <p><i>Experience</i> : Minimum 8 years experience in a Govt. or reputed firms having experience to organise and conduct scientific storage with vast jurisdiction. Extensive field experience preferred.</p>	Rs. 700-40-1100-50-1250

NOTE: (i) It is not necessary for every apex marketing society to appoint all the experts indicated above. The total grant available under the scheme for each apex marketing society would not be more than Rs. 1 lakh per annum. Therefore, the posts will have to be created from the above schedule with reference to the local needs and priorities with the prior approval of the Corporation.

- (ii) The apex marketing federations or the State Governments will be free to suitably combine the functions of different experts wherever necessary and possible with the prior concurrence of the M.C.D.
- (iii) The pay scales indicated against each of the posts are only guidelines and are intended to reflect the status, experience and the qualifications required for the incumbents. In suitable cases, adjustments in the pay scales could be made by offering a few more increments in the scale to attract better talent or to give a slightly higher scale with the approval of the N.C.D.C.
- (iv) Prior concurrence of the N.C.D.C. will have to be obtained by the apex marketing federations and/or the State Governments as the case may be for the appointment of incumbents to these posts as here-to-fore. N.C.D.C. will also be represented in the interviews conducted for selecting incumbents to these posts whenever such posts are to be filled up from the open market. In cases, where the posts are proposed to be filled in by deputation from government departments or other organizations, prior concurrence of the Corporation for appointing such deputationists to the posts in the Promotional Cell will have to be obtained.
- (v) Unless posts sanctioned under the Promotional Cells are filled up within a period of 6 months from the date of sanction of the post by the N.C.D.C., the sanction for that particular post/posts will lapse. Assistance will be admissible from the date of sanction of the post by the N.C.D.C. or the date of appointment of the expert in the Promotional Cell whichever is later. In cases, where the expert appointed under the scheme has been assigned duties or functions other than those for which he was appointed or where he has been given additional charge of certain functions other than those assigned to him under the scheme, in subsidy from the Corporation will be provided for such post.
- (vi) The expenditure on account of pay and allowances including the T.A. of the experts will be eligible for subsidy from the Corporation in accordance with the prescribed tapering scale. Bonus, if any, given to the expert is not eligible for subsidy from the Corporation under the Scheme. Medical expenses, if any, reimbursed to the expert as per rules of the Federation/State Governments are however eligible to be subsidised by the Corporation in accordance with the approved pattern. In the case of experts who have been appointed on deputation from Government and other organizations, the leave salary contribution and pension contribution, deputation pay and other allowances will be eligible for subsidy from the Corporation. The deputation allowance given in such cases should be in accordance with the rules of the State Government or other organizations concerned.
- (vii) The apex marketing federations and/or the State Governments as the case may be, have to provide the requisite supporting staff at their own expense. No subsidy will be available from the Corporation for such supporting staff.

(Para 3.30)

APPENDIX XI

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION
C-56, South Extension (II),

New Delhi-49.

No. 14-16/70-PCP

Dated: 29th June, 1970.

From

Shri S. K. S. Chib, I.A.S.,
Secretary.

To

The Secretaries in-charge of Cooperation, All State Governments (except J. & K. and Nagaland).

SUBJECT: *Provision of assistance towards cost of specialised training to technical personnel of cooperatives under NCDC Sponsored Schemes.*

Sirs;

I am directed to say that the cooperatives are, of late, increasingly undertaking diversified and complex functions in the field of agricultural marketing, processing, supplies and storage. Being trading and manufacturing organisations, the marketing and processing cooperatives have achieved a high degree of operational efficiency for their commercial success. This has necessitated the adoption of sophisticated technology and modern management techniques by them to enable them to build up, from within, the quality and competence of their managerial and technical personnel.

2. In India whatever experience and technical knowhow has been gained in sophisticated techniques of production and management is at present, by and large, confined to a few industrial and business enterprises. To attract their trained and skilled personnel to man the cooperatives by offering competitive service conditions may not be easy at this stage of their development. The cooperatives, therefore, will have to make their own arrangements to train their technical and managerial personnel to meet their growing demands for highly skilled and specialized man-power.

3. The institutional arrangements available in the country for giving necessary training to the cooperative personnel could be considered to have sufficiently developed. For instance, even in the co-operative sector, recently arrangements have been made in the Vaikunth Mehta National Institute of Cooperative Management to impart training in modern management techniques to the personnel of the co-operative undertaking diversified and complex trading and manufacturing functions. Besides, in the public sector also several specialized organisations|institutions are providing training facilities. For example, the I.I.T., Kharagpur is conducting special courses in rice technology which cooperative rice mills can make full use of. Similarly, a range of courses in CFTRI on food processing and preservation could be utilised for training the personnel of the fruit and vegetable processing|marketing cooperatives. The Central Warehousing Corporation, Fertiliser Corporation of India, etc. also offer facilities for specialised training to the functionaries in their respective fields.

4. It has been the experience so far that the cooperatives have not been availing of the above facilities for training their personnel to the desired extent. The main reason for this situation, particularly in the case of small and medium size processing units and in most of the marketing cooperatives, especially at the primary level, is the lack of adequate resources to meet fully the cost of such specialised training. In the interest of rapid development of cooperatives and for their efficient functioning, it is considered necessary to amend this situation and ensure that these cooperatives send a larger number of their key personnel for specialised training.

5. Keeping the above consideration in view, this Cooperation has recently evolved and approved a new scheme under which this Corporation will bear a part of the cost of training to the key personnel of the cooperatives. Details of the scheme are as under:

I. Types of Societies eligible for assistance under the scheme.

The Scheme will apply to:—

- (i) All State and District Marketing|Processing Federations other than Sugar Federations, and will exclude National Federations like NAFED, which have established business;
- (ii) All Agricultural Cooperative Marketing Societies other than Federations;

- (iii) All processing societies including cold storages other than sugar mills, spinning mills and jute mills but including by-product and ancillary processing industries.

II. *Personnel to whom the Scheme will apply.*

The Scheme will cover key personnel of senior category *viz.*, managers, engineers, technologists and senior technical personnel working in executive|promotional|advisory capacities, who are borne on the regular establishment of the Society. Government staff on deputation *except deputationists to State level marketing federations will not* be covered by this scheme.

III. *Nature of training covered by the Scheme.*

The scheme will apply to specialised training in managerial, technical, technological and extension fields and will include, among others, the followings:

- (i) Rice Technology
- (ii) Oil Technology
- (iii) Scientific Storage
- (iv) Refrigeration
- (v) Fruit and Vegetable processing & preservation
- (vi) Granulation of fertilisers
- (vii) Formulation of pesticides
- (viii) Industrial Management
- (ix) Business Management
- (x) Financial Management
- (xi) Personnel Management etc.

So far as training in Cooperative Institutes is concerned, the scheme will apply only to management courses run in the Vaikunth Mehta National Institute of Cooperative Management. The scope of the scheme will not cover training at other cooperative training institutions in the country.

IV. *Duration of training*

The assistance under the scheme will be available ordinarily for short-term training courses of a duration not exceeding 4 months.

V. Pattern of assistance from N.C.D.C.

(i) The NCDC will meet 2/3rd of the actual cost of training including cost of training material, if any, travelling allowances at admissible rates and training fees, if any. The remaining 1/3rd of the cost and pay and allowances of the trainee in full will be met by the concerned sponsoring cooperative.

(ii) Where the Training Institute/organisation meets a part or full cost of the training the assistance from the NCDC will be reduced to that extent.

(iii) The NCDC's assistance will be subject to a ceiling of Rs 5,000 per candidate per course and Rs. 15,000 per society during a year.

VI. Mode of release of assistance

(i) The assistance will be provided by the Corporation to the cooperatives through the State Governments, as *subsidy* on the basis of actual expenditure incurred subject to the ceilings mentioned in the foregoing paragraph.

(ii) The release of funds by the Corporation will be made against the expenditure statements duly verified and endorsed by the Registrar of Cooperative Societies of the State concerned.

VII. Other conditions

(i) Cooperatives have to send the proposals to the NCDC through the Registrars of Cooperative Societies for approving the names of the employees proposed to be deputed for special training under the scheme. Assistance will be given by the NCDC in case of those employees as selected by NCDC whose deputation for training is thus *approved in advance*.

(ii) The concerned cooperatives should obtain an undertaking from the trainee that after the completion of the training, he will serve the institution for a minimum period of three years. The society should also ensure that the trainee is deployed in the same field in which he receives special training. In case these conditions are not satisfied, the assistance provided by the NCDC through the State Governments will be liable to be refunded in full by the society concerned. For this purpose, the society will have to execute a bond in favour of the State Government.

(iii) The upper age limit for the candidates will ordinarily be 45 years.

6. It is requested that the details of the above scheme may kindly be communicated to the cooperative institutions likely to derive benefit from this scheme. The Registrars of Cooperative Societies may kindly be requested to obtain suitable proposal from the societies desirous of availing of assistance under the Scheme. These proposals may be scrutinized at the level of the Office of the Registrar of Cooperative Societies, and only such cases as in the opinion of the Registrar deserve consideration might be forwarded to the Corporation. The proposals may be accompanied by sufficient data|information about the activities undertaken by the society concerned, the nature of training proposed to be imparted, full details about the candidates particularly those relating to their technical qualifications, experience, nature of duties performed, etc. so as to facilitate consideration of each case on merits by the NCDC. During 1970-71, assistance is likely to be provided for imparting training to about 20—25 candidates for the country as a whole. Keeping this in view, it is suggested that each Registrar of Cooperative Societies may not normally recommend the names of more than 2-3 candidates during the current financial year.

7. The receipt of this letter may kindly be acknowledged.

Yours faithfully,

K. SIVARAMAN,

Deputy Director (PCP) for Secretary.

Copy to:—

1. The Registrar of Cooperative Societies, All States (except J. & K. and Nagaland).
2. The Chief Executive Officers of Apex Marketing Federations.
3. Secretaries in charge of Planning, All State Governments (except J & K and Nagaland).
4. All Officers and Sections in the Corporation.
5. Regional Officers, NCDC (South and East).
6. Director, (C.T.) Department of Cooperation, Ministry of FARD & Cooperation, Krishi Bhavan, New Delhi.
7. The Member Secretary, Committee for Cooperative Training, 34, South Patel Nagar, New Delhi.

8. Director, Vaikunth Mehta, National Institute of Cooperative Management, 5, B. J. Road, Poona.
9. The Director, Central Food and Technological Research Institute, Mysore.
10. The Director, Indian Institute of Technology, Kharagpur.

K. SIVARAMAN,
Deputy Director (PCP),
for Secretary.

Copy to:

1. P. S. to Secretary (Food).
2. P.S. to Secretary (Agri.).
3. P.S. to Vice-Chairman, Executive Committee, NCDC (AS|W).
4. P.S. to Chairman, Executive Committee, NCDC (Minister 'S').
5. P.S. to Chairman, NCDC, (Minister, Food and Agriculture).

K. SIVARAMAN,
Deputy Director (PCP),
for Secretary.

APPENDIX XII

Statement showing details of letters addressed to State Governments regarding refund of financial assistance in respect of number of godowns dropped and not taken up for construction.

Sr. No.	Name of State	Letter Number & date
1.	Andhra Pradesh	6-1(1)/69-SS Dt. 24-2-69 23-4-69 16-5-69 6-2-70 5-3-70
2.	Assam	6-1(2)/69-SS Dt. 11-3-69 23-9-69
3.	Bihar	6-1(3)/69-SS Dt. 26-2-69 23-4-69
4.	Gujarat	6-1(4)/69-SS Dt. 24-2-69 17-11-69 16-5-69 24-1-69 25-2-70
5.	Haryana	6-1(5)/69-SS Dt. 27-2-69 16-5-69 14-7-69 1-1-70 6-4-70 26-5-70
6.	Kerala	6-1(7)/69-SS Dt. 14-7-69 25-10-69 27-11-69 6-12-69 25-3-70
7.	Madhya Pradesh	6-1(9)/69-SS Dt. 2 4-6-69 14-7-69 18-12-69 19-2-70

S. No.	Name of State	Letter No. and date
8.	Maharashtra	6-1(10)/69-SS Dt. 26-2-69 16-5-69 27-11-69 1-12-69 12-7-70
9.	Mysore	6-1-(11)/69-SS Dt. 26-2-69 14-7-69 27-1-70 25-9-71
10.	Punjab	6-1-(14)/69-SS Dt. 11-3-69 8-5-69 14-7-69 20-9-79 3-11-69 27-11-69 19-1-70
11.	Rajasthan	6-1-(15)/69-SS Dt. 27-2-69 16-5-69 20-5-69 26-5-69 16-6-69 14-7-69 3-11-69 27-11-69 30-12-69 11-2-70 27-5-69
13.	Uttar Pradesh	6-1-(16)/69-SS Dt. 26-2-69 27-11-69 31-12-6 10-1-70 11-2-70 2-3-70
13.	West Bengal	6-1-(16)/69-SS Dt. 26-2-69 16-5-69 27-11-69 24-1-70 11-2-70 25-3-70

Annex
APPENDIX XIII

Sl. No.	Name of the State	No. of units assisted as on 31-3-69	No. of units installed	No. of units under installa- tion	Dropped
1	2	3	4	5	6
1	Andhra Pradesh	3	—	2	1
2	Assam	1	1	—	—
3	Bihar	11	7	4	—
4	Madhya Pradesh	2	2	—	—
5	Mysore	1	—	1	—
6	Orissa	10	9	1	—
7	Punjab	8	8	—	—
8	Haryana	2	1	—	1
9	Rajasthan	2	2	—	—
10	Uttar Pradesh	23	17	5	1
11	West Bengal	3	2	1	—
12	Chandigarh;	1	1	—	—
TOTAL		67	50	14	3

APPENDIX XIV

List containing the Names of the Cooperatives which have dropped the Establishment of Cold Storages.

Name of the Society

- | | | |
|---|--|---|
| 1 | Baisimouja Potato Growers Storage and Marketing society Ltd., Dist. Cuttack, Orissa. | Not assisted by National Cooperative Development Corporation. |
| 2 | Rajamund Coop. Cold Storage Society, Rajamund, Sundargarh, Orissa. | Do |
| 3 | Aska Coop. Cold Storage, Distt. Ganjam, Orissa | Do |
| 4 | Parlakhemendi Coop. Cold Storage Society, Parlakhemendi, Distt. Ganjam, Orissa. | Do |
| 5 | Keonjhar-Garh Coop. Cold Storage Society, Keonjhar, Orissa. | Do |
| 6 | Shri Ramlingeshwar Coop. Cold Storage District Ganjam, Orissa. | Do |
| 7 | Kurukshetra Coop. Cold Storage Ltd., Kurukshetra, Haryana. | Amount has since been recovered by the N.C.D.C. from the Government of Haryana. |
| 8 | Cooperative Marketing Society Ltd., Dhampur, Dist, Bijnaur, Uttar Pradesh. | Assistance has been recovered by the State Govt. and the proposal of the State Govt., for transferring the amounts to new cold storage units is under consideration of the N.C.D.C. |
| 9 | Hyderabad Distt. Vegetable Growers Coop. Society Ltd., Hyderabad, Andhra Pradesh | Do |

APPENDIX XV
NATIONAL COOPERATIVE DEVELOPMENT CORPORATION
(PLAN, COORDINATION AND PUBLICITY SECTION)

No. 14-9|70-PCP

Dated, 17th March, 1970.

OFFICE ORDER

SUBJECT:—*Completion Certificates from Cooperative Societies for schemes|units involving physical construction for which project-wise assistance has been released.*

In addition to the financial utilisation certificates that are being obtained from the State Governments, henceforth with effect from 1st April, 1970, *completion certificates* will also be obtained from the cooperative societies concerned in respect of those schemes and projects which involves Civil Works, Physical Construction of Buildings, Factories, installations, etc. and for which the Corporation has released specifically *individual project-wise assistance* directly or indirectly through the State Governments. Such certificates will not be required in respect of units for which any block assistance has been released. Those certificates will be required to be submitted by the cooperative societies in a proforma to be prescribed through the Registrar of Cooperative Societies with one copy directly addressed to this Corporation after the physical work has been duly completed in all respects for which financial assistance in part or whole has been received from this Corporation. The certificates will be signed by the Manager|Secretary|Managing Director and in his absence by the Chairman of the cooperative society concerned. The Registrars may also arrange to have the certificates attested by a local officer of the Cooperative Department in the State posted in a district as may be available and authorised by him in this behalf.

These completion certificates will be received, maintained and recorded in the programme divisions concerned of this Corporation. A registrar may be maintained in respect of such certificates in each of the Divisions. Intimation of such a certificate when received may also be given to the Budget|Accounts Section by the programme Division concerned.

Sd:- (S. K. S. CHIB),
Secretary.
N.C.D.C.

All Officers and Sections in the Corporation.

APPENDIX XVI

The present position in regard to the steps taken by the various State Governments is briefly indicated below:

- (a) In pursuance of the recommendations of the Chief Ministers' Conference, the Cooperative Societies Acts/Rules have been amended in Punjab, Orissa, Andhra Pradesh, Rajasthan, Kerala and Uttar Pradesh in addition to Maharashtra. Some of the recommendations of the Conference regarding restriction on holding office simultaneously in a member of institutions, independent machinery for election, etc., had already been incorporated even earlier in the cooperative societies Acts and Rules of West Bengal, Tamilnadu, Rajasthan. Full details of action taken, as provided in the relevant Acts/Rules of States are indicated in the appendix.
- (b) The Governments of Assam, Jammu & Kashmir, West Bengal and Haryana have appointed Committees to suggest comprehensive legislation to give effect to the recommendations of the Chief Ministers' Conference. Committees set up in Tamilnadu and Mysore, in this connection, have since submitted their reports, and these are under consideration of the State Government concerned.
- (c) The Government of Bihar have indicated that the recommendations of the Chief Ministers' Conference will be incorporated in the new cooperative legislation which they proposed to undertake to replace the existing Act in their State.
- (d) The New Nagaland Cooperative Societies Bill, which is in draft stage, will include necessary provisions for curbing the growth of vested interests.
- (e) In Madhya Pradesh, the matter is under consideration.
- (f) The Gujarat Government have indicated that:
 - (i) Rule 32 of the Gujarat Cooperative Societies Rules has already been amended prohibiting a member who carried on business of the kind carried on by the society, from becoming a member of the Managing committee of the Society.

- (ii) Section 24 of the Gujarat Cooperative Societies Act is being amended to prohibit money-lenders etc., from becoming members of cooperatives.
- (iii) It is not necessary to amend the cooperative law to control the domination of a person or a group of persons over the affairs of a society, but the cooperative movement should develop healthy conventions to achieve this objective.
- (iv) The State Government have issued instructions to amend the byelaws of cooperatives for reserving a seat on the Board of Management for small farmers.
- (g) In respect of Delhi, a Bill has been introduced in Parliament, incorporating, *inter alia*, provisions relating to the curbing of vested interests as recommended by the Conference of Ministers of Cooperation.
- (h) The Union Territories of Pondicherry, Tripura, Manipur and Himachal Pradesh have indicated that the proposals for amending existing cooperative legislation in their territories, are under consideration. Goa and Dadra and Nagar Haveli Administration, has indicated that the movement is in a very nascent stage in that Union Territory and as such, it may not be necessary at this stage to have any legislation relating to vested interests. Similar position obtains in Andaman and Nicobar Islands and Laccadive Minicoy and Amindive Islands.

APPENDIX XVII

Provisions incorporated in various state Cooperative Societies Acts Rules for curbing the growth of vested interests in cooperatives.

1. Exclusion of money-lenders etc. from becoming members of co-operatives.

Sec. 22(1A) of Maharashtra Act.—“Notwithstanding anything contained in sub-section (1), the State Government may, having regard to the fact that the interest of any person or class of persons conflicts or is likely to conflict with the objects of any society or class of societies, by general or special order, published in the official gazette, declare that any person or class of persons engaged in or carrying on any profession, business or employment shall be disqualified from being admitted, or for continuing, as members or shall be eligible for membership only to a limited extent of any specified society or class of societies, so long as such person or persons are engaged in or carry on that profession, business or employment as the case may be”.

Clause 20(2) of Delhi Bill.—“Notwithstanding anything contained in sub-section (1), the Lieutenant Governor may, having regard to the fact that the interest of any person or class of persons conflicts or is likely to conflict with the objects of any society or class of societies, by general or special order, published in the Delhi Gazette, declare that any person or class of persons engaged in or carrying on any profession, business or employment shall be disqualified from being admitted, or for continuing, as members or shall be eligible for membership only to a limited extent of any specified society or class of societies, so long as such person is or such persons are engaged in or carrying on that profession, business or employment, as the case may be.”

Section 19(1) of the Rajasthan Act.—Section 19(1) of the Rajasthan Cooperative Societies Act, 1965 prescribes “that no money-lender as defined in the Rajasthan Money Lenders Act 1963 (Rajasthan Act 1 of 1964) and members of his family as defined in explanation (i) of Section 6, shall be eligible to become a member of a service co-operative society or Urban Credit Resource Society.”

Section 21 of A. P. Cooperative Societies Act, 1964.—Section 21 of the Andhra Pradesh Cooperative Societies Act prescribes the disqualification for membership of cooperative societies. Among others, “a person shall be disqualified for being admitted as and for being a member, if he is carrying on business of such kind as the Registrar may, by general or special order, declare to be a business which is in conflict with the objects or interests of the society.”

Exclusion of Money-lenders, etc. from becoming members of Cooperatives:

Section 16(3) of the J. & K Acts: “Notwithstanding anything contained in sub-section (1), the Government or any person authorised by the Government may, having regard to the fact that the interests of any person or class of persons conflict or are likely to conflict with the objects of any society or class of societies, by general or special order published in the Government gazette, declare that any person or class of persons engaged in or carrying on any profession, business or employment shall be disqualified from being admitted or for continuing as members, or shall be eligible for membership only to a limited extent of any specified society or class of societies so long as such person or persons are engaged in or carry on that profession, business or employment, as the case may be”.

Section 19(A) of the M.P. Act: “The committee may, by a resolution passed by 3/4th majority of the members present and voting at a meeting held for the purposes, expel a member if he carries on any business which comes or is likely to come into conflict with the business carried on by the society”.

“No member of a society, who has been expelled under sub-section (1) or sub-section (2) shall be eligible for re-admission as a member of the society upto a maximum period of 5 years from the date of such expulsion.”

Section 16(3) of the Orissa Act: “Notwithstanding anything contained in the proceeding sub-sections, no individual shall be eligible to a member of any society if he or any of his near relatives having common economic interest with him carries on any business similar to the one carried on by the society.”

Explanation:

(a) “The business of money-lending shall be deemed to be similar to the business carried on by a primary agricultural credit society, cooperative bank or a land development bank;

(b) the business carried on by a trader shall be deemed to be similar to the business carried on by a marketing cooperative society;

(c) the business carried on by a contractor shall be deemed to be similar to the business carried on by a labour contract cooperative society or a forest marketing cooperative society; and

(d) a near relative of an individual shall, unless the contrary is provided, be deemed to have common economic interest with such individuals".

"Near relative": means father, mother, husband, wife, son, daughter, undivided brother, unmarried sister and son's wife.

"The question whether a person or any one of his near relatives is carrying on similar business as is done by the society or whether such near relatives has common economic interest with such person shall be a dispute within the meaning of this section".

II. Reservation of seats on the Board of Management of cooperatives of weaker sections.

Maharashtra Act—Sec. 73B.—"On the committee of such society or class of societies as the State Government may, by general or specific order, direct, two seats shall be reserved, one for the members who belong to the Scheduled Castes or Scheduled Tribes or to the Jatis declared to be Vimukta Jatis by the State Government, and one for the weaker section of the members who have been granted loans from the society of an amount not exceeding Rs. 200 during the year immediately preceding. If no such persons are elected or appointed, the Committee shall co-opt the required number of members on the committee from amongst the persons entitled to such representation."

Punjab Act—Sec. 26-A.—The Registrar may, by an order in writing, direct the committee of any cooperative society or any class of Cooperative societies to co-opt in the prescribed manner for sercing on the committee such number of members not exceeding two as may be specified in the direction.

(2) Where a direction is issued under sub-section (1), co-option shall be made from amongst members of the cooperative society belonging to scheduled castes, scheduled tribes or backward classes or from amongst members who as land owner or tenant or as both do not hold more than the prescribed area of agricultural land and fulfil the prescribed conditions".

Clause 31(6) of Delhi Bill.—“On the committee of such cooperative societies or class of cooperative societies as may be prescribed, two seats shall be reserved one for the members who belong to the Scheduled Castes and one for economically weaker sections of the members who as land owners or tenants or as both do not hold more than the prescribed area of agricultural land or fulfil the prescribed conditions; and if no such persons are elected, the committee shall co-opt the required number of members from amongst the persons entitled in such representation.”

Explanation: For the purpose of this sub-section, “Scheduled Castes” mean any of the Scheduled Castes specified in Part I of the Schedule to the Constitution (Scheduled Castes) (Union Territories) order, 1951.”

Section 33(3) of the Rajasthan Act prescribes that “on the Committee of a service cooperative society, as classified under the rules, 35 per cent of the total number of seats, but not less than one shall be reserved for members of the Scheduled Castes or Scheduled Tribes”.

J and K Act—Section 28: Where the Government has subscribed to the share capital of a cooperative society or has assisted the society in any other manner “the Government or any other authority specified by the Government in this behalf, shall have the right to appoint not more than three members or 1/3rd of the total number of members of the Committee of the cooperative society, whichever is less.”

“Provided that in addition to the three members or 1/3rd of the total number of members; as the case may be, two seats shall be reserved for members who belong to the Scheduled Castes and or other Backward Classes. If no such persons are elected the Registrar shall nominate the required number of persons entitled to such representation”.

Orissa Act—Section 28(2) (c): “In the case of primary agricultural credit cooperative societies and service cooperative societies at least 1/3rd of the members of the committee shall be persons owning not more than three standard acres of land or persons who are landless cultivators”.

“ ‘Standard acre’ shall have the same meaning as assigned to it under the Orissa Land Reforms Act 1960”.

III. *Restrictions on holding office simultaneously in a number of Institutions.*

Section 28 of the Madras Cooperative Societies Act prescribed that "no person shall at the same time, be a member of the committees of more than five registered societies". Subject to the above provision, "no person shall, at the same time, be a member of the committee of more than two registered societies which, under the rules, are classified as apex societies or of the committee of more than registered societies which are classified as aforesaid as central societies."

Rule 36A of the West Bengal Rules states that "no person shall at the same time be a Director of (a) more than 2 provincial societies or 2 central societies or (b) subject to clause (a) more than 5 societies".

Section 28 of Kerala Act (2).—"Notwithstanding anything contained in any law for the time being in force, a person shall be disqualified for appointment as, or for being a member of a committee—

- (a) if he is a member of the Committee of another society of the same type; or
- (b) if he is a member of the committees of two or more societies of a different type or different types.

Provided that nothing contained in this sub-section shall be deemed to disqualify a person for election as, or for being, a delegate of a society".

(3) "Nothing contained in clause (a) of sub-section (2) shall be deemed to disqualify a member of the committee of a society for appointment as, or for being, a member of the committee of the apex or central society of the same type."

"Provided that no member of a committee shall be the president or chairman of more than one society of the same type".

Rule 53 of U.P. Cooperative Societies Rules: (1) "No person shall be eligible to be, or to continue as, a member of the committee of management of any cooperative society, if he is already a member of the committee of management of three other cooperative societies".

"Provided that where a person is a member of the committee of management of an apex society, he shall not be eligible to be the

member of the committee of management of another apex society and similarly; where a person is a member of the committee of management of a central society, he shall not be eligible to be a member of the committee of management of another central society”.

Section 34 of the Rajasthan Act: “No person shall—

- (a) at the same time, be or continue to be a member of the committees of more than five societies; and (b) subject to the provisions of clause (a), at the same time be an office-bearer of the committees of more than one society which, under the rules, is classified as an apex or a central society”. For the purpose of this section “office-bearer” means any member of the Committee who holds some specified office on the committees such as President, Vice-President, Chairman, Vice-Chairman, Secretary or Treasurer.

Sec. 21A of the Andhra Act: “No person shall, at the same time, be a member of the committee of more than two societies which under the rules are classified as apex societies or as central societies, or of the committees of more than one apex society and one central society.”

New Sec. 73A of Maharashtra Act: “No person shall at the same time be, or continue to be, a designated officer of more than one society falling in Category I or Category II or Category III of the categories mentioned below; and shall not be or continue to be a designated officer in more than two societies in the aggregate in the three categories:—

Category I Societies, the area of operation of which extends to the whole of the State;

Category II Societies, the area of which does not extend to the whole of the State but (a) extends to Greater Bombay and the authorised share capital of which is more than Rs. 10 lakhs; or (b) but extends to one or more districts; or (c) and is also less than a district, but the authorised share capital of which is more than Rs. 10 lakhs;

Category III Societies, the area of operation of which does not extend to the whole of district but extends to one or more talukas, or the authorised share capital

of which is not more than Rs. 10 lakhs but is not less than Rs. 5 lakhs."

Punjab Act (Section 266) "(1) No individual shall, at any time, be a member of Committee:

- (a) more than two primary societies; and
- (b) more than one central and one apex society;

Provided that nothing in this sub-section shall apply to a member nominated under sub-section (2) of section 26 or to a member of the committee of an apex or central society nominated to serve on the committee of another apex or central society, as the case may be, in accordance with the provisions of their bye-laws."

Section 28 of Orissa Act: "No individual shall at any time, whether by himself or, as a representative of any society, hold office as a member of the committee of (a) more than 2 primary societies; (b) more than one central society including central cooperative bank;

(c) more than one apex society."

Clause 31 (5) of Delhi Bill. "Notwithstanding anything contained in this Act, a person shall be disqualified for appointment as, or for being, a member of a committee:—

- (a) if he is a member of a committee of another society of the same type; or
- (b) if he is a member of the committee of three or more societies of a different type or different types;

Provided that nothing contained in this sub-section shall be deemed to disqualify a person for election as, or for being a delegate of a society."

III. Restrictions on holding office simultaneously in a number of institutions:

Section 25(B) and 25(C) of the J&K Act: "Notwithstanding any thing contained in any law for the time being in force, a person shall be disqualified for appointment as or for being an officer of a society—

- (a) if he is a member of a Committee of another society of the same type; or

- (b) if he is a member of the Committee of two or more societies of different types.

(2) Nothing contained in clause (a) of sub-section (1) shall be deemed to disqualify a member of the Committee of a society for appointment as, or for being, a member of the Committee of the Apex or Central Society of the same type.

"25-C—If any person is at the commencement of the Jammu & Kashmir Cooperative Societies (Amendment) Ordinance, 1970 an officer in contravention of section 25-B, unless he, within 60 days conforms to the provisions of the Section by resigning office, he shall cease to be an officer of all such societies."

"Explanation:—For purposes of section 25-A "Officer" shall not include a wholetime paid employee of the society."

Section 48(A) of the Madhya Pradesh Acts: "(1) No person shall at the same time—

- (a) hold the specified office of more than one Apex and one Central Society;
- (b) be an officer of more than five societies.

(2) If any person who is holding a specified office in one Apex and one Central Society is elected or appointed to a specified office in any other Apex or Central Society, he may, by a letter in writing signed by him and addressed to the Registrar within a period of one month from the date of his election or appointment to a specified office in such other Apex or Central Society, resign from the specified office in all except one Apex and/or one Central society, as the case may be.

Provided that nothing contained in this sub-section shall apply in respect of persons who are holding specified office in more than one apex and one Central Society on the 15th December, 1969, and they shall continue to hold those offices till the expiry of the normal term of each of such offices.

'Specified office' means the office of President|Chairman, Vice President|Vice-Chairman, Hony. Secretary or Hony. Joint Secretary'.

IV *Restriction of holding office for more than prescribed terms:*

Rule 30 of the Bengal Cooperative Societies Rules prescribes that "no Director who has held office for 3 or more consecutive years shall be eligible for re-election for two years from the date of his retirement without the previous permission of the Registrar".

Rule 449 of U.P. Rules: "No person shall be eligible to be elected or co-opted as a member of the committee of management of a cooperative society after he has held such office in the society during two consecutive terms whether full or part". (A term is of three years).

"(2) A member who has remained out of office continuously for atleast three full cooperative years shall again become eligible for election or cooption as a member of the committee of management of that society".

Sec. 73A of Maharashtra Act: "No person shall be or shall continue to be a designated officer of any society of any of the categories referred to in sub-sec (2) for a consecutive period of more than six years, and if any person has been such officer of any such society for such period he shall not be eligible for being elected or appointed as such officer until a period of three years has elapsed after the expiry of the said period of six years."

Rule 44 of Kerala Cooperative Societies Rules: "No person shall be eligible for being elected or appointed as a member of the committee if the after having served continuously as a committee member for a period of two terms, does not obtain previous exemption from the Registrar to stand for election before the expiry of two years."

Punjab Act (Section 263): (2) No person shall be eligible for being elected to the committee of any cooperative society after he has served on the committee of that society, whether before or after or partly before and partly after the commencement of the Punjab Cooperative Societies (Amendment) Act, 1969, for a continuous period of not less than six years, unless a period of not less than three years has expired since he last so served.

Explanation: For the purpose of computing the period of six years under sub-section (2), if a person ceased to serve on the committee on account of resignation tendered by him he shall be deemed to have so served for the full term in which resignation was tendered."

Section 28 of Orissa Act. "No individual shall, whether by himself or as a representative of a society, be eligible to become a member or president of the Committee of any society assisted by the State or Central Government in any forms specified in sub-section (1) of section 31 or of any Central Society, apex society or cooperative bank, if he—

- (a) has completed two consecutive terms as a member of the Committee; or

(b) has held such office for a total period of nine years, by the date of filling of his nomination.”

Delhi Bill (Clause 31) (4): “No person shall be eligible to be elected as a member of the committee of a cooperative society unless he is a share holder of that cooperative society, or after he has held such office in the society during two consecutive terms, whether full or part.

Explanation.—(i) where any person holding office of a member of the committee at the time of commencement of this Act, is again elected to that office after such commencement, he shall for the purpose of this sub-section be deemed to have held office for one term before such election.

(ii) A member who has ceased to hold any office on the committee continuously for three cooperative years, shall again be eligible for election as a member of that committee.

Section 21-C of the A.P. Act: “A person who holds or who has held office as a member of the committee for two consecutive terms shall not be eligible for being chosen as a member of the committee for a third term in continuation”.

*Explanation.—*For purposes of this Section (i) when a period, during which there is no elected committee, intervenes between two terms of office of the committee or of any of its members, those two terms shall be regarded as being consecutive to each other; (ii) a member shall be deemed to hold office for a term, notwithstanding that he has not held the office for a full term”.

Sec. 33 of the Rajasthan Act: In terms of the provision of this section, “no member of a Committee constituted under sub-section (1) shall be appointed or elected for more than ten years continuously and any such member as aforesaid shall cease to hold office as soon as he has held membership of a committee for ten years, as the case may be and no such member shall be eligible for re-appointment or re-election until after the expiry of the remaining period if any, of the current term and one further full term.

Explanation I: The period of ten years for the purposes of this sub-section will be calculated from the date of the first meeting of the committee after the election of such members on the committee.

II. If during the currency of a term, a member of a committee resigns or ceases to be a member otherwise than under section 34

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and 36, he shall be deemed to have served that full term for the purposes of restriction on re-election or re-appointment mentioned in the second proviso to this sub-section”.

IV Restrictions on holding office for more than prescribed terms:

Section 25 (A) of the J&K Act: “No person shall be or shall continue to be an officer of any society for a consecutive period of more than three years;

Provided that a person who has held office of an officer of any society for three years he shall not be eligible for being re-elected or re-appointed as an officer until a period of three years has elapsed from the date of vacating his office as such officer;

Provided further that if at the time of commencement of the Jammu and Kashmir Cooperative Societies (Amendment) Ordinance, 1970 any person has been such officer of any society for more than three years he shall continue as such till the next election is held or nomination is made but shall not be eligible for being re-elected or re-appointed as an officer until a period of three years has elapsed from the date of such election or nomination.

Explanation: For the purposes of section 25-A if any person resigns his office as an officer ex-member within twelve months prior to the expiry of the consecutive period of three years in the office, he shall be deemed to have completed the said period of three years.”

Section 48-A (3) of the Madhya Pradesh Act: “No person shall be Chairman|President|Honorary Secretary of a society for more than two consecutive terms or for a continuous period of seven years, whichever is less:

Provided that a person shall not be appointed or re-elected to any of the office aforesaid till a period equal to one full term has expired:

Provided further that the period during which the society remained under supersession shall not be reckoned while computing the period of one full term aforesaid;

Provided that nothing in this sub-section shall effect the persons holding offices afore-mentioned on the 15th December, 1969.”

V. Regulation of loans to office-bearers:

Section 75 (2) of the Maharashtra Act: "At every annual general meeting of a society, the Committee shall lay before the society a statement showing the details of the loans (if any) given to any of the members of the committee or any member of the family or any committee member during the last preceding year and a balance sheet and profit and loss account for the year in the manner prescribed by the Registrar by general or special order for any class or classes of societies."

Rule 8 (a) read with Appendix I of the U.P. Cooperative Societies Rules 1968 deemed that "the bye-laws of such a society (credit society) shall contain safeguards against grant of unproportionately heavy loans to the members of the committee of management for themselves or for the societies they represent, as the case may be".

Delhi Bill (Class 29 (2): "At every annual general meeting of a cooperative society, the committee shall lay before the society a statement showing the details of the loans, if any, given to any of the members of the committee during the preceding year."

(In some of the cooperative societies acts/rules, like M.P. a defaulter member automatically ceases to be the office-bearer of the society).

Section 30 of the A.P. Act: This section prescribes that among others, the "review of the loans and advances sanctioned to, or the business done with the society, by the members of committee or their such near relatives as may be prescribed, and report to the Registrar about any default in the recovery of the amounts due to the society" shall also be dealt with by the general body of the society.

Regulation of loans to office-bearers

Section 26(A) of the J&K Act:—"At every annual general meeting of a society the Committee shall lay before the society a statement showing the details of the loans (if any) given to a near relation of any officer during the last preceding year and a balance sheet and profit and loss account for the year in the manner prescribed by Registrar by general or special order for any class or classes of societies."

Explanation: For purposes of this section the expression "near relation" means wife, husband, father, mother, step-mother, step-

father, sons, daughter, step-son, step-daughter, grandson, grand-daughter, brother, sister, half-brother, half-sister, wife of brother or half-brother living jointly in one household son-in-law, daughter-in-law, brother-in-law.

Section 29(b-1) and Section 115(8) of the Orissa Act:

“Section 29 of the Orissa Act prescribes that, among others, reviewing the loans advanced to the members of the committee or any of their near relatives having common economic interest and if necessary to direct action for recovery of such loan,” shall also be dealt with by the general body of the society.

S.115(8) “If any officer of a society or any of his near relatives having common economic interest fails to repay the total demand of the society outstanding against him by the due date, the Registrar shall be informed within fifteen days of such due date failing which the officer or employee of the society responsible for sending such information shall be punishable with fine which may extend to two hundred rupees”.

VI. Regular election by an independent authority Section 73G of the

Maharashtra Act: “(1) The election of the members of the committees of the societies of the categories specified below shall be conducted in the manner laid down in the next succeeding subsections:

- (i) Societies, the area of operation of which extends to the whole of the state;
- (ii) Societies, the area of operation of which does not extend to the whole of the state, but extends to greater Bombay, or to one more districts, and the authorised share capital of which is not less than Rs. 10 lakhs.
- (iii) Societies, the area of operation of which does not extend to the whole of a district, but extends to one or more taluka and the authorised share capital of which is not more than Rs. 10 lakhs, but is not less than Rs. 5 lakhs;
- (iv) Any other societies or class of societies, which the State Government may, from time to time, by general or special order specify in this behalf.

(2) The election of the members of the committee of any such society shall be held on such date or dates as the Collector may fix

and shall be conducted under his control by such Returning Officer and other officers as may be appointed by him in this behalf. The voting at such elections shall be by secret ballot.

Notwithstanding anything contained in Section 91 or any other provisions of this Act, any dispute touching such elections shall be referred to the Tribunal. Such references may be made by any aggrieved party by submitting any election petition to the Tribunal within one month from the date of declaration of the result of the election. Any such petition shall be heard and disposed of by the Tribunal and any order made thereon by the Tribunal shall have effect, as if it were an order passed in appeal by the Tribunal.

(3) Every candidate at an election to a committee of any such society shall keep a separate and correct account of all expenditure in connection with the election incurred or authorised by him, and the total of such expenditure shall not exceed such amount as may be specified by the State Government, by general or special order, published in the official gazette.

(4) The State Government may make rules generally to provide for or to regulate matters in respect of elections to committees of such societies.

(5) When the election of all the members of a committee of any such society is held at the same time, the members elected on the committee at such general election shall hold office for a period of three years from the date on which the first meeting is held and shall continue in office until immediately before the first meeting of the members of the new committee".

Sec. 31 and Rule 22 of A.P. Rule 22 of the A.P. Cooperative Societies Rules contains a provision requiring that election or certain higher cooperative institutions shall be conducted by departmental officer of a rank not less than that of Deputy Registrar of Cooperative Societies. Even the preparation of voters list is to be done by the election officers. The voting is to be recorded through a secret ballot.

Rule (414) of the U.P. Rules: "For the purpose of elections in the Central Cooperative Banks, Distt. Cooperative Federation, wholesale Central Consumers' Cooperative Stores, Cooperative Factories and Mills, Cooperative Cane Development and Marketing Societies, Apex Cooperative Societies and such other Cooperative societies or class of cooperative societies as the State Government may, from time to time notify in this behalf, the District Magistrate of the District where the headquarters of the society is situated, shall on the request of the Registrar appoint a gazetted officer (not being an officer of

the Department which is concerned with the supervision and administration of the society concerned) to act as an Election Officer. It shall be the duty of the Election Officer to hold and conduct elections properly in the manner laid down in the Act, those rules and the bye-laws of the society. He shall exercise all the powers and perform all the duties as may be necessary for the conduct of the election”.

Rule 416 (a) for the purpose of election under these rules, every society referred in rule 14 shall have an election of sub-committee consisting of:

- (i) the Secretary of the society who shall act as the convenor of the sub-committee.
- (ii) A member of the general body of the society nominated for the purpose by the committee of management; provided that he shall not be candidate himself for election in the ensuing annual general meeting;
- (iii) a nominee of the Distt. Magistrate to act as the Chairman of the sub-committee. Such nominee shall be a gazetted officer not below the rank of Deputy Collector;
- (iv) a nominee of the Registrar.

(b) The election sub-committee shall discharge such duties and perform such functions as are enjoined upon it by these rules and the bye-laws of the society”.

Rule 418 “The election sub-committee shall, in the manner laid down in these rules or the bye-laws of the society, prepare a voters’ list as it stood on the 15th day of the issue of the notice for the annual general meeting. This list shall be scrutinised passed and signed by the election sub-committee”.

Rule 423 “Voting shall be by secret ballot”.

Rule 425 “The Presiding Officer may appoint as many Polling Officers and counting officers as may be necessary for the purpose; provided that no employee of the society or of its affiliated society or voter shall be appointed as Polling Officer or Counting Officer”.

Rule 41 of M.P. Rules According to Rule 41 (25) of the M.P. Rules, the elections of members of committees of certain categories of societies shall be conducted by an officer to be appointed by the Registrar by general or special order. The nomination papers shall be received and scrutinised by the Returning officer. He may reject a nomination paper which is not in accordance with the rules or the bye-laws of the society. The voters’ list is however not to be prepared by the Returning Officer. The Returning Officer is authorised to appoint as many polling officers to conduct the poll and as many tellers to count the votes as may be necessary. The voting shall be by ballot.

Rule 14(b) (1) of Mysore Rules "For the conduct of election to the committee of management of—

- (i) every cooperative society whose area of operation extends to one or more districts,
- (ii) every marketing cooperative society,
- (iii) every society undertaking processing of agricultural produce,
- (iv) every land mortgage bank,
- (v) any other cooperative society or classes of cooperative societies which may be notified by Government in this behalf.

the Registrar shall by notification appoint a Returning Officer not below the rank of a Gazetted Officer immediately after the close of the cooperative year in respect of such societies."

Clause 31 (1) (2) of Delhi Bill: "The superintendence, direction and control of the preparation of the electoral rolls for, and the conduct of, elections of the members of the committee of such cooperative societies or class of cooperative societies as the Lieutenant Governor may, by general or special order, notify shall be vested in such returning officers as may be appointed by him in this behalf.

(2) The vote at such elections shall be by secret ballot."

Section 30 (1-A) of the Rajasthan Act: "Notwithstanding anything to contrary contained in sub-section (1), the election of the members of the committee of every cooperative society belonging to the following classes shall be conducted in the prescribed manner by an Election Officer to be appointed by the Registrar:

- (a) Apex Societies;
- (b) Central Societies;
- (c) Agricultural Marketing Societies;
- (d) Primary Land Development Banks;
- (e) Consumers' Cooperative Societies;
- (f) Housing Cooperative Societies;
- (g) all other societies the share capital of which exceeds Rs. One lakh; and
- (h) any other society or class of societies which may be notified by the Registrar from time to time in this behalf.

VI. Regular elections by an independent authority.

Section 16(A) of the J. & K. Act: "(1) The election of the members of the Committee of a Society or a class of societies shall be held on such date or dates as may be specified by the Registrar and shall be conducted under the control of the Deputy Commissioner of the District in which the Societies are situated by such Returning Officer and other officers as may be appointed by him in this behalf. The voting at such election shall be by secret ballot.

(2) Notwithstanding anything contained in section 63 or any other provision of this Act, any dispute touching such elections shall be referred to the Deputy Commissioner. Such reference may be made by any aggrieved party by submitting an election petition to the Deputy Commissioner within one month from the date of declaration of the result of the election. All petitions arising out of election to Committees of Apex and Central Societies shall be disposed of by the Deputy Commissioner himself while other petitions shall be heard by a person nominated by the Deputy Commissioner.

(3) Every candidate at an election to a Committee of any such society shall keep a separate and correct account of all expenditure in connection with the election incurred or authorised by him, and the total of such expenditure shall not exceed such amount as may be specified by the Government by general or special order published in the Government Gazette.

(4) The Government may make rules generally to provide for or to regulate matters in respect of elections to committees of such societies."

Section 28(A) and 115(a) of the Orissa Act: "Subject to the following provisions the election of the President and the members of the Committee of a society shall be held and conducted in the prescribed manner.

2. The Registrar shall, by general or special order, appoint one or more election officers for holding such election and different election officers may be appointed for different classes of societies or for different areas.

3. The Secretary or the Executive Officer of the Society shall intimate the due date of expiry of the term of office of the existing committee to the concerned election officer at least three months prior to such date.

(4) Upon receipt of the intimation as aforesaid or upon his own information as the aforesaid date of the general meeting of the society for holding the election and shall direct the Secretary or the

Executive Officer of the Society to prepare the forms of notice for the meeting and deliver them to him on or before a date to be specified in the direction.

5. After receipt of the forms the election officer shall serve the notices on all the members of the society under certificate of posting at the cost of the society.

6. The election officer or if he is unable to attend, any person specially authorised by him in that behalf shall preside over, conduct and regulate the proceeding at the meetings.

7. All casual vacancies in the Committee of a society shall be filled up in accordance with the provisions contained in the bye-laws of the society."

Section 115(9): If the Secretary or the Executive Officer of the society fails to send the intimation in due time as required by subsection (3) of section 28A, he shall be punishable with fine which may extend to two thousand rupees or with simple imprisonment which may extend to two months."

APPENDIX XVIII

Difficulties being experienced in the construction of godowns and the measures suggested to overcome these difficulties.

I. Difficulties:

- (i) Difficulty in acquiring suitable site;
- (ii) Difficulty in getting adequate building construction material, particularly G.C.I. sheets, cement, iron and steel, etc. and
- (iii) Absence of technical guidance particularly at the village level.

II. Measures suggested:

- (i) While providing financial assistance for cooperative godowns the State Governments should ensure that the society selected for the purpose would construct godowns within a reasonable period not exceeding 2 years.
- (ii) With a view to ensure prompt action and quick execution, the financial assistance be released in two instalments instead of one and the second instalment be released only when the concerned society has secured the site.
- (iii) The requirements of cooperatives in respect of building construction material such as G. C. I. sheets, cement, iron and steel etc. be met on priority basis out of the agricultural quota allotted to the States.
- (iv) Creation of a nucleus engineering cell both in the Office of the Registrar of Cooperative Societies and also at the headquarters of the selected districts where programme of construction of godowns was heavy for providing technical advice and guidance to the cooperatives in the construction of godowns.
- (v) Planning of location of godowns on maps and laying down criteria for allotment of godowns to village societies to ensure economic functions.

APPENDIX XIX

GOVERNMENT OF INDIA PLANNING COMMISSION

YOJANA BHAVAN
NEW DELHI-1

SUB:—Creation of new cold storage capacity during the Fourth Plan—Observations in the 106th Report of the P.A.C. (1969-70).

Will the National Cooperative Development Corporation kindly refer to their U. O. No. 41- 4/70 dated 8th September, 1970, on the above subject? It may be clarified that the observation made by the working Group on Storage in para 5.8 and 5.11 that the development of cold storage capacity in the Fourth Plan may be left to take place in the private sector, was only an assessment of one of the working groups and does not represent the considered view of the Planning Commission in the matter. In fact, the Planning Commission recognises that, in the Fourth Plan, apart from the private sector, cooperative sector has to play a distinct role in the developing cold storage facilities as part of development of the cooperative marketing and storage system for the benefit of the primary producer.

Sd/- K. V. NATARAJAN
Deputy Secretary (Food)

National Coop. Development Corporation, (Shri V. G. PURANIK),
Director (P), G-56, South Extension (II), New Delhi-49.

Planning Commission U.O. No. 21-4(2)/70-Agri., dt. 23-9-1970.

APPENDIX XX

(Paras 1.20 & 1.21)

(To be published in the Gazette of India, Part I, Section 1)

GOVERNMENT OF INDIA

MINISTRY OF FOOD, AGRICULTURE, COMMUNITY DEV. AND COOPERATION

(Department of Cooperation)

Krishi Bhavan, New Delhi.

Dated the 15th Oct. 1970.

NOTIFICATION

No. L-12015/8/70-Misc.

The National Cooperative Development Corporation was set up in 1963 under the National Cooperative Development Corporation Act, 1962 with the object of planning and promoting programmes for the production, processing, storage and marketing of agricultural produce and notified commodities through cooperative societies. It is successor organisation to the National Cooperative Development and Warehousing Board which was set up on the recommendations of the All India Rural Credit Survey Committee. The Public Accounts Committee, in their Hundred and Sixth Report, have observed that "they have reasons to doubt whether the existence of an official organisation like the National Cooperative Development Corporation in the cooperative sphere, besides the Department of Cooperation is at all necessary", and have made the following recommendation:

"The Committee would like Government to remit the foregoing consideration for detailed expert study and come to a decision on the necessity for the continuance of the National Cooperative Development Corporation. In any case, even if there is justification for the organisation, the present system of channelising Central assistance to the States through the Corporation does not appear to be necessary."

2. In pursuance of the above recommendation of the Public Accounts Committee, Government have decided to set up an Expert Committee to examine this and other connected matters in all their

aspects. The composition of the Expert Committee will be as follows:—

- | | |
|------------------|---|
| Chairman | 1. Sh. B. Venkatappiah, Member Planning Commission, New Delhi. |
| Members : | 2. Shri G. R. Kamat, 3, Nizammudin East, New Delhi-13 |
| | 3. Shri P. N. Damry, Deputy Governor, Reserve Bank of India, Bombay |
| | 4. Shri P.S. Rajgopala Naidu, President National Federation of Cooperative Sugar Factories Ltd., L.8 South Extension, Part II New Delhi—49. |
| | 5. Shri V.N. Puri, Chairman, National Agricultural Cooperative Marketing Federation, D.44, South Extension, Part II, New Delhi. |
| | 6. Shri S.B. Kazi, Secretary to Government of Maharashtra, Departments of Agriculture and Cooperation, Bombay. |
| | 7. Shri L.N. Bongirwar, Vice-Chancellor, Punjabrao Deshmukh Agricultural University, Akola (Maharashtra). |
| | 8. Shri M.S. Chaudhary, Commissioner for Agricultural Production and Additional Chief Secretary to the Govt. of Madhya Pradesh, Bhopal |
| Member Secretary | 9. Shri K.S. Bawa, Joint Secretary to the Government of India, Department of Cooperation, New Delhi. |

3. The terms of reference of the Committee will be as follows:—

- (1) To review the working of the National Cooperative Development Corporation, with a view to assessing to what extent the objectives for which it was established have been achieved;
- (2) to examine whether there is need for the continuance of the Corporation; if so, to suggest modifications, if any, in

the scope of its existing activities as provided under the N.C.D.C. Act, 1962 and to recommend legislative, administrative and financial measures for enabling the Corporation to suitably strengthen its organisation, in order to fulfil effectively its present functions as well as such others as may be recommended by the Committee;

- (3) to examine whether the present system of channelising Central assistance to the State through the Corporation is necessary and to suggest any change, modification or improvement therein.
- (4) The Committee may undertake such tours within the country as may be considered necessary.
- (5) The Committee will submit its report by the 30th April, 1971.
- (6) The Headquarters of the Committee will be at Delhi.

Sd.- M. A. QURAIISHI

Additional Secy. to the Govt. of India.

ORDER

No. L-12015|8|70-Misc.

Ordered that a copy of the notification be communicated to all concerned.

Ordered also that the notification be published in the Gazette of India for general information.

Sd.- M. A. QURAIISHI

Additional Secy. to the Govt. of India.

The Manager,
Government of India Press,
Faridabad.

Copy forwarded to:—

1. All State Governments|Union Territories (Department of Co-operation).
2. All Ministries and Departments of the Govt. of India.
3. Lok Sabha Secretariat|Rajya Sabha Sectt.|Department of Parliamentary Affairs.
4. Planning Commission, New Delhi.

5. Reserve Bank of India (Agricultural Credit Deptt.), Bombay.
6. State Bank of India, Bombay.
7. All members of the Committee.
8. All Officers in the Deptt. of Cooperation.
9. National Cooperative Development Corporation.
10. Prime Minister's Secretariat.
11. Parliament Library.
12. National Cooperative Union of India, 72, Jorbagh, New Delhi-3.

APPENDIX XXI

Summary of the utilisation studies in respect of Cooperative godowns undertaken in various States

Name of the State	Year of Study	Gist of the Study
1. Madhya Pradesh	1966	With the hectic cooperative marketing of agricultural produce in the last two years not only every inch of the space in cooperative godowns remained fully utilised but acute scarcity of godowning accommodation was faced.
2. Gujarat	1962-63	On average 29% of godowns utilised at least half of their capacity. However in some cases the utilisation was more than 100%.
	1963-64	Average age of utilisation comes to 52% in some cases the utilisation was more than 100%.
3. Maharashtra	1961-62	28% of the godowns on an average utilised at least half of their capacity. however, in some cases, the utilisation was even more than 100%.
	1963-66	Nearly half of the small and mediumsized godowns, which were used, had 75% excess capacity where as nearly half of the large sized godowns utilised 76 to 100% of their capacity.
4. Assam	1962	All the godowns constructed are fully utilised. In some societies the godowns were full and that the verandas of the godowns were packed with paddy bags. Due to acute shortage of own godowns, the cooperatives are even going in for rented godowns.
5. Kerala	1962-63	The study revealed that 74.9% of the floor area was utilised by the societies for various purposes.
	1965-67	The average effective utilisation is reckoned at 70.5%.
6. Tamil Nadu	1961-62	Marketing societies and agricultural banks have fully utilised their godowns. The deficit was in respect of godowns owned by village credit societies.

1	2	3
	1962-63	About 70 of the godowns utilised above 51% of their capacity. Large number of societies used to store Agricultural produce to the maximum capacity during Apri-June.
	1963-64	About 13% of the godowns utilised above 51% of their capacity. The poor utilisation of nearly 50% of the godowns was due to lack of awareness of advantages of storing the sentimental abstinacy to part with the produce etc.
	1966-67	5% of the roughly 10% of societies selected for study utilised above 50% of their godowns capacity.
6. Tamil Nadu	1967-68	15% of the societies selected for study utilised more than 50% of their godowns capacity. The rail head godowns were generally utilised fully. The accumulation of stock of fertiliser helped storage in godowns beyond their capacity (Crash).
7. Punjab	1966-67	75% of the storage capacity of godowns is being effectively utilised.
8. Andhra Pradesh	1963-64	27% to 46% of godowns had utilised more than 50% of their storage capacity.
	1965-66 and; 1966-67	The godowns have been utilised to an extent of about 87% of their capacity.

APPENDIX XXII

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION

C-56, South Extension (II),
NEW DELHI-49.

No. 16-28|64-SS.

Dated December 11, 1964.

From

Shri S. S. Puri, IAS.,
Secretary.

To

The Secretaries incharge of Cooperation, All States and Union
Territories.

SUB:—*Location of cooperative godowns*

Sirs,

As you are aware, until recently, the magnitude of the programme of cooperative godowns was rather limited and hence, by and large, the need for long-term planning in the location of such godowns was not actively felt. However, of late, there has been considerable expansion in the number of godowns under the Crash Programme relating to agricultural developments. Moreover, under the Fourth Plan, a large programme of cooperative godowns is envisaged. In this context, it is necessary that the location of cooperative godowns is planned on a long-term basis.

2. This subject was recently considered by the National Cooperative Development Corporation. The following is an extract from the proceedings of the Corporation:—

“It was observed that so far as location of cooperative godowns was concerned, the same was generally being determined on *ad hoc* basis. With a view to facilitate optimum utilisation, the Corporation considers it necessary that location of cooperative godowns should be suitably planned and properly mapped out. Accordingly it was decided that the

State Governments should be requested to get necessary maps prepared for this purpose and this might be taken up on a priority basis in IADP districts where additional godowns are being sanctioned under the Crash Programme. It was also decided that suitable criteria should be laid down for selection of village cooperatives to which rural godowns may be allocated."

3. In respect of cooperative godowns being sanctioned under the Crash Programme, Ministry of Food & Agriculture have already stipulated that suitable maps should be got prepared by State Governments. It is requested that similar mapping of the location of the existing and prospective godowns may also be undertaken in other districts.

4. As regards criteria for selection of village coops. to which rural godowns may be allocated, it is suggested that, in the light of local conditions, State Govts, may formulate suitable criteria which should be kept in view by the field officers while implementing the scheme. An intimation about the criteria, as formulated by the State Government, may be communicated to this Corporation. In formulating the criteria, the State Governments may take the following points into consideration:—

- (i) A village cooperative to which a godown is allocated has to incur the recurring expenditure by way of interest on borrowed capital, depreciation and repair, etc. There should be reasonable prospect of meeting this recurring expenditure from the income accruing from the godown. This income is usually connected with (a) fertiliser distribution, (b) distribution of other production requisites, (c) distribution of consumer articles, (d) interest on pledge loans guaranteed against stock of produce, and (e) commission on stocking of produce as agents of marketing societies. One or more of these sources of income may be important in a particular area. However, as a general rule, the major source of income is fertiliser distribution and hence it would be an advantage while allocating godown, it is assured that ordinarily, there is certain minimum level of the off-take of fertiliser as there is a prospect of raising the off-take to a certain optimum level.
- (ii) Under the programme of rationalisation of cooperative credit structure at primary level, state-wise surveys are being carried out to determine the viable societies and potentially viable societies. Allocation of godowns to village

cooperatives which, in due course, are to be amalgamated with other societies may be avoided.

- (iii) In certain areas where growers generally sell their produce not in the secondary market but in the primary market or weekly hat, the local village cooperatives may have to play a significant part in acting as collecting agents of marketing societies located in the secondary market. In such cases, it might be an advantage to equip such village cooperatives (provided they are viable or potentially viable) with godowns.

5. It will be appreciated if the action taken on this letter is intimated to this Corporation at a very early date.

Yours faithfully,

Sd| -
(S. S. PURI)

Secretary.

Copy to:—

1. The Registrars of Cooperative Societies, All State Governments and Union Territories.
2. Director, IADP, Ministry of Community Development & Co-operation, Krishi Bhavan, New Delhi.

Sd| -
(S. S. PURI)

Secretary.

APPENDIX XXIII

(Para No. 4.24)

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION (Established by the Govt. of India under Act 26 of 1962)

GRAM: COPCORP.

C-56, South Extension (II),

PHONE: 626121.

New Delhi-49.

No. NCDC-16-28|64-SS.

Dated 18th Jan., 1968.

To

The Secretaries in-charge of Cooperation, All States (except J&K, Nagaland, Madras, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal).

SUB:—Location of cooperative godowns

Sir,

I am directed to invite your attention to this Corporation's letter of even number dated 11th December, 1964 (Copy enclosed for ready reference) in which the State Governments were requested that with a view to facilitating optimum utilisation of cooperative godowns, the location of cooperative godowns should be suitably planned and properly mapped out. They were also requested to lay down suitable criteria for selection of village cooperatives to which rural godowns might be allocated. I am to state that the States of Madras, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal have already laid down criteria for selection of village societies for construction of rural godowns, and steps for preparing maps for this purpose have already been initiated. It was observed that the criteria laid down by these States have some additional merits which other States might like to take into account while laying down the criteria for this purpose. The criteria adopted by these States is as under:

1. The place selected for the godowns should be a central one so that the neighbouring 5 societies may get the benefit of distribution of seed, fertilisers and other agricultural implements and may get storage facilities for the collection of agricultural produce of their members in order to sell it through cooperative marketing societies. If there is a small mandi in the area where the agriculturists are to sell

their produce, such place should be selected for construction of godowns.

2. In case of large-sized marketing societies, rural godowns can be sanctioned only when the main godown has been built and substantial use has been made of it. But in case the marketing operation has been conducted in a hired godown and the transaction justifies building up of rural godown, such cases may be considered specially on merit.

3. (a) There should be one godown to serve atleast two village level worker circles.
- (b) Sites which are approachable throughout the year are preferred.
- (c) Good primary cooperative society is selected for giving financial assistance for the construction of godowns.
- (d) That the off-take of fertilisers in the village where the godown is selected should be considerable.

2. I am to suggest that since no criteria has been laid down for selection of village societies for construction of godowns so far in your State, you might take into account the above points while doing so. I am to request that necessary maps in this connection may be prepared and sent along with the criteria laid down in this behalf to this Corporation for information at an early date.

Yours faithfully,

Sd|-

(R. S. UMRE)
Deputy Director (SRC),
for Director (FS).

Encl: One.

Copy to:—

The Registrar of Cooperative Societies, All States except J&K, Nagaland, Madras, M.P., Rajasthan, U.P. and West Bengal for information and necessary action.

Sd|-

(R. S. UMRE)
Deputy Director (SRC),
for Director (FS).

APPENDIX XXIV

Summary of main Recommendations|Conclusions

r. Para No.	Ministry/Depatt. concerned	Recommendations/Conclusions	
1	2	3	4
1.	1.4	Deptt. of Cooperation	The Committee hope that final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.
2.	1.10	-do	The Committee can hardly be satisfied with the progress made by the cooperative marketing societies in enlisting members. While the Government's share capital contribution has risen from Rs. 0.64 crores in 1957-58 to Rs. 15.75 crores in 1967-68 recording an increase of 2361 per cent, the paid up share capital of members has been risen from Rs. 1.57 crores to Rs. 7.98 crores only during the corresponding period accounting for an increase of 409 per cent. It is thus obvious that the members share capital consistently lagged far behind the contribution of the Government which phenomenon needs to be arrested if the cooperative movement is to be a success. The Committee would therefore suggest that concerted measures should be taken to increase the members share in the capital structure of the societies to at least match the contribution of the Government failing which the Committee question the purpose and necessity of their existence.

1	2	3	4
3.	I.13	Deptt. of Cooperation	<p>Although Dantwala Committee had recommended revitalisation of weak cooperative marketing societies as far back as 1966 and the State Governments had been asked to draw up a phased programme to identify and strengthen weaker societies and if found necessary to liquidate dormant societies, only 7 States (Punjab, Haryana, Gujarat, Tamil Nadu, Kerala, Orissa and Madhya Pradesh) are reported to have selected societies for strengthening. Even in regard to these States the Committee do not get any precise idea of the contemplated programme in the absence of statewise details of weaker societies and the steps taken or proposed to be taken to revitalise them. The Committee desire that special steps should be taken to have a targeted programme for a proper survey to identify weak and moribund societies and strengthen liquidate them early in all the States.</p>
4.	I.14	-do-	<p>The Committee note that their recommendation that the "accent during the Fourth Plan should be on consolidation of the position of existing societies rather than on creation of new societies" has been incorporated in the Fourth Plan document. The Committee desire that in order to ensure this, there should be a six-monthly review of the progress made in the consolidation of existing societies by obtaining necessary data from the States.</p>
5.	I.17	-do-	<p>The Committee note that construction of 90 per cent of the godowns for which assistance was rendered upto 1966-67 were com-</p>

pleted by 31st March, 1969. Although the overall position may be satisfactory the delay in construction of individual godowns needs investigation. According to the data given in paragraph 4.10 of the 106th Report the delay in construction went upto 10 years. Further as many as 557 godowns were ultimately dropped and the Committee have elsewhere in this Report dealt with this question. Against this background the Committee are unable to agree with the Government's view that progress of construction of godowns assisted upto 1966-67 "cannot be termed as unsatisfactory."

6. I.18

-do-

The Committee are also unable to agree that under the crash programme of construction of godowns "there is a backlog of only 30 per cent". They note that the Government have come to this conclusion after allowing a period of 2 years for construction of godowns although according to the conference of Ministers of Co-operation held in July, 1962, "the programme of construction of godowns under the crash scheme was taken up on the specific understanding that the godowns assisted under this programme would be constructed within a period of one year." The Committee desire that efforts should be made to complete the construction of godowns within one year.

153

7. I.19

-do-

The Ministry have explained that the entire funds in respect of godowns under construction are not locked up as only 50 per cent of the financial assistance is released while approving the proposal of the State Government and the remaining 50 per cent is released when the concerned cooperatives have secured sites. In view of

1	2	3	4
			<p>the time-lag between release of assistance and construction of godown and the fact that a large number of godowns are ultimately dropped the Committee would suggest that the release of assistance should be more progress-oriented so that the entire funds may not be released before the actual commencement of construction as it is done now.</p>
8.	1.22	Deptt. of Cooperation	<p>The Committee note that only eight States have so far undertaken studies regarding utilisation of godowns. They would like the studies to be undertaken by the remaining States early.</p>
9.	1.23	-do-	<p>The Committee feel that the reasons for the low utilisation of godowns have not been adequately investigated and explained by Government. They would therefore suggest an examination as to how far under-utilisation of godowns was due to improper storage conditions, mismanagement etc. Based on a comprehensive study of the position purposeful steps including necessary promotional measures should be taken to remedy the situation and to maximise the utilisation of godowns.</p>
10.	1.26	-do-	<p>The Committee desire that Government should take steps to ensure that the cooperative godowns serve the needs of the weaker section of the farming community.</p>

11. I.27

-do-

In respect of 557 godowns which were dropped, the Committee consider it worthwhile to examine in detail the state of the societies concerned which were sanctioned assistance for the construction of these godowns in order to know the reasons for their abandonment. The Government should also pursue vigorously the refund of the assistance granted to such societies and keep the Committee informed of the progress made. The Committee wish that Government should take adequate precaution in future at the time of sanctioning the assistance so as to ensure that assistance is granted only to such of the societies as are capable of constructing and maintaining the godowns.

12. I.28

-do-

The Committee would also like to be informed about the action taken or proposed to be taken on the recommendations of the recent conference of the Registrars of Cooperative Societies held in September, 1970 regarding centralised arrangements for construction and supervision of godowns.

13. I.31

-do-

The Committee would like Government to take appropriate steps to ensure that the construction of the remaining 14 cold storages is expedited.

14. I.34

-do-

The Committee trust that Government will take expeditious steps to eliminate the regional imbalances in the growth of cooperative movement in the country.

