

**PUBLIC ACCOUNTS COMMITTEE  
(1969-70)**

(FOURTH LOK SABHA)

**HUNDRED AND SIXTH REPORT**

**NATIONAL COOPERATIVE DEVELOPMENT  
CORPORATION**

[Para 124 of Audit Report (Civil), 1969 and Audit Reports on the accounts of N.C.D.C. for the years 1966-67 and 1967-68—Department of Cooperation]



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1970/Chaitra, 1892 (Saka)*

Price : Rs 1.75

336.3951R  
la

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA  
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>ANDHRA PRADESH</b>					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam).	8	12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
2.	G.R. Lakshminipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1	60
			14.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
<b>ASSAM</b>					
3.	Western Book Depot, Pan Bazar, Gauharat.	7	15.	M/s. Usha Book Depot, 585/A, Chira Bazar, Khan House, Girgaum Road, Bombay-2 BR.	5
<b>BIHAR</b>					
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37	<b>MYSORE</b>		
			16.	M/s. Peoples Book House Opp. Jagannathan Palace, Mysore-1.	10
<b>GUJARAT</b>					
5.	Vijay Stores, Station Road, Anand.	35	<b>RAJASTHAN</b>		
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63	17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
<b>HARYANA</b>					
7.	M/s. Prabhu Book Service, Nal Subzmandi, Gurgaon, (Haryana).	14	18.	Swastik Industrial Works, 59, Holt Street, Meerut City.	2
<b>MADHYA PRADESH</b>					
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13	19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
<b>MAHARASHTRA</b>					
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6	20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26	22.	Firma K.L. Mukhopadhyay, 6/1A, Banchharam Akrur Lane, Calcutta-12.	82
			23.	M/s. Mukherji Book House, 8B, Duff Lane, Calcutta-6.	4

**CONTENTS**

CORRIGENDA TO HUNDRED AND SIXTH REPORT OF P...C.  
(1969-70) PRESENTED TO LOK SABHA ON 28.4.1970.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
Contents Page		1st Line against Appendix III		<u>Omit</u> 'in'
		line against Appendix VIII	Summary	Summary
1	1.2	3	assistances	assistance
8	1.13(d)	1	<u>Omit</u> full stop after Bangalore	
4	foot note		<u>Omit</u> of	
9	9.16	18	<u>add</u> "in" at the end of line	
12	10.2(v)	2	<u>put</u> full stop after country	
13	-	2	2	3
15	-	2	43	27
18	-	2	48	30
19	-	2	58	37
20	-	2	72	47
			Chapter V	Chapter III
22	-	2	99	65
24	-	2	135	91
26	1.19	2	proforma	proformae
28	2.23	1	<u>Insert</u> "Sr.No.3-A" under column 1	
31	-	2	crore of	crores in
38	7.25	last line	regards	regard
40	9.16	1	<u>Insert</u> "Sr.No. 30" under column 1	
41	9.17	1	<u>Insert</u> "Sr.No. 31" under column 1	
42	10.1	1 under column 1	3	32
	10.2	1 under column 1	3	33

## CONTENTS

	PAGES
COMPOSITION OF THE COMMITTEE . . . . .	(iii)
INTRODUCTION . . . . .	(v)
CHAPTER I . . . . . Constitution and Finances of N.C.D.C.	I
CHAPTER II . . . . . Coöperative Marketing Societies.	15
CHAPTER III . . . . . Coöperative Processing Societies.	35
CHAPTER IV . . . . . Coöperative Godowns.	58
CHAPTER V . . . . . Coöperative Cold Storage.	72
CHAPTER VI . . . . . Export Oriented Coöperatives.	76
CHAPTER VII . . . . . Utilisation of Funds.	79
CHAPTER VIII . . . . . Regional Imbalances.	90
CHAPTER IX . . . . . Vested Interests in Coöperatives.	92
CHAPTER X . . . . . Conclusions.	101
APPENDICES	
I. Strength of officers and staff of the Corporation . . . . .	103
II. Financial assistance given to States for revitalisation of primary marketing societies. . . . .	105
III. Proposals for development of coöperative marketing in the Fourth Five Year plan . . . . .	106
IV. Number of coöperative Agricultural processing units assisted/organised, commodity-wise and State-wise upto 31-3-1968. . . . .	109
V. Number of coöperative processing units assisted in 42 major rice producing districts. . . . .	110
VI. Percentage of utilisation of effective capacity of coöperative godowns in 1965/68 (Result of Sample Survey). . . . .	112
VII. Assistance given to various States for coöperative development. . . . .	114
VIII. Summary of main conclusions/recommendations. . . . .	115

### PART II\*

Minutes of the ninth sitting held on 14-7-1969(FN).

Minutes of the tenth sitting held on 15-7-1969(FN).

Minutes of the forty-eighth sitting held on 26-3-1970 (AN).

---

\*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library).

**PUBLIC ACCOUNTS COMMITTEE**

(1969-70)

**CHAIRMAN**

Shri Atal Bihar Vajpayee

**MEMBERS**

2. Shri Syed Ahmed Aga
3. Shri Bhagaban Das
4. Shri C. Chittibabu
5. Shri K. G. Deshmukh
6. Shri Bimalkanti Ghosh
7. Shri K. M. Koushik
8. Shri Mohan Swarup
9. Shri H. N. Mukerjee
10. Chaudhary Nitiraj Singh
11. Shrimati Sushila Rohatgi
12. Shri Ram Awtar Sharma
13. Shri Ramshekhar Prasad Singh
14. Shri Tayappa Hari Sonavane
15. Shri Balgovind Verma
16. Dr. Z. A. Ahmad
17. Shri A. P. Chatterjee
18. Prof. Shanti Kothari
19. Shri S. S. Mariswamy
20. Shri G. H. V. Momin
21. Shri N. R. M. Swamy
22. Shri Tarkeshwar Pande

**SECRETARIAT**

Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri A. L. Rai—*Deputy Secretary.*

Shri K. Seshadri—*Under Secretary.*

## INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this hundred and sixth Report on the Audit Report (Civil), 1969 and Audit Reports on the Accounts of the National Cooperative Development Corporation for the years 1966-67 and 1967-68.

2. The Audit Report (Civil), 1969 was laid on the Table of the House on the 18th April, 1969. Audit Reports on the accounts of the National Cooperative Development Corporation for the years 1966-67 and 1967-68 were laid on the Table on the 29th August, 1968 and 24th July, 1969 respectively. The Committee examined paragraph 124 of Audit Report (Civil), 1969 and the Audit Reports on the accounts of the N.C.D.C. at their sittings held on the 14th and 15th July, 1969 (FN). The Committee considered and finalised this Report at their sitting held on the 26th March, 1970 (A.N.). The minutes of these sittings form part of the Report (Part II)\*

3. A statement showing the summary of the main conclusions of the Committee is appended to the Report (Appendix VIII). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of assistance rendered to them in their examination of these accounts by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the officers of the Ministry of Food, Agriculture, Community Development & Cooperation (Department of Cooperation) for the cooperation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;  
April 4, 1970.  
Chaitra 14, 1892 (Saka).

ATAL BIHARI VAJPAYEE,  
*Chairman,*  
*Public Accounts Committee.*

---

\*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

# I

## NATIONAL COOPERATIVE DEVELOPMENT CORPORATION

### CONSTITUTION AND FINANCES

#### Audit Paragraph

The National Cooperative Development Corporation was set up on the 14th March, 1963 under the National Cooperative Development Corporation Act, 1962 with the object of planning and promoting programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through Cooperative Societies.

1.2. The Corporation receives funds from the Central Government both as loans and grants and in turn gives loans and subsidies to the State Governments for providing financial assistances to the Cooperative Societies in the Country.

1.3. A broad analysis of the receipts and Payments of the Corporation for the years 1965-66 and 1966-67 is given below:

Receipts.	1965-66	1966-67	Payments	1965-66	1966-67
1	2	3	4	5	6
(Figures in lakhs of rupees.)					
Opening Balance . . . . .	470.44	190.75	Establishment and Contingencies. . . . .	9.47	11.08
Loans from Central Government . . . . .	499.62	1259.41	Loans to State Governments. . . . .	940.48	1578.25
Grants from Central Government . . . . .	435.26	197.42	Subsidies to State Governments. . . . .	359.99	151.35
Payments of loans by State Govts. etc. . . . .	161.00	238.60	Repayments of loans to Central Government. . . . .	65.91	95.72
Interest of loans . . . . .	85.38	127.98	Interest on loans . . . . .	65.11	86.94
Interest and dividends on investments under-writing commission etc. . . . .	25.35	16.70	Income Tax . . . . .	44.65	60.73
Refund of subsidies by State Govts. . . . .	22.67	67.58	Investment in debentures. . . . .	18.59	Nil.
			Expenditure on Central management Instt. . . . .	3.96	0.02

1	2	3	4	5	6
(Figures in lakhs of rupees)					
Refund of Advances	0.04	0.18	Misc. Payments	0.93	1.99
Misc. Receipts	0.08	0.04	Refund of grants	..	23.54
			Closing balance.	190.75	89.04
	<u>1699.84</u>	<u>2098.66</u>		<u>1609.84</u>	<u>2098.66</u>

1.4. A broad analysis of receipts and payments of the Corporation for 1966-67 and 1967-68 is given below:—

RECEIPTS	1966-67	1967-68	PAYMENTS	1966-67	1967-68
Opening balance	190.75	89.04	Establishment and contingencies.	11.08	11.49
Loans from Central Government	1259.41	525.00	Loans to State Governments	1578.25	732.80
Grants from Central Government	197.42	441.77	Subsidies to State Governments.	181.35	419.95
Repayment of loans by State Governments etc.	238.60	497.46	Repayment of loans to Central Government	95.72	126.78
Interest on loans	127.98	190.12	Refund of loans.	..	275.94
Interest and dividends on investments under writing commission etc.	16.70	8.47	Interest on loans.	86.94	172.59
Refunds of subsidies by State Governments	67.58	21.06	Income tax.	60.73	10.60
Refund of advances	0.18	0.11	Investment in debentures	..	5.00
Misc. receipts	0.04	0.46	Expenditure on Central Management Instt.	0.02	..
			Misc. Payments	1.00	1.72
			Refund of grants	23.54	4.31
			Closing Balance	89.04	12.31
	<u>2098.66</u>	<u>1773.49</u>		<u>2098.66</u>	<u>1773.49</u>

[Para 1 of Audit Reports on the accounts of the N.C.D.C. for the years 1966-67 and 1967-68]

1.5. The National Cooperative Development Corporation is a statutory body constituted under the N.C.D.C. Act, 1962. It was set up in March, 1963 as a successor to another body called the National Cooperative Development and Warehousing Board which was estab-

ished in 1956 following the recommendations of the All-India Rural Credit Survey Committee.

1.6. The Corporation maintains the "National Cooperative Development Fund" created under the provisions of Section 13(1) of the Act. The fund is fed by loans and grants from the Government of India and is used to give loans, grants to State Governments and national level cooperative federations for implementing various schemes in the cooperative sector. The following table shows the broad details of assistance provided by the Corporation amounting to Rs. 89.67 crores as at the end of 1967-68:

Particulars.	Loan	Subsidy	Total
(in lakhs of rupees.)			
(i) Centrally aided planschemes . . . . .	3549.211	1864.045	5413.256
(ii) Centrally sponsored schemes . . . . .	1771.221	593.047	2364.068
(iii) Corporation's sponsored schemes . . . . .	1157.717	31.548	1189.265
TOTAL . . . . .	6477.949	2488.640	8966.589

The following table shows the administrative expenditure of the National Cooperative Development Corporation since 1962-63, year-wise:

	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
(in lakhs of rupees)							
Pay and allowances of officers and staff . . . . .	0.10	2.99	4.84	6.93	8.17	8.63	9.27
Other items (including contingent expenditure TA, rent rates etc.) . . . . .	0.10	1.38	2.47	2.55	2.92	2.86	2.91
TOTAL . . . . .	0.20	4.37	7.31	9.48	11.09	11.49	12.18

The strength of officers and staff of the Corporation is 165. The details are shown in Appendix I to this report.

1.7. The Committee enquired why there had been an increase in expenditure over the years. They have been informed that "the National Cooperative Development Corporation came into existence in 1963-64 with a small nucleus of staff from the National Cooperative Development & Warehousing Board. Apart from some increase in establishment consequent on increase in scope of activities since

then, periodical revision of D.A. payable have led to increase in administrative expenditure."

1.8. A Study Group of Administrative Reforms Commission had evaluated the working of the National Cooperative Development Corporation. The evaluation was not in the nature of "an organisational study" and therefore did not cover the question of "the continuance of the Corporation itself." The study was made in the context of Centre-State relationship "assuming that the Corporation will continue."

1.9. The Study Group came to the following findings:

"The activities performed by the National Cooperative Development Corporation have been studied in detail and are broadly categorised below:

- (i) providing leadership and initiative to the states and serving as a clearing house of information;
- (ii) undertaking the responsibility for drawing up the national plan;
- (iii) taking initiative in evaluating programmes with the object of locating problems and taking remedial measures;
- (iv) providing a forum and meeting ground for the state representatives for the exchange of ideas on different subjects and for the evolution of guidelines;
- (v) all-India and inter-state federations;
- (vi) matters relating to the United Nations/foreign countries and other foreign agencies;
- (vii) sponsoring and financing of schemes out of its own corpus; and
- (viii) involvement with actual centrally aided and centrally sponsored schemes.

Activities mentioned at (i) to (vi) have necessarily to be retained by the centre as they flow from its role as leader, innovator and technical guide. The activities mentioned at (viii) should be decentralised."

1.10. Analysing the position further in regard to the appropriateness of routing central assistance to States through the Corporation, the Study Group observed:

“For state plan schemes the central assistance is released by the National Cooperative Development Corporation. An interesting feature obtaining in this organisation is that apart from working as an autonomous corporation created under the Act, it is also functioning as the Marketing Wing of the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Cooperation). Thus, all the central assistance falling under the subjects dealt with by the Corporation is passed on to the State Governments through this Corporation. For schemes other than those falling under heads: cooperative credit, marketing, processing, storage, supplies and godowns the central assistance to the State Governments for various plan activities pursued by them in the state sector is passed on to them by the Department of Cooperation themselves in much the same way as is done by the Department of Agriculture or for that matter any other department of the Central Government. Another feature of the working of this arrangement is that, unlike other sectors of economy, ways and means advances are not given to the states against plan schemes for adjustment against central assistance at the end of the year. All the plan schemes included in the state sector which fall within its jurisdiction are released their financial assistance from this Corporation. In fact, before any assistance is released by the Registrars of Cooperative Societies in their region they have to send to the Corporation in a prescribed form various details, viz., the names of the society, actual expenditure already incurred, anticipated expenditure during the remaining part of the year and some other relevant details to get the proportionate share of the assistance promised by the Central Government. No detailed scrutiny is, however, done at the central level but on the basis of facts intimated in the prescribed form financial assistance is released in one lump sum or in two instalments depending upon the type of schemes.

Thus within the ‘co-operative’ sector two different methods of release of assistance are followed, one by the National Cooperative Development Corporation and the other by the Department of Cooperation. For ‘cooperative farming’ and ‘training and education’, the Department of Cooperation issues sanctions sometime in March for central assistance to be adjusted against ways and means advances made to the State Governments. By linking release of funds with the progress of expenditure and implementation of schemes, the National Cooperative Development Corporation endeavours to ensure proper utilisation of funds by the states and has met with increasing success in recent years. However, except for the release of assistance for the schemes sponsored and financed by the Corporation from its own corpus, there is no reason why the State Govern-

ments should not be relied upon for releasing assistance to societies themselves, obtaining utilisation statements from the societies and having on the spot investigations, if lump sum assistance for plan schemes is placed at their disposal. This will obviate the necessity of the Registrars of Cooperative Societies having to send the details and of the National Cooperative Development Corporation having to scrutinise them. An avoidable load of work and unnecessary centralisation of functions at the headquarters can be done away with. Besides, this scrutiny is squarely the responsibility of the Registrars and not that of the centre, which, incidentally does the scrutiny on the basis of arranged information supplied by the Registrars. This spoon-feeding is unnecessary and undesirable. The Registrars of Cooperative Societies should be authorised to release assistance to cooperative societies in the same number of instalments as are prescribed by the National Cooperative Development Corporation. The Corporation will thus be divested of its functions in regard to scrutiny of each type of scheme and release of grants and loans and ancillary work."

1.11. In regard to centrally-sponsored schemes in regard to which assistance to the States was routed through National Cooperative Development Corporation, the Study Group stated: "None of the schemes... conforms to the criteria laid down by the Planning Commission for centrally sponsored schemes which are:

- (i) they should relate to demonstration, pilot projects, survey and research;
- (ii) they should have a regional or inter-state character;
- (iii) they should require lump sum provisions to be made until they can be broken down territorially; and
- (iv) they should have an overall significance from the all-India angle.

There appears to be no necessity of foisting the centre's judgement on the states regarding the necessity of any of the centrally sponsored schemes in this sector. Except for providing broad guidelines, the centrally sponsored schemes should be completely decentralised. If, on an overall view of the entire development programme, any schemes in the cooperative sector are considered to be of overriding priority, central assistance can be tied to them."

1.12. The Committee drew attention to the foregoing observations of the Study Group of Administrative Reforms Commission and wanted to know whether it was necessary to route central assistance to the States through the National Cooperative Development Corpo-

ration, particularly when other Ministries and Departments and the Department of Cooperation itself in regard to certain schemes release assistance to States without the intervention of an intermediary. The following position in this regard was explained during evidence and in notes submitted to the Committee:

"The Report of the Study Team of the Administrative Reforms Commission on Centre-State relationship has, no doubt, recommended that the National Cooperative Development Corporation should divest itself of the work relating to release of Central assistance. However, it may be recalled that the Report of the Working Group on Cooperation set up by the Administrative Reforms Commission has recommended that the scope of the National Cooperative Development Corporation should be expanded to cover cooperative development activities in other sectors with a view to bringing about closer association of the representatives of the cooperative institutions in the formulation of cooperative policies and programmes as a prelude to progressive devolution of these functions to national cooperative organisations. This Working Group has also observed that the Corporation has made positive contribution to accelerate the implementation of the cooperative processing programmes. The Administrative Reforms Commission has not yet finally given its recommendations on matters pertaining to Cooperation and the National Cooperative Development Corporation.

The procedure at present followed of releasing assistance to States through the National Cooperative Development Corporation has the following merits:

- (i) it enables assistance to be earmarked for a group of schemes within the purview of the National Cooperative Development Corporation, which are considered of high priority, and prevents diversion of assistance to other sectors;
- (ii) it enables the National Cooperative Development Corporation to keep in close touch with the implementation of marketing, processing and storage programmes in the cooperative sector in the States and thereby increases its capability to formulate and promote other programmes in the related fields outside the purview of the Centrally aided and Centrally sponsored schemes;
- (iii) the association of non-official leadership of the cooperative movement with official representatives of the Government in the National Cooperative Development Corporation facilitates objective and realistic appraisal of programmes

in the field. The programmes in the State Plan sector cannot be fully separated from the programmes in the Central sector; both should be regarded as supplementary. Therefore, handling of both kinds of programmes through the National Cooperative Development Corporation helps in bringing about an integrated approach to the development programmes in these sectors."

1.13. Taking up the first argument in favour of the present system of routing Central assistance to the States through the Corporation, i.e., that it helps to check diversion of funds, the Committee enquired how this is being ensured. In a note Government have stated: "The National Cooperative Development Corporation exercises financial check by obtaining Utilisation Certificates and utilisation accounts from State Governments. Recoveries are affected where diversion of funds from the schemes for which they were given takes place.

On the administrative side,

- (a) periodical checks conducted by officers of National Cooperative Development Corporation during their visits to States;
- (b) progress reports on the physical implementation of the schemes both from State Governments and societies;
- (c) annual discussions and reviews with the State representatives; and
- (d) liaison by the Regional Officers at Calcutta and Bangalore. help the National Cooperative Development Corporation in exercising a check on the programme implementation." The Committee referred to instances of diversion/non-utilisation of funds mentioned in the Audit Reports of National Cooperative Development Corporation.\* The witness stated that "it may not be correct" to make a "generalisation" that "the assistance we are giving is being misutilised or diverted. There may have been some delay for reasons which are understandable and which can be scrutinised. But by and large, the programmes for which we are assisting the States are carried out." When the Committee drew attention in this connection to the observations of the Study Group of Administrative Reforms Commission that "no detailed scrutiny" is done at central level before releasing assistance and that the Corporation only goes by details of expenditure intimated by the State Registrars of Cooperative Societies before providing assistance, the witness replied: "This

---

\*Please see chapter . . VII

is correct." It was added, however, that "we do the scrutiny in the case of centrally sponsored schemes." The Committee pointed out that the view of the Study Group of Administrative Reforms Commission was that these centrally-sponsored schemes do not satisfy the criteria laid down by the Planning Commission and that the Corporation should therefore shed its work in this regard. The witness stated that "this particular work has already been shed with effect from this year", as the number of such schemes has been "drastically curtailed." The number of centrally-sponsored schemes operated by National Cooperative Development Corporation was 3 in 1968-69. During the Fourth Plan, the Corporation would operate only one scheme, i.e., "Margin Money Scheme for distribution of fertilisers."

1.14. Taking up the second reason given for using the Corporation as a medium for routing central assistance, i.e., that it secures association of National Cooperative Development Corporation with cooperative programmes, and thereby facilitates formulation of programmes on sound lines, the Committee enquired whether there were no agencies like Programme Evaluation Division of Planning Commission which could evaluate cooperative programmes. The witness stated that the studies conducted by National Cooperative Development Corporation are "more from the administrative and organisational angle" and that the Planning Commission had been requested not to duplicate the evaluation work done by the Corporation.

1.15. Adverting to the third reason given for the Corporation disbursing assistance to States, i.e., that through its constitution, it secures association of non-official leadership with the cooperative movement, the Committee asked whether such association could not be equally well ensured through the agency of consultative committees. They pointed out that "the present proliferation of organisations" might actually impede such an association. The representative of the Department of Cooperation stated that "we have on the National Cooperative Development Corporation two experts with special knowledge of rural economics, five representatives of apex bodies, people who run the cooperative institutions. . . . These men are themselves part of the Corporation. So they make and guide the policies of the Corporation. A consultative committee does not share that responsibility. So, as long as this Corporation continues to deal with this subject, this would be a better way; they should be policy-makers rather than advisers."

1.16. Summing up the position, the representative of National Cooperative Development Corporation stated: "If you take all these aspects of the picture together into account, it will be clear that so

far as the co-operatives are concerned, they are receiving effective guidance and assistance from us in one form or the other. In the recent Ministers' Conference at Bangalore also, it may be mentioned, they made a recommendation that the Central Government should augment the resources of the Corporation to make it more effective and give it more assistance outside the State plans' ceiling..... The basic thinking on this issue goes as far back as the Rural Credit Survey Committee Report where they thought that cooperation, being essentially a non-departmental and non-governmental activity, its development is a gradual phase which should ultimately lead to federations of various cooperatives. The whole concept of the National Cooperative Development Corporation organisation is reflected in the Act itself which envisages a certain amount of Central planning, guidance, supervision and promotional role that can be exercised while, at the same time, not sacrificing the States' autonomy in the matter of cooperation." The Committee pointed out to the witness that though the N.C.D.C. Act "provides for the Corporation, it also provides for its dissolution". They invited attention in this connection to Section 21 of the Act.

1.17. The Committee pointed out that there had been a change in the pattern of central assistance to the States and drew attention to a communication dated 22nd May, 1969 from the Planning Commission extracts from which are given below:

"The procedure for channelling of Central assistance for schemes included in the State Plans as set out in the Planning Commission's letter No. PC(P) 42 66 dated January 25, 1967 has been under review for some time. The Committee of the National Development Council recommended at its meeting held in July, 1968 that Central assistance to State Governments for their Plan schemes be given in the shape of block loans and grants. After taking into consideration the recommendations made by the Administrative Reforms Commission in this regard as also the views expressed by State Governments in response to the Planning Commission's letter No. PC(P)4| 2 68 dated March 8, 1968 it has been decided in consultation with Ministry of Finance that Central assistance to States for the Fourth Five Year Plan (1969-74), with the exception of the funds to be provided by the National Cooperative Development Corporation, will be given as block loans and grants each year. It has also been decided that each State should receive 30 per cent of the total assistance every year as a grant, the balance of 70 per cent loan. The terms and conditions governing the block loans will be communicated to State Governments separately.

Central assistance to the States will not be related to any individual scheme-group of schemes or Head of Development on the basis of matching contribution. However, in order to ensure that the priorities for the plan are generally maintained in the course of implementation it has been decided that the outlays under certain heads or sub-heads and for a few specified schemes shall be earmarked. ....”

1.18. The Committee were informed that releases by National Cooperative Development Corporation would not come within the purview of the foregoing scheme. The releases will be made as before scheme-wise. However, there are certain cooperative schemes (e.g., Agricultural Credit Stabilisation Fund) in regard to which National Cooperative Development Corporation does not come into the picture. In regard to these schemes, central assistance will be directly released to the States under the new system of block loans/ grants formulated by Government. Funds released by National Cooperative Development Corporation cannot be diverted by the States, but in regard to funds made available by the Government of India direct to the States, the States will enjoy flexibility in utilisation as contemplated in the new scheme.

1.19. 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 proforma 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 priorities 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 later 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 interposition 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.

1.20. 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 own "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

\*Report of the working Group of Administrative Reforms Commission on cooperation.

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 organisation 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.

1.21. 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.

## II

### COOPERATIVE MARKETING SOCIETIES

**(i) Financial assistance provided:**

2.1. Section 9(1) of the National Cooperative Development Corporation Act, 1962 makes it one of the principal functions of the Corporation to plan and promote programmes for the marketing of produce through cooperative societies. To the end of 1967-68, the total assistance provided by the Corporation to co-operative marketing societies under various heads amounted to about Rs. 10 crores as under:

	Centrally aided schemes	Centrally sponsored schemes	Corpora- tion's own schemes
(in lakhs of rupees).			
Loan for share capital. . . . .	698.10	122.59	10.19
Loan for transport vehicles. . . . .	51.15	1.20	.
Managerial subsidy . . . . .	55.54	7.98	.
Subsidy for grading staff and equipment. . . . .	5.82	0.04	.
Subsidy for Price fluctuation. . . . .	21.99	..	.
Subsidy for promotional cells. . . . .	..	..	8.11
<b>TOTAL . . . . .</b>	<b>832.60</b>	<b>131.81</b>	<b>18.30</b>

**(ii) Performance of marketing societies:**

2.2. The Committee referred to the findings of a survey entitled "Development of Cooperative Marketing" which had been brought out by the Reserve Bank of India in January, 1969. This survey had pointed out that "the marketing behaviour of selected cultivators showed that marketing societies had made a negligible impact on the cultivators about their ability and scope as good marketing institutions." The marketing societies "were content to handle

whatever little produce came to their door" whereas sales of produce by the cultivators were predominantly in the villages.\* The Committee enquired what concrete steps Government had taken to make the societies reach the cultivators and to equip them to face competition from local traders. They have been informed that "the observations made in the Reserve Bank of India's report is based on data relating to the years 1962-63 covering 22 primary marketing societies." The latest available statistics showed a definite improvement *inter-alia* in the following respects:

- (i) From the point of view of membership.
- (ii) From the point of view of "owned funds" of the co-operatives.
- (iii) From the point of view of operations of the cooperatives.

In this connection, the following data has been furnished to the Committee:

(i) *Membership of Marketing Cooperatives*

Type.	1957-58	1962-63	1966-67
<b>1. Primary marketing societies.†</b>			
(a) Societies (in thousands)	19	102	147
(b) Individuals and others (in lakhs.)	5.22	15.15	19.46
<b>2. Central Societies</b>			
(a) Societies (in thousands)	18	27	27
(b) Individuals and others (in lakhs.)	2.03	0.66	0.59
<b>3. State Federations</b>			
(a) Societies	1841	4730	6036
(b) Individuals and others	268	925	1117
<b>4. National Federations</b>			
(a) Societies.	..	37	23
(b) Individuals	..	..	..

\*According to the Dantwala Committee "the bulk of the marketable surplus of the farmer is sold in villages. The All-India Rural Credit Survey Committee estimated that 65% of the total sale of all crops took place in villages.

†The total number of Primary societies in 1957-58 was 1,899-Vide page 151 of report of W.G. of A.R.C. on Cooperation. The number in 1966-67 and 1967-68 was 3,295 and 3,280 respectively vide "Review of Cooperative Movement in India (1966-68 R.B.I. (1970).

(ii) *Owned Funds of Marketing Cooperatives*

Type	1957-58	1962-63	1966-67
	(in crores of rupees)		
<b>1. Primary marketing Societies</b>			
(a) Share capital—			
(i) Members . . . . .	1.58	4.76	7.42
(ii) Government . . . . .	0.64	4.94	14.44
(iii) Total . . . . .	2.22	9.70	21.86
(b) Reserve & other funds . . . . .	1.60	5.53	11.27
(c) Total owned funds . . . . .	3.82	15.23	33.13
<b>2. Central Marketing Societies</b>			
(a) Share capital			
(i) Members . . . . .	1.08	1.22	1.17
(ii) Government . . . . .	0.33	0.53	0.88
(iii) Total . . . . .	1.41	1.75	2.05
(b) Reserve and other funds. . . . .	3.81	3.46	4.27
(c) Total owned funds. . . . .	5.22	5.21	6.32
<b>3. State Apex Federations</b>			
(a) Share capital			
(i) Members . . . . .	0.21	0.50	0.86
(ii) Government . . . . .	0.40	0.92	4.43
(iii) Total . . . . .	0.61	1.42	5.29
(b) Reserve and other funds . . . . .	0.93	2.02	4.40
(c) Total owned funds . . . . .	1.54	3.44	9.69
<b>4. National Federations</b>			
(a) Share capital . . . . .			
(i) Members . . . . .	..	neg.	0.05
(ii) N.C.D.C. . . . .	..	..	0.10
(iii) Total . . . . .	..	neg.	0.15
(b) Reserve and other funds. . . . .	..	0.10	0.15
(c) Total owned funds. . . . .	..	0.10	0.30

(iii) *Operations of Marketing & Processing Cooperatives\**

Activity	1955-56	1962-63	1965-67
(Rs. in crores)			
<b>1. Marketing of Agricultural Produce</b>			
(a) Foodgrains . . . . .	..	32	118
(b) Sugarcane . . . . .	33	59	95
(c) Other crops. . . . .	20	69	95
TOTAL . . . . .	53	160	338
<b>2. Distribution of Agricultural Requisites</b>			
(a) Fertilizers. . . . .	3.0	39.5	114.4
(b) Seeds . . . . .	0.1	7.0	25.5
(c) Other inputs. . . . .	..	8.1	23.1
TOTAL . . . . .	3.1	54.6	163.0
3. Supply of Consumer articles in rural areas . . . . .	16.7 (1960-61)	28.4	245.3
<b>4. No. of primary marketing societies undertakings †</b>			
(a) Marketing of Agricultural Produce. . . . .	N.A.	2155	2300
(b) Distribution of inputs. . . . .	N.A.	N.A.	1880
(c) Supplies of consumer articles. . . . .	N.A.	690	1814

2.3. The Committee pointed out that the rise in the turnover reflected in the figures furnished by Government would be largely neutralised if the rise in price index that occurred during this period were taken into account. During the period 1961-67, the price index in regard to foodgrains moved up from 106.7 to 177.7 and the whole sale index rose from 111.7 to 171.1. The Committee also drew attention in this connection to the findings incorporated in a paper prepared by the Division of Rural Surveys, Economic Department, Reserve Bank of India for a seminar held in 1968.† The findings were: "during 1965-66 a little more than a quarter of the 3198 primary marketing societies in the country did not report any sale of farm produce; the value of the produce sold by the remaining societies was Rs. 134 crores or a little more than 5 per cent of the total marketable surplus." The Committee enquired

\* These figures do not tally with the figures given by the Reserve Bank of India given later in this Report.

† "Financing of Agriculture by Commercial Banks"—Report of a seminar held on December 6-8, 1968 (Reserve Bank of India.)

whether data was available to indicate what proportion of market produce the marketing cooperatives handled in subsequent years and what steps were being taken to ensure that the cooperatives made headway. Explaining the position in regard to the foregoing issue, the representative of the Department of Cooperation informed the Committee as follows:

"I would like to mention this in broad perspective that even though there is the fact that the price index has gone up, the total increase in the agricultural marketing operations of the co-operative credit societies are substantially more than the increase in price index. The total increase is something like 300 per cent as against an increase in the price index of about 60 to 80 per cent..... The particular figures which are contained in the report of the Reserve Bank seminar.....relate to the marketing of agricultural produce. But we have really two types of agricultural produce..... Now, according to the statistics which we have got in the year 1965-66, to which reference was made, the total value of agricultural produce handled by the cooperatives was Rs. 360 crores, of which the break-up is as follows: Food-crops—about Rs. 136 crores; sugarcane—Rs. 147 crores; other crops—Rs. 77 crores. All these make a total of Rs. 360 crores. Presumably, the figure contained in the Reserve Bank report relates only to the marketing of foodgrains.

It is quite true that all the three thousand and odd primary marketing societies in this country do not undertake marketing of agricultural produce. There are some who undertake all kinds of marketing activity and there are some which only undertake distribution of inputs. It has been the endeavour of the National Cooperative Development Corporation and the Ministry to try to increase the number of marketing societies which undertake marketing of agricultural produce.

I may mention here that this aspect to which the hon. Minister also drew attention was also posed to the State Ministers during the recent Bangalore conference, that there are many marketing societies which are not doing the marketing of agricultural produce as such. They are primarily doing distribution of agricultural inputs. That also is a very important function—distribution of fertilizers, seeds and pesticides. This year, the cooperatives

expect to distribute fertilizers worth nearly 260 crores of rupees. But apart from this, we are also aware of this deficiency that in many societies marketing of agricultural produce is not given due importance, and it has been our constant effort to improve the situation."

2.4. In regard to the proportion of market produce handled by cooperatives, the witness stated that "it is difficult for us to know actually what is the total marketable produce in respect of agricultural commodities in the country as a whole because reliable statistics are very difficult to get." In a note on this point it has been further stated: "Information of total agricultural produce that came into the market is not available; the Directorate of Economics and Statistics of the Department of Agriculture have information of market arrival for specified commodities for selected markets only. Therefore, it has not been possible to work out percentage of agricultural produce handled by cooperatives in relation to total market arrivals."

2.5. Listing some of the steps taken to improve the working of the marketing societies, the witness stated:

- (i) To induce cultivators to sell their produce to cooperatives, the cooperatives are being encouraged to make outright purchases. A scheme for contribution to a price fluctuation fund for each cooperative has therefore been started. The total value of assistance provided and purchases made under this scheme were as follows:

	1965-66	1966-67	1967-68
No. of societies assisted	218	219	175
Total amount of assistance sanctioned (in lakhs of Rs.)	5.55*	11.37*	5.57*
Total amount of purchases made (in lakhs of Rs.)	747.27	1076.70	970.71

- (ii) To facilitate collection and storage of produce, the societies are assisted in the matter of acquiring storage capacity and transport. "In recent years we have given Rs. 59.39 lakhs for building up transport."

- (iii) Promotion and assessment cells are being set up in apex marketing federations and federations which had created

\*Assistance was paid in subsequent years.

a pool of management personnel for helping affiliated institutions are eligible for subsidy, 50 per cent of the cost of which is borne by the Corporation.

2.6. The Committee drew attention to the observations of the Reserve Bank of India in their Survey Report (1968) on Development of Cooperative Marketing that "in a number of societies, the agencies from whom they purchased the produce were traders, as they had no arrangements for assembling the produce at the village level" and similarly "the agency on whom marketing societies depended for the sale of produce were also the traders to a very large extent as they had not organised trade link for disposal of produce at secondary or terminal marketing. In fact, the districts with relatively better performance of marketing business by the societies showed a relatively higher proportion of sale to traders." The Committee desired to know precisely what steps had been taken by Government to meet this situation by building up an integrated marketing for collecting the produce at the village level and disposing it of at the terminal markets and the progress made in this regard in the various States. In reply the Government have furnished the following note:

"It is an accepted policy that an integrated marketing structure including processing should be developed..... Affiliation between primary village credit societies and primary marketing societies as well as primary marketing societies to upper tier societies is being progressively implemented for this purpose. However, as pointed out in the Reserve Bank of India's report itself, pending the evolution of an integrated cooperative marketing structure with a built-in mechanism for channeling the produce from the markets to the secondary|terminal markets, primary marketing societies in the present stage of development have to depend on local traders, to some extent for disposal of the produce."

2.7. The Committee enquired during evidence what steps had been taken to set up an integrated marketing complex. The witness stated that an attempt is being made to build up an "unified marketing system." He added: "Steps are being taken to see that the village level society is affiliated to the primary marketing society and that the marketing society should contribute a certain share to the higher society. We want the marketing societies at the State level also to consider

their marketing societies down below as a part of the total system so that they can act in collaboration.... Unfortunately regulated markets are not there all over the country. It requires certain legal amendments to which aspect the Department of Agriculture has also drawn the attention of the State Governments."

2.8. The Committee drew the attention of the witness to the following observations of the Reserve Bank of India in their Survey Report (1968):

"Firstly, apart from its volume, the business done was not confined to the genuine cultivators but also to purchases from traders. In some of the societies, the traders had acquired a good hold of their management which they turned to their own advantage. Secondly, in certain districts where the marketing societies charged 'release' commission to pledge loanees, the pledge produce was included in the turnover of marketing business. Thirdly, even fictitious marketing transactions were recorded by the officials of some of the societies."

2.9. The Committee enquired whether Government had taken any steps to improve the various serious drawbacks pointed out by the Reserve Bank of India. The witness replied: "That is true. This state of affairs is very disturbing..... The report (R.B.I. survey) pertains to the earlier years and since then some conscious effort has been made to see that the position improves." In a note on this point it has been further stated:

"Regarding the point made about traders being members of the cooperative marketing societies, this is part of the wider problem of vested interests in cooperative societies. The Mirdha Committee on Cooperation, 1965, had brought to the notice the loopholes in the Cooperative Societies Act, rules and bye-laws which enable vested interests to exploit these institutions. The Chief Ministers' Conference in 1968, considered various measures to be adopted for curbing vested interests and suggested that statutory amendment may be taken up for exclusion of such vested interests from the membership of the cooperatives. The recommendations of Chief Ministers' Conference were communicated to the State Governments. In pursuance of this, the Government of Maharashtra has already enacted suitable amendments to the Cooperative Societies Act. Some other States like Kerala and U.P. have also incorporated suitable provisions

in their Cooperative Acts and Rules to curb the growth of vested interests. The matter is under consideration in a number of other States."

2.10. During evidence, the witness admitted "the position of the marketing societies is not an ideal one. The only limited point that we are trying to emphasise is that there has been an improvement." The witness added that Government "have been trying to pursue the matter with the State Governments....so as to bring about a substantial improvement in the qualitative as well quantitative performance of the cooperative marketing societies."

2.11. The Committee enquired whether the National Cooperative Development Corporation had made any evaluation on their own about the impact of the corrective measures taken by them so far. The witness replied: "No evaluation in that sense has been done." "Partial evaluation" in respect of individual societies has been done. "We do not have.....staff to make a comprehensive evaluation of the whole marketing structure."

2.12. In a "Review of the Cooperative Movement in India—1966—68", brought out in January, 1970, the Reserve Bank of India have given the following statistics of operations of marketing societies:

(Rs. in crores)

Year	No. of societies	Sale of agricultural produce	Sale of agricultural requisites	Sale of consumer goods
<i>State</i>				
1965-66 . . . . .	21	73.5	43.0	38.1
1966-67 . . . . .	24	105.2	53.2	21.7
1967-68 . . . . .	23	124.2	92.0	15.4
<i>Central</i>				
1965-66 . . . . .	155	11.6	38.8	30.4
1966-67 . . . . .	156	29.1	53.9	38.1
1967-68 . . . . .	162	44.4	79.6	28.1
<i>Primary</i>				
1965-66 . . . . .	3,198	133.6	61.9	121.4
1966-67 . . . . .	3,295	146.7	77.7	142.3
1967-68 . . . . .	3,280	192.5	107.1	112.4

2.13. Explaining the reasons for the increased operations, the Survey has referred to the following factors:

- (i) "As per the recommendations of Dantwala Committee, the services of cooperative marketing societies were generally utilised by the State Governments and the Food Corporation of India in several States in their procurement operations." The following were the figures of procurement of foodgrains through cooperatives (primary societies) indicated by them

<u>1966-67</u>	<u>1967-68</u>
Rs. lakhs	Rs. lakhs
7282.6	7172.6

The Committee observe that this accounts for 60 per cent—70 per cent of the agricultural produce handled by primary societies.

- (ii) "The intensification of agriculture in recent years has generated larger demand for inputs, improved seeds etc. Consequently the supply activities of marketing societies also expanded during the period. The aggregate value of agricultural requisites sold by the State, Central and primary marketing societies rose from Rs. 144 crores in 1965-66 to Rs. 185 crores in 1966-67 and to Rs. 273 crores in 1967-68. In most States cooperatives were appointed sole agents for distribution of agricultural requisites including chemical fertilisers. The aggregate value of fertilisers distributed in 1967-68 was 245.0 crores forming 88.1 per cent of the total requisites supplied during the year."

**(iii) Linking of credit with marketing:**

2.14. According to the survey carried out by the Reserve Bank of India, "the cooperative credit structure did not provide a sufficiently strong base for marketing societies" in the districts covered by the survey. The Committee enquired what steps had been taken to forge an organic link between these two types of societies so that the provision of credit by cooperative societies to cultivators could be link-

ed with the marketing of produce by the cultivators. In a note on this point, the following position has been explained to the Committee:

“There has been a progressive increase in the affiliation of primary agricultural credit societies with the primary marketing societies as can be seen from the following figures:

Year	Total No.	Affiliated to marketing societies	Percentage affiliation
(Figures in thousands)			
1955-56	160	6	4
1961-62	215	90	41
1962-63	211	102	47
1963-64	211	121	57
1964-65	210	128	61
1965-66	197	140	71
1966-67	190	130	74

It is expected that about 80 per cent of the village societies may be affiliated to marketing societies by the end of 1967-68.”

2.15. During evidence, the representative of the Department of Cooperation informed the Committee that “in 1966-67, there was recovery through linkage, i.e., through the medium of marketing societies, by the marketing of produce, to the extent of Rs. 46 crores out of a total loan of Rs. 365 crores which means 12 to 13 per cent for the country. This can be compared with the figure of 1961-62 in which year out of the total loan of Rs. 228 crores, only Rs. 10 crores were recovered through linkage. So, there has been a steady improvement in the situation since 1961-62. But there is one important difficulty which . . . might be relevant. So far as foodgrains are concerned, the procurement policy in different States and the procedures which have been laid down have a great bearing on the question of recovery of dues through linkage. It has been found by experience that many State Governments are reluctant to allow the cooperative marketing societies to deduct out of the sale proceeds the money which is payable to the cooperative society. That is a practical difficulty. Therefore, in the matter of foodgrains, progress in respect of linkage has not been satisfactory whereas in the

matter of other cash crops like sugarcane, cotton and groundnut, there has been a much better linkage."

2.16. "The Review of the Cooperative Movement in India" (1966—68) carried out by the Reserve Bank of India, however, gives the following findings in regard to progress of linking credit with marketing:

"The system of linking credit with marketing, though introduced in several states, had not made much headway till the end of the period covered by the review. Cooperative societies in some of them viz. Maharashtra, Uttar Pradesh, Madhya Pradesh, Kerala, Gujarat and Andhra Pradesh, Mysore and Tamil Nadu had succeeded in recovering fairly substantial amounts from out of the produce marketed by them. The sugar factories in Maharashtra, Mysore, Gujarat and Tamil Nadu and cotton ginning and pressing societies in Maharashtra and Gujarat too had remitted to the primary credit societies their dues out of the sugarcane/cotton processed and marketed. The total loans recovered under this system by the marketing and processing societies in 1967-68, aggregated Rs. 33.6 crores. Apart from the marketing and the processing societies, the agricultural credit societies themselves had effected recoveries amounting to Rs. 20.8 crores in 1967-68 from the produce marketed by them. Thus, the recoveries made under the system in 1967-68 were of the order of Rs. 54.4 crores compared to the total recoveries amounting to Rs. 374.3 crores made by all the primary agricultural credit societies during the year. The percentage of recovery effected through the credit, marketing and processing societies for 1967-68 thus works out to 14."

**(iv) Revitalisation of weak societies:**

2.17. The Dantwala Committee (1966) had pointed out that "as on 30th June, 1964 nearly a third of the total number of primary marketing societies were not doing any marketing business while the total annual business of another one-third societies was less than Rs. 1 lakh each." It recommended that "each State Government should draw up a phased programme to revitalise the inactive and marginal societies within a period of 3 to 5 years." The Committee drew attention to the foregoing position. They also pointed out that the Reserve Bank of India Survey had suggested that the weak societies may be "written-off" in the interest of the cooperative marketing

movement. In a note submitted to the Committee, the Government stated: "The recommendations of the Dantwala Committee on Co-operative Marketing were conveyed to the State Governments in 1967 after they were considered and endorsed by the Conference of Chief Executive Officers of Apex Co-operative Marketing Societies and the Joint Registrar (Marketing). These recommendations have, by and large, been accepted by the State Governments which are taking steps to identify ineffective and marginal societies for purposes of revitalisation. Information regarding the survey and the number of societies to be taken up for revitalisation in the different States is being collected."

"Information has been received from 7 States about the number of primary marketing societies proposed to be taken up for revitalisation/liquidation during the Fourth Plan. The State-wise details are as under:

Gujarat . . . . .	200
Punjab . . . . .	13
Kerala . . . . .	14
Maharashtra . . . . .	4
Haryana . . . . .	5
Tamil Nadu . . . . .	16
Orissa . . . . .	7"

The Committee enquired about the financial assistance given to these societies by the Corporation. Detailed information on this point is awaited but such information as has been furnished is reproduced in Appendix II to this report.

2.18. The Committee enquired whether any systematic survey had been carried out to identify the ineffective and marginal societies. The witness stated that the cooperatives were "spread out throughout the country" and that it would be "difficult for one single organisation to work all the survey and evaluation." However, in a note later the Government stated that "systematic surveys to identify inactive and marginal societies have already been completed in the States of Gujarat, Kerala, Haryana, Tamil Nadu and Rajasthan. In Punjab and Maharashtra, however, the State Registrars of Co-operative Societies have picked out ineffective and dormant societies for purposes of liquidation. The surveys are in progress in Andhra Pradesh, Madhya Pradesh and West Bengal. Steps are also being taken to draw up a phased programme for revitalisation of societies

in Bihar and Orissa. The matter is being pursued with the other State Governments."

2.19. The Committee referred to the observations in the Survey Report of the Reserve Bank of India that "the target approach to the cooperative movement has become widely known as one of the main causes of the weakness from which the cooperative movement is suffering" and that the "main drawback" of the targets laid down was that "they did not take into consideration the essentials of planning for development of cooperative marketing and were generally fixed at unrealistic levels." They enquired why imaginary targets were so fixed. The witness replied: "We do not fix in the manner. They are discussed in the annual plan programmes (when) proposals are brought up by State Governments and discussed." The witness added that "in the Fourth Plan, the thinking of National Cooperative Development Corporation is to emphasise consolidation of the existing societies rather than go in for more and more new societies."

2.20. The Committee also referred to the findings of the Reserve Bank of India survey that the performance of societies suffered because of the "absence of well laid-out programme of action" and that "very little attention was paid to evolving appropriate norms in regard to the coverage of area, the volume of agricultural produce to be handled, etc." and desired to know whether any norms had been evolved in regard to coverage of area, the volume of agricultural produce to be handled, the number of credit societies to be affiliated and the financial resources of societies, as part of the programme of reorganising the ineffective societies. In a note the Government stated as under:

"Most of the State Governments have evolved norms with regard to the volume of agricultural produce to be handled, individual growers to be enrolled as members of societies and affiliation of primary agricultural credit societies to primary marketing societies. As regards coverage of area, by and large the policy is to bring the entire hinterland of the wholesale mandi-centre within the jurisdiction of the primary marketing society operation in the Mandi."

2.21. At the Conference of Ministers of Cooperation held in Bangalore in July, 1968, the following lines of action in regard to the cooperative marketing movement were spelled out:

"The cooperative marketing structure consists of 3,200 primary marketing societies covering all important Mandis in the

country, 20 State Federations, 3 commodity federations and one National Federation. The value of agricultural produce handled by cooperatives including processing societies is now of the order of Rs. 475 crores; this is proposed to be stepped up to Rs. 900 crores in 1973-74.

Cooperative marketing has been confined mainly to a few commodities like sugarcane and cotton, and, in recent years, has been extended to foodgrains. A large number of marketing societies function merely as commission agents and are yet to adopt a system of grading and pooling of the produce and arranging for their sale in favourable markets. Structurally, nearly 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. The cooperative marketing structure has also not been functioning as an integrated system with active cooperation between various tiers. A scheme of Government contribution to price fluctuation has been introduced to facilitate outright purchase from small growers in rural areas. While implementing the scheme, it has been observed that in some cases, outright purchases are made in Mandis and not from growers. The Federations have also been making purchases from the open market bypassing the primaries and violating cooperative discipline. Concerted efforts need to be made to correct these short-comings to enable cooperatives to make a significant impact on the marketing of agricultural commodities in the country."

The following recommendations were *inter-alia* made:

- (i) "Efforts should be made to affiliate all primary credit societies to primary marketing societies and also to enrol individual growers on a large scale as members of primary marketing societies by providing suitable incentives.
- (ii) A programme should be drawn up for strengthening the weak societies and liquidating the moribund societies.
- (iii) Each marketing society should be made to work out a phased plan of action for increasing business turnover in different types of agricultural commodities and diversification of its business.
- (iv) Effective checks should be devised on the operation of the scheme for outright purchases of agricultural produce so

that purchases are made from small farmers on the lines envisaged in the scheme."

**(v) Fourth Plan proposals for cooperative marketing societies.**

2.22. The Committee desired to know about the proposals in the Fourth Five Year Plan for the development of Cooperative marketing societies including its financial implications and the number of new societies proposed to be organised. Government furnished the following note:

"Proposals for development of cooperative marketing in the Fourth Plan period are given in the enclosed note (Appendix III.).

For the country as a whole, as against a provision of Rs. 59 crores (including Rs. 35 crores for storage) proposed by the Central Working Group on Cooperative Marketing for the scheme relating to cooperative marketing and storage, the planning group in the Planning Commission suggested reduction of the outlay to Rs. 45 crores on the ground that there should be some possibility of raising institutional finance for construction of mandi level godowns. The details of outlay proposed by the States for the development of cooperative marketing is not yet available."

"As regards the number of new marketing societies proposed to be organised during the Fourth Plan, there is no specific target for this programme. The emphasis will be in strengthening and consolidation of the existing cooperative marketing structure specially at the primary level. During the Fourth Plan period new primary marketing societies will only be organised in the market centres which would be newly developed in areas of large irrigation projects. To the extent possible, even in such areas, steps will be taken to establish branches of the existing marketing societies rather than organising new societies."

2.23. 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 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.
- (ii) 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. 316.9 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.

2.24. In the first place, the turnover is attributable to a relatively small proportion of societies. The Reserve Bank reported in 1969\* that out of 3,295 societies in 1966-67, the number of societies "doing marketing business" was 2,300. 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."

2.25. 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."

2.26. Thirdly, sales of agricultural produce and agricultural requisites constitute the bulk of the turnover of societies. The

---

\*"Statistical statements relating to the Co-operative Movement in India—1966-67"

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.

2.27. 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.

2.28. 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.
- (ii) 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.

- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) 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.

2.29. 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.

### III

## COOPERATIVE PROCESSING SOCIETIES

### Audit Paragraph

3.1. The Corporation have been giving financial assistance to State Governments for financial Processing Units of various types in the Cooperative Sector since the beginning of the Second Five Year Plan. A Processing Unit normally requires a period of two to three years for its completion.

3.2. A few instances, of back-log in the installation of Units are cited below:—

Type of Processing Units	No. of units assisted upto 3'65	No. of units installed upto June, 68	Percentage of backlog in installation
1. Oil Mills . . . . .	156	108	30
2. Jute baling Units . . . . .	47	40	15
3. Vegetables processing units . . . . .	24	19	20
4. Copra . . . . .	19	13	32

3.3. It has been explained by the Corporation that due to fluctuations in the prices of ground nut, copra and their products in the past two years the oil mills have been going slow with the installations of the Units.

[Para 3 of Audit Report on the Accounts of the N.C.D.C. for the year 1966-67].

3.4. In paragraphs 88(d) and 140(f) of the Audit Report (Civil), 1965 and 1966 respectively, mention was made of the slow progress in installation of processing units like cotton gins, oil crushers, jute baling etc. by the cooperative societies to whom financial assistance was given by the National Cooperative Development Corporation and the erstwhile National Cooperative Development and Warehousing Board (through the State Governments).

The cooperative societies were allowed financial assistance upto ..... For installation of processing units, no ceiling for financial assistance had been laid down. 75 per cent (100 per cent in some cases) of the State Governments' contribution towards share capital of the cooperative societies was given as loan while managerial subsidy was to the extent of 50 per cent.

3.5. It would be seen from the following table that the progress of installation of processing units has continued to be slow:

	Assistance given upto March, 1966 (In lakhs of rupees)	Units assisted	Units completed	Units not completed upto March, 1966	Remarks
Processing Units	1,698.20	1,524	1,149	375	Out of the 375 units not installed, financial assistance for 8 units has since been refunded by the societies to the State Governments.  Normally it takes about two years to install a processing unit. Out of 367 units which were yet to be completed, 30 units were assisted during Second Plan period and 29 during the first two years of the Third Plan period.

3.6. The Ministry have stated (December 1968) that the implementation of the programme rests with the State Governments. The Corporation has been keeping a close watch on the progress of their installation and suggesting from time to time various measures to the State Governments for completing the programme.

[Para 124 of Audit Report (Civil), 1869].

**(i) Financial Assistance for development of processing societies.**

3.7. One of the statutory functions of the Corporation is to plan and promote programmes for processing of agricultural produce and notified commodities through cooperative societies. During

1967-68, the Corporation provided financial assistance amounting to Rs. 451.88 lakhs for implementation of various cooperative processing programmes. The total assistance provided by the Corporation for co-operative processing schemes to the end of 1967-68 aggregated to Rs. 25.72 crores. The following table indicates the break-up of financial assistance to processing units provided upto the end of 1967-68 under various schemes:

Item	Assistance provided upto 1967-68 (Rs. in lakhs)
<i>I. State Plan Schemes.</i>	
(a) Loans for share capital—sugar factories . . . . .	891.757
(b) Loans for share capital—other co-operative societies . . . . .	578.191
(c) Managerial staff sub-sidies . . . . .	15.172
<i>II. Centrally Sponsored Schemes.</i>	
(a) Export-oriented units and rice mills etc. . . . .	166.058
(b) Loans/subsidies for rice mills in Eastern States . . . . .	1.557
<i>III. Corporation Sponsored Schemes.</i>	
Rice Mills—loans for share capital and subsidy . . . . .	925.729
<b>TOTAL</b> . . . . .	<b>2572.464</b>

3.8. The number of processing units organised<sup>1</sup>assisted upto 31-3-1968 was 1580. The majority of the units organised fell under the following categories:

Rice Mills . . . . .	778
Sugar Factories . . . . .	78
Cotton Ginning Units . . . . .	237
Oil Seeds Processing Units (Oil Mills, decorticators, solvent extract plants etc.) . . . . .	247

3.9. A statement showing the number of processing units assisted<sup>1</sup>organised, commodity-wise and State-wise upto 31-3-1968 is shown in Appendix IV of this report.

**(ii) Backlog in installation of processing units**

3.10. According to information furnished to the Committee, the following was the position regarding installation of the processing units as at the end of 1967-68:

State	Total No. of units organised/assisted	No. of units uninstalled	Percentage of units uninstalled
(1)	(2)	(3)	(4)
1. Andhra Pradesh	189	48	25
2. Assam	40	21	52
3. Bihar	30	28	93
4. Gujarat	165	29	17
5. Jammu and Kashmir	22	6	27
6. Kerala	49	21	43
7. Madhya Pradesh	123	37	30
8. Madras	99	18	18
9. Maharashtra	385	179	46
10. Mysore	140	46	33
11. Orissa	97	42	43
12. Punjab (former)	43	11	26
3. Rajasthan	12	8	66
14. U.P.	115	58	50
15. West Bengal	68	30	44
16. Union Territories	3	1	33
	<u>1580</u>	<u>583</u>	<u>37%</u>

**(a) Overall position**

3.11. The Committee desired to know when the uninstalled units were assisted/organised and the quantum of assistance given. The Government have furnished the following information in a note:

"The year-wise break-up of 583 uninstalled processing units as reported in para 3.28 of NCDC's Annual Report (1967-68) is as under:

Year	Number of units year-wise organised/assisted but uninstalled
Upto 1960-61	06
1961-62	15
1962-63	35
1963-64	52
1964-65	128
1965-66	211
1966-67	48
1967-68	32
Not financially assisted by NCDC	32
	583"

"Out of 583 uninstalled processing units 80 units were assisted by the NCD&W Board which was the predecessor of the NCDC. Upto the end of financial year 1964-65 assistance to the State Governments for financing cooperative programme was released in the form of block loans and block grants; therefore, there was no record at that time of financial assistance given to individual units but this information is being collected from the State Governments now. So far, out of 583 units, information in respect of 418 uninstalled units is available from the State Governments. Its break-up is as under:

Year	Number of units where information regarding financial assistance is available	Financial assistance given by NCD&W Board NCDC to State Governments
Upto 1960-61	11	2.68
1961-62	7	0.69
1962-63	9	3.08
1963-64	19	5.76
1964-65	121	92.17
1965-66	159	185.41
1966-67	28	270.13
1967-68	32	149.81
Not financially assisted by NCDC	32	..
	418	709.73

The financial assistance mentioned above was in the form of loans and there were no grants given to the processing units towards their block costs."

3.12. At the Conference of Ministers in-charge of Co-operation held in Bangalore in July, 1969, a review was *inter-alia* conducted of the progress made in the installation of co-operative processing units. The view was taken that "there is a large backlog in the installation of processing units, which is rather high particularly in the case of rice mills and oil mills." The following was the up-to-date position of the installation of units indicated to the Conference:

Name of the commodities	Progress upto 31st March, 1969	Installed upto-date	Percentage
I	2	3	4
<i>Sugar Factories</i>			
(i) Sugar Factories . . . . .	79	62	79.74
(ii) Open Crystal pan sugar factories . . . . .	22	17	77.27
(iii) Bye-products . . . . .	9	3	33.33
<i>Foodgrains</i>			
(i) Paddy Mills & Hullers . . . . .	783	570	72.69
(ii) Rice bran oil units . . . . .	4	1	25.00
(iii) Dal Mills . . . . .	33	19	57.57
<i>Cotton</i>			
(i) Ginning and Pressing units . . . . .	237	193	81.43
(ii) Spinning mills . . . . .	26	6	23.33
<i>Oilseeds</i>			
(i) Ground-nut decorticators . . . . .	55	46	83.63
(ii) Oil mills . . . . .	187	124	66.31
(iii) Solvent Extraction Plant . . . . .	5	4	80.00
(iv) Vanaspati . . . . .	1	1	100.00
(v) Cattle Feed . . . . .	1	..	0.00
<i>Jute</i>			
(i) Jute baling units . . . . .	46	40	86.95
(ii) Jute mills . . . . .	1	..	0.00

1	2	3	4
<i>Fruit and Vegetable Units</i>	33	21	63.63
<i>Plantation Crops</i>			
(i) Coffee	5	5	100.00
(ii) Tea	12	12	100.00
(iii) Copra	32	16	50.00
(iv) Cashew	4	2	50.00
(v) Cold Storages	89	55	55.91
<i>Others</i>	8	4	50.00
TOTAL	1672	1201	72.02

3.13. The Conference took the following decisions in this regard:

- (i) In regard to rice mills, "The execution may be centralised at the level of the apex marketing federations" in States where backlog in installation is heavy.
- (ii) In regard to other processing units, "the units assisted in earlier years but not likely to be installed should be dropped and the assistance given to them quickly recovered."
- (iii) "The release of financial assistance to processing units should be regulated with reference to actual progress including collection of share capital."
- (iv) "Where a processing unit fails to complete installation within the stipulated period, the assistance received by it should be quickly recovered."

(b) *Paddy Processing Units*

3.14. The Committee desired to know the reasons for a large number of paddy processing units remaining uninstalled. In a note the Government have apprised the Committee of the following position:

"Out of the 778 cooperative paddy processing units assisted up to the end of 1967-68, about 500 units were assisted

during the 2 years of 1964-65 and 1965-66. Normally, a processing unit takes 2 years to complete its installation. In view of the larger programme of paddy processing units undertaken during the 2 years as indicated above, the backlog in installation of these units was reflected in the subsequent 2 years. The main difficulties generally being experienced in the installation of cooperative paddy processing units were:

- (i) Difficulty in securing suitable sites;
- (ii) non-availability of construction material in the rural areas;
- (iii) difficulties in the obtaining of required machinery;
- (iv) licensing policy of some of the State Governments; and
- (v) lack of technical guidance in the rural areas.

With a view to expediting the installation of these units, various measures were taken by this Corporation. The main steps taken by the Corporation were:—

- (i) special quotas for cement, GCI sheets, etc. were arranged for the different States for this purpose;
- (ii) the State Governments were advised to invoke Section 18 of the Rice Milling Industry Regulation Act to facilitate the setting up of rice mills in the cooperative sector;
- (iii) the State Governments were also advised to associate the apex marketing societies with the installation of rice mills so as to co-ordinate and economise the installation of these units;
- (iv) the Corporation provided financial assistance to the apex marketing societies for the appointment of technical personnel in the Promotional and Assessment Cells created under the Corporation's Sponsored Schemes."

3.15. The following position in regard to the installation of these units was brought to the notice of the Conference of Ministers of Co-operation held in July, 1969:

Sl. No.	Name of State	No. of units assisted			No. of units installed		
		Under Plan Scheme	Under NCDC scheme	Total	Under Plan scheme	Under NCDC scheme	Total
1	Andhr Pradesh	38	105	143	31	96	127
2	Assam	9	21	30	7	14	21
3	Bihar	3	12	15	..	5	5
4	Gujarat	12	12	24	11	11	22
5	Haryana	..	9	9	..	7	7
6	Jammu and Kashmir	22	..	22	22	..	22
7	Kerala	5	3	8	3	2	5
8	Madhya Pradesh	23	76	99	23	54	77
9	Tamil Nadu	28	13	41	28	1	29
10	Maharashtra	83	50	133	62	41	103
11	Mysore	28	51	79	21	36	57
12	Orissa	40	38	78	39	8	47
13	Punjab	..	15	15	..	14	14
14	Rajasthan	..	6	6	..	..	..
15	Uttar Pradesh	39	..	39	17	..	17
16	West Bengal	5	37	42	..	17	17
TOTAL		335	448	783	264	306	570

3.16. The overall position was indicated as under:

“About 72 per cent of the cooperative rice mills so far assisted have already been installed. In some of the States like Bihar, Orissa, Rajasthan, Uttar Pradesh and West Bengal, however, the progress in installation is slow. With a view to expediting installation of these mills and also to secure the advantage of large-scale economy, the States of Andhra Pradesh, Haryana, Punjab, Madhya Pradesh have taken steps to centralise implementation of the programme and have associated the Apex Co-operative

Marketing Federations in its execution. This strategy has proved to be fruitful and it is desirable that other States also take similar steps."

(c) *Other Units:*

3.17. The Committee enquired about the reasons for delay in installation of other co-operative processing units. In a note, Government have stated as follows:

"It may be added that in case of large sized processing units such as sugar factories, spinning mills, solvent extraction plants...and fruits and vegetable units etc., their installation period is spread over more than 3-4 years. This is because they have to raise:

- (i) finances from the financing agencies which take considerable time in processing the applications. Besides, the machinery manufacturers of these units are limited; and
- (ii) it takes time to procure machinery.

The delay in installation of oil mills is mainly on account of adverse conditions prevailing in marketing and processing of oil-seeds. Wide price fluctuations and price disparities arising from scarcity conditions continued to exist in the last few years and some of the State Governments had to advise the cooperative to go slow in installation of these units."

3.18. The Committee desired to know what steps had been taken by Government to make the release of financial assistance scheme progress-oriented. The witness replied: "On the advice of the P.A.C. itself earlier, we had initiated the system of progress-oriented releases....Earlier the system was to release only block grants.... later on we said that we would release all assistance not in one lumpsum but in instalments." In a note submitted subsequently, the Government have submitted the following information:

"Releases of central assistance to the State Governments are made on the following basis:

- (i) In respect of processing units assisted in the State plan schemes of cooperative development release were made in two instalments with 50 per cent on receipt of information about the processing units proposed by marketing|processeing societies and the remaining 50

per cent on receipt of information about acquisition of site or placing of orders for machinery etc.;

- (ii) In respect of larger processing units costing Rs. 20.00 lakhs and above and processing units proposed to be assisted under the centrally sponsored scheme for export oriented processing units, release of assistance was made after the proposal in respect of the Corporation's share of assistance is furnished separately for every individual processing unit accompanied by a project report along with the State Government's views on their technical feasibility etc."

(iii) **Underutilisation of capacity of processing units.**

(a) *Overall position*

3.19. At the instance of the Committee, the Government have furnished the following data in respect of capacity created and capacity installed for various types of processing societies organised as on 31st March, 1968:

Crop	(In lakhs of tonnes)		
	Capacity created	Capacity installed	Capacity utilised
1. Paddy . . . . .	25.89	18.63	Not available
2. Sugarcane . . . . .	14.81	9.04	6.91
3. Cotton			
(a) Ginneries . . . . .	11.35	10.04	3.43
(b) Growers spinning mills . . . . .	4.76	1.18	1.18
4. Ground-nut . . . . .	2.43	1.04	0.30
5. Fruit and Vegetables . . . . .	0.16	0.07	0.30

(b) *Paddy Processing Units:*

3.20. The Committee enquired about the extent to which capacity created in the paddy units had remained unutilised. Government have stated in a note that "procurement policy is different from State to State and as a result, there is wide disparity in utilisation of the installed capacity of the cooperative rice mills. As such, it is difficult to assess under-utilisation of the rice mills on account of deficiencies in their organisation and operation."

3.21. The Committee observe, however, that the Reserve Bank of India who carried out a review of the position have in their reports indicated the following position in regard to utilisation of capacity in the paddy processing units and rice mills:

Type of processing activity	Quantity processed (in tonnes)			
	1963-64	1964-65	1965-66	1966-67
Paddy husked	1,876	8,407	8,396	1,695
Rice milled	41,089	50,626	45,316	88,543

(SOURCE: "Review of Co-operative Movement in India"—1964-66 and 1966-68)

At the meeting of the Ministers of Co-operation held in July, 1969, the following position in regard to utilisation of capacity was brought to notice:

"Majority of the rice mills that have been commissioned are confronted with the problem of under-utilisation of their installed capacity. This is mainly on account of the following reasons:

- (i) Inadequate supply of paddy;
- (ii) Inadequate working capital; and
- (iii) Lack of suitable managerial personnel.

(i) *Inadequate supply*

The procurement policies adopted by some of the State Governments place the cooperatives at a disadvantage since they have to face the unfair competition of the private traders. This has affected the supply of paddy to the cooperative rice mills and under-utilisation of their capacities. In Andhra Pradesh and Madhya Pradesh cooperatives have been given a prominent place in procurement of levy paddy and similar measures in other States can help in the cooperative rice mills getting adequate supply of paddy for milling.

(ii) *Inadequate working capital*

Many of the rice mills did not make provision for adequate margin money in the estimate of block capital and are experiencing difficulties in having the required capital for procuring paddy sufficient to utilise their installed capacity. It is, therefore, desira-

that the State Governments take stock of this situation and make arrangements, on a priority basis, for providing additional funds for margin money to such mills. At the same time the mills should make all efforts to raise share capital from their members.

(iii) *Managerial personnel*

The working of some of the rice mills has suffered on account of lack of suitable trained managerial personnel. In the States of Assam and Madhya Pradesh, this problem has been solved to some extent by centralising recruitment of managers of these mills through the apex marketing federations. These federations have made arrangements for training of such personnel also. Similar action may be considered in other States."

3.22. The Committee asked for particulars of location of paddy processing units organised in Cooperative Sector. The information on this point has been furnished. An Expert Committee set up to review the arrangements for financing of co-operatives compiled production about rice production in different districts of all the States based on the average for 1959-60 to 1961-62. The data furnished by Government about the number of paddy processing units in the cooperative sector in various districts has been correlated with the rice production figures in those districts as compiled by the Expert Committee and a consolidated statement compiled, which is at Appendix V to this report. From that statement it appears that the number of units organised in various districts do not bear any correlation to the relative importance of those districts in rice production.

(c) *Other Processing Units:*

3.23. So far as other processing units are concerned, the reasons for underutilisation of capacity have been explained in a note as follows:

"In the case of sugarcane, due to successive droughts in the year 1966-67 and 1967-68, overall production of sugarcane in the country was much less than the demand. As a result, sugar factories could not procure adequate cane. In addition, they had to face stiff competition of the jaggery manufacturers. This resulted into under-utilisation of the installed capacity of the cooperative sugar factories. However, in the earlier years as well as in the current year, the utilisation of their installed capacity has been satisfactory.

In respect of cotton and ground-nut, it may be said that co-operatives are finding it difficult to fully utilise their installed capacity mainly on account of wide price fluctuations in the price of these crops arising from overall shortage in their production.

Fruit and vegetable processing is a highly sophisticated industry and has to stand keen competition in the market. It is very sensitive to consumers' preferences and the cooperatives have to build up their hold and incur large scale expenditure on advertisements, etc. The cooperatives have taken fruit and vegetable processing very recently and they are gradually building up required expertise to make fuller utilisation of their installed capacity."

3.24. The Committee desired to know whether before approving proposals to assist these types of pressing units, any data was collected about the available capacity in the country and the extent to which it was being utilised. In their note, the Government replied as under:

"Before establishing large sized cooperative processing units such as spinning mills, solvent extraction plants, etc. the overall capacity in the country including that of the private sector is taken into account. However, in respect of small size units such as oil mills based on groundnut, ginneries, etc. new units were established in areas where there was concentrated production of the raw-material and the cooperatives as farmers' organisations were encouraged to establish these units irrespective of the overall capacity in the country, with a view to securing better returns to the growers on their produce..... For the Fourth Plan, however, the establishment of processing units will be based on an assessment of the overall capacity in the cooperative and private sectors."

3.25. The Committee observe, however, from the data/documents furnished by Government, the following position in regard to capacity available in some of the sectors:

*Paddy Processing:* "The average production of paddy during the last five years ending 1967-68 comes to 54 million tonnes. According to the targets laid down for production of foodgrains during the Fourth Plan, the production of paddy by the end of the Fourth Plan Period is estimated to be of the order of 81 million tonnes. The total processing capacity of existing paddy units in the country is estimated to be of the order of 56 million tonnes."

The Expert Committee on 'Financing of Co-operative Processing' (Vaidyanathan Committee), while examining the question of additional capacity necessary in the cooperative sector referred to capacity available already in the hand-pounding industry and the private sector. They pointed out that "the hand-pounding industry is also playing a major role in the processing of rice. According to the Report of the Rice Milling Committee, published in 1955, about 57 per cent of the rice produced in the country was being hand-pounded... According to the latest report of the Khadi and Village Industries Commission, hand-pounding... now account only about 50 per cent of the total rice production. It is, therefore, presumed that in view of the socio-economic changes brought about in the period in the rural areas,.....the hand-pounding industry has suffered a serious set-back. It could, therefore, be safely estimated that at present hand-pounding industry does not account for more than 30 per cent of the rice grown in the country." In regard to the other agencies in the private sector, they stated that "about 50 per cent" of the additional production that may be expected "may be deemed to be taken care of" by them. No precise data about actual capacity in the hand-pounding industry or the private sector is, however, available in the Report.

*Cotton processing:* The Expert Committee stated that "no precise information is available about ginning and pressing factories in the country. Some assessment in this behalf was attempted in 1963-64. In that year, there were about 3,200 ginning and pressing units in the country of which about 600 were reported to be either idle or have been closed permanently or functioning intermittently... Information about the capacity of the 2,600 working ginning/pressing factories is not available. It is generally believed that there is a large idle capacity in the cotton ginning and pressing industries and therefore the existing capacity is adequate to meet the present requirements."

*Groundnut processing:* "For the processing of groundnut, as also other oil seeds, 3 types of crushing units (oil ghanis, rotary ghanis and expellers) are in use. While no reliable statistics are available regarding the number of various types of units in operation and the quantities of oil seeds crushed, some estimates have been framed from time to time by various Committees about the number of power operated oil mills and the quantities of oil seeds crushed. According to the Oil Seeds Crushing Enquiry Committee (1955) there were 8,000 power driven oil mills in 1955 with a crushing capacity of 9.27 million tonnes. In addition, village ghanis were reported to have a capacity of 1.94 million tonnes. Later on, in 1958-

59 the Indian Central Oil Seeds Committee assessed the number of power driven oil mills in operation at 12,000. According to the data collected by this Committee, 1.93 million tonnes of groundnut were estimated to have been crushed in these mills during 1958-59 which was about 43 per cent of the country's total groundnut production in that year. At the time of formulation of the draft IV Plan, the working group on oil seeds placed the proportion of groundnut milled at 80 per cent of the total groundnut production. This has been estimated on the basis of requirements of groundnut kernels used as seed and for direct edible purposes. For purposes of assessing requirements of additional processing capacity by the end of the year 1970-71, this estimate of 80 per cent has been taken into consideration."

3.26. The Committee enquired what steps Government had taken to improve operational efficiency and ensure maximum utilisation of the installed capacity of the processing units. In a note, the Government have replied as under:

".....through circular letters, meetings etc. the deficiencies in organisation and operation of the processing units are brought to the notice of the State Governments' processing units. For instance, cooperatives have been advised to adopt commercial practices such as outright purchases from the members wherever necessary, introduction of organised sales, storage etc. without affecting their cooperative character. To facilitate outright purchases and to enable the cooperatives to cushion the consequent risks, a scheme for building up a price fluctuation fund has been introduced. In order to strengthen economic viability of the primary processing units and to protect them from the hazards of price fluctuations and market competition, their integration with secondary and tertiary stages of processing is emphasised. Proper attention to technical aspects such as minimisation of processing and handling losses, scientific grading and storage arrangements is also emphasised. Involvement of processing units in agricultural extension programmes is considered one of the remedies for ensuring steady and assured supply of raw material for fuller utilisation of installed capacity. The cooperatives are, therefore, being advised to increasingly involve themselves in agricultural extension programmes. The technical cells set up in the apex marketing societies and functional federations are expected to provide necessary expertise to improve operational efficiency of these units. The National Cooperative Development Corporation is also pursuing the policy of creating a pool of trained and managerial personnel at the apex level for loaning them to small cooperative processing units. The scheme is already under implementation in

few States. In order to train the personnel managing the cooperative processing units, the Vaikunth Mehta National Institute of Co-operative Management has been requested to organise special training courses, crop-wise, on various aspects of cooperative processing programme."

3.27. At the recent conference of Ministers of Co-operation, the position regarding the utilisation of capacity of the processing units was reviewed. The following was the view taken:

"Many of the units that have already been installed are under-utilised due to inadequate supply of raw-material. Organisation of cooperative processing units needs to be based on a systematic plan with reference to availability of raw material, demand for processing facilities, economics of the units and marketing of the finished products. The location of these units will also have to be carefully made purely on economic consideration. Adequate arrangements need also to be made for providing necessary technical expertise to these units."

(iv) *Fourth Plan proposal for Cooperative processing societies*

3.28. The Committee desired to know the proposals for installation of cooperative processing units in the Fourth Five Year Plan and financial implications thereof. In reply the Government furnished the following note:

"In June, 1967, National Cooperative Development Corporation appointed an Expert Committee (Vaidyanathan Committee) to examine the scope for enlargement in the agricultural processing programme in the context of increase in agricultural production during the Fourth Plan and also to suggest the ways and means to meet the block cost requirements of the programme. The Committee suggested establishment of 1194 new processing units (including 490 paddy, 48 sugarcane, 226 cotton, 240 oilseeds and 190 vegetables).

The Committee estimated total block investment of Rs. 205 crores for the above programme and suggested that Rs. 32 crores would be raised by the grower members as share capital to which Rs. 38 crores would be contributed by the State Governments. Rs. 97 crores would be available from financing agencies. It was recommended that the gap of Rs. 38 crores should be contributed by the National Cooperative Development Corporation and for that, the Central Government might grant a loan of Rs. 35 crores to it, the remaining amount of Rs. 3 crores to be met by the National Cooperative Development Corporation from its own funds.

The Fourth Plan Working Group of the Department of Co-operation broadly accepted the recommendations of the Vaidyanathan

Committee and suggested that the Central Government should provide financial assistance to the National Cooperative Development Corporation to the extent of Rs. 20 crores instead of Rs. 35 crores for financing/refinancing the processing programme outside the State Plan ceilings and that the number of units might be reduced from 1194 to 925 excluding sugar factories and their bye-product units.

When the Fourth Plan proposals were discussed with the State Governments, they agreed to take up a programme for setting up 399 new processing units including 45 cold storages. In addition, modernisation of existing 88 rice mills was also agreed to. These units, however, do not include sugar factories and their bye-product units. A sum of Rs. 2172.68 lakhs is tentatively involved for financing this programme. The State-wise break-up is as under:

Name of the State	No. of units	Amount of assistance likely to be provided
		(Rs. in lakhs)
1. Andhra Pradesh	33	150.00
2. Assam	11	60.89
3. Gujarat	40	118.00
4. Bihar	19	124.75
5. Jammu and Kashmir	5	42.75
6. Kerala	11	60.00
7. Madhya Pradesh	32	184.68
8. Tamil Nad	34	390.00
9. Maharashtra	116	277.00
10. Mysore	25	150.00
11. Orissa	..	67.34
12. Punjab	21	137.22
13. Rajasthan	..	25.00
14. Uttar Pradesh	11	115.75
15. West Bengal	25	205.50
16. Haryana	3	3.00
17. Union Territories	12	61.80
	399*	2172.68

\* This excludes programme of modernisation of existing 88 rice mills

Based on the broad details available from the State Governments out of 399 processing units programmed for the Fourth Plan by the States, 100 are rice mills, 112 oil mills, 34 ginning and pressing units, 19 fruit and vegetable processing units, 16 solvent extraction, vanaspati and cattle feed plants and 45 cold storages. Besides this, 73 other units in the States tentative plans, have not yet been specified.

Under the Central sector scheme to be operated by the National Cooperative Development Corporation, the Planning Commission have tentatively provided a sum of Rs. 7.50 crores for giving loan to the National Cooperative Development Corporation, during the Fourth Plan period, for financing processing units outside the States' plan resources. By dovetailing the States' plan funds with the assistance available from the National Cooperative Development Corporation under the Central sector scheme, it is expected that a larger programme could be taken up during the Fourth Plan period for providing additional processing capacity in the cooperative sector..... The Planning Commission have informed the National Cooperative Development Corporation that, if required, the National Cooperative Development Corporation's demand for additional funds, under this scheme, could be reviewed during the Fourth Plan period.

As regards cooperative sugar factories, licensing has to be done in the context of overall capacity of production required in the country and cannot be rigidly laid down. In the current year, i.e., in the first year of the Fourth Plan, upto 1st September, 1969, 31 co-operatives with 5.97 lakh tonnes capacity have been granted letters of intent for establishment of sugar factories. Thereby, the total licenced capacity of the cooperatives has gone upto 21.23 lakh tonnes which is about 42 per cent of the country's total licenced capacity. Another 15 applications of the cooperatives in different States are still pending consideration and a few more are expected to be received from the cooperatives. Out of 79 sugar factories licenced upto March, 1969, 35 have been granted licences to expand their installed capacity. About 10 more such applications may be received from the cooperatives during the Fourth Plan for granting expansion in crushing capacity.

\* \* \* \*

The planning and implementing the processing programme, broadly following broad objectives will be kept in view:

- (i) In terms of number of units and processing capacity for a commodity, the cooperatives should be able to influence the market both in procurement of raw material and in the sale of finished products.

- (ii) New processing units will be conceived as a part of integrated processing complexes wherever possible. As far as possible the existing small size and scattered primary processing units will be integrated with secondary and tertiary stages of processing to make them economically more viable and functionally more efficient;
- (iii) In selected areas with high potential of agricultural development and production, integrated marketing and processing complexes will be organised; and
- (iv) Arrangements would be made to provide trained and experienced personnel to manage the working of the processing units.'

3.29. The Committee observe 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 overall position has to be considered unsatisfactory for the following reasons:

- (i) 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 led 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

---

\*"Review of Cooperative Movement in India—1966-68" Reserve Bank of India (January, 1970).

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 in 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.

- (ii) Units already set up are plagued by the problem 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 the 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 underutilisation 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 given 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 those 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 adequate attention was paid to the location factor.

- (iii) 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 their capacity.

3.30. 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 uninstalled 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 underutilisation 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 underutilised and with the prospect of more capacity being created, after the heavy backlog of uninstalled 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.

**IV**  
**COOPERATIVE GODOWNS**

**Audit Paragraphs**

4.1. The Public Accounts Committee (*vide* para 3.41 of their Forty-First Report—Third Lok Sabha) had desired that the Corporation should call for utilisation reports in respect of godowns from all the State Governments and satisfy itself that there is full and proper utilisation of godowns' capacity.

4.2. Instead of calling for utilisation reports in respect of godowns from all the States the Corporation decided in January, 1966 that the extent of utilisation of Cooperative Godowns should be examined on the basis of random sampling.

4.3. During 1966-67, the study about utilisation of godowns was completed in respect of four States. The utilisation of the Rural Godowns and Market Level Godowns in the four States are indicated below:

Name of States	Number of Godowns, built in package and non-package areas	Percentage of godowns which utilised below 50% capacity as based on sample strictly		Percentage of godowns which utilised about 50% capacity as based on sample strictly		
		Package area	Non- Package area	Package area	Non- Package area	
<i>Marketing Godowns</i>						
Kerala . . . . .	42	100 %	100%	..	..	
Mysore . . . . .	287	..	..	100%	100%	
Orissa . . . . .	35	33%	..	67%	100%	
West Bengal . . . . .	119	33%	100%	67%	..	
<i>Rural Godowns</i>						
Kerala . . . . .	414	40%	100%	60%	..	
Mysore . . . . .	799	40%	80%	60%	20%	
Orissa . . . . .	249	25%	50%	75%	50%	
West Bengal . . . . .	254	25%	75%	75%	25%	

A sum of Rs. 38,12,000 (Rs. 28,59,000 loans and Rs. 9,53,000 subsidy) was released by the Corporation during 1965—67 for creation of additional storage capacity in two of the four States mentioned above viz., Kerala and Mysore.

[Para 4 of Audit Report on the accounts of N.C.D.C. for 1966-67]

4.4. In paragraphs 88 (d) and 140 (f) of the Audit Report (Civil), 1965 and 1966 respectively, mention was made of the slow progress in construction of godowns by the cooperative societies to whom financial assistance was given by the National Cooperative Development Corporation and the erstwhile National Cooperative Development and Warehousing Board (through the State Governments).

The cooperative societies were allowed financial assistance upto Rs. 25,000 for construction of marketing godowns and Rs. 10,000 for construction of rural godowns. Out of this, 75 per cent was given as loan and 25 per cent as subsidy; 62½ per cent of the loan and 12½ per cent of the subsidy was the share of the Board/Corporation, the balance being met by the State Governments.

4.5. It would be seen from the following table that the progress of construction of godowns has continued to be slow:

	Assistance given upto March, 1966  (In lakhs of rupees)	Units assisted	Units completed	Units not completed upto March, 1968	Remarks
Godowns	1,217.51	14,537	12,807	1,750	Out of the 1,750 incomplete godowns, financial assistance for 277 godowns has since been refunded by the societies to the State Governments.  Generally, it takes one year to two years to construct a godown. Of the 1,473 godowns which were yet to be completed and for which financial assistance of Rs. 1.60 crore was given, assistance for 410 godowns was given during the Second Plan period and for 338 during the first two years of the Third Plan period.

4.6. The Ministry have stated (December 1968) that the implementation of the programme rests with the State Governments; that in cases where the construction of godowns has not made progress within a reasonable period of time, the State Governments concerned are being asked to refund the financial assistance.

[Para 124 of Audit Report (Civil), 1969]

**(i) Financial Assistance provided**

4.7. Section 9(1) of the NCDC Act, 1962 vests the Corporation, *inter-alia*, with the responsibility of planning and promoting the programmes for storage of agricultural produce and notified commodities through cooperative societies.

4.8. The total amount of assistance provided by the Corporation to the end of 1967-68 for construction of godowns under various schemes was Rs. 1439.477 lakhs, of which Rs. 1169.962 lakhs constituted loans and the balance of Rs. 269.515 lakhs constituted subsidy. This was disbursed as under:—

	Mandi level godowns	Rural level godowns
	(In Lakhs of rupees)	
Loan . . . . .	453.767	716.195
Subsidy . . . . .	110.480	156.495
TOTAL . . . . .	564.247	872.690

(In addition a sum of Rs. 2.54 lakhs had been provided as subsidy for hiring of godowns.)

The number of godowns assisted was 18,379 as follows :

	Type of godown assisted	
	Mandi level	Rural level
Centrally sponsored scheme (crash programme) . . . . .	452	1248
Centrally aided plan scheme . . . . .	3005	13510
Godowns assisted in Union Territories . . . . .	39	124
	3496	14882

**(ii) Delay in construction of godowns**

4.9. According to the information given in the Annual Report of the Corporation "normally a godown takes two years to complete

construction". The Committee enquired about the progress made in construction of the godowns assisted. A statement showing the progress in construction of godowns State-wise (exclusive of Union Territories) has been furnished to the Committee as under:

Serial No.	Name of the State	Number assisted			Number constructed		
		Mktg.	Rural	Total	Mktg.	Rural	Total
1.	Andhra Pradesh	320	604	924	229	455	684
2.	Assam	176	259	435	141	155	295
3.	Bihar	280	1020	1300	254	606	860
4.	Gujarat	298	1296	1594	232	991	1223
5.	Haryana	57	418	475	48	342	390
6.	Kerala	61	556	617	54	468	522
7.	Madhya Pradesh	269	968	1237	226	851	1077
8.	Maharashtra	698	2748	3446	472	2108	2580
9.	Mysore	354	1667	2021	284	1125	1409
10.	Orissa	48	396	444	39	264	303
11.	Punjab	115	768	883	106	665	771
12.	Rajasthan	115	383	498	100	295	395
13.	Tamil Nadu	198	1529	1727	196	1449	1645
14.	Uttar Pradesh	225	1209	1434	155	839	994
15.	West Bengal	187	411	598	142	313	455
TOTAL		3401	14232	17633	2678	10926	13604

4.10. The Committee asked for particulars about the years in which construction was started in respect of godowns which were still not completed. The data furnished (which is not complete) is summarised below:—

Year	Marketing	Rural	Total
1956-57	1	..	1
1957-58	2	2	4
1958-59	2	..	2

Year	Marketing	Rural	Total
1959-60	15	13	28
1960-61	46	97	143
1961-62	6	84	90
1962-63	58	170	228
1963-64	32	177	209
1964-65	67	747	814
1965-66	80	366	446
1966-67	107	329	436
1967-68	153	492	645
	569	2477	3046

4.11. The Committee asked for particulars of financial assistance provided for construction of godowns which were still incomplete. The data given by Government on this point (which is also not complete) is tabulated below:

Mandi godowns		Rural godowns		Total	
No.	Amount of assistance (in lakhs of rupees)	No.	Amount of assistance (in lakhs of rupees)	No.	Amount of assistance (in lakhs of rupees)
625	117.183	2852	213.9	3477	331.083

At the conference of Ministers of Cooperation held in July, 1969, the progress in construction of godowns was reviewed, when it was noticed that out of 19,047 godowns assisted under the centrally aided State Plan Schemes as well as centrally sponsored crash programme, only 14,243 had been completed. The following position was further taken note of:

“The progress of construction in respect of rural godowns assisted under the Centrally aided plan schemes is particularly slow in the States of Andhra Pradesh, Assam, Bihar, Mysore, Orissa and Uttar Pradesh. 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. But only 52 per cent of these godowns have been completed. The progress of construction of these godowns under this programme is particularly unsatisfactory in the States of Bihar, Gujarat and Mysore. In these States, a large number of godowns have not yet been taken up for construction in spite of the fact that financial assistance was provided two or three years back. The progress of construction needs to be accelerated and the latest position reviewed and also steps being taken to reduce the backlog.

Many measures were suggested to State Governments to accelerate the progress of construction of godowns. These include allocation of G.C. sheets, cement, etc. on a priority basis, setting up a nucleus of engineering staff both in the office of the Registrar of Cooperative Societies and also at the headquarters of the District Officers in selected Districts where the programme of construction of godowns is large, planning the location of godowns in advance and laying down criteria for allotment of godowns to various societies to ensure their economic utilisation, etc."

4.12. The conference came to the following conclusion:

"The progress of construction of godowns is not satisfactory in some of the States. The backlog is particularly heavy in respect of rural godowns assisted under the crash programme. Special steps should be taken to expedite construction of unfinished godowns."

4.13. The Committee enquired about the storage capacity expected to be provided by the godowns assisted and that actually provided as a result of completion of construction. It is seen from the data furnished by Government in this regard that the godowns assisted to the end of 1967-68 were expected to provide 2.5 million tonnes of capacity. The total storage capacity effectively provided through completion of construction has been estimated at 1.9 million tonnes.

4.14. The Committee enquired whether any of the godowns assisted had been given up and if so, whether financial assistance provided therefor had been refunded. The information available in this regard in the Annual Report of the Corporation indicates

that at the end of 1968-69, 557 of the incomplete godowns (total 4052) had been dropped in various States, "as the concerned cooperative could not take effective steps for the construction of the same". Though the State Governments have been asked to refund the amounts extended to them for these godowns in a lump sum they "continued to pay to the Corporation part of this assistance by way of annual instalments according to their repayment schedule".

4.15. The Committee enquired what procedure had been followed by the National Cooperative Development Corporation to ensure that the funds given for construction of godowns were expeditiously utilised. In a note the Government explained the position as under:

"The following procedure is followed by the National Co-operative Development Corporation to ensure that funds given for the construction of godowns are expeditiously utilised:

- (i) Prior to the year 1965-66, the financial assistance for construction of godowns was released in one instalment. With a view to keep watch on the expeditious construction of godowns, release procedure has since been revised from the year 1965-66 onwards and the financial assistance is now released in two instalments instead of one. 50 per cent of the total sanctioned amount is released in first instalment after the approval of the proposal and the balance of 50 per cent in second instalment only after the concerned societies have secured sites. Since the societies cannot purchase sites out of their limited funds, 50 per cent of the sanctioned amount is released in the first instalment to enable them to purchase sites and make preliminary arrangements for the construction of the godown.
- (ii) While sanctioning the financial assistance the State Governments are requested to send the society-wise details of release of financial assistance within three months after the close of the financial year.
- (iii) Quarterly progress reports regarding construction of godowns are called for from the State Governments. These reports are scrutinised and wherever the progress is not satisfactory the matter is taken up with the concerned State Governments.

- (iv) The progress of construction is also reviewed in the Annual Plan discussions with the representatives of various State Governments.
- (v) The progress is also reviewed in the periodical meetings with the representatives of various State Governments.

The responsibility for construction of godowns rests principally with the State Governments. The State Governments are requested to ensure that the societies selected for this purpose construct the godown within a reasonable period say one or two years."

### (iii) Utilisation of capacity of godowns

4.16. The Committee recalled its recommendation made in paragraph 3.41 of its Forty-First Report (1963-64) wherein it was desired that the National Cooperative Development Corporation should call for utilisation reports in respect of godowns from all the State Governments and satisfy itself that there is full and proper utilisation of godown's space and desired to know the procedure followed to keep track of the utilisation of godowns. In a note submitted to the Committee, the Government have stated: "With a view to ensuring that the godowns constructed by Cooperatives are adequately utilised, the State Governments are requested to undertake the periodical assessments of the utilisation of these godowns and report to this Corporation. Such assessments are being regularly pursued and wherever the utilisation is inadequate, the State Governments are requested to undertake remedial measures. Random studies were also conducted by National Cooperative Development Corporation".

4.17. In order to assess the extent to which the cooperative godowns had been utilised, a sample survey was conducted by the Corporation in March, 1965 in 7 States, Gujarat, Kerala, Mdhya Pradesh, Madras, Mysore, Orissa and West Bengal. Later, in 1968, Maharashtra was also covered. The godowns selected were both rural as well as marketing and from package as well as non-package areas. Based on these survey reports, the percentage of utilisation of effective capacity of each godown State-wise has been tabulated in Appendix VI. The following position emerges from the sample survey:

- (i) Taking both package and non-package areas as also both rural and marketing godowns combined, 32 per cent go-

downs were utilised above 75 per cent of their effective capacity; 31 per cent of godowns to the extent of 41 per cent to 75 per cent; 30 per cent godowns to the extent of 11 per cent to 40 per cent of their effective capacity while the remaining 7 per cent had not been utilised to more than 10 per cent of their effective capacity.

- (ii) "Renting out of godowns by the societies to the Government appears to be quite common (in Maharashtra) which shows that the godowns were not required by the society concerned. The phenomenon does not appear to be desirable. The practice means that the societies not only do not inculcate the habits of storing produce in the members but foster the habit of not using godown amongst the members by giving them good return on the invested share capital out of the substantial money received by way of rent."
- (iii) The most common reasons for under utilisation of godowns were:
  - (a) "Unsuitable location of godowns";
  - (b) "some godowns had more capacity than the actual and contemplated increased requirements of the societies... While sanctioning the godowns to the societies, the criteria laid down for location of godowns appears to have not been taken into account" (In one block alone—Sakoli in Maharashtra), there were as many as 24 rural godowns located at a distance of not more than 15 miles from each other. There are certain godowns in the block which are located within a radius of 3 miles. This has resulted in some godowns having nothing to store through out the year";
  - (c) "currently reduced need of members for storage of paddy on account of paddy procurement by Government".

4.18. A Working Group on storage for the Fourth Plan set up by the Planning Commission reported that a survey of Cooperative godowns in Maharashtra disclosed that the construction of new

storage capacity was well ahead of and in excess of demand. The percentage of godowns constructed but not in use was as under:

Type of godown	1963-64	1964-65	1965-66
Small . . . . .	24	16	22
Medium . . . . .	10	5	5
Large . . . . .	10	10	10

The Conference of Ministers of Cooperation held in July, 1969 came to the following conclusion in regard to utilisation of godowns:

“The proper and full utilisation of godowns needs particular attention. The States where the study for assessing utilisation of godowns has so far not been undertaken, should immediately undertake this study and ascertain the extent of utilisation. For a scientific and systematic assessment of the utilisation of godowns it is important that proper norms are laid down.”

**(iv) Fourth Plan proposals for cooperative godowns**

4.19. The Committee desired to know the proposals for construction of godowns during the Fourth Plan and the financial implications thereof. In a note the Government have furnished the following information:

“The total storage capacity assisted in the cooperative sector is estimated to be of the order of 2.5 million tonnes by the end of the year 1968-69. The Working Group on Cooperation estimated that the additional storage requirement of the cooperatives to be created during the Fourth Plan period would be of the order of about 4 million tonnes, thus bringing the total storage capacity with cooperatives to 6.5 million tonnes by the end of 1973-74. However, in view of the difficult resources position, the Working Group on Cooperation recommended a programme of additional storage capacity to be created in the cooperative sector of the order of 2.5 million tonnes only during the Fourth Plan period. As against this, the financial provision made in the Fourth Plan programme as finalised in the plan discussions with various State Working Groups amount to Rs. 15.49 crores with which an additional storage capacity of 1.6 million tonnes was likely to be added. Infor-

mation on the actual provision made by States is not available. Besides, it is expected that additional 1 million tonnes capacity would be constructed in the cooperative sector with the financial assistance likely to be available from the Agricultural Refinance Corporation, State Bank of India and other commercial banks."

**(v) Economic viability of rural godowns**

4.20. A survey carried out by the Corporation in 1968 gave the following findings in regard to the economic viability of rural godowns:

"The village societies were assisted at the rate of Rs. 10,000 to 12,500 per godown in the form of 75 per cent loan and 25 per cent subsidy for construction of a godown. It was observed that during the last few years a large number of cooperative village societies which were allotted rural godowns, found it difficult to repay out of their earnings instalments of principal and interest on the loans taken by them for construction of godowns. Some of the societies were reported to be drawing out of their working capital for repaying the loans. In many cases, the income from storage of agricultural produce has been practically nil at the village level and the transaction in respect of distribution of agricultural inputs and supply functions were not enough to meet the cost of maintenance of godowns, with the result that it was not always economic for village cooperatives to maintain a godown and bear the burden of repayment of loan. The Government of India considered these difficulties and revised the pattern of financial assistance. According to the new pattern, cooperative societies are provided loan at the rate of 62½ per cent and subsidy 37½ per cent instead of 75:25 loan and subsidy respectively as hitherto. In other words, subsidy portion has been increased by 12½ per cent and to that extent the loan portion has been reduced. It is hoped that this would help the societies concerned to make godowns viable units. However, this measure alone may not make the godown viable unless cooperatives have enough business to handle and store in their godowns. The cooperatives having godowns may have therefore to intensify their activities relating to marketing and distribution."

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. 1,440 lakhs.

4.22. In the first place, as many as 4,029 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 2,828 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 3,477 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.

4.23. 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 Corporation failed to screen proposals for construction of godowns with sufficient care.

4.24. 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.

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

4.26. 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.
- (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.

---

\*Paragraphs 24—29 of the 9th Report of the Committee on Public Undertakings (Fourth Lok Sabha).

- (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.

## V

### COOPERATIVE COLD STORAGE

#### **Audit Paragraph**

5.1. Financial assistance of Rs. 20.33 lakhs (75 per cent of the amount of loans provided by State Governments) was paid in March 1966 for establishment of 11 cold storages. It was stated that normally installation of a cold storage requires two to three years. But upto November 1968 only two plants had been installed, seven others were in the process of installation and the remaining two were not taken up because of a subsequent decision (June 1968) to install one large cold storage plant instead of two small ones.

In April 1969 it was stated by the corporation that three more units had been installed.

(Para 2 of Audit Report on the accounts of N.C.D.C. for the year 1967-68)

#### **(i) Financial assistance provided.**

5.2. According to the information furnished to the Committee, the total financial assistance provided by the Corporation for establishment of cooperative cold storages amounted to Rs. 268.69 lakhs as at the end of 1967-68. The bulk of this (Rs. 267.94 lakhs) had been provided as loan towards capital cost and the balance as subsidy. The number of cooperatives assisted in this manner was 67. Apart from these 67 cold storages for which the Corporation provided financial assistance 21 cold storages were organised outside the plan programme. 5 more units were organised in Orissa State (3 units) and Gujarat (2 units). Thus at the end of the year 1967-68, 93 co-operative cold storages had been organised.

#### **(ii) Delay in installation.**

5.3. The Committee enquired about the progress of installation of the 67 units assisted by the Corporation. The position in regard

to uninstalled units was indicated in a statement submitted to the Committee as under:

Year	No. of units uninstalled	Assistance provided (in lakhs of Rs).
1964-65	3	13.75
1965-66	17	43.27
1966-67	27	152.46
1967-68	3	4.12
<b>TOTAL</b>	<b>50</b>	<b>213.70</b>

According to the Expert Committee set up to go into the question of 'functioning of cooperative processing', "it normally takes one to two years to set up a cold storage plant."

5.4. The latest position in regard to the installation of the cold storage as indicated in the Annual Report of the Corporation for 1968-69 is as follows:

No. of units organised as on 31-3-69 (excluding 8 units dropped)	Units installed as on 30-6-69
87	55

### (iii) Working results of cold storages.

5.5. About the working of the installed cold storages, the report of a survey carried in 1969 by National Cooperative Development Corporation, a copy of which was furnished to the Committee, showed that, at the end of June, 1967, "34 cold storages had commenced operation. They had a total membership of 8576 consisting of 7,415 fruit and vegetable growers, 1,065 growers cooperatives and 96 others. The total share capital raised by these cold storages was of the order of Rs. 54.76 lakhs. Of this, an amount of Rs. 13.03 lakhs was contributed by various State Governments, while the remaining amount of Rs. 41.73 lakhs was collected from the members. The reserve fund of these 34 cold storages amounted to Rs. 37 lakhs. . . . During the year 1966-67, out of 34 cold storages in operation 12 were in profit. They earned total profit of Rs. 3.71 lakhs. 16 units did not show any profits in the year under reference of which 12 were

installed recently. 5\* cooperative cold storages did not operate in 1966-67."

5.6. As regards utilisation of these 34 cold storages, the survey points out that, "...as many as 14 have reported 100 per cent utilisation. 3 cold storages utilised 90 per cent of their installed capacity, 1 unit 75 per cent and the remaining 9 units upto 60 per cent. Only 4 cooperative cold storages have reported utilisation of the installed capacity less than 50 per cent. Under-utilisation of installed capacity of some of these units was mainly because these cold storages had commenced operations only recently."

**(iv) Fourth Plan proposals.**

5.7. The Committee desired to know the proposals for installation of cold storages in the Fourth Five Year Plan and the financial implications thereof. In their reply, the Government have furnished the following note:

"Special emphasis is proposed to be given on cold storages programme. As against 150 cold storages recommended by the Vaidyanathan Committee, the States Plan outlays have made a tentative provision for 45 cold storages. Various States have, however, under their consideration ambitious schemes for raising production of horticultural crops such as apples, pine apples, oranges, etc. Besides, production of potatoes is targetted to go up from about 45 lakhs tonnes in 1968-69 to 152 lakhs tonnes by the end of 1973-74. To cope with the increase in production of these crops, sizeable new capacity for cold storage would be required to be created during the Fourth Plan period to prevent their spoilage and gult that would adversely affect prices of these important commodities which supplement the country's food resources. Keeping these aspects in view, it is proposed to earmark part of the funds that would be available to the National Cooperative Development Corporation under the central sector scheme for cold storage programme. The funds that would be available from the commercial banks and other financing agencies will be also utilised for this purpose on priority basis."

5.8. A Working Group on storage set up by the Planning Commission recommended that development of cold storage capacity in the Fourth Plan "may be left to take place in the private sector which has exhibited the requisite enterprise in this sphere."

---

\*No. of indication available in regard to the remaining 1 unit.

5.9. The Committee find the progress in regard to installation of cold storages disappointing. Assistance amounting to Rs. 200 lakhs had been provided by the Corporation to the end of March, 1965 for the installation of 87 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.

5.10. The Committee note that the position as at the end of June, 1969 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.

5.11. 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.

5.12. 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.

## VI

### EXPORT-ORIENTED COOPERATIVES

#### (i) Financial Assistance provided:

6.1. The scheme for giving assistance to export oriented units was started by the Corporation in 1966-67. According to information furnished to the Committee, the scheme consists of two parts. "Under part one, the assistance provided was for the establishment of cooperative processing units which had export potential, and the other part of the scheme envisaged assistance to modern and modernisation of rice milling units which had no direct relation to export potential. The establishment of new modern rice mills and modernisation of existing rice mills were given priority to obtain higher outturn of rice from paddy as compared to the out turn of the conventional rice mills. Assistance given under this scheme thus had potential to add to food resources of the country and to that extent reduce import of foodgrains."

6.2. Assistance amounting to Rs. 229.858 lakhs was provided under the scheme to 40 units. The breakup of assistance amounting to Rs. 215.11 lakhs provided to 38 of these units in regard to which information has been furnished to the Committee is given below:

	1966-67		1967-68		1968-69	
	No. of units	Assistance provided (in lakhs of rupees)	No. of units	Assistance provided* (in lakhs of rupees)	No. of units	Assistance provided (in lakhs of rupees)
Fruits and Vegetables	8	23.73	3	25.75	..	11.06
Oil-seeds	1	3.34	1	15.66	2	7.30
Coffee	1	9.00	..	..	..	..
Cashew	..	..	1	0.45	..	0.45
Rice Mills and Bran units	15	52.11	1	24.02	5	42.24
<b>TOTAL</b>	<b>25</b>	<b>88.18</b>	<b>6</b>	<b>65.88</b>	<b>7</b>	<b>61.05</b>

\* (Inclusive of spill-over units from previous years).

6.3. The Committee have been informed that, excluding rice mills and rice bran-units (which are only import saving and not export-oriented), the total assistance provided works out to Rs. 164.96 lakhs. This was accounted for by 23 units.

(ii) *Progress in installation and export performance*

6.4. The Committee enquired about the progress in installation of the units. They have been informed that: "So far 9 processing units assisted under export oriented category have gone into production. Of this the Khanna Cooperative Solvent Extraction Plant has exported deoiled cake to the extent of Rs. 79 lakhs in two years since its commencement of production and the Coorg Coffee Growers Co-operative Society Limited, Mysore, has exported coffee through the Coffee Board. The remaining 7 units are still in their gestation period. It is expected that some of these units may also take up export of their products in the course of time when they stabilise their working..... Some of these units have to import machinery from foreign countries which takes some time. These units are expected to complete their installation latest by 1970-71."

6.5. The Committee enquired whether assistance to these units was provided on the basis of any definite export expectations and if so, to what extent these expectations had materialised. They have been informed that "the units were assisted because they were established in fields which had export potential."

6.6. According to the information furnished to the Committee, it has been observed that "in their efforts to play an effective role in the fields of export trade, cooperatives were feeling handicapped for want of know-how and guidance relating to export procedure and policy, marketing intelligence and in the development of contacts with the foreign markets. They also faced difficulties in getting shipping space and had to pay high freight charges. The risk involved in the holding of stocks for longer periods acted as damper in the development of exports by the cooperatives.

6.7. The National Cooperative Development Corporation formulated from time to time certain measures to provide incentives and encouragement to cooperatives for taking up exports on a larger scale. One such measure adopted is the scheme of Special Price fluctuation Fund under which the National Cooperative Development Corporation and the State Governments have agreed to contribute to the Special Price Fluctuation Fund created in the society at 5 per

cent of the value of agricultural produce purchased outright by that society during the preceding year for purpose of export, subject to the condition that the society concerned also contributes 10 per cent of its profits to this fund. This scheme was introduced only in 1966-67 and its impact has yet to be seen but it is hoped that quite a large number of societies will be encouraged to take up export business. During 1967-68, the Corporation made a grant of Rs. 5.21 lakhs to National Agricultural Cooperative Marketing Federation towards contribution to the Special Price Fluctuation Fund at 5 per cent of the value of outright purchases of agricultural commodities made by it for export purposes in the preceding year.

6.8. Another promotional measure taken in this regard by the National Cooperative Development Corporation is the creation of Promotional and Assessment Cell in the National Agricultural Cooperative Marketing Federation consisting of various types of experts to provide guidance, technical know-how and market intelligence, among others, about the scope and direction of exports of various agricultural commodities to different countries. They also coordinate the activities of apex societies in this regard and arrange to procure through the apex societies, the required quantities of agricultural produce of desired standards and grades for export purposes."

6.9. The Committee are disappointed with the performance of export-oriented cooperatives which have been assisted by the National Cooperative 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."

6.10. 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.

## VII

### UTILISATION OF FUNDS

#### Audit Paragraph

7.1. Loans recoverable from states on 31-3-1968 were Rs. 4963.61 lakhs. Confirmation of the balance had not been received (April 1969) from the State government of Andhra Pradesh, Assam, Bihar, West Bengal, U.P., Rajasthan, Gujarat, Orissa and Haryana.

[Para 8 of Audit Report on the Accounts of N.C.D.C. for the year  
1967-68]

7.2. During 1965-66 funds to the extent of Rs. 1045.312 lakhs were released to the State Governments under various schemes by way of loans and subsidies but utilisation accounts and certificates for Rs. 0.427 lakh and Rs. 186.315 lakhs respectively were still awaited (June 1968). A scheme-wise analysis of the outstanding utilisation accounts and certificates is given below:—

Scheme	Financial Assistance released	Amount for which utilisation accounts not received	Amount for which certificates are awaited
(Figures in lakhs of rupees)			
1. Centrally aided Plan Schemes	515.137	..	85.073
2. Crash Programme (Godowns)	107.500	..	73.000
3. Scheme of distribution of consumer articles in rural areas	13.072	0.427	0.427
4. Rice Mills (Corporation sponsored scheme)	408.172	..	27.750
5. Subsidy for promotional and assessment cell	1.431	..	0.064
TOTAL	1045.312	0.427	186.315

[Para 5 of Audit Report on the Accounts of N.C.D.C. for the year  
1966-67]

7.3. (a) Rs. 2087.957 lakhs were paid as financial assistance to State Governments under various schemes but utilisation certificates for Rs. 115.327 lakhs were still awaited (April 1969). A scheme-wise analysis of outstanding utilisation certificates is given below:—

Year in which paid and name of scheme	Amount paid	Amount for which utilisation certificates are awaited
(Figures in lakhs of rupees)		
1965-66		
Centrally sponsored scheme, . . . . .	369.940	31.000
1966-67		
(i) Centrally aided plan schemes . . . . .	500.731	3.605
(ii) Centrally sponsored schemes . . . . .	986.000	25.382
(iii) Corporation sponsored schemes . . . . .	231.286	55.340

(b) Although utilisation certificates for Rs. 2.38 lakhs paid to Mysore and Maharashtra during 1959-60 to 1964-65 for setting up rice mills had been furnished, the fact is that the cooperative societies had expressed their inability to implement the Scheme and the amount is yet to be recovered.

7.4. It has been stated (March 1969) by the Corporation that the utilisation certificates are furnished by the State Governments after the funds are paid by them to the cooperative societies.

[Para 7 of Audit Report on the Accounts of N.C.D.C. for the year 1967-68]

7.5. Pursuant to the provisional plans of the Government of Tamil Nadu sponsored in March 1965, the Corporation sanctioned in May, 1965 assistance of Rs. 111 lakhs for setting up 31 conventional type rice mills through cooperative societies and paid the first instalment of Rs. 27.75 lakhs in May, 1965. In July 1966 the State Government, however, changed the plan to set up modern mills and ultimately decided in August 1968 to set up 12 such mills (four with a capacity of 4 tonnes per hour and the rest each with a capacity of 2 tonnes per hour). The Corporation had meanwhile (February 1968) further paid Rs. 55.50 lakhs. The cumulative assistance of Rs. 83.25 lakhs (Rs. 27.75 lakhs paid in May 1965 and Rs. 55.50 lakhs paid in February 1968) thus remained unutilised till July 1968.

The Corporation stated (March 1969) that five out of twelve rice mills are almost complete.

[Para 3 of Audit Report on the Accounts of N.C.D.C. for the year 1967-68]

7.6. The terms and conditions of loans sanctioned by Corporation to state governments for payment to cooperative societies prescribe that the state governments would adopt the same terms as are allowed by the Corporation to them. The Tamil Nadu government had, however, charged higher rate of interest on the loans granted by it out of the funds made available by the Corporation as below:—

	Rate of interest charged by the Corporation	Rate of interest charged by the State Govt.
1964-65 . . . . .	4½%	5½%
1965-66 . . . . .	5%	6½%
1966-67 . . . . .	5%	7%

7.7. In April 1969 it was stated by the Corporation that the terms offered by the State government are not less liberal than those prescribed by the Corporation as the period of repayment of loans fixed by them is upto 20 to 30 years against 7 to 15 years prescribed by the corporation.

[Para 5 of Audit Report on the Accounts of N.C.D.C. for the year 1967-68]

7.8. A one-ton rice milling plant was received in October 1965 as a free gift from abroad by the Ministry of Food & Agriculture who had decided in August 1965 to install it at Baragarh for being run by the Baragarh Rice-cum-oil Pressing and Marketing Co-operative Society. Against the estimated expenditure of Rs. 5 lakhs on the mill, the Corporation sanctioned (August 1966) Rs. 4.69 lakhs-share capital (Rs. 0.94 lakh), block capital (Rs. 3.39 lakhs) and subsidy towards cost of silo (Rs. 0.36 lakh). Actual payment was made in 2 instalments in August 1966 and January 1968. The balance of Rs. 0.31 lakh was to be contributed by the society. The plant after installation did not run trouble-free and remained out of order from December 1967 to June 1968 except during April 1968 when after repairs it could run at 50 per cent of its capacity. Owing to this, construction of silo and parboiling unit had to be deferred.

7.9. In April 1969 it was stated by the Corporation that the plan for the construction of the silo storage and parboiling unit was under consideration of the State Government.

[Para 6 of Audit Report on the Accounts of N.C.D.C. for the year 1967-68]

7.10. A pilot scheme, to be implemented through apex marketing societies of the states, was formulated in May 1966 for setting up cooperative units for manufacture of specified types of insecticides/pesticides. The assistance comprised (i) share capital for purchase of machinery and equipment (Rs. 1.30 lakhs), (ii) construction of sheds and storage (75 per cent loan and 25 per cent subsidy—Rs. 0.35 lakh), (iii) Margin money for securing bank accommodation (Rs. 0.25 lakh) and (iv) managerial subsidy (Rs. 0.09 lakh). The apex societies in Haryana and Mysore were each paid the full assistance of Rs. 1,99,600 in March 1967 but till October 1968 they had taken no steps to implement the scheme.

7.11. In March, 1969 it was stated by the Corporation that the Mysore Government had informed that the Unit would go into production by June 1969 and that the apex society in Haryana had been given time till 17th May, 1969 to implement the scheme.

[Para 4 of Audit Report on the Accounts of N.C.D.C. for the year 1967-68]

(i) Confirmation of balances of loans

7.12. The Committee drew attention to para 8 of Audit Report on National Cooperative Development Corporation for 1967-68 according to which balance of loans from different State Governments amounted to Rs. 49.64 crores as on 31-3-1968. They desired to know the latest position regarding acceptance of balance of loans. According to the information furnished by Government on this point, certain States had still to confirm (September, 1968) the correctness of the balance of loans amounting to Rs. 7.95 crores as on 1st April, 1968. The details are as under:

State	Amount in rupees
1 Assam	1,12,84,503.33
2 Gujarat	55,423.00
3 Kerala	21,19,515.65

State	Amount in Rupees
4 Mysore . . . . .	25,000.00
5 Orissa . . . . .	2,05,99,920.23
6 Rajasthan . . . . .	6,41,600.00
7 Uttar Pradesh . . . . .	1,81,22,594.94
8 West Bengal . . . . .	3,54,48,036.82
9 Himachal Pradesh . . . . .	7,30,471.42
10 Chandigarh . . . . .	4,45,867.00
TOTAL	7,94,72,932.39

Government have stated that the "pending items are being pursued with the State Governments."

**(ii) Utilisation certificates:**

7.13. The Committee referred to para 7 of Audit Report on National Cooperative Development Corporation for 1967-68 regarding outstanding utilisation certificates for the financial assistance amounting to Rs. 115.327 lakhs paid to State Governments under various schemes and desired to know the latest position in the matter. In a note the Government stated that the utilisation certificates had been received from the State Governments.

7.14. The Committee pointed out that although the States of Mysore and Maharashtra had furnished utilisation certificates for Rs. 2.38 lakhs paid to them during 1959-60 to 1964-65 for setting up rice mills the Cooperative Societies had expressed their inability to implement the scheme and that the amount was yet to be recovered. The Committee desired to know whether the Corporation had investigated the circumstances under which these State Governments had given wrong utilisation certificates. In a note the Government have stated: "Out of Rs. 2.38 lakhs, a sum of Rs. 1.555 lakhs relates to the period from 1959-60 to 1960-61 given by the National Cooperative Development and Warehousing Board. The balance of Rs. 0.825 lakh was advanced during the years 1963-64 and 1964-65 by the Corporation. The utilisation certificates furnished (by the State Governments) were apparently based on the disbursement of funds by the State Governments to the Cooperative Societies concerned..... The utilisation certificates given by the State Governments cannot be deemed to be wrong, as financial utilisation by the States had

taken place for the purpose for which it was given. The Societies' inability to implement the scheme was a subsequent development."

7.15. Audit have in this connection pointed out to Government that the procedure of furnishing utilisation certificates on the basis of "more disbursements to the cooperatives" without ascertaining whether the money has been actually utilised has to be considered "an unsatisfactory position."

7.16. The Committee desired to know what checks the National Cooperative Development Corporation had, as a matter of general policy, on the accuracy of utilisation certificates received from State Governments. In a note the Government stated that "The National Cooperative Development Corporation had not found it necessary to question the accuracy of utilisation certificates furnished by the State Governments. However, the Corporation receives the utilisation accounts in addition to the utilisation certificates containing figures of expenditure which are verified by the respective accountants General. . . . Corporation has necessarily to rely on the State Governments' certificates."

**(iii) Instances of non-utilisation of funds, diversions etc.**

7.17. The Committee referred to para 3 of Audit Report for NCDC for 1967-68 relating to the assistance of Rs. 27.75 lakhs and Rs. 55.50 lakhs given to Tamil Nadu State Government in May, 1965 and February, 1968 respectively, for setting up 31 conventional rice mills. The amounts remained unutilised for more than 3 years. The Committee enquired whether any effort was made by the National Cooperative Development Corporation to obtain refund of the amount when it became clear that the original plan on the basis of which the assistance was sanctioned was not going to be implemented. In a note the Government have replied as under:

"The State Government was continuously pursued to expedite the installation of rice mills. During June, 1966, it was pointed out to the State Government that in case no effective steps were taken immediately for the installation of these units, the Corporation might withdraw the financial assistance sanctioned for the purpose. The State Government wanted to have technical advice regarding the type of rice mills to be set up before going ahead with the installation of these units. During June, 1966, the State Government convened a meeting of the High Level Committee on Cooperative Marketing and Processing to consider the question of type of rice mills. The Committee expressed the opinion in favour of modern rice mills.

In pursuance of this decision, the State Government appointed a Technical Committee to suggest the type of rice mills to be set up under this scheme. The Technical Committee gave its report in November, 1967 and until this period, the programme was held in abeyance. Since the assistance to the State Government was provided for the establishment of cooperative rice mills and State Government wanted to be sure about the type of rice mills to be set up in the interest of higher efficiency of the rice milling industry in the cooperative sector and, the State Government had not decided to give up the scheme, the National Cooperative Development Corporation did not consider it either necessary or desirable to recall the assistance."

7.18. The Committee enquired whether the State Government sought the approval of their revised scheme of setting up 12 modern rice mills instead of 31 conventional rice mills and, if so, when. In a note the Government stated that the State Government sent proposals "in January, 1968 for the establishment of 13 modern rice mills with 2 tons capacity each with flat storage under this scheme to which the Corporation gave its approval. During August, 1968, the State Government instead of going in for 13 modern rice mills with 2 tons capacity each decided to set up 12 modern rice mills of which 4 units were to be 4 tons capacity each and the remaining 8 with 2 tons capacity each." Regarding the latest position of these modern rice mills, the Government have stated: "Of the 12 modern rice mills, 3 have been completely installed and the remaining 9 units are at different stages of installation. Since the installation of 3 units have been recently completed, they will start production during the coming kharif season. It is also reported by the State Government that the remaining 9 units under installation will be completed by December, 1969." Audit have reported the following position in respect of these 12 mills:

1. Buildings completed and machines installed . . . . .	3
2. Machinery arrived at site . . . . .	2
3. Civil work in progress . . . . .	6
4. Construction of civil works to be taken up . . . . .	1
TOTAL . . . . .	<u>12</u>

7.19. The Committee drew the attention of Government to para 5 of the Audit Report on National Cooperative Development Corporation for 1967-68 according to which the Government of Tamil Nadu through which assistance for cooperative societies was routed, charg-

ed higher rates of interest than provided in the terms and conditions on which the loans were provided by the Corporation as follows:

Year	Rate of interest charged by Corporation	Rate of interest charged by State Government
1964-65	4½%	5½%
1965-66	5%	6½%
1966-67	5%	7%

Government have stated in a note that "the matter is still under correspondence with the State Government."

7.20. The Committee referred to para 6 of the Audit Report on National Cooperative Development Corporation for 1967-68 regarding the functioning of a modern rice milling plant of one-ton capacity set up in Orissa with assistance from the National Cooperative Development Corporation to the tune of 4.69 lakhs given in August, 1966 and January, 1969. The mill remained either out of order or under-utilised most of the time. The Committee enquired whether the rice mill had now started functioning and if so, what proportion of its capacity was being utilised. In their note the Government have stated: "The modern rice mill at Bargarh in Orissa State could not be utilised properly due to the following defects:

- (a) Mechanical defects in the milling plant. The milling plant was originally supplied by the Government of German Democratic Republic through the Union Department of Food.
- (b) Difficulties in supply of adequate quantities of paddy due to adverse procurement policy of the State Government.
- (c) Non-availability of suitable technical personnel to run the plant.

The State Government was requested by the National Cooperative Development Corporation to look into these problems and rectify the defects. It is now reported that the mechanical defects have been rectified by a German Engineer. One qualified engineer has also since been appointed to run the milling plant. In view of these corrective measures, the plant is now in working order.

However, by the time these defects were removed, the main kharif season was over. In view of this, the proportion of its capacity being utilised would be reviewed during the next kharif season only."

7.21. The Committee enquired about the progress of the scheme for setting up pilot projects for distribution of pesticides through apex cooperative societies. In this connection they referred to para 4 of the Audit Report on National Cooperative Development Corporation for 1967-68 which referred to apex societies in Haryana and Mysore not having implemented the scheme after having availed themselves in March, 1967 of financial assistance from the Corporation to the tune of Rs. 1,99,600 each. In a note the following position has been explained to the Committee:

"The scheme of the establishment of formulation of insecticides and pesticides units was introduced for the first time during the year 1966-67. The approved pattern laid down in the beginning for the release of financial assistance was to provide the entire amount in one instalment. This procedure was envisaged in view of its being a pilot scheme and also with a view to enabling the concerned apex societies to undertake the implementation of the scheme expeditiously. In accordance with this approved pattern the entire financial assistance due was released to the State Governments of Haryana and Mysore on the approval of the proposal to enable them to provide the required assistance to their Apex Marketing Federations for the installation of these units.

However, in view of the subsequent experience the pattern of releases has been revised and made progress-oriented from the year 1967-68 onwards and the financial assistance is now released in two instalments instead of one instalment.

The Mysore Apex Marketing Society have acquired the site and preliminary arrangements for the construction of building and setting up of the unit have been made. The matter is being pursued with the State Government. The State Government has been asked about the time by which the unit is likely to be set up and the reply from the State Government is still awaited.

Since the Haryana Cooperative Apex Marketing Federation was not able to take any effective steps towards the installation of the unit, the State Government has been requested to recover the financial assistance sanctioned to the Federation and refund the same to the Corporation. The State Government have agreed to this and are taking steps for the recovery of the amount from the Apex Federation."

7.22. The following table gives the particulars of loans/subsidies given under the pilot scheme:

(In lakhs of Rs.)				
Year	State	Governments	Loans	Subsidies
1966-67		Gujarat	1.813	0.183
		Haryana	1.813	0.183
		Mysore	1.812	0.184
		Rajasthan	1.812	0.184
		TOTAL	7.250	0.734
1967-68		Kerala	1.813	0.183
		Modhya Pradesh	0.781	0.044
		TOTAL	2.594	0.227
1968-69		Uttar Pradesh	0.781	0.044
		Tamil Nadu	0.781	0.044
		TOTAL	1.562	0.088
GRAND TOTAL			11.406	1.049

According to the information available in the Annual Report of the Corporation (1968-69), out of the units assisted in 8 States as above, only 1 unit has started functioning.

7.23. The Committee observe that the Corporation has still to obtain acknowledgements of the 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 confirmations to be obtained speedily.

7.24. 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 a suitable arrangement to be evolved in this regard.

7.25. The Committee note that there have been some instances of deviation/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 the 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 efforts in this regard.

## VIII

### REGIONAL IMBALANCES

8.1. The Working Group of Administrative Reforms Commission on Cooperation made the following observations about the progress of the cooperative movement in the country: "Progress of cooperative credit movement is . . . . . uneven as between different regions, different States and between different areas within a State" and that "the eastern region having 17 per cent of the cropped area of the country and 27 per cent of the rural population accounts for only 8.6 per cent of the total short and medium term credit provided by primary agricultural societies in the country whereas the western region with 26 per cent of the cropped area and 17 per cent of the rural population accounts for 42.8 per cent of the total cooperative credit in the country."

8.2. The Committee enquired about the reasons for this imbalance in the development of cooperative movement between different regions/States. The witness replied: "Unfortunately the movement is not developed uniformly all over the country. It is not developed as much in Rajasthan, Bihar etc. as much as it has developed in Punjab, Maharashtra or Gujarat. Some States had already developed. It takes time for the other States to come up to that level." Asked what Government were doing to bolster the position of the weaker States, the witness replied: "We are seized of the problem. We certainly endeavour in that direction and the assistance and guidance which we give also takes this into account. For example Madhya Pradesh is one of the States where for rice mills more assistance has been granted than to Maharashtra." The witness further added: "But the limiting factors in assisting the States are two. One is that the State Plan ceiling has to be conformed to; if the States cannot provide in their budgets enough money for cooperation, to that extent, our hands are restricted. The second factor is the members' share capital contributions; where it is not raised enough, it becomes a limitation for financing. . . . . The State Government have to share the assistance to the extent of 50 per cent. The State Government has to indicate whether it is prepared to meet 50 per cent of it from its own resources in the State Plan. Then they will ask the National Cooperative Development Corporation to bear the remaining 50 per cent."

8.3. The Committee enquired what was the ratio of assistance granted between one State and the other. The witness replied: "The National Development Council has taken decision to distribute the assistance on a certain formula and basis, e.g., population and other criteria." The assistance given to various States by the National Co-operative Development Corporation during the year 1967-68 as also the total assistance given by the National Co-operative Warehousing Board (prior to establishment of National Co-operative Development Corporation) and the National Co-operative Development Corporation upto the end of 1967-68 under various heads are shown in Appendix VII to this report.

8.4. 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.

8.5. 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.

## IX

### VESTED INTERESTS IN COOPERATIVES

9.1. The problem of vested interests in cooperatives was first re-mitted by Government for a detailed study in 1964, when they constituted a Committee (The Mirdha Committee) to investigate the problem. That Committee was asked *inter-alia*

- “(a) to lay down standards and criteria by which the genuineness of cooperative societies of various types may be judged and to suggest measures for weeding out non-genuine societies and preventing their registration;
- (b) to review the existing cooperative laws, rules and practices with a view to locating the loopholes which enable vested interests to entrench themselves in cooperative institutions and recommend measures—legislative as well as administrative—for the elimination and prevention of such vested interests.”

9.2. The Committee, which reported in 1965, stated that various methods were employed by vested interests to control the working of cooperative societies. These methods “arise from two kinds of motivations”.

- (i) “To enjoy the lion’s share of the society’s services for self and friends and relatives”.
- (ii) “To keep oneself in office for as long as it is possible to do.”

9.3. The Mirdha Committee reported that the following techniques were generally employed by vested interests to perpetuate their interests:

- (i) “Restrictions on admission of fresh members;
- (ii) Avoiding the holding of general meetings for periodical election of office-bearers and for an open discussion about the finances and general working of societies;
- (iii) Manipulating elections;
- (iv) Employing near relations in the paid service of the society;
- (v) Granting liberal loans to friends and relatives;

- (vi) **Non-recovery of overdues from friends and relatives;**
- (vii) **General use of the machinery and paraphernalia of the society for personal glorification and benefit;**
- (viii) **Carrying on personal business surreptitiously and using the apparatus of the society for the purpose of such businesses."**

9.4. Giving illustrations of the way vested interests operate, the Mirdha Committee gave the following instances of the way vested interests operate:

- (a) In a credit cooperative society, by distributing "the available resources among the existing members in an inequitable fashion, the major share going to the stronger elements in membership."
- (b) In an agricultural marketing society by "a few producer-cum-traders combining together to use the society as an instrument for their trading purpose."
- (c) In a cooperative farming society by pooling the better-portion of holdings belonging to a group of relatives so that the various kinds of financial and technical assistance could be taken advantage of.
- (d) In a transport society by members "carrying on transport business of their own" acquiring interests in the society.

9.5. The Mirdha Committee pointed out that "vested interests in cooperative societies cannot be tackled in isolation from the rest of the community; the methods employed and the types of persons who employ them to acquire vested interests over cooperative societies are in their very essence akin to what happens in all other forms of human association, particularly those concerned with economic gains. The political climate of the country, the social traditions and the general level of educational development, all these constitute the background against which the problem of vested interests has to be seen, not only in so far as it relates to cooperative societies but also in its wider repercussions on the community at large. Any attempt at isolated treatment has its obvious limitations but all the same it may be possible to build up some safeguards." The following safeguards were accordingly suggested:

- (i) "Enforcement of principle of open membership is a vital check against growth of vested interests." There must be "a provision for appeal against refusal to admit a member."

- (ii) "Sanction of loans in favour of members of the managing committee of a credit society and their relatives should be reported to the general body", as also "cases of default."
- (iii) A "convention" should be evolved in regard to the "number of terms" a person may hold office in the committee of management and the "number of societies in which office may be held simultaneously."
- (iv) "Conscious efforts" should be made to "associate the general members in the management of the affairs of a society", through constitution of sub-committees and so forth, so as to foster "a sense of participation."
- (v) Delays in holding elections to the committee of management "usually arise due to non-receipt of audit reports, non-preparation of accounts and wilful defaults by the committee in arranging elections." Arrangements for audit "should be tightened up" and penal provisions as in company law for non-submission of accounts, non-holding of general-body meetings etc. should be incorporated in the cooperative statute; committee members being made "answerable" in this regard.
- (vi) Societies should follow "a clear structural pattern", primary societies consisting of individuals, central societies of primaries, apex societies of central societies and so on.
- (vii) Nomination by Government "should be kept to the minimum" and "a code of conduct evolved" for nominated members in regard to attendance in committee meetings and participation therein.

9.6. During the course of evidence, the Committee enquired what action had been taken by Government to check vested interests in the cooperative societies. The witness replied: "We have asked the State Governments to amend the bye-laws to see that the vested interests do not infiltrate into the marketing societies."

9.7. The Committee desired to know the progress made in the implementation of the recommendation of the Mirdha Committee. In a note submitted to the Committee, the Government have stated that the recommendations of the Committee "were circulated to State Governments and were generally endorsed by the conference of State Ministers of Cooperation held in Bombay in November, 1965. The Conference of Chief Ministers and the Ministers of Cooperation held at Madras on 12.6.1968, *inter alia* considered this matter further

in detail and suggested the following illustrative measures for curbing the growth of the vested interests in the cooperative movement in the country:

- (i) Exclusion of money-lenders, traders and other middlemen from the membership of the cooperatives by statute, if necessary;
- (ii) Open membership of the primary cooperative societies.
- (iii) Reservation of seats on the Board of Management for small farmers and members of weaker sections.
- (iv) Restrictions on holding office for more than two consecutive terms in the same institution and also holding of office simultaneously in more than two institutions.
- (v) Regulation of the loans issued to the office-bearers of societies.
- (vi) Regular election under the supervision of an independent authority.
- (vii) Adequate arrangements for timely auditing of accounts of the societies.
- (viii) Framing and observance of rules for recruitment of staff.
- (ix) Creation of cadres of trained managerial personnel for manning the key posts in the societies.
- (x) The procedures and practices should be oriented to serve the small farmers and weaker sections. Emphasis of the loaning programme should be shifted from the present asset-nexus to production potential and repaying capacity generated by the use of the loan.

These recommendations were examined in the Department in consultation with the Ministry of Law and detailed guidelines were indicated to the State Governments for taking suitable measures for implementing them."

9.8. The Committee desired to know the progress made in implementing these suggestions. The Government in a note have stated that "Kerala and Maharashtra have in pursuance of the aforesaid recommendation enacted comprehensive legislation covering the suggestions. Provision for restriction on holding of office in a number of cooperative institutions and also on the term of office in the same institution has been made in the Cooperative Societies Acts of U.P. and West Bengal. The Madras Act restricts the number of societies

in which a person could be a member of the Managing Committee. The Rajasthan Act restricts the number of societies in which a person could be a chairman. The Cooperative Societies Acts and Rules of Andhra Pradesh, U.P. and Madhya Pradesh provide for departmental machinery for election in certain categories of societies. Committees have been set up to consider the amendments necessary to the Cooperative Societies Acts in the States of Assam, Jammu and Kashmir, Mysore and West Bengal. In other States, the matter is under the consideration of the State Governments."

9.9. The Committee enquired whether, apart from Maharashtra State, any other State had also enacted any legislation to implement these suggestions. The Committee observe in this respect the following position as brought to the notice of the Conference of Ministers of Cooperation:

"Only in Maharashtra, a comprehensive legislation incorporating the recommendations of the Chief Ministers' Conference has been undertaken.

\* \* \* \* \*

The progress in the implementation of the major recommendations of the Conference of the Chief Ministers and State Ministers of Cooperation held in June, 1968 on curbing the growth of vested interests in cooperatives, it may be observed, has been rather slow."

9.10. A statement showing the progress in implementation of the recommendations is at Appendix VII to this report. The conference, after reviewing the position, came to the following conclusions:

- (i) "Legislative action was yet to be taken in many States to give effect to the recommendations of the Conference of Chief Ministers and State Ministers of Cooperation held in June, 1968 for curbing the growth of vested interests in cooperatives.
- (ii) Very often, 15 to 20 per cent of the membership are in a position to get major benefit from cooperatives. Special measures need to be devised to enable cooperatives to fulfil their larger social objectives and reach a larger clientele, especially persons with limited means. For achieving this end even a certain amount of compulsion need not be ruled out."

9.11. The Committee enquired why progress in enacting suitable legislation was slow to plug the loopholes in the cooperative

societies and what the Government of India was doing in the matter. The Secretary, Department of Cooperation replied: "We have no powers; neither the executive nor the legislative arm of Centre has any power in this particular matter. Since it is a State subject, we have no powers except to give advice and directions to the extent that money can make the mare go."

9.12. The Committee enquired whether Government had ever thought of preparing a model legislation for enactment by all the States. The witness stated that "in 1956, Government had appointed a model Committee. They had given a model legislation. Subsequently the State Governments did make changes in cooperative laws, keeping the suggestions of the model Committee in mind. But very recently when the question of tackling vested interests came up prominently, a suggestion was mooted in the Ministers' Conference that the States would like the Centre to draft a sort of model legislation. But this suggestion was not favoured by the Conference and therefore the Central Ministry has not undertaken the job of trying to formulate a model Bill. This was on the ground that cooperative law being a State subject and the provision of law having to conform to the local situation and local conditions, which may vary from State to State, it would be better to leave the matter of drafting the legislation to them (the States) and only to indicate the broad guidelines to the State Governments. What these broadlines are, we have communicated to the State Governments by letters."

9.13. The Committee enquired what action the Government had taken to ensure that the State nominees attended the meetings regularly. The witness stated that it was "a general question of de-officialisation or non-interference by the Government in the working of the Cooperative Societies. But generally, nominees have been attending the meetings. Some of the State Governments are quite keen that they should attend." The witness further stated that Government have "asked the State Governments to see that after the gestation period of a unit is over they (societies) should have a properly elected board and representatives of State Governments should not be indefinitely there." The Committee also note in this connection the following observations of the Reserve Bank of India in their Survey Report (1968) on development of Cooperative Marketing:

"Every marketing society receiving share capital contribution from Government is expected to have at least one State nominee in its managing committee. It was, however, observed that as many as 8 out of 17 societies in 24 Parganas, all the 29 societies in East Godavari, 9 out of 10 societies

in Thana, 8 out of 15 societies in North Arcot and 5 out of 15 societies in Ganganagar did not have State nominees at all. The only solitary case was Vidisha where all the 4 marketing societies had State nominees. Even where they were nominated, they were irregular in attendance and indifferent to developing the business of the society." The Committee desired to know whether National Cooperative Development Corporation was represented on the marketing societies. The witness replied: "There is no such arrangement." The witness, however, added: "In the State Federations there is a scheme for giving assistance for technical staff. When the technical staff is recruited, we ask the State Marketing Federations to intimate the National Cooperative Development Corporation so that we can be represented at the time of selection and see that the right type of persons are recruited."

9.14. The Committee enquired what action had been taken by Government in ensuring timely and proper auditing and elections. The witness replied: "Audit is being reviewed every year by the Ministry and also by the Reserve Bank in so far as Credit institutions are concerned. The Reserve Bank of India does not sanction credit limit to a cooperative bank if it does not receive the audit report for the preceding year. Various methods are employed in order to ensure that the audit is kept current as far as possible." So far as elections were concerned, the witness stated that "the pros and cons of this matter were discussed at length in the Ministers' Conference. It was generally felt that it would not be possible for the Department to directly supervise and conduct elections in all societies even at the village level; there were about 3,50,000 societies all over the country. It was suggested that in the case of big societies, particularly at the district level and at the State level, the Registrar must take the special responsibility to ensure that the election of office bearers are held according to proper time schedule. For that purpose, the Registrars have been advised to maintain a roster indicating the election schedules so that when the election of a particular society is due, it is arranged to be held by the due date. We have also formally addressed the State Governments on the basis of the Chief Ministers' Conference."

9.15. 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 point 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 Cooperative 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 cooperatives, thrift and credit societies etc.

9.16. 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 measures 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.

9.17. 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.

## X

### CONCLUSIONS

10.1. 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.

10.2. 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. The 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.

10.3. 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.

10.4. 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 storages, 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 purpose. 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,

NEW DELHI;  
April 4, 1970.  
*Chaitra 14, 1892 (Saka).*

ATAL BIHARI VAJPAYEE,  
*Chairman,*  
*Public Accounts Committee.*

## APPENDIX I

(See page 2 of Chapter I)

*Statement showing the strength of officers and staff of the National Cooperative Development Corporation*

	No.	Scale of pay
<b>I, OFFICERS</b>		
1. Secretary . . . . .	1	} IAS officers.
2. Joint Secretary . . . . .	1	
3. Financial Adviser . . . . .	1	1300-1600
4. Directors . . . . .	4	1300-1600
5. Joint Directors . . . . .	2	1100-1400
6. Deputy Directors . . . . .	6	700-1250
7. Assistant Directors . . . . .	5	400-900
8. Administrative Officer . . . . .	1	400-900
9. Accounts Officer . . . . .	1	590-900
<b>II. OTHER TECHNICAL STAFF :</b>		
1. Senior Technical Assistants . . . . .	18	325-575
2. Junior Technical Assistants . . . . .	5	210-530
<b>III. OFFICE AND MINISTERIAL STAFF</b>		
1. Assistants . . . . .	13	210-530
2. Stenographers . . . . .	14	210-530
3. Steno-typists . . . . .	13	110-180 + Rs. 20/-
4. Accountants . . . . .	4	270-575
5. Upper Division Clerks . . . . .	7	130-300
6. Lower Division Clerks . . . . .	19	110-180
7. Computers . . . . .	2	110-200
8. Care-taker . . . . .	1	110-180
9. Telephone Operator . . . . .	1	110-180
10. Staff Car Driver . . . . .	1	180-260
11. Despatch Rider . . . . .	1	100-130

	No.	Scale of Pay
12. Senior Reneo-operator . . . . .	1	110-130
13. Junior Reneo-operator . . . . .	1	80-110
14. Record Keeper . . . . .	1	80-110
15. Daftaries . . . . .	6	75-95
16. Packer . . . . .	1	
17. Jamadar . . . . .	1	
18. Peons . . . . .	25	70-85
19. Farash . . . . .	1	
20. Chowkidars . . . . .	3	
21. Gardner . . . . .	1	
22. Sweepers . . . . .	3	
TOTAL . . . . .	165	

The functions of the staff are indicated in the enclosed Statement's I & II.

## APPENDIX II

(Page 43 of Chapter II)

*Statement showing the financial assistance given to States for revitalisation of Primary Marketing Societies*

Name of the State	No. of societies proposed to be activated/revitalised/liquidated	Financial assistance to these societies prior to becoming ineffective			Remarks
		No. of Soccs.	Amount		
			Loan	Subsidy	
1	2	3	4	5	6
1. Gujarat . . . . .	200	..	Rs. ..	Rs. ..	No financial assistance has been provided for revitalisation programme as such.
2. Punjab . . . . .	13	5	98,000	8,000	This represents the financial assistance by the NCDC to the State Govt. of Punjab in respect of 5 coo- marketing societies.
3. Kerala . . . . .	14	2	20,000	23,740	This represents the financial assistance of the State Govt. in respect of two cooperative market- ing societies.
4. Haryana . . . . .	5	5	1,09,375	65,625	This represents the financial assistance by the NCDC to the State Govern- ment of Haryana.
5. Maharashtra . . . . .	4	..	..	..	..
6. Tamil Nadu . . . . .	16	..	41,38,925	23,125	This represents the financial assistance by the State Govern- ment in respect of 4 cooperative soci- eties.
7. Orissa . . . . .	7	..	..	..	Committee of Mana- gement superseded.
<b>TOTAL</b> . . . . .	<b>259</b>	<b>16</b>	<b>3,66,300</b>	<b>1,20,490</b>	

### APPENDIX III

(See page 48 of Chapter II)

#### *Proposals for development of Cooperative Marketing in the Fourth Five Year Plan*

Compared to cooperative credit, the development of cooperative marketing of agricultural produce is of recent origin. Following the recommendations of the All India Rural Credit Survey Report, an integrated programme of cooperative marketing was taken up in the Second Plan and followed up in the Third Plan and subsequent years. As a result, cooperative marketing structure has been built up at various levels. At the end of 1967-68, there were 3315 primary cooperative marketing societies of which 2774 are of general purpose type organised on territorial basis and the remaining 541 of special commodities organised for special crops like marketing of fruits and vegetables, arecanut, coconuts and other commercial crops. Along with the development of structure at the primary level, higher tiers of cooperative marketing structure had also been built up. There were 173 district level marketing societies, including 15 commodity societies and 20 apex marketing societies—1 in each State (except Nagaland) and the Union Territories of Delhi, Himachal Pradesh, Manipur and Tripura. Besides, three commodity federations had also been established at the State level, and at the National level all the apex marketing societies in the States have been federated into a National Cooperative Agricultural Marketing Federation.

“Growth with stability” being the key note of the Fourth Plan, steps will be taken to strengthen the existing cooperative marketing structure specially at the primary level during the Fourth Plan period. New primary marketing societies may only be organised in the mandi centres which would be newly developed in the areas of large irrigation projects. To the extent possible even in such areas steps will be taken to establish branches of the existing marketing societies.

Apex marketing societies at the State and National levels will be strengthened to enable them to provide not only the requisite support and leadership to their affiliated institutions, but also the much needed promotional interest and guidance to them. So far, the re-organisation of the primary marketing societies has not made any

substantial progress. Attention has to be focussed during the Fourth Plan on activising and strengthening the primary marketing societies on a selective basis. For this purpose, it will be necessary to devote attention to areas covered by IADP, HVP and IAA programmes. Such weaker societies in these areas would be identified and all possible steps will be taken to strengthen them both organisationally and financially.

Marketing cooperatives have in the past been doing bulk of their business as commission agents. The system of grading, although adopted by some of the societies, has yet to make any substantial impact in the field of marketing techniques. Similarly, polling of produce after grading has been adopted only in a few societies. Steps will be taken in the Fourth Plan to popularise these marketing techniques for larger benefit of the growers. The scheme of outright purchases of agricultural produce from small growers, initiated in 1964-65 has been found to be of great advantage in promoting outright purchase of agricultural produce. It could not be so far extended to a large number of societies because of paucity of resources. This scheme would be continued in the Fourth Plan so that a large number of societies may take advantage of it.

While State Governments have been contributing considerable amounts of share capital to marketing societies, much attention has not so far been devoted by the societies to the collection of more share capital from their members. Vigorous steps will be taken to enrol more individual growers and primary agricultural societies as members of the marketing cooperatives and collect additional share capital from them in relation to the services availed of by them.

Lack of adequate working capital has been one of the most severe handicaps faced by the marketing cooperatives at various levels. This has been broadly due to inability of these cooperatives to find the requisite margin money. While measures for strengthening owned funds of the cooperative marketing societies will be implemented, it will also be necessary to review the procedures of the Reserve Bank of India and the State Bank of India in relation to fixing of credit limits and requirements of margin money for various purposes. In view of the limited availability of funds with the cooperative structure and the expanding demand for production credit, it will be necessary for the marketing societies to tap, in a larger measure, the State Bank of India and other commercial banks for their working capital requirements.

The scheme of establishment of pools/common cadres of key personnel of cooperative marketing/processing societies initiated in the 4113 LS—8.

last few years will be in operation in all the apex marketing societies. For this purpose, sizeable provision will have to be made in the State Plans after assessing the size of the pool in each State. Arrangements for training these personnel will be taken in hand and completed within the next one or two years, so that the dependence of the marketing societies on the staff of cooperative departments is reduced to the minimum.

Cooperatives would aim at handling in the last year of the Fourth Plan, 8 million tonnes of foodgrains, 36 million tonnes of sugarcane, 0.6 million tonnes of groundnut, 10 thousand tonnes of fruits and vegetables and 1.8 million bales of cotton. At current prices the value of agricultural produce likely to be handled by marketing and processing cooperatives is expected to be of the order of Rs. 900 crores during the last year of the Fourth Plan. Cooperatives are also expected to handle agricultural commodities worth Rs. 25 crores in inter-state trade and Rs. 10 crores in export trade during the last year of the Fourth Plan.

APPENDIX IV

( Page 58 of Chapter III)

Statement showing the number of Cooperative Agricultural Processing Units organised/assisted Commodity-wise and State-wise as on 31-3-1968

Serial No.	State	Food-grains	Sugar-cane	Cotton	Oilseeds	Jute	Fruit and vegetable	Plantation crops	Other Units	Total No. of Units
		Paddy/ rice/Dal			Ground-nut/oil-mills/ Vanas-pati					
1	Andhra Pradesh	147	12	5	23	2	..	..	..	189
2	Assam	30	2	1	4	1	1	1	..	40
3	Bihar	15	1	..	..	7	7	..	..	30
4	Gujarat	24	5	99	36	..	1	..	..	165
5	J & K	22	..	..	..	..	..	..	..	22
6	Kerala	8	2	1	1	..	5	31	1	49
7	Madhya Pradesh	106	2	10	4	..	..	..	1	123
8	Madras	43	7	14	23	..	1	10	1	99
9	Maharashtra	131	32	106	107	..	7	1	1	385
10	Mysore	78	11	18	18	..	7	3	5	140
11.	Orissa	79	2	..	..	14	..	2	..	97
12	Punjab (former)	25	7	6	3	..	2	..	..	43
13	Rajasthan	8	1	2	1	..	..	..	..	12
14	U.P.	58	23	1	27	2	3	..	1	115
15	W. Bengal	41	..	..	..	24	2	1	..	68
16	Union Territories	..	..	..	..	..	1	2	..	3
TOTAL		815	107	263	247	50	37	51	10	1580

## APPENDIX V

(Page 72 of Chapter V)

*Statement showing the number of Cooperative Processing Units assisted in the 42 Major Rice Producing Districts*

Name of District	Rank in production of rice	Percentage of produce in all India total	No. of paddy processing units
1	2	3	4
Thanjavur (Tamil Nadu)	1	2.8	8
Midnapur W. (Bengal)	2	2.6	9
24-Parganas (W. Bengal)	3	1.8	3
Raipur (M.P.)	4	1.8	19
Burdwan (W. Bengal)	5	1.8	10
Krishna (A.P.)	6	1.5	17
Bilaspur (I.M.P.)	7	1.5	14
West Godawari (Andhra)	8	1.5	13
Santhal Parganas (Bihar)	9	1.4	1
East Godawari (A.P.)	10	1.4	9
Durg (M.P.)	11	1.4	16
Cuttack (Orissa)	12	1.4	10
Shahabad (Bihar)	13	1.4	6
Sambalpur (Orissa)	14	1.3	13
South Arcot (Tamil Nadu)	15	1.2	5
Gaya (Bihar)	16	1.2	Nil.
Bankura (W. Bengal)	17	1.2	3
Birbhun (W. Bengal)	18	1.2	2
Puri (Orissa)	19	1.2	10
Chingleput (Tamil Nadu)	20	1.1	4
Bastar (M.P.)	21	1.1	3
Singbhun (Bihar)	22	1.1	Nil
Guntur (A.P.)	23	1.0	10
West Binajpur (W. Bengal)	24	1.0	2
Ranchi (Bihar)	25	1.0	1
North Arcot (Tamil Nadu)	26	1.0	1
Koraput (Orissa)	27	1.0	8
Srikakulam (A.P.)	28	0.9	6
Ganjam (Orissa)	29	0.9	4
Champaran (Bihar)	30	0.9	Nil
Palaghat (Kerala)	31	0.9	7
Balarore (Kerala)	32	0.9	4

1	2	3	4
Tirunelveli (Tamil Nadu)	33	0·9	4
Tiruchirapalli (Tamil Nadu)	34	0·9	1
Hazaribagh (Bihar)	35	0·8	Nil
Bhandara (Maharashtra)	36	0·8	27
Nellore (A.P.)	37	0·8	11
Murshidabad (West Bengal)	38	0·8	Nil
Purnea (Bihar)	39	0·8	1
Mayurbhanj (Orissa)	40	0·8	4
Raigarh (M.P.)	41	0·8	8
Kamrup (Assam)	42	0·8	5

## APPENDIX VI

(See page 99 of Report)

*Percentage of utilisation of effective Capacity of Cooperative Godowns in 1965/1968  
(Result of Sample Survey)*

State		Percentage of effective storage capacity utilised in each godown			Over all percentage of effective storage capacity utilised in the State	
		Godown No.	Rural Godown	Marketing Godown	Rural Godowns	Marketing Godowns
S. N.						
1	2	3	4	5	6	7
1. Maharashtra	1	50	42	53	41	
	2	60	59			
	3	rented to Govt.	rented to Govt.			
	4	100	28			
	5	10	78			
	6	100				
2. Gujarat	1	142	56	67	106	
	2	67	69			
	3	70	141			
	4	73	133			
	5	42	99			
	6	17	147			
	7	128	100			
	8	72				
	9	42				
	10	17				
3. Kerala	1	55	12	31	17	
	2	14	25			
	3	50	18			
	4	40	15			
	5	77				
	6	16				
	7	14				
	8	15				
	9	20				
	10	16				
4. Madhya Pradesh	1	48	62	48	68	
	2	41	35			
	3	63	123			
	4	50	45			
	5	38	103			
	6	59	41			
	7	26				
	8	93				
	9	47				
	10	18				

1	2	3	4	5	6	7
5. Madras . . .		1	16	52	40	91
		2	13	75		
		3	46	97		
		4	66	142		
		5	13			
		6	36			
		7	25			
		8	28			
		9	83			
		10	18			
6. Mysore . . .		1	79	75	51	87
		2	30	100		
		3	41	94		
		4	100	79		
		5	100			
		6	15			
		7	100			
		8	9			
		9	10			
		10	27			
7. Orissa . . .		1	84	100	50	86
		2	92	100		
		3	69	30		
		4	19	100		
		5	7	100		
		6	29			
		7	41			
		8	78			
		9	39			
		10	46			
8. West Bengal . . .		1	83	66	41	34
		2	71	100		
		3	47	4		
		4	25	20		
		5	2	12		
		6	67	5		
		7	12			
		8	25			

## APPENDIX VII

(See page 135 of Report)

*Statement showing the assistance given to various States for Cooperative Development*

Serial No.	State	Assistance by N.C.D.C. during 1967-68			Total Assistance by N.C.W. Board and NCDC upto end of 1967-68	Population (estimated in 1967)	Assistance per lakh population
		Centrally aided schemes	Centrally sponsored schemes	Corporation sponsored schemes			
							( In lakhs of Rupees)
1.	Haryana	18	0.5	0.1	18.6	28	0.30
2.	Bihar	14	3.7	5.7	23.4	495	0.92
3.	Kerala	18.2	0.1	5	23.3	203	1.02
4.	Uttar Pradesh	57.3	2.4	26	85.7	907	1.06
5.	West Bengal	21	0.9	3	24.9	528	1.27
6.	Rajasthan	8.5	2.9	7.9	19.3	349	1.44
7.	Assam	13.6	0.5	0.3	14.4	243	1.65
8.	Orissa	26.3	2	19.6	57.9	373	1.84
9.	Andhra	32.2	0.8	23	56	839	2.06
10.	Madras	56.9	..	55.5	112.4	836	2.23
11.	Gujarat	56.3	0.4	1.2	57.9	603	2.46
12.	Madhya Pradesh	59.9	0.2	1.9	62	933	2.47
13.	Maharashtra	129	1	16	146	1298	2.79
14.	Punjab	14.2	0.9	5.2	20.3	411	3.04
15.	Mysore	61	1	1.5	63.5	874	3.20

1. Population figures from "India, 1968".

2. All other figures from Annual Report of N.C.D.C. for 1967-68.

## APPENDIX VIII

### Summary of main Conclusions/Recommendations

Sr. No.	Para No. of Report	Ministry/Department Concerned	Conclusions/Recommendations
1	2	3	4
1.	1.19.	Deptt. of Cooperation	<p>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 co-operative 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:</p> <p>(i) The Corporation is not at present in a position effectively to stop diversion of funds by the States, if at all it is</p>

## Deptt. of Cooperation (contd.)

taking place. It is releasing assistance for schemes on the basis of proforma submitted by State Registrars of Co-operative 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 priorities 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 later 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

Deptt. of Cooperation—(contd).

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 interposition 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 inter-

mediary in the process of channelisation of funds to co-operatives.

2. 1.20.

-do-

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 own "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 organisation like the National Cooperative Development Corporation in the cooperative sphere, besides the Department of Cooperation is at all necessary. Besides

119

---

\*Report of the Working Group of Administrative Reforms Commission on Cooperation.

1	2	3	4
	Deptt. of Cooperation—(Contd.)		the existence of two official agencies will not certainly be conducive to the 'de-officialisation' of the cooperative movement.
3.	I. 21.	—do—	<p>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.</p>
2.23		—do—	<p>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:</p> <p>(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 contribu-</p>

tion alone, Government assistance increased from Rs. 0.64 crore of 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.

- (ii) 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. 316.9 crores in 1965-66, Rs. 366.7 crores in 1966-61 and Rs. 412 crores in 1967-68. However, this increase in turnover has to be weighed against several factors mentioned below.

121

4. 2.24.

—do—

In the first place, the turnover is attributable to a relatively small proportion of societies. The Reserve Bank reported in 1969\* that out of 3,295 societies in 1966-67, the number of societies "doing marketing business" was 2,300. 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."

---

\*Statistical statements relating to the Co-operative Movement in India-1966-67.

1	2	3	4
5	2.25	Deptt. of Cooperation—(contd.)	<p>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."</p>
6.	2.26.	—do—	<p>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.</p>
7.	2.27.	—do—	<p>The last and most serious qualification concerning the marketing operations of the societies is the fact pointed out by the</p>

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.

8. 2.28.

—do—

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.
- (ii) The Dantwala Committee had pointed out that "the bulk of the marketable surplus of the farmer is sold in villages."

Deptt. of Cooperation—*contd.*

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.

- (iii) 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.
- (iv) 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.
- (v) Agricultural credit societies extend 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.

- (vi) 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.
- (vii) 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

1	2	3	4
		Deptt. of Cooperation— <i>contd</i>	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.
9.	2.29	—do— Planning Commission	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.
10.	3.29	Deptt. of Cooperation	The Committee observe 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 pro-

cessing, where the cooperative factories between them account for a third of the country's sugar production\*, the overall position has to be considered unsatisfactory for the following reasons:

- (i) 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 led to Government capital getting avoidably blocked up. Complete information on this point strangely enough is not available with the National Co-operative 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 lacs, i.e., over

Deptt. of Cooperation—*contd.*

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 in 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.

- (ii) Units already set up are plagued by the problem 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 the 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 underutilisation 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 given at Appendix V to this report would indicate that the number of units organised in various districts bears no correlation to the relative importance of those 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 adequate attention was paid to the location factor.

---

Deptt. of Cooperation—*contd.*

(iii) 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 their capacity.

130

11 3.30

—do—

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 uninstalled 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.

Deptt of Cooperation  
Planning Commission

- (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 underutilisation 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 uninstalled 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

1	2	3	4
		Deptt. of Cooperation— <i>contd.</i>	meantime, stress should be on modernisation of conventional units where utilisation has been high.
12	4.21	—do—	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. 1,440 lakhs.
13	4.22	—do—	In the first place, as many as 4,029 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 2,828 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 3,477 incomplete godowns under construction is Rs. 33 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.

14 4.23 —do—

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 Corporation failed to screen proposals for construction of godowns with sufficient care.

15 4.24 —do—

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.

133

16 4.25 —do—

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

---

\*Paragraphs 24—29 of the 9th Report of the Committee on Public Undertakings (Fourth Lok Sabha).

17 4.26 Deptt. of Cooperation—*contd.*

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.
- (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.

135

18 5.9 —do—

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.

19 5.10 —do—

The Committee note that the position as at the end of June, 1969 indicates some improvement, in that 55 units had been installed

1	2	3	4
---	---	---	---

	Deptt. of Cooperation— <i>contd.</i>		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.
--	--------------------------------------	--	---

20 5.11	—do—	Planning Commission	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.
---------	------	---------------------	---

21 5.12	Deptt. of Cooperation		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.

22. 6.9. —do—

The Committee are disappointed with the performance of export-oriented cooperatives which have been assisted by the National Cooperative 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."

23. 6.10. —do—

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

24. 7.23. —do—

The Committee observe that the Corporation has still to obtain acknowledgements of the 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 confirmations to be obtained speedily.

25. 7.24. —do—

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.

Deptt. of Cooperation—*contd.*

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 a suitable arrangement to be evolved in this regard.

26.

7.25.

—do—

The Committee note that there have been some instances of deviation/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 the 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 efforts in this regards.

4118 LS-10.

27 8.4 do

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.

28 8.5 do

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.

29 9.15 do

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

139

Deptt. of Cooperation—(contd). 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 Cooperative 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 cooperatives, thrift and credit societies etc.

9.16

do

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 measures 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 the country 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.

31 9.17

—do—

The Committee recognise that "vested interests in co-operatives 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;

2	3	4	
Deptt. of Cooperation (contd.)	<p>(d) transactions in so far as they pertain to members of managing committee of societies or their relatives are adequately publicised;</p> <p>(e) elections are regularly and properly conducted;</p> <p>(f) accounts of societies are regularly audited and the results of audit reported to the General Body promptly.</p>		
3 . 10.1	—do—	<p>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.</p>	142
3 . 10.2	—do—	<p>The review shows a number of shortcomings in these sectors:</p> <p>(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</p>	

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. The 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

1

2

3

4

Deptt. of Cooperation (contd).

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 ensure that the movement progresses on an even keel throughout the country. The progress of the movement in different States has so far been uneven.

144

31

10.3

Deptt. of Cooperation  
Planning Commission

The Fourth Plan proposals for the co-operative 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 examination of their economics. The existence of a large number of that the accent should be on consolidation of the position of societies already organised, rather than on setting up new societies.

The Government of India 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 Corporation and the National Cooperative Development Corporation are common, e.g. the running of godowns, cold storages, cranes, etc., storage and distribution of agricultural produce, seeds, fertilizers etc. There are also Primary Credit Societies, Central Cooperative Bank 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.

