

**THE
COOPERATIVE MOVEMENT
IN
MAHARASHTRA STATE
A REAPPRAISAL**

Proposals for its
Revitalization and Reorientation

Y. J. MOHITE
Minister for Cooperation
Maharashtra State

PRINTED AT THE GOVERNMENT CENTRAL PRESS, BOMBAY.

CONTENTS

	Introductory	i
CHAPTER 1 :	Adherence to Co-operative Principles in the Registration of societies	1
CHAPTER 2 :	Transfer of certain Co-operative Societies to the care of the Technical Departments	4
CHAPTER 3 :	Measures to increase Efficiency	9
CHAPTER 4 :	Removal of Malpractices from Co-operative Societies	22
CHAPTER 5 :	Coordinating the activities of Nationalised and Co-operative Banks	26
CHAPTER 6 :	Scheme to reorganise co-operative Rural Banking with a view to make the cultivator self-sufficient in his requirements of credit for crop and reducing the rate of interest	31
	: Regulation of Agricultural Produce Markets	76
	: Revitalisation of Co-operative Marketing and proposals for Marketing of Cotton, Groundnut and Pulses in the Co-operative Sector	82
	9 : Ameliorating the conditions of the weaker sections of the Community	140
	: Scheme for conversion of Handlooms into Powerlooms	162
	Consumers Stores	174
	Other types of societies—	
	(a) Milk Production and Supply	183
	(b) Co-operative Housing	189
	(c) Lift Irrigation	192
	(d) Transport	200
	(e) Co-operative Hospitals	202
	(f) Fisheries	205
	(g) Poultry and Piggery societies	208

CONTENTS

CHAPTER 13 :	Co-operative Farming	211
CHAPTER 14 :	Co-operativisation of sugar factories	22
CHAPTER 15 :	Uniformity in the bye-laws of similar types of societies	233
CHAPTER 16 :	1969 Second Amendment to the Act—Reason for delay in implementation	239
CHAPTER 17 :	New Institutions—	
	(1) The Maharashtra State Reconstruction and Rehabilitation Corporation	243
	(2) State Federation of Spinning Mills	29
	(3) Directorate of Sugar and Directorate of Marketing	28
CHAPTER 18 :	Miscellaneous—	
	(a) Co-operative Relief Fund	262
	(b) State Level Co-ordination Committee	263
	(c) Voting Power of Nominees and Liquidators in Elections	
	(d) Reorientation of Government Policy	
CHAPTER 19 :	Summary of Proposals	

Introductory

No one who has been called upon to shoulder the responsibilities of administering the Co-operative Department as an instrument of Rural Reconstruction can fail to assess, as nearly as possible, the postulates and antecedents of this movement, its effectiveness in the successes achieved, the direction in which its failures have been most patent and the gap, if any, between promises made and fulfilment achieved. For one like me who grew in the atmosphere of co-operative expansion and who has lived through it actively with the conviction that co-operation can be made the most effective instrument of ushering in economic democracy and for one, who saw before his eyes the emergence of giant co-operative industrial enterprises as oasis of hopes and regenerations in the otherwise barren and desolate scenes of rural existence, to have been called upon to shoulder the responsibility of a Co-operation Minister is at once a challenge and a fulfilment. There is no doubt that the movement in its career of the last 70 years has gathered considerable dust, shown strains and stresses, has deviated towards the right or left of its marked out journey in the same way as it has been able to establish many spots of glorious achievement to its credit. Not a little of this confusion about success or failure or partial success and partial failure stems out of the existence of a deep-seated dichotomy between the principles of co-operation on the one hand and the need for establishing a socialistic order of society. That the rural scene in the whole of the country and more particularly in Maharashtra would have been more barren and frightfully more desolate but for the spread of the co-operative movement I have no reason to doubt. I have also no reason to deny that the movement as a whole has thrown up considerable rural surplus which our State of Maharashtra can be justly proud of. What, however, is unacceptable to me is the plea

passionately advocated by some for maintaining the status quo ; the refusal on the part of others to read the writings on the wall and a stubborn rejection of my plea by many others to harmonize the need for establishing an infra-structure for stabilising economic democracy at the grass roots. To all these I appeal in all modesty and humility to bear with me till the end, for no one is more convinced than myself that in all problems of socio-economic transformation of the society what counts most is a broad consensus ; a willing and enthusiastic support not only from the leaders of thought but also from the rank and file. To an achieving of this consensus I rededicate myself through these pages for, I am painfully aware that a divided opinion amongst the peasantry has always been an invitation to outside exploitation.

/ Little could Sir Fredrick Nicholson have realized, when in 1895 he recommended the creation of Co-operative Credit Societies all over India which also incidentally ushered in the era of the widespread application of the co-operative movement as a Government policy, that this small plant brought from the ashes of Robert Owen and the Rochdale Pioneers in England would have flowered to such dimensions and magnitude as to have become the way of life of the millions in India generally and Maharashtra particularly. In arguing for liberal and timely supply of credit, he argued that "the lesson of universal agrarian history is that an essential of agriculture is credit. Neither the nature of land tenures nor the position of agriculture affects the one great fact that an agriculturist must borrow due to the fact that an agriculturist's capital is locked up in his lands and stock. Hence credit is not necessarily objectionable, nor is borrowing necessarily a sign of weakness". It was largely due to his pioneering efforts that co-operation acquired a legal form in 1904. The Co-operative Credit Societies Act which became operative on the 25th March 1904 was modelled on the English Friendly Societies Act and *inter alia* provided :

/ (i) that any ten persons living in the same village or town, belonging to the same class or caste, might be registered as a Co-operative Society to encourage thrift and self-help among the members ;

(ii) raising of deposits and distribution of loans ;

(iii) liability of the Rural Society was to be unlimited and that Rural Societies were to have four-fifth of their members as agriculturists;

(iv) dividends were not to be paid from out of the profits of a Society but the profits were to be carried to a reserve fund which when sufficiently large could be converted into bonus shares.

There were many other provisions of the Act, but the salient and most important clauses of the Act of 1904 show the direction of the wind then blowing. The Co-operative Societies Act of 1912, which succeeded that of 1904 :

(i) permitted registration of any other kind of society which had as its object the promotion of the economic interest of its members in accordance with the co-operative principles;

(ii) the principle of unlimited liability was changed to limited liability and part of the reserve fund was allowed to be donated into charity. It was as a result of the authority conferred by the Montague Chelmsford Reform Act of 1919 that the Provinces were permitted to pass their own Co-operative Societies Acts. Bombay enacted it in 1925, Madras in 1932, Bihar and Orissa in 1935, Coorg in 1937 and Bengal in 1940. Taking the Bombay Act as representative, one finds the base of the movement broadened to include "agriculturists, artisans and persons of limited means", who were to be the beneficiaries of the movement. According to the Bombay Act of 1925, "Agriculturists and other persons with common economic needs" were to be brought within the fold of co-operative economic activity. The declared aim of these societies was to be "better living, better business and better methods of production". It was the Bombay Act of 1925 which introduced the famous principle of one member one vote which at once raised the moral base of the Co-operative Movement.

Then followed the worst depression in the history of Indian Agriculture and the first world-war economic crisis made the Indian peasant suffer the most. Co-operative Credit had hardly begun to take a concrete shape when one came across cultivators carrying cartloads and donkey-loads of their produce bargaining for a small price from door to door of the

middleman who added his own price of existence to make the peasant's life a big question mark between a crop and a crop. It was during the 1930s and thereafter that under the direct inspiration of the Reserve Bank of India, a large number of States conducted their own enquiries into the plight of the peasantry, not the least important of which were the Agricultural Finance Committee, the Co-operative Planning Committee and the Rural Banking Enquiry in 1949. Then came the All India Rural Credit Survey Report in 1953 which represented the cumulative anguished cries of a large body of workers in the co-operative field. Both for its broad sweep, sincerity of purpose and a comprehensive treatment of the subject of Co-operative Credit, the All India Rural Credit Survey Report and its recommendations constitute the last word on the subject. In fact, it is no exaggeration to say that different States have failed or succeeded to the extent to which they have accepted or rejected the recommendations of the All India Rural Credit Survey. In the context of the country's freedom in 1947, the All India Rural Credit Survey Report represented the first collectivised thinking on the subject of a Renaissance in Indian Farming.

It is necessary to summarise here, for the benefit of all, the main recommendations of the All India Rural Credit Survey, evaluate in what manner there has been a distinct departure from its recommendations and consider in the light of this whether a new sense of direction for the Co-operative Movement could be determined in advance to avoid possible failures in the progress of this movement in Maharashtra during the seventies and eighties.

Foremost amongst its many recommendations is its insistence on the gradual establishment, at the primary base, of larger-sized economically viable primary credit societies. By large-sized economically viable primary societies, the All India Rural Credit Survey Report intended to mean the establishment of such units as would cater to a compact group of villages within a radius of 3 to 4 miles and a population of 4 to 5 thousand.

Secondly, the Rural Credit Survey announced the principle of open membership for all persons residing in the village. Only an appeal was to be provided against wrong rejection membership.

Thirdly, it was contemplated by the All India Rural Credit Survey that only fixed deposits should be allowed to be accepted by the primary agricultural credit societies and in some cases they should be allowed to open savings bank account for which a regular commission can be paid by the Bank.

Fourthly, the borrowing limit of each primary credit society should be so arranged as to make the society operate its funds to the maximum advantage.

Fifthly, the system of cooperative credit will remain incomplete unless and until it is linked with marketing for which the All India Rural Credit Survey Report insisted on the establishment of a series of marketing centres, linked up organically with the primary credit societies from top to bottom.

Sixthly, the primary credit society was expected to so ration its resources and funds that 100 per cent. demand of the small-holders was first satisfied before consideration was given to the need for large cultivators.

Lastly, every large-sized primary credit society was to obtain the services of a fully-trained, full-time and well-paid secretary.

It will be interesting to critically analyse and objectively evaluate, at this stage, the present state of affairs of the cooperative movement as a whole and the highly exaggerated claims which have been made about its success as an instrument of development in the rural areas. While there is no doubt that in comparison to other States, Maharashtra has done exceedingly well, the real picture that now emerges before the mind's eye with regard to the actual impact of the cooperative movement in the rural areas leaves one in complete confusion about the high expectations of the early pioneers. Let us begin here with an examination of credit distribution first. It is well known, for example, that after working over a period of 70 years and having covered nearly 99 per cent. of the villages, only 12 per cent. of the primary credit societies have so far been able to achieve the stage of economic viability. The concept of viability has been laid down by the Government of India in the Ministry of Cooperation which says that the Society should be able to :

- (1) pay for the services of a full-time Secretary.
- (2) it should be able to pay for its office accommodation etc.
- (3) it should earn sufficient profits to build up reserves and distribute dividend.

Each State was allowed to determine the quantum of business to make the society viable. According to this criterion, therefore, 17,616 out of a total of 20,090 societies established so far have remained economically a drain and it is a matter of time before a large number of them reach the stage of liquidation or winding up. They are so stagnant today that for any one to expect these becoming effective instruments of executing the Fourth Five-Year Plan Schemes is to hope for the impossible. It is significant to note that the losses incurred by the primaries which were 12 lakhs in 1961 have reached today the staggering figure of 158 lakhs in a single year of operation. There is, therefore, no reason to doubt that all these accumulated losses have been eating into the vitals of the total owned funds of these primaries and if there were any reserve funds with these societies, they too are being gradually eaten up. The losses which these societies may have incurred from their inception can better be imagined than calculated. By all calculations there is no doubt that this will be a staggering figure.

It may be noted that out of 20,090 societies only in 27 per cent. i.e. 5,424 Societies the 100 per cent. membership has been achieved. The remaining societies are still struggling to reach this level. Hundred per cent membership was perhaps the easiest thing which the societies could easily have achieved but which they failed to do. The reasons are not far to seek. There is in most of the societies a dominant, fully entrenched group at the helm of affairs which apart from becoming a dark spot in the progress of cooperative credit expansion has also chosen to become an obstacle against the progress of the rest.

The figures about coverage of small-holders (5 acres or less) reveal an interesting story. 35 per cent of primaries have been able to make only 25 per cent. small-holders as members; 21 per cent. of the primaries cover between 26 per cent. to 50 per cent. of the small-holders; 22 per cent. of the primaries cover 51 to 100 per cent. of the small-holders and it is only in 22 per cent. of primaries that cent per cent coverage of small-holders has been achieved. It is not impossible, therefore, to conclude that during the whole of the expansion of Rural Credit the benefits of cooperative credit have not only not gone to small-holders, but have come to be monopolised by a class of cultivators who can be called the middle and higher groups.

The figures about benefits drawn by small and big-holders in different districts of Maharashtra reveal a very sad story. How far this state of affairs is different from the normal beliefs held by field workers and the general public will be clear from the following :—

In Yeotmal, in 1965-66, only 1 per cent. of the total area covered by short-term credit belonged to holders of five acres and less, 33.3 per cent. belonged to holders with 5 to 20 acres and 65.7 per cent. belonged to 20 acres and above. The position is not very much different in Nasik district where 9.6 per cent. belonged to small-holders who were benefitted, 50.5 per cent. belonged to holders between 5 to 20 acres and 39.9 per cent. belonged to holders of 20 acres and above. Similar picture is revealed in Nanded and the variations there in percentages is so small as to prove decisively the utter neglect of the small holders and the enrichment of the big cultivators. The picture with regard to percentage of loans distributed to small-holders in Yeotmal, Nasik and Nanded districts reveals the following story.—

Out of the total short-term credit that was distributed in Yeotmal district, only 0.9 per cent. was distributed amongst small-holders, 37.3 per cent. was distributed amongst holders between 5 to 20 acres and 61.8 per cent. went to holders of 20 acres and above. In Nasik, holders of 5 acres and less got 15 per cent. of the total loan disbursed but holders between 5 to 20 acres got 54.6 per cent. Similarly, holders of 20 acres and above got 30.4 per cent. The story repeats itself in Nanded almost with a deathly uniformity. These figures are not imaginary but reflect the studied prognostications by actual field studies conducted by the statistical section of the Registrar's office in Poona during the year 1968. They convey a lesson of their own for any one to see and are perhaps the most revealing commentary on the spread of the Co-operative Movement. Not that the Rural Credit Survey had not warned us against this possibility; they had even said that the distribution of scarce credit resources should be so rationed as to first satisfy the requirements of small-holders. To the extent Maharashtra followed it in the breach to that extent faith in the movement has received a setback and today stagnation amongst the primaries is matched by frustration

amongst cooperators. In the context of this for anyone to say that all is well with Cooperative Credit is to shut one's eyes to realities and to exhibit a dangerous subjectivism.

Let us here examine the position of overdues in primary credit societies. The figures of overdues are so staggering as to make all sincere workers in the field of cooperation sit up and think deeply of the problems involved. During the whole of last nine years, the percentage of overdues to the total loans outstanding has shot up from 20 per cent in 1961 to 40 per cent. in 1969. There has been a gradual increase in overdues in all these years and no where, not even in a single year, the overdue position has shown any improvement. Even if one is to exclude two bad years of 1965 and 1966, one cannot escape the conclusion drawn by many that the mechanism of Rural Finance has not kept pace with the requirements of a developing Rural Economy. In fact, if the present trend is any indication, the implementation of the Fourth Five-Year Plan will become absolutely impossible unless radical measures are adopted to improve the present overdue position. True, overdues may in some cases be due to inadequate financing and bad weather conditions but it may be noted here that only 22 per cent of the credit requirements of total short-term credit is fulfilled through Cooperative Structure and within that small figure the overdues position is continuously playing havoc with our programmes of development. Quite a substantial part of the blame has to be apportioned towards a rising rate of interest which has been varying between 7.8 per cent. and 12 per cent. to the ultimate borrower at present. The question of all questions, therefore, is how the implementation of the Fourth Five-Year Plan Schemes is to become feasible, how at the grass root level administration is to organise a massive people's efforts with increasing rate of interest eating into the vitals of the Cost Structure; how is one to struggle against larger and larger number of producers getting demobilized on account of mounting defaults; how is one to fight against the consolidation of the interest of the few against the crying need of the requirements of the many; how is one to break the vicious circle of too much being done for too few. For the Cooperative Credit Structure, in the context of what has been described above, to claim universality, to consider itself a spring-board for action of Planned Development is again hoping for the impossible and as a Minister for Co-operation, it is my duty to bring these items of stark reality into the open. Let facts speak for themselves.

The figures of linking credit with marketing reveal interesting figures. It is well known that the All India Rural Credit Survey Report laid the maximum emphasis on linking of credit with marketing. The picture in Maharashtra so far as scientific and coordinated development of marketing is concerned, is most disappointing. The following figures reveal the existing state of affairs. The total recovery of dues through linking in Aurangabad Division is 5 per cent., in Bombay Division it is only 1 per cent., in Poona Division, the linking of credit with marketing is 47 per cent. but this obviously represents recoveries through Sugar Factories which are predominantly located in Poona Division. Vidarbha represents a dismal picture in respect of linking as with the best of efforts and long history of pooling of cotton the percentage of linking has not reached even 15 per cent. Even this percentage represents, by and large, the purchases made for paddy and jowar under the Monopoly Procurement Scheme.

Large number of societies in Maharashtra during the forward march of the co-operative movement have come to be registered which do not reflect the application of co-operative principles at the field level. Recently, a co-operative society for the start of a daily newspaper has been started. I have also come across transport societies in which capitalism of the worst type is being practised, in as much as transport contract from Government and semi-Government institutions is being obtained by a group of moneyed people, who engage the drivers and cleaners as any other private agency and carry out their business of making a profit. Perhaps, the worst example is that of co-operative cinemas in which private capital has played havoc with the principles of co-operation. The future generation of co-operative workers will consider us guilty of side-tracking the main issue and encouraging, even if indirectly, the return back of capitalistic and, therefore, anti-people enterprises. Such instances can be multiplied but for want of space I am restricting myself to a few only. If a society of newspapers was registered with all the readers as its members, I could have appreciated; similarly, if a cooperative cinema only of those who see pictures was established, it would have been a step in the right direction; a transport society of trucks and rickshaws in which drivers and cleaners are members is also an acceptable formula. All these societies, however, represent a clear attempt

at deviation, a systematic drive to bring back capitalism by the back door and what is worse, they successfully camouflage the true character of the institution so that even an organised fight against it becomes difficult in Maharashtra.

The cooperative movement in its rapid growth during the last 50 years has also taken upon itself the running of societies of a highly technical nature. Examples of these are poultry, piggery and fishery societies. Technical knowledge in respect of work in these types of societies has been increasing at a tremendous pace and what is true today is replaced by knowledge in the next three months. The discovery of medicines, the feed supply and the economics of preservation are undergoing rapid changes with the result that all these societies in the struggle for survival are worth studying examples of cooperative failures. The losses in them have mounted heavily and before their final extinction it is only a matter of touch and go. Something is obviously wrong and readers will find that an attempt has been made to offer a solution in one of the chapters.

I shall be failing in my duty if I were not to mention at this stage the less than scant attention that has been paid towards the problems of landless labourers and the tribals. We parade proudly about the existence of labour contract societies but the actual working of these reveals the existence of systematic and organised exploitation by the contractors. There is no desire on the part of Government Departments to follow instructions given from time to time to give unskilled work to these labour contract societies and all kinds of excuses are put forward as alibis for non-compliance. Similarly, the forest labourers societies are too long dominated by outside interest and actual forest workers have been gradually alienated from the mainstream of progress in this direction. A closer analysis of such societies has been made at a proper place and readers will be convinced that we have failed to reach the last man in the chain of developmental activities. The situation gets aggravated by the fact that all along the country has accepted socialism as its goal and these vulnerable sections of the population demand day in and day out a realignment of Government policy in furtherance of their profession, failing which, there is no doubt that they will become easy material for a total realignment of forces. It is no use preaching to them the benefits of cooperative philosophy,

of voluntary action, of evolution and gradualness, when the emphasis should be here and now. Readers will find in these pages a sincere attempt to meet this problem.

With 47 sugar factories having been established in the cooperative sector, it is painful to see 13 sugar factories still run under private ownership. It has been the declared policy of the Government of Maharashtra to make the primary producer the eventual manufacturer and the success of cooperation will remain incomplete unless these 13 sugar factories are brought under cooperative ownership. Of course, the problems involved in this are many but a solution has also to be found lest we should be considered guilty of topsy-turvying the onward march of cooperative movement.

This, in brief, is the outline of the picture of cooperation that emerges after a close scrutiny of the spread of this movement in Maharashtra. I have carefully avoided taking any other criterion for the success or failure of the cooperative movement except those laid down by the All India Rural Credit Survey and those on which the Government of Maharashtra have a laid-down policy. How far removed is the total accomplishment at the field level as against the expectations in the past and during the Fourth Five-Year Plan will be clear from an analysis of these figures which have been gathered after proper study. It is not my purpose to decry what has been done but surely, what remains to be done is so colossal that its accomplishment through the present cooperative structure is appearing a distant possibility, unless we introduce radical changes at all levels. As a Minister for Cooperation, I think, I owe it to my conscience, to the future generation of cooperative field workers and to the future welfare of this State of Maharashtra to focus a searching light on the progress of the movement during the last 70 years, analyse its defects and determine as nearly as possible the future contours of its policy,

In surveying the causes of our failures and in identifying deficiencies in the actual working of the cooperatives, it will be necessary to make a study of the three-tier structure and its functioning during the last 25 years. There is no doubt that the apex Cooperative Bank in Bombay under the distinguished Chairmanship of stalwarts like Shri R. G. Saraiya, Dr. D. R. Gadgil and the present self-effacing but assertive

Chairman, Shri Vasant Rao Dada Patil has been the fulcrum round which the entire Cooperative Banking structure has been woven and one has nothing but admiration for the manner in which year after year this institution has discharged its functions, broadened its scope and like the sheltering umbrella has given protection both to the physically weak and financially non-viable institutions. Within narrow limits, this institution has rendered dynamic support to processing industries; however halting and slow the progress of cooperative marketing in Maharashtra may be, it would have been much slower and much more halting but for the spontaneous support this movement have received from the apex Cooperative Bank. There is also no doubt that in carrying successfully the fight of the cooperatives to the doors of the Reserve Bank on behalf of the primaries and the District Banks, the apex has rendered yeoman service and played a very progressive role. This was inspite of the fact that the margin allowed to the apex cooperative Bank was only 10 paise per Rs. 100 distributed and even if this has been raised to 25 paise per Rs. 100, considering the amount of cushioning the apex Bank provides to District Banks and the primaries, no one who has the good of the movement at heart can grudge the apex Bank this small margin. It is of course a different matter that the ramification of banking and the far-flung activities it has now been called upon to shoulder itself calls for a rethinking on the role to be played by the Apex. That reform of the apex Bank, however, can wait till such time as the redrawing of the spheres of Banking has been thoroughly examined and evaluated.

The idea with which District Central Cooperative Banks were introduced as a buffer between the primary societies and the apex has been nullified, to a large extent by the multifarious duties and responsibilities which the District Banks have been called upon to shoulder at the District level. With processing industries and Industrial Cooperatives coming up in each District and with the Reserve Bank's insistence on the District Banks playing more and more a lead Bank's role it was obvious that even the Central Banks developed strains and stresses which has not been to the good of the movement as a whole. The District Banks did attract large deposits from urban financial interests but as a natural corollary their policy towards primary credit societies was, to say the least, conservative and halting. By and large, the District Banks catered to the

requirements of only such cultivators as were in a position to repay the loan and who in other words had the necessary marketable surplus, but marginal holders and those who were living a subsistence level of agricultural existence over a period of the last 25 years came to be excluded though they needed their assistance the most. In fact, a close study of the functioning of the District Central Cooperative Banks reveals a picture of smug happiness in which the urban finances were content to obtain increasing remunerative rate of interest which burden was passed on to the ultimate borrowers. How is it that not a single District Central Cooperative Bank ever cared to find out what has been the exact coverage of the eligible membership of the primaries? How is it that not a single accusing finger was raised by them against the rising rates of interest and the continuous increase in the burden of the ultimate borrower? Their performance in the field of Agro-Industries has not been according to expectations. We have been shouting at the top of our voice to bring ancillary industries to the rural areas as an adjunct to Agriculture but the inability of the District Central Cooperative Banks in this respect to mobilize local resources with a view to bring about coordination in the spheres of manufacturing industrial goods has been so patent as to make us feel responsible for the failure of a movement which otherwise would have given us a lead in the whole country. When the Reserve Bank of India, year before has announced a reduction in the rate of interest not a single District Bank was able to pass on this benefit to the ultimate borrower. Their standard of supervision over the primaries has been more fault-finding than constructive and the recording of ghost areas is the direct result of their indifference towards inspection of the working of the primaries.

I must hasten to add that it was not as if the District Banks were indulging in playing an anti-people's and anti-progress role with a view intentionally to keep the small-holders down under the heels of the big-holders. Far from it. There is no reason to doubt that the District Banks represented a process of historical development in the expansion of Co-operative credit which brought the Reserve Bank and the Apex Co-operative Bank face to face with realities at the ground level. They were a necessary buffer between the primaries and the apex Co-operative Bank and in rallying urban finances in the service of the peasantry they have shown pioneering zeal. Nevertheless, the point I am

trying to emphasise is that having done this, is it now possible for the District Banks to absorb the tempo of development both in the Agricultural and the Industrial sector during the coming five or ten or fifteen years? Let us not overlook the fact that if the tempo or the rate of development in the first five-year plan was 3 per cent. and if the money to be invested in it was, say Rs. 1,000, during the Fourth Five-Year Plan, not only the rate of development is to be pitched higher to achieve a growth rate of 7 to 8 per cent. but an investment which is easily 700 times more than in the First Five-Year Plan. In fact, the ambitions of the country during the Fourth Five-Year Plan represent in one sweep all the investment we have made in the first three Five-Year Plans. During the Fifth and Sixth Five-Year Plans, the tempo of increase will far outweigh the capacity of the District Banks and for any of us to sincerely argue in favour of keeping the status quo is to invite stagnation in our economy. It may be possible for some one to argue that how can we be sure of the things not repeating itself at the Taluka level? In the scheme of things envisaged which is to follow in the subsequent pages, what is intended is not to abolish the District Banks but to bring about a bifurcation in the spheres of functioning; the taluka banks being made responsible for the success of agricultural programmes and District Banks being given the freedom to mobilize further urban resources towards ushering in an era of Agro-Industrial expansion. In saying this, fortunately, I am not alone in voicing these sentiments. The All India Rural Credit Review Committee has said the same things more candidly and I should be excused for quoting it verbatim and at length.—

“Although the system has struck roots in the State, some of the features noticed in its evolving experience has been such as to cause concern. One of these is the unsatisfactory quality of supervision over the primaries resulting from the inadequacies of the staff in respect of both number and efficiency in some cases and also from the lack of sufficient co-ordination between the staff of the Supervising Unions and the Central Banks, both of which play a role, in this sphere. Further, seasonality is not being strictly followed in quite a few areas. Above all, co-operative agricultural credit has been witnessing an alarming rise in overdue in recent years. Apart from crop failure, the main factors contributing to the overdues appear to be related to the rising scales of finance,

in-effective supervision, failure to take action against wilful defaulters and inadequate arrangements for the linking of credit with marketing. Though the co-operative credit structure in Maharashtra has shown noteworthy progress in many aspects, it appears to have developed certain weaknesses mainly because the process of rapid expansion of operations was not accompanied by a corresponding effort to strengthen and improve the supervisory machinery. The most obvious signal, which is also an alarming one, is the rising level of overdues referred to earlier. Other signs of weakness which are in evidence include the incidence of ghost acreages, unseasonal loans and recourse to transaction suggestive of book adjustments.

There are also a few other features of the experience of the co-operative agricultural credit in Maharashtra which require attention. Firstly, inspite of the extensive coverage of the co-operatives, there is reason to believe that the small cultivator and the tenant are somewhat neglected and that the benefit of co-operative credit goes, predominantly, to the large cultivators. Secondly, as stated earlier, the development of the movement has not been uniform in all the areas of the State. Thirdly, the management and staff of the co-operative banks are not in every case equal to the growing and complex responsibilities which are now devolving upon them. There is need for streamlining the internal operating procedures and improving the number and quality of staff at different levels."

The All India Rural Credit Review Committee has, therefore, asserted emphatically on the following defects in the working of the District Central Co-operative Banks.—

- (1) Unsatisfactory quality of supervision over primaries;
- (2) Lack of co-ordination between the staff of the supervising unions and the Central Banks;
- (3) Rising scales of Finances;
- (4) Inadequate arrangements for the linking of credit with marketing;
- (5) Large cultivators monopolising benefits at the cost and sufferance of small cultivators.

Taking all these deficiencies singly or collectively, one is left with no alternative but to conclude that the District Banks are

too distant an entity to keep a close watch over the primaries. It is physically impossible for the Chairman of the District Central Cooperative Bank however sincere and well-meaning his disposition, to be able to look minutely and pay personal attention to the problems of the far flung, widely diffused village peasantry. Political ambitions in some did activate the Chairman to maintain live and growing contacts with the primaries but by the very nature of things it remained a surface remedy; most Chairmen of the Banks were content to adopt the line of least resistance and preferred to postpone the evil day when they would have had to reckon with the growing demand of a large body of small cultivators. The failure of the District Central Cooperative Banks on the marketing front has been so patent as not to call for any further comments. It is a sad commentary that even today the middle trader earns much more in two months than what the cultivator can earn within a period of one year of hard labour and for us all to have believed that mere establishment of credit arrangements without plugging the leakages in the marketing system would have ushered in a golden era was nothing but sheer facile optimism.

In the spheres of Agro-Industrial expansion, mention may be made here in passing as to what percentage of efforts the District Central Cooperative Banks have deployed in activities other than credit. The following statement carries its own commentary.

A statement showing the State level percentage of advances given by the District Central Cooperative Banks during the past five years.

Year	Total short term advance	Percentage of advances for					
		Market- ing of crop	Processing of agricul- tural pro- duce	Industrial purposes	Consump- tion purpo- ses.	Other pur- poses	Seasonal agril. cr. and purchase of agril. imple- ments
1965	100 (134)	19.74	6.13	3.36	0.38	22.53	47.86
1966	100 (237)	18.74	7.12	1.40	0.49	41.40	30.85
1967	100 (195)	13.60	6.35	1.29	0.67	20.44	57.65
1968	100 (217)	12.84	8.95	1.15	2.43	34.40	40.23
1969	100	13.53	2.67	0.97	1.64	39.09	42.10

*(The figures in brackets indicate the short-term loans in crores advanced by the Central Financing agencies.)

It is indeed unfortunate that inspite of a clearcut directive from the Planning Commission as well as very sincere and passionate pleadings of the Rural Credit Survey Committee members, we in Maharashtra have consistently opposed the amalgamation of village primaries. Nothing in my own experience of administration as well as politics has shown me futility and innocence of the argument that a village how-so-ever uneconomic its functioning may be, must be kept intact and inviolate. By this resistance on our part we have paid dearly in the spheres of cooperative credit expansion. What other explanation, rational and plausible can otherwise be advanced to prove to ourselves that out of a total of nearly 21,000 societies, we have only 2,474 viable societies? The Planning Commission repeatedly and the Government of India even now in the Ministry of Community Development and Co-operation have been offering us subsidies over a period of five years to convert these societies into viable societies. I must painfully record that the decision to keep the spirit of 'villagism' alive, purely as a concession to local parochialism has been one of the most unfortunate decisions taken with regard to cooperative credit structure in Maharashtra. As argued earlier, the losses in the running of the primaries are continuously mounting and if a reorganisation in their working is not brought about, it will surely lead to a collapse of the system, if it has not already begun. The socio-political impact of keeping the village alive has divided the rural community into unnatural barriers and has indirectly not permitted their combining against the exploiting classes. In fact, the desire to keep away a certain section of the village out of the benefits of cooperative credit distribution, not for any sound economic reasons, over-shadows a group's thinking beyond all proportions and invites outside elements to exploit the situation. I am painfully aware that the spirit of 'villagism' is, to say the least, very stubborn and there may be large number of advocates who will say that mere economic viability cannot be given preference to a spirit of comraderie and homogeinity which has been the essence of village life during the last 3000 years. Nevertheless, in all humility, I must appeal to the good sense of the people, that in merging with the neighbouring village, they do not merge their indentity, it is at best a small rivulet running across to meet the big river and together constituting a giagantic force to be r4ckoned with. I sincerely wish, we in Maharashtra, had undertaken this reform

very much earlier and not had been the victim of an outdated sentiment. Of course, correctives could have been applied but the District Central Co-operative Bank not being an organic part and being too distant from the village scene found itself incapable of administering a corrective with the result that 'villagism' got a further lease of life. I shall not be surprised if there was a method in this madness and a clever device to let the sleeping dogs lie. In my opinion, the earlier we reverse this decision, the better it will be for the progress of the cooperative credit movement as a whole. Maharashtra can attract large-scale subsidies from the Government of India, introduce an element of cooperation as against competition and rivalry amongst a group of villages.

I should like to raise here a public discussion on the socio-economic state of affairs existing in the village today, compare it with what existed when the Rural Credit Survey Report was published and to determine as best as possible whether a new sense of direction can be adopted to make cooperative credit a really effective means of bringing about socio-economic transformation. The Rural Credit Survey Report is candid on certain points which it is necessary to serialise here :—

Firstly, it was argued by them that for several decades there continues to operate, as I think we have to agree even today it exists, an adverse mechanism of trade and finance which consciously or unconsciously worked against the interest of the rural population generally and the rural producer in particular ;

Secondly, this conflict of interest has consolidated itself into urban and rural interests in the village economy. While trade and finance continued largely to be urban the rural interest got gradually sacrificed in favour of the urban interests ;

Thirdly, the spread of the cooperative movement and the existence of these trade and financial interests is a contradiction in terms in as much as, " while the State has a vested interest in the success of cooperation, private banking and private trade, particularly at the village level, have a vested interest in the failure of cooperative credit."

Fourthly, rather than face this conflict boldly, the subordinate official either of the Bank or Government, " creates for the benefit of the superior officers what might be called the

illusion of implementation woven round the reality of non-compliance the *status quo* and the compliance are often achieved conjointly and at great efforts by the leading elements in the village and the subordinate agencies of Government. The persons who suffer the most are thus the weaker and disadvantaged elements of the village for whose benefit the directives and policies are conceived."

Fifthly, failure of cooperative credit will always be there as long as attempts are made to combine the very weak in competition against the very strong; in other words the real problem is the one of creating new conditions in which the interest of the weaker are given due protection against the strong.

A survey of the village conditions, it is my contention, will reveal today the same sorry state of affairs, with some variations here and there. Sugarcane, cotton and groundnut, constitute the three most important cash crops round which is woven the entire agricultural economy of Maharashtra. I must also publicly confess that by and large, the sugarcane producer today has been emancipated from the shackles of urban finances and trade and his destiny has been successfully tied up with the manufacturing process attached to his produce. This is unfortunately not true of the cotton and the groundnut producer who continues to be the victim of market fluctuations in co-operation with local urbanised financial interests. These interests are today entrenched in the body politic as they were centuries ago. Co-operative Credit has so far been able to satisfy only 22 per cent of the credit requirements. With increasing cost of inputs and a mounting rate of overdues the entire Co-operative Credit structure has come to a stand-still. In fact, today fears are being freely expressed that on the basis of existing credit circulation very soon agriculture would have reached a point of no return and we shall again witness the sorry spectacle of the peasantry left to the mercy of exploiting interests. The lessons to be drawn are obvious; mere doling out of credit without at the same time plugging the leakages in the system of marketing is to perpetuate the same evils as have been responsible for the helplessness and poverty of the Indian peasantry. I would, therefore, not like to repeat the mistake of merely reorganising the credit structure without at the same time establishing organised markets for cotton and groundnut to start with. Readers will find under a separate Chapter

a scheme to establish trade in cotton and groundnut on the basis of a kind of Monopoly Procurement. Fortunately, the Government of Maharashtra have already announced a policy decision to fix prices of cotton and groundnut and combined with the powers vested in the State Government under the provisions of the Essential Commodities Act. A scheme for Monopoly Purchase of Cotton and Groundnut is proposed to be organised which not only will link credit indissolubly with marketing but strive to obtain for the cultivators the best of prices for his produce. I remain more than ever convinced that credit without being linked up with marketing will perpetuate the evils of Monopoly trade in which urban finances have always played havoc with the Rural Producers. This is also a part of the policy decision adopted by the political party in its last open Session in Bombay to which I have the privilege to belong.

With credit and marketing fully interlinked and with adequate finances flowing from one end and recovered through marketing an all out effort will have to be organised to usher in an era of Agro-based industries. I think, everybody knows by now, that if every drop of rain is collected, if every Nala is bunded and river impounded, the percentage of irrigation in Maharashtra is not likely to go beyond 27 per cent and that too by 2000 A. D. In between we shall continue to have with us two kinds of diametrically opposed rural economies, the irrigated and the unirrigated. In fact already from the figures of credit distribution and recoveries it is abundantly clear that irrigated areas mean surplus economy for the holders, it means marketable surplus and it also means a leverage with the holder to fight the cruelties of nature. As against this the dry cultivator has to reckon with subsistence rural economy in which the two ends do not seem to meet. In other words, we shall continue to have with us 75 per cent of our cultivators with marginal and/or deficit economies and any amount of pouring in of money will not enable the dry cultivator to earn a reasonable standard of existence. The answer for all this is to organise Agro-based industries on a massive scale which will enable the marginal and sub-marginal cultivators to earn a decent living by following the vocation of alternative agricultural practices like dairy, poultry, fisheries, etc. Uptil now this work was being done by the District Co-operative Banks in addition to their main duties of distributing credit to the

cultivators as crop finance. In the scheme of things envisaged, it is intended to make the District Central Banks wholly responsible for the establishment of Agro-based industries and leave the Taluka Banks to cater only to the distribution and recovery of crop finance.

(This whole existing Co-operative Structure in Maharashtra is thus proposed to be remoulded on the basis of three solid concrete pillars of: (1) organising of Taluka Banks with a view to arranging adequate financing of crop production, (2) establishing Co-operative Marketing as a link for recovery of crop finance and with a view to obtain better prices for the producers and (3) entrusting the task of building up an Agro-Industrial base to the care of District Industrial Co-operative Banks. All these proposals which I am submitting before the people of Maharashtra have at one time or the other been advocated by various Co-operative Institutions. Take amalgamation of village primaries with a view to make them viable, take monopoly purchase of cotton and groundnut or any other suggestion made for reorganising rural credit and the readers will be convinced that the time to make a beginning has now arrived. We had so far chosen a wrong road and to that extent we have also suffered in the slow and halting progress of the Co-operative Movement. These three concrete pillars will establish finally the infra-structure for the establishment of a socialistic Society, do away with exploitation and by a process of decentralization throw up new leadership at the village and taluka level which will definitely succeed in involving the last man in this chain of institutional progress. I do not consider the taluka banks also to be sacrosanct and inviolate; in the long run perhaps they will be replaced by a well organised Rural Banking structure at the level of the village primaries who in dealing with the State Co-operative Banks directly will not only be self-sufficient but will generate additional financial resources for the alround development of the rural areas. In the distribution of credit for production interest plays a very significant role and when I argue for a reduction in the rate of interest it is with a view to make agriculture a happy and more easy proposition. The greatest merit of the organising of Taluka Banks will also be the entrusting of group secretaries to its own care and management. No longer will the secretaries be the servant of two masters and thus exhibit divided loyalties. It is not a question of abolishing District

Banks as much as bifurcating its working into desirable compartments and entrusting crop finance to a single agency.

Experience has shown that Co-operative activity which depends for its success very largely on the supply of technical expertise should be entrusted for its proper and efficient management to the care of the technical departments. As an instance in point are the Poultry and Piggery Societies, the Dairy Societies, the Fishery Societies, Co-operative Farming Societies, etc. which have so far been administered by the Co-operative Department with such assistance being taken from the respective Technical Departments as is required for the efficient running of it by the Administrative Department. The results achieved so far are very discouraging. One of the important contributing factor towards this has been the lack of direct involvement by the Technical Departments. The Technical Departments came to acquire a secondary interest in the management of these Societies and did nothing very serious beyond tendering of advice. They were not considered organically responsible for the success or failure of these institutions. It is proposed to entrust such of the Co-operative Societies as involve a high degree of technical expertise to the care and management of the different Technical Departments. Some of us may be inclined to think that the entrusting of these Societies to the care of Technical Departments may lead to an overemphasis of the technical aspect of the problems and that the co-operative aspect is likely to be sacrificed. This is proposed to be safeguarded by sending on deputation to the different Departments an Officer of the rank of a Joint Registrar who will look after the co-operative aspect of the activity and safeguard against deviations in the application of co-operative principles. Readers will find a full scheme of transferring these activities to the various Technical Departments. This transfer will be watched with special reference to accelerating the rate of progress of these Societies and if no substantial progress is achieved they will be taken back for management again.

I would specially draw the attention of readers to the institution of the Maharashtra State Co-operative Reconstruction and Rehabilitation Corporation, which starting with fully paid up share capital from Government will also attract some share capital contribution from successful Co-operatives. This Corporation will take over the running of badly managed

Co-operative Processing Industries, reconstruct and rebuild them and then hand them over back to the care of the people who started them with such safeguards as are necessary for their proper functioning. I solicit the reader's attention to the essentials of this body for a proper evaluation of its merits.

As mentioned earlier a large number of cooperative societies which have come to be registered on a wrong interpretation and application of cooperative principles are proposed to be deregistered. The provisions in the Act do not permit such de-registration and it is proposed to so amend the Act as to take enabling powers for (1) Provisional Registration, so that a society could be registered provisionally when its character is of a doubtful nature; (2) De-Registration by which powers to cancel the registration of an existing wrongly registered society. This is intended to purify the Cooperative Movement even at the start so that indirect entry of capitalism is prevented. For the sake of adhering to this principle I have reiterated series of well-recognised cooperative ideals and I appeal to the readers to make a special study of these. In future no society will be registered which does not reflect within itself these high ideals.]

I must specially draw the attention of readers to the provisions made for Forest Labourers' Cooperatives and Landless Labour Cooperatives. These constitute the most vulnerable, exploited and down-trodden section of the rural population. Too long they have been neglected to have become a ready-material for a political ignition. Here the problem has been identified in all its dimensions and the scheme makes the Government fully and squarely responsible for the running of these societies. Of course the outer structure will remain cooperative but the responsibility for successful execution of programmes for their amelioration will be that of Government through its Officers who will be asked to complete it according to a set pattern. This involves a certain cost to Government but they should not grudge it if their professions of socialism are to be anywhere near realisation.

In the running of cooperative societies a few cases of defalcations have arisen as well as cases of misappropriation. A whole Chapter to improve the efficiency of cooperatives, taking of timely deterrent action, making audit very effective and organisation of cooperative Courts has been introduced with a view to streamline the cooperative structure. All these measures are intended to help bolster up the position of a sincere

worker and punish the wrong-doers without at the same time disturbing the election machinery which ultimately will decide whom to suppress or throw up for leadership. I am sure the readers will give their whole-hearted support to these chapters.

In short it is my honest belief that a revitalization and a re-orientation of the cooperative movement on these lines will go a long way towards establishing an infra-structure for ushering in the era of socialism. With producer oriented credit, with marketing linked up with credit, with District Banks catering for the needs of agro-based industries, with cooperativising the trade in cotton, groundnut and pulses, with deregistration of unwanted societies, with devolution of certain of our functions in respect of highly technical cooperatives and finally involving the small-holders, landless labourers and forest labourers into a protected scheme of providing them with full employment, can any one still accuse me of taking the cooperative movement away from the socialistic principles? Appealing to the readers for a dispassionate and unbiassed reading of my thesis and the critical analysis I have made, I end with a quotation from Prof. G.D.H. Cole, who in his book "British Cooperative Movement in a Socialistic Society", has said as follows:—

"That there are competing philosophies with which cooperation has either to fight and prove itself superior or accept defeat in the emergence of forces which will rally the last man in the chain of establishments. For the cooperative movement can claim a high and honourable place in the structure of the society only if it is prepared to play an active and imaginative part in bringing that society into being. If in the barren determination to cling on to what it already has it allows itself to take up an attitude of sheer obstruction to desirable social changes and to serve as a buffer for capitalism instead of helping the socialists to supersede it, the great claims made by cooperators for their movement will go by the board, and the State will be driven to take into its hands enterprises which it had better leave to be organised cooperatively provided the cooperators are prepared to take the task in hand. It is difficult not to be impatient at the sight of the movement of so vast potentialities quite unable either to make up its mind what it really wants or to think in terms big enough to match its opportunities."]

Chapter 1

ADHERENCE TO THE PRINCIPLES OF COOPERATION IN THE REGISTRATION OF COOPERATIVE SOCIETIES

The caravan of co-operative movement in Maharashtra starting in 1904 has by now gone through many a vicissitude in its chequered career. Starting merely as an instrument for the expansion of co-operative credit, the co-operative movement can now successfully lay claim to the efficient running of huge processing industries, not to mention the rapid strides it has made in co-operative marketing. Not an insignificant part of this achievement is the organisation and expansion of rural banking, both short-term and long-term, which has enabled the co-operatives to become a rallying point for the peasants' efforts.

In its forward march, however, the co-operative movement has gathered considerable dust in its mechanism. Large number of societies have come to be registered in which the principles of co-operation have been made a casualty. As the Department started growing into various directions and as more and more economic functioning of the State came to be shouldered by the co-operatives, there has crept in them a large slice of deviation from co-operative principles which has made the progress of the co-operative movement, in some cases at least, a mockery of co-operative philosophy. These deviations have occurred largely due to the insistence by Government for co-operative conversion of any institution as a preliminary to the grant of licences or permits. Many of the scarce raw materials came to be distributed through co-operatively organised institutions and industries, with the result that one comes across co-operative societies for the running of hotels and restaurants and co-operative boarding houses also. Similarly societies for the running of news papers or magazines and educational institutions have also been registered. These examples can be multiplied, aggravated further by the fact that no provision exists for the de-registration of such societies in the Co-operative Societies Act.

It is highly objectionable that registration of such societies has taken place which make them indistinguishable from the categories of private enterprise. The registration of societies follows the acceptance of bye-laws which have been framed by the Department during the inter-war years and after. These bye-laws have also become out of date and a radical

revision in their actual impact on field conditions will soon have to be brought about. In the mean time, however, it is necessary to stop large scale deviation from the co-operative principles at the source itself, so that a wrong registration is never done. For this a reiteration of the principles and objectives of co-operation is attempted here and any proposal for registration or rejection of a society will be considered in the light of the principles and objectives enumerated therein. Any society which violates any of these principles and objectives will have to be refused registration. These principles are :—

(a) Only such co-operative societies should be registered whose membership is wholly restricted to either the agricultural producer or the consumer or the worker. In the case of societies organised by the consumers, the consumer will be the ultimate consumer and not the intermediaries. For example, societies organised by retail traders on the ground that they have to make purchases from wholesalers and are consumers in that sense, cannot be registered. In case of workers societies, sympathiser members, being not actual workers, will be excluded.

(b) In a co-operative society the individual profit motive will always be subordinated to the needs and requirements of social good. A society organised by a number of contractors with a view to increasing their individual profits cannot be registered as a co-operative society because however benevolent the working of the contractors may be, in actual fact, it will operate against the interest of a large body of people.

(c) The registration of such societies as would lead to the creation of monopoly in favour of a small group of people against the interest of the overwhelming majority will not be permitted. For example, societies organised by wholesalers, which would result in creating a monopoly in their favour will defeat the very purpose of co-operation.

(d) Societies should not be registered if their registration would result in the exploitation of the poor, helpless and economically non-viable members of the society. An example of such societies will be a society of mine owners whose margin of profit will in all cases be equal to the exploitation of labour in far off places.

(e) It is sometimes observed that the proposals for registration of societies are received where the membership is so large, diffused and shifting that it is likely to lose its cohesion and co-operative character. Education societies, cinema societies, hotel societies, etc. which are not intended to cater to a specific and identifiable group are likely to be organised more for the benefit of the promoters individually than for the consumers for whose benefit they are intended to be formed. It would, therefore, be inadvisable to register such societies.

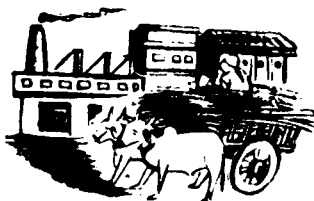
Instead of laying down an exhaustive list of the type of societies which can be registered, and that task by its very nature is impossible to be achieved, it is proposed to issue instructions to the registering authorities to examine all proposals in the light of the principles enunciated above. Doubtful cases will have to be referred by them to the Registrar or Government and such cases may be quite a few.

As already stated above at present the Co-operative Societies Act does not provide for provisional registration of societies or de-registration of societies, with the result that once a society is registered, there is no alternative but to take it into liquidation, in case it is found that the purpose for which the society has been registered is not satisfied. Thus, it is noticed that a backward class housing society or a collective farming society is registered on the understanding that land will be available to it but subsequently it is found that the society cannot make any head-way for want of land. In such cases, it should be possible to give provisional registration to the society and to cancel it if the purpose is not served. Similarly in case it is observed that a society has lost its co-operative character or has not been organised in accordance with the above principles, it should be possible to de-register such a society. It would be therefore, necessary to make such a provision in the present Act. Provision for the de-registration of societies will also help to weed out the wrongly registered societies or the societies which have lost their co-operative character.

The following steps are therefore, proposed to be taken in this behalf :—

(i) The principles mentioned in (a) to (e) above are proposed to be followed in the matter of registration of societies as guide-lines.

(ii) The Co-operative Societies Act is proposed to be amended to provide for provisional registration and de-registration of wrongly registered societies.



Chapter 2

TRANSFER OF CERTAIN COOPERATIVE SOCIETIES TO THE CARE OF TECHNICAL DEPARTMENTS

The Cooperative movement has extended itself to almost all spheres of life and it therefore embraces quite a number of activities which call for considerable technical know-how. This technical aspect is becoming increasingly important due to the advance of technology generally. There are certain types of societies which depend for their success on the immediate availability of technical know-how and proper guidance as soon as they undertake their proposed work. Such societies require technical guidance in their day to day activities with a view to run them on a profitable basis and on sound business footing. The success of such cooperative societies should therefore be the exclusive responsibility of the technical departments concerned and they should, therefore, be closely associated with their working.

The following types of societies had better been transferred to the respective technical departments for this purpose :—

- (i) Animal Husbandry Department, (Poultry-Societies, Piggery Societies, Cattle Breeding Societies etc.).
- (ii) Fisheries Department (Fisheries Societies both inland and maritime).
- (iii) Agriculture Department (Cooperative Farming Societies).
- (iv) Industries Department (Cooperative Industrial Estates and District Industrialisation and Cooperative Development Societies).

As on 30th June 1969, there were 376 Joint Farming Societies, 858 Collective Farming Societies, 337 Fisheries Societies, 272 Cattle Breeding Societies including Sheep Breeding Societies, 87 Piggery Societies and 135 Poultry Societies. There were also 62 Cooperative Industrial Estates and 3 District Industrial and Development Societies.

These Societies are registered by the Registrar of Cooperative Societies after due consultation with the Head of Departments, like the Director of Agriculture, Director of Fisheries, etc. Most failures in these societies, however, occur because the Cooperative Department is not in a position to provide technical guidance to them. Except for the post of a Deputy Director of Agriculture which is attached to the office of the Registrar of

Cooperative Societies, Poona, there is no other technical officer attached to the Cooperative Department to look after these societies. The farming societies need guidance in the matter of cropping programme, development of land, crop protection measures etc. It is not possible for the Deputy Director of Agriculture attached to the office of the Registrar in Poona to attend to the needs of the 1,234 Farming Societies which are scattered in rural areas.

An officer of the rank of Deputy Registrar has been attached to the office of the Director of Fisheries to look after fisheries societies. He is in a position to carry out the regulatory functions of the Registrar in respect of these societies. In the case of piggery societies, cattle breeding societies, including sheep breeding societies and poultry societies, the livestock requires immediate attention which cannot be paid by the Cooperative Department because it has no such technical officers. It will not also be possible to draw officers from the respective Departments on deputation to the Cooperative Department because they would not be fully employed in most cases. On the other hand, all the Departments with which these societies are concerned have their own organisation in the districts and even at lower levels. It is not therefore difficult to make the respective departments wholly responsible for the successful working of these societies.

Similarly, the Industries Department should be made wholly responsible for the Cooperative Industrial Estates and the District Industrialisation and Development Societies for similar reasons. At present all the regulatory powers in respect of these societies are vested in the Registrar of Cooperative Societies. Not having the technical expertise, the Cooperative Department is not in a position to bring about any development merely by performing the regulatory functions. In most cases, the department is called upon to exercise its regulatory powers when there is some failure in the societies and when the cause of the failure is analysed, it is usually seen that in most cases, the failure was due to the lack of timely technical guidance. If technical guidance is available right from the start, the occurrence of such failures can be prevented. When people come to know that timely technical guidance is available, it will also inspire their confidence in the society.

These Departments should exercise fully all routine administrative and financial functions in relation to these societies. Thus normal day-to-day watch over the activities of these societies including arrangements for supply of feed, medical aid etc. and technical guidance should be the sole responsibility of the technical departments concerned.

However, to ensure that the cooperative spirit is fully retained, certain powers, viz., powers of registration, winding up, audit, and revisionary power under section 154 of the Act will have to continue to remain with

the Registrar of Cooperative Societies, who will continue to supervise and evaluate the performance of these societies and in that process might issue suitable instructions to the Departments in respect of these societies. This will ensure that there is no departure from the cooperative spirit in their working.

To assist the Heads of the Departments to whom the control of the societies will be passed on, an officer of the rank of a Joint Registrar or a Deputy Registrar, may be deputed to the Departments wherever necessary. These officers will be authorised to exercise the necessary regulatory powers of the Registrar. In that event the Deputy Director of Agriculture attached to the office of the Commissioner for Cooperation will be repatriated to the Agriculture Department. The Fisheries Department has already been given a Deputy Registrar and the only Departments which may need this post are the departments of Agriculture, Animal Husbandry and Industries.

District Industrialisation and Co-operative Development Societies

District Industrialisation and Co-operative Development Societies were organised on a pilot basis at Yeotmal, Nanded and Sangli as a special type of Development Society in pursuance of the recommendations of the Study Group on landless labourers. These societies are of a peculiar nature in as much as their membership consists only of Government represented by the Collector, Zilla Parishad represented by the Chief Executive Officer and some other nominees.

The object of these societies was to utilise locally available raw material, capital, labour, skill, leadership and to support industries in rural areas with a view to absorb landless agricultural labour. It was therefore proposed to start various types of industries in the rural areas. The schemes of these societies are entirely financed by the State, and before they are implemented, they require the prior approval of the Industries Department. Originally it was proposed that Government will contribute 40 per cent. of the cost of the Scheme as share capital or loan and the remaining 60 per cent. was to be raised from the Cooperative Bank. However as the societies lack cooperative character the Central Cooperative Banks have not provided the finance and the schemes are run only with Government financial assistance. The Government investment in these societies by way of share capital contribution is :—

Name of the Society.	Govt. Share Capital.
	Rs.
1. Nanded	... 6,78,000
2. Yeotmal	... 10,47,050
3. Sangli	... 7,89,000

Generally these societies have undertaken Schemes for running of production Centres such as manufacture of cement pipes, manufacture of bricks, manufacture of fertiliser mixture, manufacture of umbrellas, manufacture of bags, etc. and the producing units are under the control of the Industries Department which provides the necessary finance.

Since these societies lack in cooperative character and since the schemes are run under the control of the Industries Department that Department alone should be made fully responsible for their management and economic success.

Cooperative Industrial Estates

The main object of these societies is to offer common facilities and common management to its members.

There are 62 Cooperative Industrial Estates in the State, registered under Maharashtra Cooperative Societies Act, 1960. Their membership consists of 147 cooperative societies and 5,708 individual intrepeneurs and their working capital amounts to Rs. 2.27 crores which has been invested in the construction of 864 sheds.

These societies are required to raise 20 per cent share capital from members, 20 per cent is contributed by Government in the Industries Department and remaining 60 per cent. is secured by way of loan from the Life Insurance Corporation on the recommendations of the Cooperative and the Industries Department. The project report of each proposed Industrial Estate is technically scrutinised and approved by the Industries Department before the Industrial Estate is registered. The entire work regarding selection of site, making Government land available to the society, approval of layout plans, general supervision over its working etc. rests with the Industries Department. The rôle of the Co-operative Department after registration of such societies is totally insignificant.

There is no particular advantage in keeping dual control over these societies, and the Industries Department alone should be made fully responsible for their management and economic success.

The following proposals are therefore placed for consideration :—

(i) Societies requiring expert know-how and constant technical guidance should be transferred to respective departments and it should be the exclusive responsibility of the technical departments concerned to make such societies a success.

(ii) In view of above, the following types of societies be transferred to technical departments shown against them :—

- (i) Poultry Societies.
- (ii) Piggery Societies.
- (iii) Cattle breeding societies.

Animal Husbandry
Department.

(iv) Fishery societies
(both inland and maritime).

Fisheries Department.

(v) Farming Societies.

Agriculture Department.

(vi) District Industrialisation and Cooperative Development Societies.

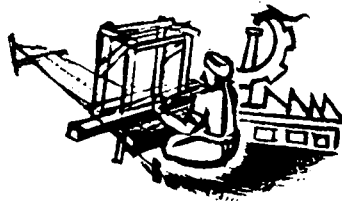
Industries Department.

(vii) Co-operative Industrial Estate.

(iii) With a view to ensure that the co-operative spirit of such societies is fully retained, powers of registration, supersession, winding up, audit and revisionary powers under section 154 of the Maharashtra Cooperative Societies Act, will continue to remain with the Registrar of Cooperative Societies.

(iv) To assist Heads of Technical Departments to whom the control of societies is proposed to be passed on, an officer of the rank of a Joint Registrar or Deputy Registrar may be deputed wherever necessary.

(v) Officers deputed to Technical Department will be authorised to exercise necessary regulatory powers of the Registrar in respect of such societies.



Chapter 3

MEASURES TO INCREASE EFFICIENCY

(I) EFFECTIVE AND PURPOSEFUL AUDIT

It is one of the statutory responsibilities of the Registrar to audit the accounts of each co-operative society every year. This responsibility is being carried out by the Registrar with the assistance of the Departmental Auditors who have been appointed for the purpose of auditing the accounts of societies. In order to keep a continuous watch on the working of important societies and to spread the work of audit over the entire period of one year, a system of continuous and concurrent audit has been introduced in respect of key institutions like Central Banks, Sugar Factories, Spinning Mills and such other bigger institutions.

With the phenomenal growth of the co-operative movement in our State and with the increase in the volume of business transacted by co-operative societies, it has become imperative to devise ways and means of improving the quality of audit and to ensure that audit is timely, purposeful and effective. It is proposed to take the following steps in order to achieve this objective to the maximum extent :—

Audit Manual

The need for preparing an audit manual for the guidance of the auditors has been stressed by the All India Rural Credit Survey Report. The Co-operative Department has, however, not been able to prepare such a manual so far. The importance of such a manual for the guidance of the Auditors cannot be over-emphasised. The audit of the accounts of bigger co-operative institutions like Central Co-operative Banks, Sugar Factories, Spinning Mills, etc., has become a technical matter and guidance in respect of various points concerned with the audit is considered necessary for the efficient performance of the work by the Auditors. It is, therefore, proposed to prepare an audit manual which will serve as a reference book to all the auditors of the Department and will eventually result in raising the standard of audit to a considerable extent. The manual will contain all the circulars issued by the Department from time to time and will also contain all other material necessary for the efficient per-

formance of the duties of an Auditor. It is proposed to entrust this work of writing the manual to a senior Joint Registrar from the audit side by creating a special post for this purpose, if necessary.

Training Schools

A large number of persons are newly recruited as Auditors to audit the accounts of co-operative societies and the persons already working in the Co-operative Department are promoted to higher posts in the Audit Section from time to time. It is sometimes found that the newly recruited or promoted Auditors, who are called upon to audit the accounts of important co-operative institutions do not possess sufficient knowledge and experience of various accounting procedures and practices. Various important industrial units like Sugar Factories, Spinning Mills, etc., have been established in the co-operative sector and the Auditor's work has become all the more difficult. It is, therefore, considered absolutely necessary for the Auditors of the Department to possess sufficient knowledge of subjects like Advanced Accountancy, Cost Accountancy, Income-Tax and Sales-Tax Laws and other allied subjects. Such a training is not, at present, available to the fullest extent in any institution. It is, therefore, proposed to start departmental training schools for the training of auditors in order to equip them for the task of undertaking the audits of various co-operative institutions. It is believed that the training in separate schools for the auditors will result in equipping them with the necessary theoretical and practical knowledge and training to perform their work in a more efficient manner.

Audit Arrangements

The following arrangements are proposed to be made in respect of the audit of various types of societies :—

(i) On the organisation of Taluka Banks, the responsibility of taking the statutory audit of primary agricultural credit societies will be transferred to the Taluka Banks and will not be performed by the auditors of the Co-operative Department.

(ii) The audit of the Taluka Banks will be taken by the Departmental Auditors.

(iii) The remaining types of the societies will be audited by the Departmental auditors. In respect of the societies, undertaking commercial and industrial activities, like Sugar factories, Marketing Societies and Processing societies, the cost of the audit staff employed for their audit will be recovered from the audit fees charged to them.

Audits by Certified Auditors

Rule 69(1) of the Maharashtra Co-operative Societies Rules, 1961, empowers the Registrar, Co-operative Societies to permit certain societies

or classes of societies notified by him to appoint their own auditors selected from the panel of certified Auditors. From the experience gained during the past two decades, it is observed that audit taken by the Certified Auditors is not quite satisfactory. Government has, therefore, agreed in principle to gradually withdraw audits of societies which are at present being audited by the Certified Auditors and to allot them to the Departmental staff.

The proposals, in brief, are as under :—

(1) It is proposed to prepare an audit Manual which will serve as a reference book for all the auditors and to entrust the work of writing the Manual to a senior Joint Registrar from the Audit side, by creating a special post for the purpose, if necessary.

(2) It is proposed to start Departmental Training Schools for the training of auditors in order to equip them for the task of undertaking the audits of various co-operative institutions.

(3) The following audit arrangements are proposed to be made :—

(i) The audit of the primary agricultural credit societies will be transferred to the Taluka Banks.

(ii) The audit of the Taluka Banks will be taken by the Departmental Auditors.

(iii) The remaining types of societies will be audited by the Departmental Auditors and the cost of the audit staff employed for the bigger commercial and industrial types of societies will be recovered from the audit fees as far as possible.

(iv) It is proposed to withdraw gradually the audits of co-operative societies from the Certified Auditors and to entrust the audits of all societies to the Departmental audit staff.

(II) ARBITRATION CASES UNDER THE MAHARASHTRA CO-OPERATIVE SOCIETIES ACT AND RULES

The Bombay Co-operative Societies Act, 1925 provided for a special machinery for handling the disputes of Co-operative Societies. The same provision is included in the Maharashtra Co-operative Societies Act, 1960 with the additional proviso that the present Act provides for a preliminary decision on the existence of a dispute. The Registrar's nominees who were appointed under the provisions of section 93 of the Maharashtra Co-operative Societies Act, 1960 read with Rule 75 of the Maharashtra Co-operative Societies Rules, 1961, had no power to give a decision under section 91 (2) regarding the existence or otherwise of a dispute. It was also

noticed that the Registrar's Nominees, who were working on part-time basis, were not disposing of the cases expeditiously. The Registrar's nominees were also holding their sittings at their residence. The Departmental Officers found it very difficult to keep administrative control on the disposal of these cases.

In order to remove these deficiencies and difficulties the system of Registrar's nominees was replaced by the system of Officers on Special Duty in 1966-67. As the Maharashtra Co-operative Societies Act provided for the system of Registrar's nominees only, the Officers on Special Duty were appointed as persons to assist the Registrar under section 3 of the Maharashtra Co-operative Societies Act, 1960. As persons appointed to assist the Registrar under section 3, the Officers on Special Duty could also give decision under section 91 (2) of the Maharashtra Co-operative Societies Act regarding the existence or otherwise of a dispute. Even when the Registrar's nominees were proposed to be replaced by Officers on Special Duty, it was considered a temporary phase, the ultimate aim being to establish permanent Courts.

It was contemplated that the Officers on Special Duty would work on full-time basis and their appointment would lead to expeditious disposal of arbitration cases. This expectation has, however, not been fulfilled to the desired extent for various reasons. Some of the persons appointed to the post of Officers on Special Duty are practising lawyers, while some others are retired officers who do not have sufficient legal background to deal with complicated cases. In places like Bombay and Poona inadequate accommodation for the Officers on Special Duty has also resulted in delay in disposal of the cases. The Officers on Special Duty do not enjoy the status of Courts, with the result that they cannot work with necessary dignity and respect as adjudicating Officers. In order to remove these defects and deficiencies it is proposed to establish Co-operative Courts for the disposal of arbitration cases. This step would not only result in reducing the delay in the disposal of cases, but would also raise the status of the Officers deciding the cases and would enable the provisions of the Contempt of Court Act to be applied to these Courts by suitable amendment to the Act.

For the purpose of introducing the system of Co-operative Courts, amendments to Maharashtra Co-operative Societies Act and Rules would be necessary. It is however not intended to oust the authority of the Registrar to entertain the disputes and to work as a conciliator or arbitrator whenever he thinks fit to do so. In fact it is necessary to preserve this authority with the Registrar to enable him to minimise or prevent litigation of Co-operative Societies in his capacity as the friend, philosopher and guide of the Co-operative Movement.

Officers from the Judiciary as well as suitably qualified Officers from the Co-operative Department may be considered for appointment as Judges on the Co-operative Courts. It may not be necessary to establish a court in every district. Ordinarily, a court may be established in a district in which the number of disputes filed annually exceeds 500 and for those districts where the number is below 500, one court may be established for 2 or 3 adjoining districts. In Bombay City where the disputes involve very complicated issues of law, it may be necessary to appoint more than two judges to dispose of the cases. The annual cost of a Co-operative Court is estimated at Rs. 40,000 (*vide* statement enclosed). Presuming that the fees charged to the parties on an average per case are Rs. 80, it should be possible to meet the cost of the court from the fees collected from the parties themselves.

Even after the Courts are established for all the Districts, the question of minimising the delay involved in the disposal of cases would remain. One of the important reasons why delays occur in respect of these cases is that very often the parties are themselves interested in protracting the proceedings in order to take advantage of such delays for themselves. Such parties usually apply for adjournment on one pretext or the other and the Courts are also found liberal in granting such adjournments. In order to avoid such delays it would be advisable to adopt a Summary Procedure for the disposal of cases as is done under the Criminal Procedure Code in respect of summons cases in the Magistrate's Courts. In such cases which can be decided in a summary manner it is not necessary for the Court to record detailed evidence, but the Court is expected to take merely notes. Some such system could be adopted in the case of Co-operative disputes which are not of a very serious nature. All Co-operative cases could probably be divided into two broad classes, viz. :

1. Cases in which heavy financial stakes are involved ; and
2. Cases which do not involve such heavy financial stakes.

Only in respect of the first category it would be advisable not to adopt the summary procedure but in all the remaining cases in the other category there should be no objection to prescribe a summary procedure so that the cases may not be long drawn out. It is therefore, suggested that necessary provision may be made in the Co-operative Societies Act prescribing disposal of such cases by a summary procedure.

The idea in making a separate provision for arbitration cases in the Co-operative Societies Act was to provide for cheap and expeditious justice and to ensure that Co-operative Societies and their members are not involved in protracted and expensive litigation. This idea has not

been served to the desired extent within the present system. The above suggestion regarding summary procedure might result in giving expeditious justice to the parties.

At present the rules provide for disposal of arbitration cases within a period of two months, but this has remained on paper only and has not been followed in practice with rigidity, with the result that adjournments have been given by Registrar's Nominee or the Officers on Special Duty on the slightest pretext and flimsy grounds. It would be, therefore, necessary to amend the rules and prescribe a more reasonable period, say four months for disposal of cases. It might also be necessary to prescribe a simple procedure for the hearing and disposal of cases so that even those cases which are not disposed of in a summary manner may not be delayed on account of procedural defects.

Appeals against the decisions of the Co-operative Courts or the Registrar in respect of such disputes, would lie to the Co-operative Tribunal. It would be necessary to increase the strength of the Maharashtra State Co-operative Tribunal so that it may hold its sittings in the Divisional Head Quarters simultaneously in order to expedite the disposal of cases. At present, the Maharashtra State Co-operative Societies Act provides for the appointment of one President and 3 members of the Tribunal. It may be necessary to appoint 2 additional members, one for Poona Division, and the other for Aurangabad and Nagpur Divisions together (since the number of cases filed in these two divisions is comparatively smaller). It would be necessary to amend the Maharashtra Co-operative Societies Act for this purpose. The status of the Co-operative Tribunal should be raised and the Chairman should be generally a retired District Judge who has not gone very old. Their salaries and emoluments should be on the lines of the Sales-Tax Tribunal or the Revenue Tribunal.

To sum up, the following steps are proposed to be taken for the speedy disposal of arbitration cases :—

(1) Co-operative Courts may be established to decide Co-operative disputes ;

(2) A summary procedure may be prescribed for deciding disputes not involving heavy financial stakes ;

(3) The strength of the Co-operative Tribunal may be increased by appointing 2 additional members so that the Tribunal may hold its sittings in the Divisional Head Quarters simultaneously ;

(4) Amendments may be made to the Co-operative Societies Act and Rules for the above purpose.

STATEMENT 'A'

Statement showing the probable expenditure which would be required to be incurred on the establishment of permanent co-operative courts.

Designation	Pay	Dearness Allowance	H. R. A.	C. L. A.	P. T. A.	Total
Officer presiding over the Court ..	410 × 12 = 4920	150 × 12 = 1800	25 × 12 = 300	30 × 12 = 460	250 × 12 = 3000	10,380
Head Clerk ..	200 × 12 = 2400	137 × 12 = 1644	30 × 12 = 360	15 × 12 = 180	150 × 12 = 1800	6,384
Senior Clerk and Steno ..	150 × 12 = 1800	114 × 12 = 1368	25 × 12 = 300	15 × 12 = 180	100 × 12 = 1200	9,696
Junior Clerk ..	115 × 12 = 1380	91 × 12 = 1092	20 × 12 = 240	10 × 12 = 120	100 × 12 = 1200	4,032
Peon ..	75 × 12 = 900	65 × 12 = 780	15 × 12 = 180	6 × 12 = 72	65 × 12 = 870	2,712
	Annual Cost on staff ..	Rs.	33,204·00			
	Contingencies including rent ..	Rs.	6,796·00			
	Total ..	Rs.	<u>40,000·00</u>			

15

*Districtwise position of Arbitration cases filed during the period
1st October 1968 to 30th September 1969.*

District	Cases filed
<i>Bombay Division—</i>	
Greater Bombay	1,295
Thana	282
Kolaba	217
Ratnagiri	187
Nasik	552
Dhulia	266
Jalgaon	613
<i>Poona Division—</i>	
Ahmednagar	793
Poona	787
Satara	1,522
Sangli	125
Sholapur	578
Kolhapur	903
<i>Aurangabad Division—</i>	
Aurangabad	354
Parbhani	97
Bhir	59
Nanded	35
Osmanabad	59
<i>Nagpur Division—</i>	
Buldhana	119
Akola	103
Amravati	1,056
Yeotmal	18
Vardha	9
Nagpur	485
Bhandara	142
Chandrapur	46

III. MEASURES FOR EXPEDITIOUS COMPLETION OF LIQUIDATION PROCEEDINGS

Statutory Provision

Section 109 of the Maharashtra Co-operative Societies Act, 1960, provides that the winding up proceedings of a society shall be closed within three years from the date of the order of winding up, unless the period is extended. The aforesaid section has been recently amended according to which the Registrar can extend the period upto a maximum of seven years. Thus, a total period of ten years, is permissible for closing such proceedings. It is observed that in some cases where recoveries are slow and cannot be expected (e.g. recoveries from the monthly salaries) it becomes extremely difficult to close the proceedings within the statutory period of ten years. Instead of going to the legislature repeatedly for amending the Act to extend this period, it would be advisable to delegate this power to the Government or to the Registrar in individual cases.

Statistical Data

There were in all 3,466 societies in liquidation as on 30th June 1969, which accounted for nearly 9 per cent of the total number of societies in the State as on that date. The typewise break-up of the societies in liquidation is given below :—

	No. of Societies
(a) Central Banks	1
(b) Agriculture Credit Societies	340
(c) Non-Agriculture Credit Societies	201
(d) Grain Banks	554
(e) Industrial Societies	1,399
(f) Other Societies	971
Total ..	<hr/> 3,466 <hr/>

From the statistics available, it is seen that as on 1st July 1968, there were 3,220 societies in liquidation, of which 1,767 liquidation proceedings, i.e. about 55 per cent were pending for two years or above.

Reasons for Delay and Steps taken for Expeditions Completion of Proceedings

The reasons for delay in completing the liquidation proceedings, particularly in the old cases, may be attributed to the fact that in the past, non-official liquidators used to be appointed who were getting liquidation fees by way of remuneration according to the scale laid down by the Registrar

Since the nature of work in liquidation proceedings is laborious and complicated, the non-official liquidators could not devote much time and attention with the result that the proceedings used to drag on for years together. The position in this regard was reviewed and as a policy, it was decided that for securing expeditious disposal of liquidation proceedings, only Government servants should be appointed as Liquidators of co-operative societies.

The other important reason for the delay in finalisation of liquidation proceedings is that in cases where the assets are to be realised by sale of immovable property such as land, a number of legal complications arise and hence the matters are delayed. However, the number of such cases is comparatively small. For expeditious disposal of the proceedings thirteen posts of Special Liquidation Officers were created in 1966 and they were given the work of liquidation exclusively. All these 13 posts of Special Liquidation Officers are being continued year after year. There were 1,392 societies in liquidation in the charge of these Special Liquidation Officers as on 31st December 1969, who during the calendar year 1969, finally closed the proceedings in respect of 170 societies. The remaining societies in liquidation are given to other Departmental Officers such as Co-operative officers, Assistant Co-operative Officers etc. who are expected to attend to the work of liquidation in addition to their normal duties and, therefore, naturally, they cannot also devote adequate time and attention to this work. If the liquidation proceedings are to be expeditiously completed, it is necessary that no Departmental persons should be appointed as Liquidator in addition to his own duty.

Further steps needed to be taken

In order to accelerate completion of Liquidation proceedings, the following steps are suggested to be taken:—

(a) During the last three years 13 special liquidation officers have closed the liquidation proceedings of 984 co-operative societies. It would thus be seen that on an average, one Special Liquidation Officer has finalised the proceedings of about 25 societies per year. The need for additional posts of Special Liquidation Officers is thus quite obvious as the proceedings are dragging on from year to year.

In order to give impetus to the expeditious disposal of this work, it is suggested that a post of Assistant Registrar should be created for each District and he should be given assistance of one or more co-operative officers depending on the number of liquidation cases in each District. A statement showing the number of societies in liquidation in each District and the requirement of staff for this purpose is enclosed which will indicate that 26 posts of Assistant Registrars and 27 posts of co-operative officers will be required for this work. Since 13 posts of co-operative officers (working as Special Liquidation Officers) are already in existence, the addi-

tional requirements of co-operative officers would be 14. The number of societies in liquidation is likely to increase in every district with the liquidation of many stagnant industrial societies in the near future. It is expected that the expenditure on this entire staff would normally be met from out of the liquidation fees collected by them. For the purpose of creation of these posts, Government may not, however, insist on the condition on self-sufficiency. Care will be taken to see that the Assistant Registrar, Co-operative Societies and his other staff is disbanded as soon as the work load does not justify his retention.

(b) It has been observed that one of the reasons for delay in completion of liquidation proceedings is that it takes a long time to realise the assets of the societies in liquidation.

At present the powers to write off the dues of the Societies which cannot be recovered vest in the Liquidator but he has to obtain approval of the registering authority before doing so. In case of societies under liquidation which are registered by Assistant Registrars, the Official Liquidator of the rank of Assistant Registrar will be in a position to finalise cases of writing off dues without referring them to any other officers and delay will be reduced to that extent. It is intended to give additional powers in this behalf to the Liquidator so that in cases of societies registered by higher officers also, he should be in a position to write off dues and settle claims upto a certain limit without referring such cases to higher officers.

Many of the societies in liquidation are small industrial and other societies which have been given loans by Government in the past. In case such loans are not recoverable from the societies, Government expects the official liquidators of the societies to refer such cases to Government for approval to the writing off such dues of the Government if the amount involved exceeds Rs. 1,000. This sometimes results in delay in the finalisation of liquidation proceedings. At present the Heads of Departments are given the powers of writing of Government dues to the extent of Rs. 1,000. This limit would be increased to the extent of Rs. 5,000 in the case of the Registrar and Divisional Joint Registrars and the power might be further delegated to the District Deputy Registrar to the extent of Rs. 1,000 so that such cases could be finalised at the lower levels and liquidation proceedings need not be held up on that account. This could be done by amending the Bombay Financial Rules suitably.

Under the provisions of the Maharashtra Co-operative Societies Act, in the case of a liquidated society, the surplus assets, if any, of the society, can be divided amongst the members with the approval of Government or can be devoted to any object or objects provided in the bye-laws, if there is such a specific provision in the bye-laws. Where the surplus is not so divided amongst the members and the society has no such bye-law, the surplus vests in the Registrar

who is required to hold it in trust and to transfer it to the Reserve Fund of a new society registered with a similar object in the same area. In case, no such society is registered within 3 years, the surplus can be utilised by the Registrar for any object of public utility or local interest or for any charitable purposes or the same can be distributed to a federal society with a similar objects. This means that according to the present provision the Registrar has to wait for a period of 3 years to see whether another society with a similar object is registered in the same area. It is proposed to delete this provision and to prescribe that in case the surplus is not distributed amongst the members, it shall vest in the Registrar who may utilise it for purposes of Co-operative Education and training of the departmental employees and the general public.

The following steps are, therefore, proposed to be taken :—

(i) A post of Assistant Registrar and a Co-operative Officer should be created in every district as per enclosed statement for attending to the work of liquidated societies exclusively.

(ii) The present powers given to the Registrar and Divisional Joint Registrars to write off Government dues to the extent of Rs. 1,000 may be raised to Rs. 5,000 in the case of Government dues recoverable from liquidated societies. Similarly, the District Deputy Registrar should be empowered to write off Government dues recoverable from such societies to the extent of Rs. 1,000. Necessary amendment to the Bombay Financial Rules may be made for the purpose.

(iii) Amendment may be made to the Maharashtra Co-operative Societies Act for allotment of surplus assets of a liquidated society to the education and training requirements of the co-operative departmental personnel and co-operative field workers.

Statement showing the Districtwise break-up of Co-operative Societies in Liquidation as on 30th June 1969.

Serial No.	Name of the District	Number of societies in liquidation	No. of posts required	
			Assistant Registrars	Co-operative Officers
1	2	3	4	5
BOMBAY DIVISION				
1	Greater Bombay	143	1	1
2	Thana	112	1	....
3	Kolaba	192	1	2
4	Ratnagiri	150	1	1
5	Nasik	235	1	2
6	Dhulia	75	1	....
7	Jalgaon	164	1	1
Total ..		1 049	7	7

Serial No.	Name of the District	Number of societies in liquidation	No. of posts required	
			Assistant Registrars	Co-operative Office
1	2	3	4	5
POONA DIVISION				
8	Ahmednagar	156	1	1
9	Poona	202	1	2
10	Satara	142	1	1
11	Sangli	106	1	....
12	Sholapur	101	1	....
13	Kolhapur	167	1	2
Total ..		894	6	6
AURANGABAD DIVISION				
14	Aurangabad	130	1	1
15	Parbhani	217	1	3
16	Bhir	100	1	1
17	Nanded	317	1	4
18	Osmanabad	134	1	1
Total ..		898	5	10
NAGPUR DIVISION				
19	Nagpur	69	1	....
20	Akola	60	1	....
21	Amravati	113	1	1
22	Yeotmal	45	1	1
23	Wardha	82	1	....
24	Buldhana	113	1	1
25	Bhandara	95	1	....
26	Chandrapur	48	1	1
Total ..		625	8	4
Grand Total ..		3 466	26	27

Chapter 4

REMOVAL OF MALPRACTICES FROM COOPERATIVE SOCIETIES

During the last few years the co-operative movement has expanded considerably both in the credit and non-credit spheres with the result that office bearers and employees of co-operative societies are required to handle large amounts during the course of their daily business. In the absence of a proper control on the employees of co-operative societies, the chances of misappropriation and corruption have increased and such cases are reported on an increasing scale during the recent few years. The annual audit of the society is always a subsequent event and it only brings to light the misappropriation already committed in the course of the year. Apart from the annual audit, therefore, it is necessary to propose some machinery for preventing the occurrence of misappropriation in co-operative societies and to take prompt action and punish those who are found to be responsible for such cases by prosecuting them without delay. The following steps are proposed to be taken to reduce misappropriation and such other cases of mal-practices in co-operative societies as much as possible :—

(1) Flying Squad

It is proposed to constitute a flying squad and locate it at every Divisional Head Quarters. The flying squad will consist of the following Departmental Officers :—

1. One Special Auditor, Class-I.
2. One Auditor, Grade-I.
3. One Senior Clerk.
4. One Steno-typist.
5. One peon.

It will thus be seen that this squad will be headed by a Class-I Officer so that he should be in a position to deal effectively with higher police officers, police prosecutors, co-operative officers and office bearers of important co-operative institutions. The flying squad will work under the direct control of the Divisional Joint Registrar of the Division, who will be expected to supervise the work of the squad and secure assistance needed by it from the Departmental Officers. The Divisional Joint Registrar, will be responsible for the efficient functioning of the squad and will ensure that the squad is fully utilised for the purpose for which it is intended to be created.

The duties of the squad will be as follows :—

(1) To pay surprise visits to co-operative societies for detection of frauds, misappropriation, corruption and such other mal-practices whenever such cases are reported or brought to the notice of the Departmental Officers.

(2) To pay visits to important and big institutions in the normal course for checking cash, stocks, securities and other assets and to ascertain whether any serious irregularities are being committed by the societies in the course of their business.

(3) To scrutinise special reports submitted by the audit staff or Inquiry Officers regarding the working of societies in which frauds, misappropriations etc. have been suspected or committed and where further investigation or collection of additional evidence is considered necessary.

(4) To help the police authorities in the follow-up of cases of a complicated nature requiring specialised knowledge of accounting and Co-operative Law.

(5) To make arrangements for seizure of records and accounts books of societies in which frauds, misappropriations or serious irregularities are committed and the possibilities of their removal or destruction exist.

(6) To issue instructions to the office bearers and employees of co-operative societies on the spot with a view to preventing the occurrence of misappropriation, fraud, etc.

(7) To take test audits or reaudits of societies wherever necessary.

The Auditors of the flying squad will possess all the powers under the Maharashtra Co-operative Societies Act which are now enjoyed by the Auditors for the purpose of auditing accounts of the societies. Such powers include power to summon officers of the societies, record statements and evidence and to have free access to the books of accounts of the societies.

Care will be taken to see that the flying squad will not interfere in the day to day working of the societies unduly and its functioning does not result in harassment to the office bearers of societies. This entire flying squad will be put into motion only under the instructions of the Divisional Joint Registrar. No one however highly placed, can make the flying squad go for surprise inspection without specific orders from the Divisional Joint Registrar who will take care to see that frivolous and vexatious complaints are not encouraged.

(2) Police Cell

The flying squad suggested above will be responsible for detecting case of fraud and misappropriation in co-operative societies by paying surprise visits to societies where such frauds are suspected. But even after detection of frauds by the Departmental Officers, the actual prosecution of the culprits is

a Court of Law generally takes a long time because after such detection of frauds, the Departmental Officers have to lodge a complaint with the police and the police officers take their own time to finalise their investigation of these cases and to chargesheet the accused in a Court thereafter. Since the police officers have to deal with many other important criminal cases, the investigation into offences committed in co-operative societies do not usually receive prompt attention from the police officers and investigation drags on for years together. This results in considerable delay in prosecuting the offenders and the delay defeats the very purpose of providing a speedy remedy. A review in this behalf shows that out of the 1300 cases which were pending with the police for investigation as on 30th September 1969 more than 1/5th have been pending with the police for over two years. The deterrent effect of prompt investigation and prosecution is, therefore, usually lost when the action by the police is delayed beyond a reasonable time. It is not only necessary to prosecute the offenders in a Court of Law but it is also necessary that such action should be taken very promptly so as to create a fear in the minds of others who are inclined to commit such offences. With a view to giving immediate attention to this work of completing investigation by the police authorities and filing prosecutions in the Courts, it is proposed to create a police cell in every district where the incidence of such offences is high. The police cell would consist of the following staff :—

- (1) 1 Sub-Inspector of Police.
- (2) 1 Head Constable Ist Grade.
- (3) 1 Auditor, Co-operative Societies.
- (4) 1 Junior Clerk-cum-typist.

An Auditor has been included in the Cell to assist the police officer in the matter of interpreting and examining the accounts of co-operative societies. The police officers usually find difficulty in understanding the complicated accounts of the societies and have to depend upon the auditors for examining the same. The police officers attached to this cell will be exclusively dealing with the investigation of offences committed in co-operative societies and would, therefore, be free from all other duties of police officers. It is believed that the creation of such a police cell in the districts will result in a reduction in the number of misappropriation cases in co-operative societies. If necessary, a police officer of a higher status may be appointed at the Divisional level to supervise the working of the police cell in the districts. The cell may be abolished in any district where its continuance is not considered necessary for the reasons for which it was created.

(3) State Co-operative Accounts Committee

At present the auditors who audit the accounts of the co-operative societies every year submit their audit reports and point out various irregularities committed by the office bearers and employees of the societies during the course

of their working. The audit reports are given to the co-operative societies and copies thereof are forwarded to the Departmental Officers at the District and Divisional level for information and necessary action whenever such action is called for. It is, however, observed that in a number of cases, the irregularities committed by the office bearers of societies continue to be committed year after year and action against such irregularities is also not taken as promptly as is expected in all cases. In order to ensure that all the serious irregularities and defects pointed out in the working of important co-operative institutions by the auditor are rectified and steps are taken to prevent the occurrence of such irregularities in future, it is proposed to constitute an independent body on the lines of the Public Accounts Committee of the Legislature which reviews the reports of the audits taken by the Accountant General, in respect of the Government Departments. The Committee's main object would be thus to scrutinise the audit reports and special reports of important co-operative institutions and to suggest ways and means of rectifying various irregularities pointed out therein. The Committee will also be expected to watch the follow-up action taken on such reports and its reviews and recommendations made from time to time.

The Committee will consist of three eminent non-officials nominated by the Government one of whom will act as Chairman of the Committee. The Joint Registrar, Co-operative Societies (Audit), Maharashtra State, Poona will be the Member-Secretary of the Committee. The Committee will be nominated by the Government for a period of three years.

The Committee will have the right to call for any information which it may require from any society whose audit reports are being examined or reviewed by it. It will also have a right to advise the Registrar for taking such action against the office bearers of the societies as it may consider necessary and the Registrar will be bound to act on such advice.

It is expected that the constitution of such a State Level Co-operative Accounts Committee would give an opportunity to the Government to review the irregularities and mal-practices which occur in co-operative societies and to suggest ways of preventing the same.

To sum up, the following steps are proposed to be taken :—

(a) A flying squad is proposed to be set up at each divisional headquarters to pay surprise visits to co-operative societies to inspect their accounts.

(b) A police cell is proposed to be created for each district for expeditious investigation of misappropriation cases in societies.

(c) A Co-operative Accounts Committee is proposed to be constituted at the State level to review the audit reports of important co-operative societies.

Chapter 5

COORDINATING THE ACTIVITIES OF NATIONALISED AND COOPERATIVE BANKS

Following the introduction of social control measures, several commercial banks have taken up various schemes for financing the agricultural sector. Broadly the direct financing of cultivators by the Commercial Banks has taken the form of crop loans, mainly for the purchase of inputs required for production e.g. seed, fertilisers and pesticides and term loans for various purposes such as the sinking of wells, installation of tube-wells, electric pump-sets and oil-engines etc. The entry of commercial banks in the field of agricultural credit has posed the problem of co-ordination of their agricultural sector, particularly co-operative credit structure, which has all agricultural credit business with other institutional agencies operating in the along been the only significant source of institutional credit for agriculture. Such co-ordination between commercial banks and co-operative banks is absolutely necessary in the interest of avoiding duplication between these two credit agencies and their working at cross purposes.

As will be seen from the report of the All India Rural Credit Review Committee, the National Credit Council has already envisaged that commercial banks should supplement and not supplant co-operatives and that they should endeavour actively to help the co-operatives. It will further be seen from the Review Committee's report that steps to build up co-ordination between commercial and co-operative banks on certain broad lines have been initiated, a tangible outcome of which is the setting up of the National Level Consultative Committee for co-ordination. The Committee seems to have suggested certain directions in which co-ordination could be achieved. Another step proposed by the National Level Consultative Committee is the constitution of such co-ordination committees at the State-level, which has still remained to be done.

It is, however, seen that so far as Maharashtra State is concerned, co-ordination to the desired extent does not seem to have been established so far. This will be evident from the following instances which were brought to the notice of the Co-operative Department :—

(i) In Nanded District the State Bank of Hyderabad had issued loans to some agriculturists who were borrowers of the Primary Agricultural

Credit Societies. As such, concurrent lendings are likely to create complications in the matter of recovery, the matter was taken up with that Bank when it agreed to discourage such concurrent lendings.

(ii) In some cases, commercial banks have provided finance to agriculturists in Ahmednagar District through Agricultural Credit Societies and these societies worked as agents of the commercial banks. This has adversely affected the co-operative credit structure in the District as it has created a number of problems viz. (a) finance to the rest of the members of the society who do not want loans from commercial banks, (b) refund of share capital in societies insisted upon by some members, (c) supervision over such societies, (d) risk of over-financing, (e) diversion of good business from co-operative banks to commercial banks, etc.

The co-operative credit structure in Maharashtra, particularly with reference to short-term and medium-term credit for agriculture is fairly strong and it is proposed to make it stronger still by introducing a scheme of having taluka level banks exclusively for the purposes of short-term and medium-term credit for agriculture. These banks are proposed to be organised so as to make adequate credit available to every khatedar in the village at a low rate of interest. The taluka banks will have a compact geographical jurisdiction and will have to deal with a lesser number of primaries and hence are best suited to have intensive agricultural loaning under supervised channels of credit. Under the scheme it is also proposed to adopt special measures of financial and other support to taluka banks which are non-viable due to inherent handicaps e.g. difficult terrain, proneness to repeated scarcity, primitive technology in agriculture and so on. These measures are expected to raise these non-viable banks also to the status of viability. As a result of this reorganisation, agricultural credit through co-operatives is bound to be further pushed up in the Fourth Five-Year Plan. Thus the co-operative credit structure in the State will be quite capable of shouldering the responsibility expected to be discharged by it in the field of agricultural credit and hence there is no need for a competitive line of credit to be provided by commercial banks. As would be seen from above, however, the present *ad-hoc* manner in which the commercial banks are operating in the sphere of short and medium-term credit for agriculture is already having a very undesirable influence on the healthy development of the movement. So far as Maharashtra State is concerned, therefore, it is urgently necessary to move the Government of India and the Reserve Bank of India to issue specific instructions to the commercial banks not to advance direct short-term and medium-term loans to the agriculturists in the State. It may not be out of place here to quote the words of the Prime Minister when she delivered a speech at the Bankers' Club of Delhi on August 28, 1969, when she said that "we should in this context examine how we can

forge links between the nationalised banks and the co-operative agencies on sound economic principles." Even in her address to the Custodians of Nationalised Banks on September 30, 1969, she advised them to avoid measures "which might cause undeserved injury to smaller banks and those co-operative banks which are doing good work in their own fields".

This does not, however, mean that the commercial banks have no role to play in the matter of financing schemes of co-operative development in the State. Though the existing co-operative credit structure in the State will be in a position to provide short-term finance to the extent required, the financial assistance from commercial banks would be very much useful in strengthening the resources of the co-operative credit structure to be used for meeting the requirements of development schemes requiring medium-term and long-term loans. The following will be some of the schemes for which financial assistance from the commercial banks would prove useful :—

(1) Construction of godowns by marketing and service societies and purchase of trucks, within the limits prescribed by Government.

(2) Construction of buildings and purchase of machinery by processing co-operatives other than co-operative sugar factories and spinning mills within the limits prescribed by Government.

(3) Long-term loan requirements of heavy co-operative industries like sugar factories, spinning mills, solvent extraction plants etc. subject to the approval of Government.

(4) Purchase of boats and trawlers by fishing co-operatives and/or mechanisation of existing fishing boats subject to limits prescribed by Government.

(5) Construction of cold storages (which in some cases may include setting up of ice factories) by fruit and vegetable preservation and other processing societies.

(6) Purchase of dairy equipment by dairy co-operatives and establishment of chilling plant for preservation of milk before transporting to the destination concerned. Erection of cattle sheds and purchase of trucks will also be covered under the scheme.

(7) Purchase of poultry birds and poultry equipment including construction of poultry sheds by poultry co-operatives.

(8) Purchase of livestock and construction of sheds etc. by piggery co-operatives.

(9) Co-operative lift-irrigation and Bandhara schemes.

(10) Working capital requirements of marketing and processing societies.

(11) Finance to salary earners' societies.

The above list is illustrative and not exhaustive. Some of these schemes were recommended for consideration of the Agricultural Finance Corporation. The Agricultural Finance Corporation has shown its willingness to consider giving financial assistance for following schemes :—

- (1) Scheme for cold storage,
- (2) Marine/Inland fishery scheme,
- (3) Dairy scheme,
- (4) Scheme for poultry farm, and
- (5) Scheme for piggery farm.

As regards other schemes, the Agricultural Finance Corporation has informed that it would not be interested in providing long-term loans to heavy co-operative industries like sugar factories, spinning mills, solvent extraction plant etc. and also for construction of buildings and purchase of machinery by processing co-operatives. Accordingly, Departmental Officers have been instructed to advise the societies concerned to prepare schemes for financial assistance from the Agricultural Finance Corporation for the above purposes on the basis of guide-lines supplied by the Agricultural Finance Corporation. The activities of the commercial banks in providing finance for the above purposes would be co-ordinated by the state level co-ordination committee to be set up as suggested by the National Level Consultative Committee.

Apart from what is stated above, it is felt that the Agricultural Finance Corporation and nationalised commercial banks could also explore the possibility of financing the establishment and maintenance of tractor service stations in districts where a fairly large volume of long-term finance has been made available by land mortgage banks for purchase of tractors. Similarly it is also felt that the Agricultural Finance Corporation and nationalised commercial banks could help agricultural development in the State by developing the infra-structure particularly in the undeveloped tracts of Konkan districts. Thus the Agricultural Finance Corporation and nationalised commercial banks could make the necessary funds available for construction of roads which could serve as a link between villages which are at present inaccessible or accessible only with difficulty and the Mandi centres. Similarly their financial support should be most welcome even in respect of agricultural credit where the present co-operative credit structure in the three districts of Konkan is still weak. The Agricultural Finance Corporation and the nationalised commercial banks should supplement the resources of the co-operative banks in these three districts by working out a well co-ordinated plan of development of industrial co-operatives, agricultural processing, etc. for which co-operative banks may not be in a position to command adequate funds. They could also explore the possibility of lending financial support to the co-operative

banks in Konkan area on specially favourable terms such as for example lending at specially low rate of interest, so that the banks become viable in their operations as early as possible.

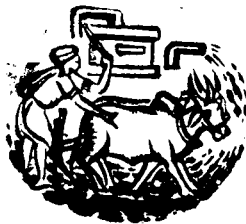
The following proposals are, therefore, made for eliciting public opinion and suggestions thereon :—

(i) In view of the fairly strong position of the cooperative credit structure in the State and in view of the need to avoid wasteful competition and over-lapping of efforts it is proposed that the commercial banks should not provide any competitive line of credit in the State so far as short and medium-term loans for agriculture are concerned ;

(ii) The commercial banks and the Agricultural Finance Corporation could, however, extend financial assistance for strengthening the resources of the co-operative credit structure in respect of development schemes requiring medium and long-term loans ;

(iii) For this purpose there should be a state level co-ordination committee ; and,

(iv) The financial support of the commercial banks and the Agricultural Finance Corporation would be welcome for developing the infrastructure in the undeveloped tracts of Konkan districts. The co-operative credit structure in these districts is still weak and hence the commercial banks and the Agricultural Finance Corporation could play a supplementary role in these districts even in respect of agricultural credit. They could lend financial support on specially favourable terms so that co-operative banks in these areas become viable in their operations as early as possible.



Chapter 6

A SCHEME TO REORGANIZE COOPERATIVE RURAL BANKING WITH A VIEW TO MAKE THE CULTIVATOR SELF-SUFFICIENT IN HIS REQUIREMENTS OF CREDIT FOR CROP AND REDUCING THE RATE OF INTEREST ETC.

Present set-up

The present structure of co-operative credit is a three-tier structure of which the agricultural primaries operating at the village level form the base, the district central co-operative banks working at the district level constitute the central tier and the State Co-operative Bank operating at the State level is the federal organisation of the district central co-operative banks. In Maharashtra, this structure has been operating for quite some years now and all the district central co-operative banks are currently operating with a district as their area of operation except in the case of Greater Bombay where the Maharashtra State Co-operative Bank acts as the central financing agency. The urban areas of the State are served by urban co-operative banks which number 223 (including those in Bombay City) and by other urban credit societies which number 2,423. Long term credit for land development is provided by primary land development banks. The State Land Development Bank is the apex body of the primary land development banks. The present structure was found to be useful in the past, but with the rapid growth of co-operative movement and the new pressing responsibilities which the movement has to shoulder, it is necessary to re-examine the present structure with a view to improve, strengthen and to make it responsive to the present day needs in the field of credit.

Availability of credit facility

Compared with other States, there is a very sound and strong State Co-operative Bank for our State. The bank is the spearhead of the co-operative credit movement in the State, having made tremendous progress during the last 58 years of its existence. It has collected share capital of Rs. 6.96 crores and built up reserves of Rs. 7.66 crores. A remarkable feature of its working in the sizable deposits which it has raised from the general public and the co-operatives alike and which as on 30th June, 1969 stood at Rs. 74.57 crores. During the year 1968-69 it sanctioned to its constituents, financial accommodation of various kinds amounting to Rs. 172 crores of which short and medium term loans for agriculture

accounted for Rs. 76 crores. Suffice it to say that on the application of the Banking Regulation Act to co-operative banks in March 1966, it was the first bank in the co-operative sector in India to be recognized as a scheduled bank. The Bank is, therefore, capable of shouldering all the responsibilities entrusted to it at present and I am quite confident that it can still grow stronger, with little more assistance, and that it will be in a position to discharge effectively all the new responsibilities that will be cast on it in future. At the district level all the 25 district central co-operative banks are viable. There are 20,124 primary agricultural credit societies and nearly all the villages are covered by them. Thus it will be seen that our State is successful in creating an infrastructure to serve all the needy persons in the State. This is a remarkable achievement.

Inadequate coverage of small and medium farmers' needs

Even though we have made good progress in creating an infrastructure for credit distribution, the amount of short term loan that is distributed through the co-operatives is only 22 per cent. of the total short term requirement for agricultural production estimated at about Rs. 400 crores. If we assume that 25 per cent. of the requirement is of the rich farmers who have their own funds, still we are left with a large number of medium and small cultivators whose requirement is at the mercy of the local moneylenders and other sources, not to mention the plight of the economically non-viable producers.

Staggering level of overdues

The worst aspect of co-operative credit expansion has been the continuous increase in the loan overdues. At the district central co-operative banks' level, the short and medium term agricultural loan outstanding in 1969 amounted to Rs. 105 crores of which overdues were of the order of Rs. 38 crores i.e. about 36 per cent. At the primary agricultural credit societies' level the short and medium term agricultural loans outstanding were Rs. 127 crores of which overdues totalled Rs. 50 crores i.e. about 39 per cent. The situation in certain cases is so grave that while sanctioning credit limits to the district central co-operative banks for the year 1969-70, the Reserve Bank of India refused to recognise as good enough the signatures of as many as 7 district central co-operative banks viz. Yeotmal (Rs. 4.75 crores); Buldana (Rs. 3.50 crores); Nanded (Rs. 4.50 crores); Akola (Rs. 3.00 crores); Amravati (Rs. 3.00 crores); Bhir (Rs. 2.40 crores) and, Wardha (Rs. 1.50 crores) for the purpose of such sanctions and insisted on a Government guarantee therefor. The amount involved in this guarantee is Rs. 22.65

crores. Similarly, the Reserve Bank of India refused to sanction medium terms credit limits to Bhir and Yeotmal district central co-operative banks on account of heavy overdues. If this state of affairs is allowed to continue in future the overdues at the district central co-operative banks' level may form 50 per cent. of the loan outstanding which will be a fatal point for co-operative movement in our State.

Absence of organic link between credit and marketing

Another dismal failure in the co-operative credit field of Maharashtra is to be found in the absence of an organic link between credit and marketing and wherever such a link is forged it is more due to the presence of co-operative sugar factories than due to any conscious and effective measures undertaken by the co-operatives. Thus, out of the total recoveries through linking in 1968-69 nearly one-half were obtained in the six districts of Poona Division where most of the co-operative sugar factories are in operation and in the other districts they are much lower than the State average of 27 per cent. It is no exaggeration to say that if such linking had received the same degree of emphasis as, say, increase in membership etc. then the position of overdues and arrears would not have been so bad as it is to-day. The Rural Credit Survey Committee was not unaware of this and it emphatically recommended to all the States in very clear-cut terms that credit without linking will be a remedy worse than the disease.

Mounting losses at the primary level

There are in all 20,124 primary agricultural credit societies. The number of primary agricultural credit societies incurring loss during 1968-69 is 8,611. The amount of this loss is Rs. 158 lakhs. Between 21.3 and 42.8 per cent of these societies were in red since 1961, and about 27.4 per cent of total societies were without profit or loss in this period. These are staggering figures and, if we do not arrest this deterioration we may soon reach a point of no-return.

Processing societies (other than sugar factories) in doldrums

In the sphere of agro-industrial expansion too, the district central co-operative banks have not been able to play as effective a role as is expected of them, though, it must be admitted that quite a few of them have taken a lead in initially sponsoring such projects. As a result of their preoccupation with multifarious functions, they have not been able to meet adequately the need for financial accommodation and technical guidance and supervision over co-operative processing ventures in their jurisdiction. This

would be clear from the following statement showing the State level percentage of advances given by the banks during the past five years :—

Year	Percentage of advances for						
	Total short term advance	Marketing of crops	Processing of agricultural produce	Industrial purposes	Consumption purposes	Other purposes	Seasonal agricultural credit and purchase of agricultural implements etc.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1965	100 (134)	19.74	6.13	3.36	0.38	22.53	47.86
1966	100 (237)	18.74	7.12	1.40	0.49	41.40	30.85
1967	100 (195)	13.60	6.35	1.29	0.67	20.44	57.65
1968	100 (217)	12.84	8.95	1.15	2.43	34.40	40.23
1969	100 (232)	10.91	5.29	0.97	1.64	39.09	42.10

The figures in brackets indicate the short term loans in crores advanced by the central financing agencies.

It would be seen from the above that over a five-year period ending on 30th June, 1969, the percentage of advances made by these banks for processing of agricultural produce has come down from 6.13 per cent. to 5.29 per cent, while such percentage in respect of advances for industrial purposes over the same period has come down from 3.36 per cent. to 0.97 per cent. While a part of the explanation for slow growth of industrial and processing co-operatives has no doubt to be found in factors like inadequate availability of raw materials, price variations, uncertainty of markets and so on, a substantial part of the inadequate growth and development of these ventures has to be attributed to the inadequate attention being paid to them by the district central co-operative banks both in terms of finance as well as technical guidance. As a result of this, we have not been able to do quite well in these spheres also as could be seen from the Table giving financial particulars of major types of agricultural processing societies (excluding co-operative sugar factories) as on 30th June, 1969. It would be seen from this that, in 65 out of 278 units, the loss incurred by them so far has already eaten members' equity, threatening in many cases to wipe out a substantial portion of Government contribution also. The progress of farming co-operatives, lift irrigation societies, dairy

Agricultural Processing Societies in Maharashtra
30th June, 1969

(Rs. in thousands)

Serial No.	Type of society	Total of Societies	Of which in production	Share Capital		Total Number of Societies in loss		Societies in loss in which accumulated losses are in excess of the members' share capital contribution			Societies in profit during the year	
				Govt. share capital contribution	Members' contribution	No.	Amount of accumulated loss	No.	Members' share capital	Amount of loss	No.	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Spinning Mills ..	19	9	42,497	33,505	16	26,434	5	10,530	20,794	4	351
2	Ginning and Pressing ..	64	51	4,848	6,198	46	3,465	10	1,011	2,122	18	428
3	Oil Mills ..	79	32	3,744	4,557	71	5,384	31	2,001	4,700	8	217
4	Rice Mills ..	108	88	2,440	2,772	44	643	19	195	323	56	1,131
5	Others (as indicated below) ..	8	8	2,043	1,270	7	2,434	4	231	2,409	1	31
	Total ..	278	188	55,572	48,302	184	38,360	65	13,968	30,348	87	2,158
	<i>Others (Break-up)</i>											
1	Nagpur Orange Growers' Association.	1	1	1,150	75	1	1,817	1	75	1,817	..	..
2	Akola Tomato Processing (Ahmednagar).	1	1	23	23	1	7	..	..	..	..	..
3	Vengurla Cashew Nut (Ratnagiri).	1	1	30	41	1	425	1	41	425	..	..
4	Yeshwant Canning Pimpalgaon (Nasik).	1	1	90	90	1	135	1	90	135	..	..
5	Nasik Onion Dehydration ..	1	1	..	296	..	..	..	..	..	1	31
6	Cotton seed Yeotmal ..	1	1	124	125	1	..	..	..	..	..	..
7	Latarebaba Dal Mill, Karanja (Wardha).	1	1	26	25	1	32	1	25	32	..	..
8	Shri Datta Gur Khandsari, Asurle (Kolhapur).	1	1	600	595	1	18	..	..	..	..	..
	Total ..	8	8	2,043	1,270	7	2,434	4	231	2,409	1	31

co-operatives, fisheries co-operatives, consumers' stores, housing co-operatives, weavers' co-operatives, forest labourers' co-operatives, labour contract co-operatives ; etc. also leaves much room for improvement. Many of them are dormant societies, and more than 50 per cent. of them are incurring heavy losses and in the case of hundreds of societies, even their share capital is also wiped out.

Reasons for deterioration

The reasons for this deterioration are as follows :—

(a) The main deterioration is at the district level. The district central co-operative banks at present provide credit for crops through the primaries and also to the processing industries and other industrial societies in the district. This work has become very unwieldy, as there are about 1,500 societies in each district. In the existing circumstances the district central co-operative banks are unable to maintain close contact with the primaries at the village level and to give proper attention to the processing industries and other industrial societies. There is no close supervision over the working of the primaries and there is no proper co-ordination among the officials of the district central co-operative banks, marketing societies, and the officials of the supervising unions in the matter of proper utilization of loan, lifting of kind portion of loan and effecting recovery of loan through linking ;

(b) The leadership of the district central co-operative banks is not interested particularly in the other industrial societies in which they have no stake. There is no proper guidance as well as supervision over the processing industries as well as other industrial societies ;

(c) Another reason for the deterioration is the failure to link credit with marketing ;

(d) One more reason for the accumulation of overdues is the rising rate of interest. The present rate, (ranging from 7·8 to 12 per cent.) is comparatively very high and it is well nigh impossible for a dry cultivator to pay such high interest as his production is completely dependent upon the vagaries of rains ;

(e) There are a number of small primaries at the village level, working of which is uneconomical, because of very limited loaning programmes. The Reserve Bank and the Government of India are insisting on the State Government to see that these uneconomic units are made viable by amalgamating them ; and

(f) Another reason for bad working is the ineffective Panch Committee of the primary society. The Panch Committee of the village society does not take keen interest in the working of the society and does not make any efforts to recover the arrears.

Observation of the All India Rural Review Committee (1969)

The above analysis can be summed up in the work of the Report of the All India Rural Credit Review Committee (1969) :—

“Although the system has struck roots in the State, some of the features noticed in its evolving experience have been such as to cause concern. One of these is the unsatisfactory quality of supervision over primaries resulting from the inadequacies of the staff in respect of both number and efficiency in some cases and also from the lack of sufficient coordination between the staff of the supervising unions and the central banks, both of which play a role, in this sphere. Further, seasonality is not being strictly followed in quite a few areas. Above all, co-operative agricultural credit has been witnessing an alarming rise in overdues in recent years. Apart from crop failure, the main factors contributing to the overdues appear to be related to the rising scales of finance, ineffective supervision, failure to take action against wilful defaulters and inadequate arrangements for the linking of credit with marketing. Though the co-operative credit structure in Maharashtra has shown noteworthy progress in many aspects, it appears to have developed certain weaknesses mainly because the process of rapid expansion of operations was not accompanied by a corresponding effort to strengthen and improve the supervisory machinery. The most obvious signal which is also an alarming one, is the rising level of overdues referred to earlier. Other signs of weakness which are in evidence include the incidence of ghost acreages, unseasonal loans and recourse to transactions suggestive of book adjustments. There are also a few other features of the experience of the co-operative agricultural credit in Maharashtra which require attention. Firstly in spite of the extensive coverage of the co-operatives, there is reason to believe that the small cultivator and the tenant are somewhat neglected and that the benefit of co-operative credit goes, predominantly, to the large cultivators. Secondly as stated earlier, the development of the movement has not been uniform in all the areas of the State. Thirdly, the management and staff of the co-operative banks are not in every case equal to the growing and complex responsibilities which are now devolving upon them. There is need for streamlining the internal operating procedures and improving the number and quality of staff at different levels.”

Results of the credit coverage Case Studies in the Maharashtra State

The Committee has made certain observations on the share of large farmers in the total loans issued by the co-operatives. The figures revealed in the Case Studies conducted by the Co-operative Department in Yeotmal, Nasik, Nanded and Kolhapur districts in 1967 also, in a large measure, corroborate this. There can be two indicators for measuring the same. The first is the holding-wise are a covered by co-operative credit and second is the holding-wise distribution of disbursed loan. The data on the first indicator given in the sub-joined table will reveal that in all the

districts except Kolhapur small farmers' area is hardly covered as compared to that belonging to middle and big farmer :—

Holding-wise percentage of area covered

District	Year	Upto 5-00 acres	5-01 to 20-00 acres	20-01 acres and above	Total area covered
Yeotmal	1964-65	0.9	33.0	66.1	100.0
	1965-66	1.1	33.3	65.6	100.0
Nasik	1964-65	8.5	49.7	41.8	100.0
	1965-66	9.6	50.5	39.9	100.0
Nanded	1964-65	7.8	47.4	44.8	100.0
	1965-66	8.2	52.1	39.7	100.0
Kolhapur	1964-65	39.5	56.7	3.8	100.0
	1965-66	46.2	51.3	2.5	100.0

Similarly, in all the four districts except Kolhapur greater percentage of credit is lifted by farmers with middle and higher acreages as compared to small farmers. This will be seen from the following table :—

Holding-wise percentage of loans disbursed

District	Year	Upto 5-00 acres	5-01 to 20-00 acres	20-01 acres and above	Total loan disbursed
Yeotmal	1964-65	1.6	36.9	61.5	100.0
	1965-66	0.9	37.3	61.8	100.0
Nasik	1964-65	20.0	54.8	25.2	100.0
	1965-66	15.0	54.6	30.4	100.0
Nanded	1964-65	9.9	51.2	38.9	100.0
	1965-66	8.9	55.1	36.0	100.0
Kolhapur	1964-65	47.6	49.3	3.1	100.0
	1965-66	52.5	45.0	2.5	100.0

A striking feature of the figures given in both the above tables is the prominent coverage of small farmers both area and creditwise in Kolhapur District. Thus their share in coverage of area was 46.2 per cent while such share in credit disbursed, was even higher viz. 52.5 per cent in the year 1965-66. This would speak of the effective role which the district central co-operative bank in that district has successfully played with regard to supervision, secretarial arrangement, streamlining of crop loan procedures and last but not the least, linking of credit with marketing.

Similar Case Studies undertaken by the Department in 1969 regarding membership coverage by primary agricultural credit societies have revealed that in case of small holder (possessing 5 acres or less land), only 22 per cent of the primaries have covered all the small holders within their area of operation, 10 per cent of societies have covered between 75 and 100 per cent of small holders, 12 per cent of societies have enrolled between 51 to 75 per cent of small holders, in 21 per cent of primaries between 26 to 50 per cent of small holders in their area of operation have been admitted to membership and in as many as 35 per cent of societies this membership was upto 25 per cent only. From this it would be clear that on the whole the small holder has not come in for adequate attention by the agricultural primaries operating at the village level.

Need for Remedial Measures

To overcome the above lacunæ in their totality it will be in the interest of co-operative industries in rural areas if the work of providing credit to them is entrusted to a separate agency like the district industrial bank and the crop financing is channelized through a co-operative system which will serve only the agriculturists and provide them with adequate and timely credit. To scale down overdues, linking of credit with marketing is absolutely essential; so also the high rate of interest will have to be brought down so that it forms as less a portion of production cost as possible. This will unchoke the credit flow and will help in increasing the same. Then again, the non-viable societies will have to be made viable by a process of amalgamation and liquidation to make the base of credit structure strong. This can materialize if a scheme to re-organize the co-operative credit structure is put into operation. One of such schemes is outlined below.

DETAILED SCHEME

Scheme in brief

While analysing the co-operative credit structure, the thing that strikes the mind's eye is that the whole weakness of the same is in its base viz. the primary agricultural credit society. Some of the important aspects of this weakness are the preponderance of non-viable societies, high level of overdues and rate of interest, improper and ineffective arrangements for supervision over these societies, the insignificant share of the small farmer in their operations and failure to link credit with marketing. Steps have, therefore, to be taken to remove these defects. The scheme proposes to do this by reorganising the structure of primaries so that by a process of amalgamation and liquidation only a viable society commanding adequate loan business remains in the field. This will be reinforced by suitable operational reforms and legislative sanctions aimed

at streamlining the internal procedures and operational practices of these societies. While introducing these reforms the main objectives would be to make adequate and timely credit available to every cultivator in the village at as low a rate of interest as possible and in the process to generate adequate savings in the structure so that both the primaries and member-cultivators become in course of time self-reliant so far as their short term requirements for agricultural production are concerned.

Since in the process of achieving the above objective we will be radically reforming the base of the present three-tier structure it is inevitable that the middle-tier which is in close and direct contact with the structure of primaries has to be reformed and reorganised so that it is adequately equipped to discharge its enhanced responsibility in the matter of credit distribution and supervision over primaries. It has been stated earlier how the district central cooperative banks, as they are organised to-day, have not been able to improve the qualitative and quantitative aspects of co-operative agricultural credit and how they have also not been able to play effectively their role in relation to agricultural processing and industrial societies. In order that both these sectors as also co-operative credit for agriculture receive single-minded attention, it is proposed to bifurcate the activities of the district central co-operative banks into two broad sectors, one dealing exclusively with short and medium term credit for agriculture and the other dealing solely with credit for other types of co-operatives including in particular industrial, marketing and processing societies. The sector dealing with credit for agricultural production will have to develop more intimate relations with agricultural primaries and their members and intensify its standards of supervision. To be able to do this, the middle-tier will have to go nearer to the primaries and hence the existing district central co-operative banks will be reorganised into taluka level banks. So far as credit other than for agricultural production is concerned, the same will be met by separate district/regional industrial co-operative banks which might emerge or be organised as the necessity demands. Thus in districts where the existing growth as also potential for further growth of these sectors (sectors other than agricultural credit) justify existence of an independent district industrial co-operative bank, the same will emerge in the process of organisation of a bank at taluka level for agricultural credit. In districts where this is not so, the same will have to be formed for a group of two or more districts (region), according to the exigencies of the situation.

PRIMARY AGRICULTURAL CREDIT SOCIETIES

Formation of viable societies

Today, on an average, there are 90 primaries in a taluka. On the basis of a survey of these societies conducted in 1969 by the State Co-opera-

rive Bank, it has been found that out of 20090 societies (excluding societies in Greater Bombay) existing as on 30th June 1968, only 2474 societies were viable (i.e. they had member loans of Rs. 1,00,000 and over), while another 4022 societies could be termed as potentially viable (i.e. they had member loans between Rs. 50,000 and Rs. 99,999). In addition to this, there were 2010 societies in tribal and other backward areas for which normal standards of viability cannot be applied. This still leaves 11584 (57 per cent.) societies which were non-viable and there were, by and large, equally spread over the whole State. It would thus be seen that the number of non-viable societies is quite large and effective steps will have to be initiated to weed them out by a process of amalgamation and liquidation. The Rural Credit Review Committee has also made a strong recommendation in this behalf. It observes :

“The functioning of strong and viable units at the primary level is an urgent need as much for the sound working and health of the entire co-operative credit structure as for the successful implementation of agricultural programme. Persuasion on the part of the Co-operative Department and the Central Co-operative Bank and the use of sanctions such as the denial of Government share capital contribution, managerial subsidy and loans for godowns should help overcome the reluctance of primary units to amalgamate to form a viable society. In the last resort, if efforts in all these directions prove ineffective, the Co-operative Department should not hesitate to use statutory powers, where they are available, to order compulsory amalgamation of such societies after carefully considering all the probable objections.”

The success of the scheme under consideration is thus vitally dependent on the effective implementation of a programme of reorganisation of the agricultural primaries. In fact, it is expected that the Co-operative Department and the taluka banks should undertake a time-bound programme in this direction so that within the next couple of years only viable and potentially viable units are in business. On this basis and on the basis of the study of the existing position of non-viable societies in every district, it is assumed that ultimately in a taluka about 30 primary societies will be in operation.

Streamlining of operational procedures

At present some khatedar-members of a primary society are refused short and medium term credit facilities for one reason or another. This is evident from the declining trend witnessed in the ratio of the borrowing to the total members which was 67 per cent. in 1961 and came down to 44 per cent. in 1969. A part of this, of course, is due to the yearly increase in the overdues which reason will be covered by strict enforcement of linking of credit with marketing. The remaining causes will be removed by making a suitable legislative provision in the Co-operative Societies Act itself whereby every khatedar in a village will be deemed to be a member of his

village society and an obligation will be cast on the managing committee of the society to include every khatedars' credit requirement in the normal credit statement unless he states in writing that he does not want any loan. All this is expected to hasten the process of reaching the stage of viability by each society.

It is generally observed by all that the procedures followed in the crop loan system are full of remedial defects. Lack of timeliness is one of them. In the new set-up, the present system of annual preparation and sanction of normal credit statement will be replaced by triennial preparation and sanction of credit limits. Contingencies like changes in crops and acreages could be taken care of in individual cases by preparing supplementary credit limit statements and by authorising the secretaries to sanction an upward revision to the extent of 20 per cent. in each case. In fact, for the purposes of the present scheme and for working out the details of building up non-refundable self-sufficiency fund as already spelled out, it is assumed that at the end of every third year a member's loan requirement will increase by 10 per cent. to cover the expected increase in the input prices. Similarly, to put an end to malpractices such as ghost acreages, it will be made obligatory on the part of village talathis to intimate all changes in the Record of Rights arising out of the transfer of rights over land etc. to the village societies. For this purpose, suitable changes will be made in the relevant laws. It is also envisaged that ultimately the whole procedure of preparation of normal credit statements will give place to issue of credit cards to all khatedars. This card will be drawn in such a way that it is compact and provides for as much information as is required in the same.

At present elections of the members of the managing committees of the primary credit societies take place every year. There is enough room to surmise that the soft-peddling of recoveries is related to these annual elections, inasmuch as the members of the managing committees are prone to overlook shortfalls in recovery in order to get re-elected. Besides, annual elections involve avoidable wasteful expenditure of time and money of persons concerned with them. To overcome all this, the bye-laws of the societies and the relevant provisions of the Co-operative Law will have to be suitably amended so as to provide for triennial elections. Further, it is proposed that the right to vote will be available only to a borrower-member of a society and not to anyone else. Even a borrower-member will forfeit his right of vote in case he is in default to his society for a continuous period of two years. All this will be brought into force as a result of amendment to the Co-operative Law.

One of the important weaknesses of the credit structure as earlier mentioned is the failure to link credit with marketing. This has resulted

in pushing up overdues from year to year. It is essential to arrest this trend particularly against the background of the avowed object of the scheme of enrolling every khatedar as member of the society and making adequate credit available to each one of them. This is proposed to be done by amending the Agricultural Produce Market Act in such a way that it would be obligatory upon the licencees to settle claims of the producers, only through the agency of the Market Committee which will be empowered to adjust the production loans of the primaries against the sale-proceeds of crops. In other words, the patti and the cheque in settlement of the claims would be routed only through the Market Committee. This will go a long way in indirectly forging a firm link between credit and marketing.

Another operational reform which is proposed is in relation to the mode of repayment by a member of his dues to the society. At present a member has to repay his dues to the society only from which he borrows. At times, due to political and other considerations, the office-bearers of some societies deliberately manœuvre things in such a way that a member is prevented from repaying his dues in time thereby making him a defaulter at a crucial point of time when elections to the managing committees of the societies might be due. To put an end to such malpractices, it is proposed that it should be open to a borrower member to repay his dues to the taluka bank directly only when the society refuses to accept them from him. It is further proposed that a borrowing member who has delivered to the marketing/processing society his produce equivalent in price to the quantum of dues repayable by him to the primary society and also the advances taken by him from the marketing/processing society from time to time, should not be treated as a defaulter merely because the actual settlement of dues by adjustment against the sale-proceeds of his produce takes place at a later date. This should be done on the basis of a kacha receipt to be passed by the marketing/processing society. On the same lines, if a borrower member of a primary society repays his dues in full to the society, he should be held eligible to get the short-term loan irrespective of the fact that the society is in default to the taluka bank.

Other operational reform which is proposed is in relation to the practice of charging interest by the society to a member. It is thus proposed that the interest should be charged to a borrower only with effect from the date he actually draws the loan amount from the society and it should cease from the date he repays his dues in full. This should apply *mutatis mutandis* to the loan transactions between the society and the taluka bank.

To sum up, the operational reforms proposed to be introduced in the working of primary societies are as follows :—

- (a) by operation of law it will be provided that every khatedar in a village will be deemed to be a member of the society in his village

and that an obligation will be cast on the managing committee of the society to include every khatedar's credit requirement in the normal credit statement unless at the time of preparation of the normal credit statement he states in writing that he does not want any loan ;

(b) the present system of annual preparation and sanction of normal credit statement will be replaced by triennial preparation and sanction of credit limits ;

(c) the bye-laws of Societies and the relevant provisions in the Co-operative Law will be amended to provide for triennial elections to the managing committees of the societies ;

(d) right to vote will be available only to the borrowing member of the society ;

(e) defaulter for two years and above will not have a right to vote ;

(f) the Agricultural Produce Market Act will be amended to provide for settlement of dues only through the market committees ;

(g) in certain contingencies a borrower member of the society will have freedom to repay his dues directly to the taluka bank instead of his society ;

(h) a borrower member will not be deemed to be a defaulter if he has discharged his obligation to deliver his produce to the marketing/processing society and even if the actual settlement of his dues takes place at a later date ;

(i) irrespective of whether a society is in default to the taluka bank a borrower member who repays his dues in full to the society shall be eligible for fresh finance in the next year ; and

(j) interest will be charged to a borrower only with effect from the date he draws the loan from the society and it will cease from the date he repays his dues in full.

Economics of a primary agricultural credit society

The above changes and the reduced work-load flowing from it will require the services of one secretary per primary whose cost as mentioned later, will be borne by the taluka bank to which it is affiliated. The society will however, have to cover expenses on items given below :—

Item	Annual expenditure Rs.
Rent	300
Postage and stationery	100
T. A. to M. C. Members	150
Contingencies.	100
Total	650

At present, a primary society retains to itself 3 per cent. margin. It will be possible in the new set up to reduce this margin on account of various economies in expenditure which are expected to flow as a result of operational reforms referred to above. Besides, a primary will not have to bear the burden of payment of audit, secretarial and supervision fees, as stated later. On account of these factors, a society could make do with a margin of 0.75 per cent. This will need a level of business of about Rs. 1,00,000 which will yield an income of Rs. 750 which will cover the expenditure of Rs. 650 mentioned above and leave a small margin of Rs. 100 to build up reserves. It is likely in the case of certain societies that either the level of their expected income may not be reached in the earlier years or that their level of expenditure will rise above the given estimates. In such a contingency, advantage could be taken of the scheme of management assistance to viable and potentially viable societies under which subsidies spread over a period of five years and aggregating to Rs. 1,800 are available for such societies. At present we have not been able to take advantage of this scheme because we have not implemented the policy of creating viable and potentially viable societies. As a result of this, we are not also in a position to claim from the Central Government their share (50 per cent.) of the expenditure involved in giving such subsidies.

Scheme for making a cultivator self-supporting

One of the objects of the scheme as mentioned earlier is to generate adequate savings in the structure so that both the primaries and the member-cultivators become in course of time self-reliant. This is proposed to be achieved by introducing a scheme of building up non-refundable self-sufficiency fund by compulsory annual collection from every member at the rate of, say, 10 per cent. of his borrowings. On these collections the borrower will get interest at 3 per cent. The society is expected to pass this fund to the taluka bank which in turn will give interest thereon at 3 per cent. to the society. The fund will however be used by the taluka bank in its own business of lending to the primary societies, thus gradually reducing its dependence for funds borrowed from the State Co-operative Bank. The detailed calculations of how this fund will be built up annually and the effect it will have on the financial operations of members and the taluka banks are illustrated in Table I and II.

It will be seen from Table I that on an annual loan of Rs. 100 (with triennial increment therein to the extent of 10 per cent. on account of price rise in his inputs), the member will build up in his society at the end of 13th year a sum of Rs. 153 which exceeds his loan requirement of that year amounting to Rs. 146.

TABLE I

Calculations of Primary Agricultural Credit Society's Member's self-sufficiency

Serial No.	Item	Years					
		1	2	3	4	5	6
1	Principal of loan borrowed	100	100	100	110	110	110
2	Interest paid at the rate of 6.50 p.a. (Rs.)	6.50	6.50	6.50	7.15	7.15	7.15
3	Amount of Deposits (Rs.)	10	20	30	41	52	63
4	Interest received at 3 per cent p.a. (Rs.)	0.00	0.30	0.60	0.90	1.23	1.56
5	Rate of interest paid (per cent).	6.50	6.20	5.90	5.68	5.38	5.08

Years										
7	8	9	10	11	12	13	14	15	16	17
121	121	121	133	133	133	146	146	146	161	161
7.86	7.86	7.86	8.64	8.64	8.64	9.49	9.49	9.49	10.46	10.46
75	87	99	112	125	138	153	168	183	199	215
1.89	2.25	2.61	2.97	3.36	3.75	4.14	4.59	5.04	5.49	5.97
4.93	4.64	4.34	4.26	3.97	3.68	3.66	3.36	3.05	3.09	2.79

TABLE II

Calculation of Taluka Bank's self-sufficiency

Serial No.	Items	Years			
		1	2	3	4
1	Principal of loan borrowed (Rs.)	100	90	80	80
2	Interest paid at 3.25 % p.a. (Rs.)	3.25	2.92	2.60	2.60
3	Deposits received from societies (Rs.)	10	20	30	41
4	Interest paid to the society on deposit at 3 per cent p.a. (Rs.)	0.00	0.30	0.60	0.90
5	Total interest paid (Rs.) (2-4)	3.25	3.22	3.20	3.50
6	Rate of interest on total borrowings (per cent)	3.25	3.22	3.20	3.18
7	Amount lent to the society (Rs.)	100	100	100	110
8	Interest received from society @ 5.75 per cent p.a.	5.75	5.75	5.75	6.32
9	Net interest received (Rs.) (8-5)	2.50	2.53	2.55	2.82
10	Rate of interest received (per cent)	2.50	2.53	2.55	2.56

Years										
5	6	7	8	9	10	11	12	13	14	
69	58	58	46	34	34	21	8	8		
2.24	1.88	1.88	1.49	1.10	1.10	0.68	0.26	0.26		
52	63	75	87	99	112	125	138	153	168	
1.23	1.56	1.89	2.25	2.61	2.97	3.36	3.75	4.14	4.59	
3.47	3.44	3.77	3.74	3.71	4.07	4.04	4.01	4.40	4.39	
3.15	3.13	3.12	3.09	3.07	3.06	3.04	3.02	3.01	3.00	
110	110	121	121	121	133	133	133	146	146	
6.32	6.32	6.96	6.96	6.96	7.65	7.65	7.65	8.39	8.39	
2.85	2.88	3.19	3.22	3.25	3.58	3.61	3.64	3.99	3.80	
2.59	2.62	2.64	2.66	2.68	2.69	2.71	2.74	2.73	2.60	

For that year he has to pay interest at the rate of 3.66 per cent. only as against 6.50 per cent. which he was required to pay in the first year. This reduction in the rate of interest is due to the fact that the accumulations in his self-sufficiency fund every year have earned him at the end of the 13th year interest at 3 per cent. amounting to Rs. 4.14. Thus the member stands to benefit on two counts. Firstly the rate of interest on his borrowings has come down to 3.66 per cent. and secondly he has built up to his credit a fund of Rs. 153 which is more than his loan requirement (Rs. 146) i.e. he becomes self-reliant. When this stage is reached, the primary credit societies can support their operations without requiring to borrow anything from the taluka banks. At this stage there may be little justification for retaining the taluka banks for the purpose of short and medium term credit for agriculture. It may be that this process of reaching self-reliance might be delayed by as many years of scarcity and crop failures as might intervene in the first twelve years. If such period falls once in three years as is generally accepted then this stage of self-reliance will be reached at the end of the 17th year.

Coming now to the taluka banks, it will be seen from Table II that at the end of the 14th year they would reach a stage of self-sufficiency inasmuch as they would have with them in their self-sufficiency fund a sum of Rs. 168 which is more than what they would require for lending (Rs. 146) to the primaries. In other words, they would not be required to borrow anything from the State Co-operative Bank for carrying on their operations.

It might be made clear that the above fund whose ultimate ownership rests with the member concerned has to be used by the taluka banks only for the purpose of their loaning operations in relation to short and medium term credit for agriculture and not for any other purpose, though there is nothing to prevent the taluka banks from utilizing the amount in this fund standing to the credit of, say, society-A for lending it to society-B. It thus logically follows that even if a particular society has sufficient amount in its fund with the taluka Bank so as to dispense with any credit from the latter, it will not have freedom to insist on withdrawal of this fund unless all the societies affiliated to the taluka bank, having reached the stage of self-sufficiency, demand the refund in unison.

Effect of self-sufficiency fund on credit limits of taluka banks

A word may now be said about the fixation of credit limits and the changes which might be necessitated in the present procedure relating thereto. At present, credit limits of the district central co-operative banks are fixed by the Reserve Bank of India with reference to their owned funds. Thus deposit resources of the banks are not taken into account. In the present scheme, however, it is proposed to build up non-refundable self-sufficiency fund from members and societies as against the present practice of collection

towards share capital. This change has been proposed with a view to avoiding over-capitalization and to put an end to the existing situation under which amounts collected towards share capital do not fetch any return in view of the inability of most of the societies to earn adequate profit. The obligation to build up this fund and to pay minimum interest at 3 per cent. thereon is expected to enthruse the members. In view of the fact that the amount in this fund will be non-refundable in character, the Reserve Bank of India will be persuaded to accord to these funds, the same treatment as is accorded by it to the share capital, reserve and other funds. In other words, the amount in this fund should be treated as a part of the owned funds of the bank and not as some outside liability. Thus the taluka banks should not also be required to maintain the prescribed percentage of cash reserves and liquid assets against this fund. This is very necessary so that the newly organised taluka banks enjoy the facilities of liberalised credit limits. It has been mentioned above that ceteris paribus at the end of 13th year the borrowers and the banks will be self-supporting in the sense that they will not be required to borrow anything from the higher financing agencies. In view of this promise, the Reserve Bank of India should not hesitate to relax its present standards of fixation of credit limits. The Reserve Bank of India has been attaching considerable importance to the efforts made by the Co-operative Banks in mobilising deposits. The present scheme as will be seen from the above, incorporates a built-in mechanism of deposit mobilisation and as such the Reserve Bank of India should be willing to look with favour on any proposal for relaxation of the standards of the fixation of credit limits for some period of time.

Concept of Rural Banks

It is also envisaged that in course of time the village primaries should function as regular rural banks accepting deposits, rendering various banking services and offering different types of credit facilities including those required by the non-cultivator sections of the village community. It is felt that the village primaries are best suited to do this in view of their close contacts with the agriculturists in the villages and the ease and facility with which they are accessible to the village folks as against a branch of a taluka or commercial bank. Such of the primary societies as are particularly strong financially or otherwise might be permitted to transact other non-credit business like Fair Price Shops, distribution of fertilizers etc. For this purpose, they could be authorised to collect deposits at competitive rates of interest and to finance such activities therefrom. The societies are, however, expected to keep separate accounts of such activities.

There are a sizable number of primary credit societies which are at present undertaking non-credit activities. These societies have already invested a portion of their owned funds, as also funds borrowed from the district

central co-operative banks in such activities. The general experience in this behalf is that although the societies are persuaded to undertake such activities in consonance with their role as a service society, such activities are not so very remunerative from an economic point of view and as such in many cases they constitute a burden on the main function of the society in the sphere of agricultural credit. While the social welfare or the service aspect of these activities cannot be decried, it is necessary to ensure that they are not carried on at the cost of the main function of the society. For this purpose, therefore, such of the societies as have presently locked up their owned and borrowed funds in such activities, will have to be persuaded to get these funds released in pursuance of a phased programme spread over a period of five years. The place of funds so released annually should be taken by deposits which the society might collect at competitive rates of interest. As regards release of funds borrowed from the district central co-operative banks for this purpose, it is proposed that their place might be taken by finance which the State Bank of India might be called upon to provide at its normal rate of interest. This would release the locked up funds of the district central co-operative banks. Even here, however, the society will be hard put to it in finding the necessary margin money. This difficulty will not exist if the present system of consignment of fertilizer is continued. If, however, this system is discontinued (as is proposed to be done) the State Government may have to provide the margin money to the society. Government may have to do this, in view of the Government's anxiety to route as much of the distribution trade as possible through the Co-operative agency. On the basis of the existing position of about 9,000 societies running fair price shops and about 8,000 societies undertaking fertilizer distribution work, it is estimated that the requirements of credit for fair price shop (Rs. 1,000 per society) and margin money for fertilizer distribution (Rs. 7,500 per society) will in the aggregate be in the neighbourhood of Rs. 7 crores. This obviously involves a commitment of a high order and hence it is necessary to press upon the authorities concerned to continue the present system of consignment. If unfortunately the system cannot be continued and if the State Government also are not in a position to provide the margin money to the societies then in the interest of maintaining uninterrupted and timely flow of inputs to the agriculturist through agricultural primaries, the societies could be authorized to work as sub-agents of marketing societies, so that the problem of providing margin money could be minimized.

Taluka Banks

We have stated earlier the strategy of reorganization of the credit structure at the village level and the various operational reforms which are proposed to be introduced so that their operations besides being economically

viable are oriented towards the achievement of the basic objectives of Co-operative credit viz. adequate and timely availability of finance to every eligible khatedar in a village, reduction in the rate of interest and gradual advance towards self-sustaining growth and self-reliance. The achievement of these objectives will inevitably involve changes both in the structure and the loaning policies of the unit operating at the middle tier. So far as the structural changes are concerned, they will take the shape of organization of independent smaller units at the taluka level.

Economics of a Taluka Bank

A taluka bank will have about 30 primary societies affiliated to it, as against, on an average 90 societies existing at present at the taluka level. The work-load involved in managing and supervising these 30 societies for a taluka bank, broadly speaking, will need the following staff :—

Serial No.	Designation	Number	Monthly emoluments	Annual expenditure
			Rs.	Rs.
1	Manager	... 1	450	5,400
2	Auditor	... 1	275	3,300
3	Accountant	... 1	275	3,300
4	Inspector	... 1	250	3,000
5	Cashier	... 1	225	2,700
6	Junior Clerk	... 1	200	2,400
7	Jeep Driver	... 1	200	2,400
8	Peon	... 1	150	1,800
			Total ...	24,300

In addition to the above, expenditure on contingencies is estimated as under :—

Serial No.	Item	Rate per month	Annual expenditure
		Rs.	Rs.
1.	Rent	... 120	1,440
2	T.A. to staff and directors ...	355	4,260
3	Printing, Stationery, Petrol, repairs etc.	.....	5,000
			Total ... 10,700

The total expenditure for running a taluka bank comes to Rs. 35,000 per annum. To this will have to be added the estimated annual expenditure on salaries and allowances of Secretaries of primaries. Hitherto these secretaries were being paid through joint expenditure account maintained by

respective taluka supervising unions. It is now proposed that the cost on account of these secretaries should be borne by a taluka bank. The monthly emoluments (including expenditure on travelling allowance) of one secretary are, on an average, Rs. 125. As stated earlier, there will be about 30 societies in a taluka for which there will be 30 secretaries. Thus the monthly and the annual expenditure on these secretaries will be Rs. 3,750 and Rs. 45,000 respectively. Thus the total annual bill on the above mentioned arrangements will come to Rs. 80,000.

An examination of the rate of interest charged by the District Central Co-operative Banks to their primaries reveals that 12 out of 25 of these charge 6 per cent, which means that they retain with them a margin of 2.75 per cent, while the remaining 13 banks retain to themselves margin ranging between 1.75 per cent to 2.25 per cent. It should be noted that a reorganized taluka bank will have to deal with lesser number of primaries as compared to the existing District Central Co-operative Banks. The situation is not going to improve by retaining the existing structure of the District Central Co-operative Banks and permitting them to deal with this lesser number of primaries. This is so because of the pronounced emphasis of the present scheme on the continuous, live and effective supervision by taluka banks on the operations of the primaries which will not be possible with the District Central Co-operative Banks having to deal with both agricultural primaries and other institutions in the district. The advantage of a compact geographical jurisdiction and homogeneity of operations which the taluka banks will enjoy is expected to more than offset the economies of scales flowing from the large quantum of loaning operations presently carried out by the district central Co-operative Banks. It is envisaged that taluka banks will operate only to supply short and medium term credit for agriculture and as such they will not have to spend on raising of resources required to cover activities other than short and medium term loans for agriculture as is being done by the District Central Co-operative Banks at present. Further, the rationalization in the system of Crop Loan and the various other operational reforms referred to earlier are also expected to lead to marginal savings in their overheads. Now with their multifarious financial dealings majority of the District Central Co-operative Banks retain a margin of 2.75 per cent. We have said above that a taluka bank will solely confine itself to short and medium term loaning operations and as such it can manage its affairs with a margin of 2.50 per cent. Incidentally the taluka bank will get more margin ranging from 2.53 per cent to 2.74 per cent. This is due to the operations of the non-refundable self-sufficiency fund explained earlier. Even if for the purpose of calculation the increased margin is not taken into account, the taluka bank on a margin of 2.50 per cent. reaches the break—even point when it has a loan business of Rs. 32

lakhs. It is, however, necessary that the bank to be able to earn some profits and build up reserves commands some more business say Rs. 34 lakhs so that it has the necessary internal cushion against overdues and other contingencies.

Formation of Taluka Banks

There are 230 talukas in Maharashtra State excluding three in Greater Bombay, one in Poona district and one in Thana district which is newly formed. 41 of these comprise the districts of Ratnagiri, Kolaba and Thana. Due to their peculiar geo-physical and agro-climatic conditions coupled with other developmental hurdles which will need a much more broad-based solution than could be offered by agricultural credit alone, they are left out of the purview of the present scheme in so far as it relates to the middle tier where in the case of these three districts the present District Central Co-operative Banks will continue to operate. The outline of solution proposed for these three districts is mentioned in following lines. This exclusion leaves us with 189 talukas out of which 111 are already having a loaning business of more than Rs. 34 lakhs per annum which means that they are viable as per our calculations of viability and each one of them can form a taluka bank straight away. Deeper analysis of the remaining 78 talukas will reveal that not all of them are non-viable in the real sense of the term even if their annual loaning operations today are less than Rs. 34 lakhs each. In 42 out of these 78 talukas, not only is the soil fertile and scarcity conditions are practically unknown, but there is a considerable area in these talukas under irrigation which makes it difficult to accept the figures of crop finance as genuine. What may have perhaps happened is the existence of group rivalries, boycott of the banking institutions by certain disgruntled elements and may be, in extreme cases, there might be existing clandestine money lending which may have made the banks less operative. Raver and Yawal talukas of Jalgaon District, for example, are known to possess affluent economy which affluence may have made them rather indifferent to and independent of the bank. The middle cultivator, however, has not been sufficiently induced to accept the services of the bank and in all such talukas where the figures of annual loan advances are less than Rs. 34 lakhs, it will be difficult to call them non-viable. Thus the apparent deficiencies in these talukas are easily remediable. Measures to remove these road-blocks are already suggested above and these are bound to construct the areas of frictions and conflicts and in the process push back the frontiers of loaning business so much so that such talukas will not only reach the break-even point soon but may as well compete with the present prosperous talukas in the quantum of disbursed loan. Such talukas add up to 42 and thus 153 talukas (111 plus 42) can each have a viable taluka bank. Now we are left with 36 talukas

which can be termed as non-viable in the real sense of the word. A mere look at these should convince one that these are non-viable because they are either situated in chronic scarcity tracts, or they are peopled with our unfortunate brethren like the Harijans, Girijans, tribals and other economically weak populace, or the economy of these talukas is solely dependent on agriculture based on antique methods of production and management. Under these circumstances it is difficult for these talukas to lift themselves up by their own boot-straps and become viable in the near or distant future and as such they will need massive aid and other measures which are described below. A list of viable (153) and non-viable (36) talukas is given in Table III below.

TABLE III

List of viable and non-viable talukas along with the information relating to short-term loans for agriculture advanced by agricultural primaries in the State (except in the districts of Thana, Kolaba and Ratnagiri) during the year 1968-69.

(Rs. in thousands)

Viable		Non-Viable		Estimated deficit in income
Taluka	Loans disbursed	Taluka	Loans disbursed	
1	2	3	4	5
<i>District Nasik</i>				
1. Baglan ..	9,339	1. Surgana ..	302	72
2. Malegaon ..	14,498	2. Kalwan ..	3,001	5
3. Chandor ..	3,349	3. Pient ..	675	63
4. Nasik ..	3,948	4. Igatpuri ..	1,368	46
5. Yeola ..	4,260	5. Nandgaon ..	2,103	27
6. Niphad ..	14,302	6. Dindori ..	2,125	27
7. Sinnar ..	5,312			
<i>District Dhulia</i>				
1. Sindkheda ..	4,650	1. Nawapur ..	339	72
2. Dhulia ..	4,857	2. Akrani ..	53	79
3. Nandurbar* ..	2,994	3. Akkalkuwa ..	338	72
4. Sakri* ..	2,554	4. Taloda ..	1,103	52
5. Shirpur* ..	3,045			
6. Shahada* ..	3,263			
<i>District Jalgaon</i>				
1. Chopada ..	4,373	1. Parola ..	1,711	32
2. Erandol ..	4,125	2. Edlabad ..	1,550	41
3. Pachora ..	4,872			
4. Jamner* ..	6,240			
5. Yawal* ..	1,884			
6. Raver* ..	2,652			
7. Anjalner* ..	3,186			

(Rs. in thousands)

Viable		Non-Viable		Estimated deficit in income
Taluka	Loans disbursed	Taluka	Loans disbursed	
1	2	3	4	5
<i>District Jalgaon—contd.</i>				
8. Jalgaon*	..	2,778		
9. Bhusawal*	..	2,325		
10. Bhadgaon*	..	2,033		
11. Chalisgaon*	..	2,368		
<i>District Ahmednagar</i>				
1. Koporgaon	..	29,244	1. Jamkhed	.. 1,465 43
2. Sangamner	..	12,776		
3. Shrirampur	..	26,126		
4. Rahuri	..	15,958		
5. Newasa	..	7,017		
6. Shevgaon	..	3,927		
7. Ahmednagar	..	3,752		
8. Shrigonda*	..	2,404		
9. Karjat*	..	2,067		
10. Akola*	..	2,925		
11. Parner*	..	1,983		
12. Pathardi*	..	3,045		
<i>District Poona</i>				
1. Baramati	..	11,181	1. Shirpur	.. 1,658 33
2. Indapur	..	4,203	2. Maval	.. 232 74
3. Junnar*	..	981	3. Dhond	.. 686 63
4. Ambegaon*	..	888	4. Mulshi	.. 318 72
5. Khed*	..	988	5. Velhe	.. 272 73
6. Haveli*	..	667	6. Purandhar	.. 961 56
			7. Bhor	.. 386 70
<i>District Satara</i>				
1. Phaltan	..	6,216	1. Javli	.. 1,559 41
2. Wai	..	4,772	2. Mahabaleshwar	257 74
3. Koregaon	3,783	..	3. Khandala	.. 807 59

(Rs. in thousands)

Viable		Non-Viable		Estimated deficit in income
Taluka	Loans disbursed	Taluka	Loans disbursed	
1	2	3	4	
<i>District Satara—contd.</i>				
4. Khatau*	.. 3,351			
5. Man	.. 3,914			
6. Satara	.. 3,603			
7. Karad	.. 10,640			
8. Patan*	.. 2,613			
<i>District, Sangli</i>				
1. Khanapur	.. 3,890	1. A'ped	.. 894	53
2. Shirala	.. 4,781			
3. Walwa	.. 18,709			
4. Tasgaon	.. 20,206			
5. Jath*	.. 3,358			
6. Miraj	.. 15,697			
7. Kavathe	.. 3,702			
<i>District Sholapur</i>				
1. Karmala	.. 3,448	Nil	..	
2. Barshi	.. 3,782			
3. Madha	.. 3,886			
4. Malshiras	.. 7,865			
5. Pandharpur	.. 5,262			
6. Sholapur South	.. 3,495			
7. Akkalkot	.. 3,801			
8. Mohol*	.. 3,040			
9. Sholapur North*	.. 2,192			
10. Sangola*	.. 2,036			
11. Mangalwedha*	.. 2,527			
<i>District Kolhapur</i>				
1. Panhala	.. 7,475	1. Bavda	.. 1,293	48
2. Hatkanangale	.. 12,817			
3. Shirol	.. 10,048			

(Rs. in thousands)

Viable		Non-Viable		Estimated deficit in income
Taluka	Loans disbursed	Taluka	Loans disbursed	
1	2	3	4	5

District Kolhapur—Contd.

4. Karvir ..	21,597
5. Radhanagari ..	9,070
6. Kagal ..	7,014
7. Bhudargad ..	6,154
8. Gadhinglaj ..	8,106
9. Ajra* ..	2,993
10. Chandgad ..	2,694
11. Shahuwadi* ..	2,809

District Aurangabad

1. Kannad ..	7,942	1. Khuldabad ..	1,514	42
2. Silod ...	7,702			
3. Bhokardan ..	4,309			
4. Vaijapur ..	8,399			
5. Gangapur ..	8,169			
6. Aurangabad ..	5,227			
7. Jalna ..	8,509			
8. Paithan ..	3,977			
9. Ambad ..	5,839			
10. Jafrabad* ..	2,083			
11. Soegaon* ..	3,246			

District Parbhani

1. Partur ..	3,782	....	Nil	42
2. Jintur ..	5,491			
3. Hingoli ..	3,521			
4. Kalamnuri ..	4,582			
5. Pathri ..	3,919			
6. Basmath ..	5,048			
7. Gangakhed ..	5,754			
8. Parbhani ..	4,536			

(Rs. in thousands)

Viable		Non-Viable		Estimated deficit in income
Taluka	Loans disbursed	Taluka	Loans disbursed	
1	2	3	4	
<i>District Bhir</i>				
1. Georai ..	4,910	1. Ashti ..	1,893	33
2. Bhir* ..	2,165	2. Patoda ..	1,814	35
3. Kaij* ..	2,536			
4. Manjalgaon* ..	2,533			
5. Ambejogai* ..	2,756			
<i>District Nanded</i>				
1. Kinwat ..	5,293	....	Nil	....
2. Hadgaon ..	3,795			
3. Nanded ..	6,422			
4. Kandhar ..	9,367			
5. Billoli ..	6,906			
6. Mukhed* ..	3,083			
7. Degloor* ..	3,223			
8. Bhokar* ..	2,218			
<i>District Osmanabad</i>				
1. Ahmedpur ..	5,471	1. Paranda ..	1,437	45
2. Osmanabad ..	3,439	2. Bhoom ..	1,138	57
3. Latur ..	3,566			
4. Tuljapur* ..	3,301			
5. Udgir ..	5,018			
6. Ausa ..	4,134			
7. Omerga ..	6,410			
8. Nilanga ..	3,720			
9. Kalam* ..	2,855			
<i>District Buldhana</i>				
1. Malkapur ..	3,368	....	Nil	....
2. Chikhli ..	6,225			
3. Mehkar ..	9,059			
4. Jalgaon* ..	2,973			
5. Khamgaon* ..	2,367			

(Rs. in thousands)

Viable		Non-Viable		Estimated deficit in income
Taluka	Loans disbursed	Taluka	Loans disbursed	
1	2	3	4	5
District Akola				
1. Akot ..	4,433	....	Nil	....
2. Akola ..	5,315			
3. Murtijapur ..	3,412			
4. Washim ..	5,013			
5. Balapur* ..	2,919			
6. Mangrulpir* ..	3,105			
District Amraoti				
1. Achalpur ..	9,016	1. Melghat ..	921	57
2. Morshi ..	7,522			
3. Daryapur ..	6,234			
4. Amraoti ..	6,824			
5. Chandur ..	6,901			
District Yeotmal				
1. Darwa ..	9,233	....	Nil	....
2. Yeotmal ..	7,753			
3. Pusad ..	8,913			
4. Kelapur ..	7,399			
5. Wani ..	6,267			
District Wardha				
1. Arvi ..	5,335	....	Nil	....
2. Wardha ..	5,328			
3. Hinganghat ..	3,564			
District Nagpur				
1. Ramtek ..	3,479	....	Nil	....
2. Nagpur ..	3,717			
3. Umrer ..	3,861			
4. Katol* ..	3,011			
5. Saoner* ..	2,786			
District Bhandara				
1. Gondia ..	3,631		Nil	....
2. Bhandara ..	3,758			
3. Sakoli ..	5,817			
District Chandrapur				
1. Warora ..	7,477	1. Brahmapuri†	5,553	....
		2. Gadchiroli†	4,364	....
		3. Chandrapur ..	1,770	51
		4. Rajura ..	3,261	19
		5. Sironcha ..	469	88
State Total ..				1,776

*Though the present level of short-term loan advances in these Talukas is less than Rs. 34 lakhs, the talukas are considered as viable on account of reasons given above.

†Though the present level of short-term loan advances in these talukas is more than Rs. 34 lakhs, they are considered as non-viable as they preponderantly peopled by Harijans, Girijans and Tribals and they have a wider geographical area covered under them.

Policy regarding opening of branches by Taluka Banks

A mention may be made about the policy proposed to be adopted in relation to the existing branches of District Central Co-operative Banks. As would be seen from the calculations of the economics of a taluka bank referred above, they do not take into account the operations of a branch office. This is because of the fact that the scheme does not contemplate opening of branch offices by taluka banks. It is true that the absence of branches might in certain cases defeat the purpose of close supervision over crop loan and might come in the way of establishing live contacts with the members of agricultural credit primaries. To overcome this, it is proposed that where the existing level of loan business in talukas which are already viable justifies the establishment of a branch/branches and where such branches are already operating, they will remain. Similarly, branch expansion in future commensurate with the expansion in the loan business will also be allowed. For this purpose, it is estimated that the pattern of a branch staff and cost thereof will be as under :—

Serial No.	Designation	No.	Monthly emoluments	Annual expenditure
			Rs.	Rs.
1	Agent	... 1	300	... 3,600
2	Clerk-cum-Cashier	... 1	225	... 2,700
3	Peon	... 1	100	... 1,200
Total				... 7,500

Adding to this the expenditure on contingencies such as rent, postage, printing, stationery etc. amounting to about Rs. 2,500 we get a total annual branch expenditure of Rs. 10,000. On this basis a minimum additional loan business of Rs. 4 lakhs would justify opening of a branch. Where, however, the loaning operations do not justify the continuance of branches and where existing branches are running in loss, they will have to be closed down. The closure of such branches should not be a cause for concern. Firstly because such closure is expected to result in saving of expenditure and secondly because in their place, a temporary one-man branch or pay office on the lines of such offices opened by some of the Commercial Banks might be started so that the cultivator-members are not deprived of the conveniences in relation to transport etc. which the existing branches might be providing to them.

OUTLINE OF A SOLUTION FOR THE THREE SHORE DISTRICTS OF MAHARASHTRA

The 41 talukas of Ratnagiri, Thana and Kolaba constitute a long coastal westernmost boundary of India. In spite of a very heavy rainfall (70" to 150") most rivers in the region go dry even from March onwards. The terrain of the land is such that irrigation involves heavy capital investment and the returns are low. The cultivator has been following since time immemorial a one crop economy and the benefits of irrigation for him have remained as distant as the sea around him is deep and arrogant. From December onwards, cultivators prefer to remain at home pretending to prepare their lands for the coming season. A large number of them migrate to the important neighbouring towns in search of employment during the light agricultural season and return home only at the time of sowing and harvest. There is a sizable section of the agriculturists who follow a dual economy; agriculture during the season and fishing in the off season on a very insignificant scale. In an atmosphere in which the cultivator has to migrate from his land periodically, in search of livelihood, sentimental attachment to land, which is the characteristic of the people in the Ghats is difficult to be acquired. While mobility amongst the cultivators in the Ghats is almost unknown, the cultivators in the Konkan are used to frequent mobility. Temporary migrations to towns in search of employment in the Konkan, therefore, takes place with ease and frequency to supplement agricultural income.

Before the abolition of Khoti and the advent of Tenancy legislation, the actual tillers of the soil were living a sub-human existence supporting indirectly a body of absentee landlords to enable their sons to obtain higher education in foreign countries only to come back and rule over them as superior human beings. 27 per cent. of the population in these districts is represented by the Katkaris, Thakurs and Warlis, a body of tribals who have been forced by circumstances to live a life of abject poverty. Purely as labourers and driven away from the land which originally belonged to them, they were exploited by forest contractors and there are well-established stories of a few of these workers being burnt alive in the charcoal ovens, which otherwise gave money, power and wealth to the forest contractors. There is a small minority of well-to-do gentlemen-farmers who, although born on the land, soon realised the futility of a struggle on land and migrated to distant places in search of employment and an urban living. Such of the gentlemen-farmers who remained behind were only the old and disabled incapable of fighting the battle of urban existence. As a group, the flight of their own class and brothers developed in them a kind of contempt for their own environment in which they were left to face the battle of existence. For any one to expect these persons to have provided the leadership for the poor

cultivators and the exploited tribals was to expect the impossible. No wonder, agriculture as a profession suffered from neglect, hostility from vested interests and from an exploitation of the weak by the strong. The three District Central Co-operative Banks, of Ratnagiri, Thana and Kolaba represent therefore, even today as a consequence the weakest financial institutions in the long chain of Banks catering to the credit requirements of the people. It is, therefore, proposed under the circumstances to exclude from the operation of the new reforms all the three districts, as it is obvious, the conditions in the Konkan are not propitious for a thorough going bifurcation of the different spheres of activity of credit and industrial assistance.

It does not mean that plans or intensive development cannot be organised. An analysis of the agricultural potentials in these three districts will convince any one that a mere single line of attack will not solve the complicated problems of the Konkan. With agriculture as the base, a separate programme of development can be so organised as to make the vast resources of the sea available to augment the meagre resources of agriculture. In other words, investments purely in agriculture, at the same time leaving the vast resources of sea untapped will defeat the very purpose of agriculture. Fortunately, desalinated water has now become an economically feasible proposition and it is a measure of our lop-sided thinking that we have readily agreed to use Tarapore Atomic Energy for the benefit only of industrial expansion, while the thing to do should have been to use it for providing desalinated water to agriculture. Salt, common sodium chloride, on the western coast is so plentiful that its conversion to soda ash which has now been made all over the world has not been started in India. We only sit with folded hands lamenting the cruelties of fortune. All these three districts are interspersed with long creeks and inland navigation is a distant possibility. Small Jetties and ports all along the line after a proper deepening of these creeks will make railway travel and transport a drudgery and a thing to be frowned at. Pearl industry and deep sea fishing with agricultural villages as the base is a distinct possibility. Canning of sea products, the latest method of growing in sea bed, algae, the greatest source of protein will transform Konkan agriculture into a commanding position. Ship building as a decentralised industry can be organised on a massive scale. Sand collection as an industry to supplement the income of the people living on land is a very healthy vocation. Horticulture, on a massive scale, for which the even and temperate climate of the Konkan is most suitable can be made to supply the vitamin 'C' requirement of the entire Indian Sub-continent and exported out.

Let us look at the history of the district central cooperative banks in all the three districts of the Konkan. Of course, the mistake was of the higher Banking institutions also but surely not a single District Bank ever

thought of organising even at one place agro-based industry. A simple thing like the ricebran oil could not be sponsored by the co-operative banks. It is, therefore, suggested that in the reorganised pattern of Rural Banking, Agro-based Industries combined with crop finance for increased production will make the District Central Co-operative Banks more effective and bring them much nearer the people. The reason for excluding these three district banks from the operation of the new pattern of Banking is, therefore, not to neglect Konkan but to give them specialised treatment, which they so richly deserve. Today, Konkan which, like Turkey in Europe, is the sick man of Maharashtra can be resurrected with the physical strength and muscles which can be a glorious envy of the whole country, provided tempo of development is adopted on the above lines.

Special Measures of support to non-viable Taluka Banks

It has already been stated that there are 36 talukas in the State in which the operations of a taluka bank are not likely to be viable. Amongst these 36 talukas are areas like Akkalkuwa and Akrani Mahal in Dhulia District, Peint, Igatpuri, Nandgaon in Nasik District, Shirur in Poona district, Atpadi in Sangli District, Ashti and Patoda in Bhir District and Paranda and Bhoom in Asmanabad district. They also include areas like those in Chandrapur district (except Warora Taluka) where on account of deep forests, indifferent quality of soil and the vastness of the area itself matched, by insufficiency of the means of transport the taluka banks will not have a chance of reaching viability unless they have much more business than Rs. 34 lakhs which is normally considered necessary to make a taluka bank viable. In short, all these 36 talukas represent the alround backwardness and pattern of incompetent cultivation of Maharashtra State. They are subject to frequent scarcity, their entire agro-economy is based on one-crop pattern and being far removed from the civilising influences of neighbouring towns they have remained aloof from the operation of development activities. Most of them are inhabited by the tribal and other backward classes. In fact the district central co-operative banks in these areas have failed to reach even potentially viable cultivators in these areas under the pretext of lack of security, degree of risk involved and all those fashionable alibis which the urban mind is capable of discovering. It is fortunately through a re-examination of the co-operative credit structure that these backward talukas have been identified. A beginning can, therefore, be made in all these talukas to concentrate financial and other aids, so that the taluka banks in these talukas also could stand as equal partners in the struggle for survival along with the rest. To ask Government merely to cover up operational deficiencies is to ask for too

little, particularly when even the Government of India is willing to support all measures aimed at amelioration of the lot of the weaker and backward sections of the community.

Before a mention is made of the special measures of support envisaged in respect of non-viable taluka banks, it will be necessary to consider the question of appropriate structural pattern of taluka banks in these areas.

One such pattern would be to group three or four non-viable talukas on the basis of their spatial position so that the group as a whole has the capacity to become viable. On this reckoning about 9 to 12 group taluka banks could be organised for all the 36 non-viable talukas. It is also possible to envisage an arrangement under which in addition to or in specified circumstances dictated by spatial considerations, in substitution of the grouping arrangements referred to above, some of the non-viable talukas could be tagged on to the neighbouring viable talukas. Thus for example, Atpadi taluka in Sangli (being the only non-viable taluka) could be clubbed with the neighbouring Khanapur (viable) taluka. All these arrangements of grouping or clubbing of non-viable talukas, however, invite one basic criticism viz. that they strike at the principle of compact geographical jurisdiction necessary to maintain constant live contact with the agricultural primaries. Further, once the non-viable talukas are identified, it is best to treat them on their own so that the developmental effort and financial support is not spread too thinly over a wide area. While, therefore, the question of an appropriate structural organisation of taluka banks in these 36 talukas is an open issue it is felt that permitting each of these 36 taluka banks to exist and grow individually on its own would be an ideal solution, combined with governmental efforts at concentrated development of these areas, as they represent extreme backwardness and long suffering of the tribal and other scheduled caste communities inhabiting these areas. There is no doubt that such assistance could be routed through the taluka banks making them viable in the not too distant future. Government of India subsidy is also available in a large measure and the Prime Minister in her speech on Bank Nationalization also laid considerable emphasis for according special treatment to these areas. In the context of this the amount of subsidy of Rs. 17.74 lakhs as worked out below is not a sizable burden, 50 per cent of which could be available from the Government of India, for which any Government which has been professing outward sympathies for Harijans and Girijans cannot be considered an unbearable burden.

We may now consider special measures of support in concrete terms to these non-viable taluka banks. One of them could be the subsidy to be provided to these banks in the initial years. The subsidy could be linked

to the difference between income and expenditure. On the basis of rough calculations made in this behalf it is estimated that the annual burden on account of such subsidy to all the 36 taluka banks would be in the neighbourhood of Rs. 17.74 lakhs as shown below :

(Rs. in lakhs)

Serial No.	Name of the District	No. of non-viable taluka banks.	Amount of annual subsidy.
1	Nasik	6	2.40
2	Dhulia	4	2.75
3	Jalgaon	2	0.73
4	Ahmednagar	1	0.43
5	Poona	7	4.41
6	Satara	3	1.74
7	Sangli	1	0.58
8	Kolhapur	1	0.48
9	Aurangabad	1	0.42
10	Bhir	2	0.68
11	Osmanabad	2	0.97
12	Amraoti	1	0.57
13	Chandrapur*	5	1.58
		36	Rs. 17.74

* The subsidy has been worked out on the assumption that it would be necessary to open by each taluka bank at least two branch offices.

The other measure of support, which in general is proposed in respect of non-viable talukas is the special financial concession which the Reserve Bank of India might be called upon to extend. This concession might be in the shape of a specially reduced rate of interest of 3 per cent. (as against 2 per cent. at present) below the bank rate so that these banks have an additional margin of 1 per cent. which could help them greatly in reducing the deficit. It may be noted that this concession is proposed only in respect of 36 non-viable taluka banks which do deserve a special sympathetic treatment in view of the various natural and man-made handicaps from which they are struggling to come out. It may further be noted that this concession is asked only for a temporary period till the banks command adequate loan business and become viable. The Reserve Bank of India might agree to give such concession till the loan business of Rs. 34 lakhs (considered necessary for viability) is reached. It is estimated that this concession might involve only a small burden on the Reserve Bank of India not exceeding about Rs. 5 lakhs per annum, which will be further reduced as

business expands every year. If for one reason or the other it does not become feasible for the Reserve Bank to agree to this concession, it is proposed that the State Government might bear the burden in view of the fact that it is asked for only in respect of a limited number of 36 taluka banks which for reasons earlier indicated do justify a more favourable treatment. The Reserve Bank of India could also be persuaded to relax somewhat its present standards of fixation of credit limits particularly in relation to these non-viable banks. These standards will have to be so relaxed that the banks are enabled to borrow adequately to support their lending programme. Such a relaxation will also help the banks to reach viability and thus reduce the burden on the State Exchequer. This relaxation might take the shape of reckoning the non-refundable self-sufficiency fund with these banks as a part of their own funds. The details of this fund and the manner in which it is proposed to be built up are already explained above. The annual accumulation in this fund on a loan business of Rs. 34 lakhs will be sizeable (about Rs. 3-4 lakhs) and in view of its character as a non-refundable fund the Reserve Bank of India might readily concede this point.

Finally, the State Government might specially select these non-viable banks for contribution to their share capital so that they acquire the necessary financial resources and an enhanced borrowing power. Government have declared their intentions time and again of taking concrete measures including deployment of financial and other resources for the benefit of marginal, sub-marginal and other disadvantaged sections of the rural community. The present scheme which aims principally at making credit available to the agriculturist at a lower rate of interest, therefore, offers an ideal opportunity for giving a concrete expression to these well meaning intentions of the Government.

Functions of a Taluka Bank

The principal function of a taluka bank will be to cater adequately to the requirement of short term and medium term loans of the cultivator-members of the affiliated primaries. For this purpose, it will obtain credit limits from the State Co-operative Bank. It would be a repository of the non-refundable self-sufficiency fund collected from members. This fund will be a part and parcel of the loanable resources of the taluka bank. The taluka bank will endeavour to meet fully the credit requirements of all the khatedars in the taluka.

While on the subject of loaning policy, it would be pertinent to make a mention of the reform which is proposed to be introduced in the actual operation on the credit limit which the taluka bank might sanction to the society. Thus it is proposed that this limit may take the form of a cash credit account, operations on which might be permitted for a 3 year period

in question without insisting on compliance with various procedural formalities like seasonality in drawals and repayments. Thus it would be open both to the society and the member to operate on the sanctioned limit and to make drawals on and repayments into the account as many times as they would like during the period of sanction. This will have a two-fold advantage. Firstly, it would mean a saving to the borrower in respect of interest to be paid to the society and secondly a limited stock of funds with the society could be used to accommodate more number of borrowers.

Supervision over primary societies

A taluka bank will also be responsible for supervising the operations of the primaries. This will be done through the inspectorial staff of the bank as also the secretaries of the societies who will be borne on the establishment of this bank to whom they will be directly answerable. The idea is that the secretaries will supervise the operations of societies of which they are not in charge. This will be done by them once in a quarter. In view of these revised arrangements for supervision over the activities of primary societies, there would be no need for an alternative agency like the taluka co-operative supervising unions whose main functions are to supervise the primary societies affiliated to them and to provide the services of secretaries to these societies. These Unions will, therefore, be abolished. The operational details including in particular the transfer of surplus assets of these Unions to the taluka banks following the abolition of these Unions are indicated in Annexure I.

Audit of accounts of primary societies

A taluka bank will also be held responsible for taking annual audit of accounts of the primaries. For this purpose it will have its own audit staff whose cost will be borne by the taluka bank itself. Since a taluka bank will have a compact geographical jurisdiction of a taluka or so, it will be in a much better position to attain higher level of agricultural loaning and higher standard of intensive supervision and audit. The Department will of course continue to have powers of taking test audit of societies earlier audited by the taluka banks where there might be room to doubt the accuracy of audit conducted by the staff of the taluka banks. This will be done through a flying squad to be specially created in the Department for this purpose. The audit of accounts of the taluka banks will be done by the departmental audit staff as at present without, however, charging any audit fees to the taluka banks, cost thereof being borne entirely by the Government.

Action against defaulting members of primaries

The other important function of a taluka bank will be to take prompt action against the defaulter members of primary societies. It is

observed that the present rising trend of overdues is not a little due to ineffectiveness of managing committees of societies. Where managing committee members themselves go in default, they cannot be expected to take prompt action against other defaulter members. This encourages a general tendency of default which comes in the way of expansion of loaning operations. In such situations a taluka bank itself can take prompt action against such members. This may have to be done by incorporating a relevant provision in the Maharashtra Co-operative Societies Act.

Strict action for removal of mal-practices in primary societies

It has also been noticed that due to reasons like groupism, village rivalries, personal feuds, etc., members of primaries are not financed or are financed inadequately or untimely as a result of which agricultural production suffers. To meet such situations, it is proposed that a taluka bank should look into such complaints promptly and apply necessary administrative and organisational pressures through its inspectorial and secretarial staff and ensure that genuine credit-worthy borrowers are financed by the society. In extreme cases the bank might hold the threat of refusing credit to the society as a whole to bring round recalcitrant elements in the managing committee of the society. It should be possible for the bank to do all this in view of the smaller area of its operation and the intensive nature of supervision which it will be able to introduce over the operations of agricultural credit primaries.

To sum up, the important functions of taluka banks would be :—

- (1) to cater adequately to the requirements of short and medium term loans of cultivator-members of the affiliated primaries ;
- (2) to collect and administer a Non-Refundable Self-sufficiency Fund ;
- (3) to supervise primary societies and for the purpose to maintain and administer at its own cost a cadre of Secretaries for these societies ;
- (4) to arrange for the audit of accounts of the primaries ;
- (5) to take action against defaulter members of the primaries ;
- (6) to take special measures for removal of mal-practices in the loaning operations of the primaries.

Taluka Banks to apply for licence

All the taluka level banks which will be formed by the process of reorganisation of the existing district central co-operative banks will be co-operative banks under the Banking Regulation Act. They will accordingly apply for a licence under the Act to the Reserve Bank of India.

Owned funds of Taluka Banks

Table IV below indicates the district bankwise position of owned funds and investments/commitments made therefrom and disposable owned

funds with each district central co-operative bank as on 30th June 1969. It would be seen therefrom that in the case of banks at Akola, Chandrapur and Satara the disposable owned funds are less than Rs. 25 lakhs each, while in the case of Sangli, Sholapur, Aurangabad, Nagpur and Wardha, they are between Rs. 25 lakhs and Rs. 50 lakhs each. Dhulia, Nasik, Poona, Bhir, Nanded, Osmanabad, Parbhani, Bhandara and Yeotmal banks had disposable owned funds exceeding Rs. 50 lakhs but less than 1.00 crore each. Ahmednagar and Buldana banks had disposable funds exceeding Rs. 1.00 crore each. A part of these funds is, of course, locked up in overdues also. The taluka-wise position in this behalf will have to be analysed and it will have to be found out how much of the disposable funds is available at the taluka level so as to sustain further progress particularly in respect of medium term loan advances. The position in this behalf is bound to vary from taluka to taluka, depending upon the extent of overdues. The point to be noted in this behalf is that the extent of the disposable owned funds with taluka banks will determine their strength and potential for growth. Steps will have to be taken to bring down the overdues and to release such of the disposable owned funds as are locked up in non-credit activities so that maximum disposable owned funds are available for intensifying short and medium term loan operations.

TABLE IV.

(Rs. in lakhs)

Name of the District Central Co-operative Bank	Owned funds	Investment/ commitments	Disposable owned funds
1	2	3	4
1. Nasik ...	143.60	49.70	93.90
2. Dhulia ...	106.24	50.49	55.75
3. Ahmednagar ...	244.99	140.72	104.27
4. Poona ...	114.28	38.23	76.05
5. Satara ...	84.94	70.53	14.41
6. Sangli ...	111.78	75.82	35.96
7. Sholapur ...	110.83	80.70	30.13
8. Aurangabad ...	165.21	137.48	27.73
9. Parbhani ...	95.14	27.35	67.79
10. Bhir ...	90.59	23.95	66.64
11. Nanded ...	136.17	64.54	71.63
12. Osmanabad ...	135.72	50.44	85.28
13. Buldhana ...	185.34	69.80	115.54
14. Akola ...	106.51	105.13	1.38
15. Amravati ...	115.92	66.91	49.01
16. Yeotmal ...	141.70	62.04	79.66
17. Wardha ...	61.91	36.36	25.55
18. Nagpur ...	74.21	35.61	38.60
19. Bhandara ...	81.02	21.62	59.40
20. Chandrapur ...	63.90	56.82	7.08

Legislative changes required to facilitate the implementation of the scheme

As pointed out earlier, the taluka banks are proposed to be established as a result of the reorganisation of the existing district central co-operative banks. If this is attempted to be done in pursuance of section 17 of the Maharashtra Co-operative Societies Act, 1960, it will be time consuming procedure involving as it does compliance with various procedural formalities such as concurrence of the general body, notices to the creditors and so on. To avoid this it is proposed that a separate enactment should be passed laying down the details of the scheme including such particulars as demarcation of areas between taluka banks and district industrial co-operative banks, the principles to be followed in dividing the assets and liabilities of the existing district central co-operative banks, allocation of staff, etc. The enactment should be on the lines of the States Reorganisation Act. Further, the existing provisions relating to audit of accounts of societies may have to be modified in relation to the accounts of primary societies in view of the revised system of audit which is proposed to be made applicable to them.

INDUSTRIAL BANKS

Formation of Industrial Banks

These banks which will have jurisdiction over one or more districts depending upon the present position and the potential for growth of industrial and processing societies are expected to cater to the credit requirements of these societies. For this purpose they will raise necessary funds by accepting deposits from public and borrowings from the Apex Co-operative Bank. Finance for industries including finance for marketing and processing activities of sugar mills, spinning mills, weavers' co-operatives, cottage industries and so on, will be the concern of these banks. With the organisation of 47 Co-operative Sugar Mills and 19 Co-operative Spinning Mills in the State, pledge and hypothecation finance to these mills alone is expected to make a sizable demand on the resources of these banks. There should, therefore, be no difficulty in expecting them to reach viability as early as possible.

Proposals for eliciting public opinion

The following proposals are, therefore, placed before the public for their opinion and suggestions :—

- (1) In view of the bigger responsibilities which the programmes of agricultural production during the Fourth Five-Year Plan will cast on the co-operative credit structure in the State, the existing primary agricultural credit societies, majority of which are not viable, will have to be reorganised into economically viable units by a process of amalgamation (compulsorily, if necessary) ;

(2) As corollary to the above reorganisation, the existing district central co-operative banks should be split up into taluka level banks which will look exclusively after short and medium term credit for agriculture, so that they have more intimate contact with agricultural primaries and their members than at present. In addition, taluka banks will also be responsible for supervision and audit of accounts and timely recovery of loans of primaries ;

(3) The residual of the district central co-operative banks will be recognized as district or regional industrial co-operative banks responsible for meeting the credit needs of agricultural processing and industrial societies and marketing societies ;

(4) Even in this process of reorganization there would emerge certain taluka banks in whose cases because of agro-climatic conditions and/or preponderance of Harijans and Girijans residing therein, their operations will need nursing in the initial stages by the State Government and other higher financing agencies. Government have time and again declared their avowed aim of taking special measures, financial and others, to ensure rapid economic growth in backward areas and of weaker sections of the community. All such areas in the State have been identified under the present scheme so that special attention could be focussed on the institutional agencies which will be responsible for making credit available to the cultivators in these areas. As such the scheme offers an ideal opportunity to the State Government to concentrate their measures of financial support in these areas. One of the important measures suggested in the scheme is the special Government share capital contribution and managerial subsidy to non-viable taluka banks. Further, in view of the responsibility for audit of primary societies which all the taluka banks will bear, they will be exempted from payment of audit fees and the expenditure on the audit staff which may be required for the auditing of taluka banks will have to be borne by Government ;

(5) In view of the special problems of the three districts of Thana, Kolaba and Ratnagiri and the generally weak financial position of the existing district central co-operative banks in these districts, they are proposed to be excluded from the purview of the present scheme and a special programme of development is proposed to be undertaken in these districts so that agriculture combined with other agro-based industries are developed through the agency of co-operative banks ;

(6) Existing taluka supervising unions will be liquidated and the societies will not be required to pay any separate supervision fees to Government as at present ; and

(7) The above measures will need amendments in the Maharashtra Co-operative Societies Act, 1960, besides a self-contained enactment detailing the procedure for division of assets and liabilities of the existing district central co-operative banks on the lines of the procedure laid down in the States Reorganization Act. Incidental to the above, there would be need for amendments to the Agricultural Produce Markets Act and the Land Revenue Code.

ANNEXURE I

Taluka Supervising Unions and Caderisation of Secretaries

Supervising Unions first came into existence in the then Bombay State during 1925-26, when the Provincial Co-operative Conference decided in 1922 in favour of dissolution of the Guaranteeing Unions which were functioning prior to that period, mainly for guaranteeing collectively the loans advanced by the Co-operative Banks to the Primaries in the area of operation of the Guaranteeing Unions. The Supervising Union had the revenue taluka as its area of operation, and it supervised and inspected the working of the affiliated Primaries through the staff of Supervisors employed by it for the purpose. In addition to the periodical inspections of the societies, the Supervisors helped the recovery programme of the societies, and scrutinised and recommended the Annual Normal Credit Statements of the societies to the Bank for final sanction. The Auditors sent their Audit Memos of the Societies to the respective societies through the Supervisor concerned, who was expected, during his visits to the societies, to ensure that the defects pointed out in the Audit Memos were rectified and the Audit Rectification Report was duly submitted to the Auditing Officer. Since, however, the financial position of the Primaries and of the Unions differed from place to place, the service conditions and pay-scales of the supervisors were not uniform, as a result of which the Unions could not procure the services of trained persons to man the supervisory posts. As a corrective to this position, Government passed orders in 1946 absorbing all the Supervisors in the State Service and giving them the full status of Government servants, with all usual attendant benefits and responsibilities, as from 1st April 1946. The Supervisors, even as Government Servants, continued to remain attached to the Supervising Unions for the purposes of supervision, inspection, preparation of Normal Credit Statements of the societies in the Taluka, though they became amenable to discipline and control of the Assistant/Deputy Registrar of Co-operative Societies of the District. At the district level, the work of the Co-operative Supervisors was controlled through a District Supervision Committee of which the District Assistant/Deputy Registrar of Co-operative

Societies was a member and the District Co-operative Officer (Now Co-operative Officer) was the Secretary. The total number of Supervising Unions in the State at present is 298 and their division-wise breakup is as follows :—

Poona Division	...	...	...	70
Bombay Division	...	...	...	78
Aurangabad Division	...	...	...	46
Nagpur Division	...	...	...	104

The total number of Supervisors in the State is 711.

Total	...	298
-------	-----	-----

On the transfer of the control of the Supervisors to Government as from 1st April 1946, the Supervising Unions concerned themselves, more and more, with the control over the Secretaries of the affiliated Primaries, through the *Ad-hoc* Committees, which were constituted for the purpose under the provisions of their bye-laws. This *Ad-hoc* Committee comprised of the representative of the Assistant/Deputy Registrar, the Bank Inspector, the Sub-Auditor of the area, with the Chairman of the Union acting also as the Chairman of the *Ad-hoc* Committee. One of the Supervisors attached to the Union worked as the Secretary of the Union and also as the Secretary of the *Ad-hoc* Committee. The Union levied an annual fee on the primaries based on their working capital, and the cost on account of the Secretaries was defrayed from out of the collections in this account which was known as the "Joint Expenditure Account". The *Ad-hoc* Committee had the powers to appoint, transfer, remove, punish the Secretaries who were, thus, more or less caderised at the Taluka level.

When Supervisors became Government Servants, the supervision fees collected from the Primaries at 25 paise per cent on the working capital of the Primaries were credited to Government, and the Unions, had, thus, no income left for themselves. Annual grants at the maximum rate of rupees 1,380 per Union were, therefore, sanctioned to the Unions by Government, on the recommendation of the State Board of Supervision, to enable them to meet their routine office expenses. Some of the Unions supplied books and stationery to the Primaries on indent basis or sold co-operative publications and tried to supplement their income partially. The details of the total Annual Grants sanctioned to the Unions and the District Supervision Committees for the past 3-4 years are as under :—

			Rupees
1966-67	...	...	3,94,646
1967-68	...	...	3,86,095
1968-69	...	...	3,74,767
1969-70	...	...	3,72,053

The total number of Secretaries of Agricultural Credit Societies in the State is about 12,167, most of whom are now brought under the Joint Expenditure Scheme.

The collection and expenditure under the Joint Expenditure Account of all the Supervising Unions for the last 3 years are indicated below :—

JOINT EXPENDITURE ACCOUNT

Year	Collection Rupees	Expenditure Rupees
1966-67 ...	1,60,39,000	1,46,13,000
1967-68 ...	1,90,42,000	1,64,12,000
1968-69 ...	2,07,95,000	1,86,01,000
	5,58,76,000	4,96,26,000

2. It was intended to transfer the control of the Secretaries to a new District Supervision Society which was proposed to be organised for this purpose. With the organisation of the Taluka Banks at the taluka level, it would be more appropriate to transfer the control of the Secretaries to the Taluka Banks instead of to a district body like the proposed District Supervision Society. The main duty of the Secretary of an Agricultural Credit Society is to disburse loans to the members, to make recoveries of the loans at the proper time, to write the accounts of the society and to do all the incidental duties connected with this principal work. Since the main work relates to the disbursement of loan and recovery thereof, it is proper that the person undertaking this work should be the employee of the Bank which is the credit disbursing and recovering agency. The control of the Secretaries by any other body is likely to result in the dual and less effective control over the Secretaries and consequential inefficiency in his work. It is, therefore, suggested that on the organisation of Taluka Banks, the control of the Secretaries in the taluka should pass to the Taluka Banks and all the Secretaries should be absorbed by the Taluka Banks. The expenditure which is likely to be incurred by the Taluka Banks on the maintenance of the Secretaries has been taken into account (under the note prepared on the Taluka Banks) while calculating the income and expenditure of such Taluka Banks and the interest which they will charge to the societies on the loans advanced to them.

3. Since the Taluka Supervising Unions have now been working mainly for the purpose of maintaining the Secretaries of the Agricultural Credit Societies and since the control of the Secretaries is proposed to be transferred to the Taluka Banks on their organisation, no purpose will be served by continuing the existence of Taluka Supervising Unions. On the other hand, the continuance of the Taluka Supervising Unions after the transfer of the Secretaries control from them to the Taluka Banks is likely to create difficulties in the smooth control of the Secretaries by the Taluka Banks. It is, therefore, proposed that all Taluka Supervising Unions should be abolished on the establishment of the Taluka Banks and after the transfer of the Secretaries to such Banks.

4. After the abolition of the Taluka Supervising Unions, the question of the disposal of their assets will arise. Under the provisions of section 110 of the Maharashtra Co-operative Societies Act, the surplus assets of a liquidated society can be divided by the Registrar amongst the members of the society with the previous sanction of State Government and in case, they are not so divided, the surplus will vest in the Registrar who is empowered to transfer it to any new society registered with a similar object in the same area. As it will not be advisable to divide the surplus amongst the members, the surplus will vest in the Registrar, who will be competent to transfer it to the new Taluka Banks to which the control of Secretaries shall pass.

5. At present, there are 2 or 3 Supervisors appointed in every taluka and all of them are attached to the Taluka Supervising Union. As already stated above, their duties include inspection and supervision of the Agricultural Credit Societies and also duties relating to the Taluka Supervising Unions. Since the Taluka Supervising Unions are themselves going to be abolished, it may not be necessary to continue to attach the posts of Supervisors to the Taluka Supervising Unions. Recently the designation of the Supervisors has been changed to that of "Co-operative Assistants". On the abolition of the Supervising Unions, the Supervisors would be absorbed in the regular establishment of the District Deputy Registrar. A proposal for the shifting of the office of the Assistant Registrar at the sub-divisional level in the district and a proposal for appointment of a Co-operative Officer for each taluka under the Assistant Registrar is separately under the consideration of Government and it will not be difficult to absorb the Supervisors in these offices. Even with the transfer of the work relating to the control of the Secretaries the work of inspection of Agricultural Credit Societies and inquiry into the complaints, audit, etc. will continue to remain with the Co-operative Department and necessary staff for this purpose will have, therefore, to be maintained by the Co-operative Department.

6. With the abolition of the Taluka Supervising Unions and with the transfer of control of Secretaries from the Supervising Unions to the Taluka Banks, the work of supervision over the Agricultural Credit Societies will also naturally go to the Taluka Banks. It may, therefore, not be necessary to collect supervision fees at 25 paise per cent on the working capital of the societies, as is being done at present. This will also result in the reduction of the rate of interest which will be charged to the ultimate borrower by the Agricultural Primaries, as the societies will not be burdened with this contribution in case the supervision fee is abolished.

Chapter 7

REGULATION OF AGRICULTURAL PRODUCE MARKETS

The aim of regulation of markets under the provisions of the Agricultural Produce Marketing (Regulation) Act is to provide fair trading in the markets of Agricultural Produce, to improve the standard of marketing services, to keep the farmers and traders fully and promptly informed about the market trends, to establish equity in the bargaining power between the agriculturists and the traders, promoting mutual confidence, preventing malpractices and giving a fair deal to the farmers.

In the State, 346 markets have been regulated under the Act and all types of major agricultural produce have been brought under the regulations. Almost all the marketable surplus of cotton is being sold through the regulated markets. However, out of the marketable surplus of other major crops of the State, like groundnut, wheat, bajara, gram, tur, udid, mung and chillies, only about 40 per cent. of the produce has been sold through the regulated markets. Hence a fresh programme has to be chalked out to regulate more markets as early as possible. This need becomes all the more urgent, in view of the steps proposed to strengthen the Co-operative Marketing structure to handle all the marketable surplus of major crops through a system of monopoly procurement. It is proposed to bring under regulation another 55 markets during 1969-74. In a number of cases, the proceedings of regulating markets are very protracted due to the opposition from vested interests like traders, dalals, etc. and to other reasons like acquiring land and developing a market yard. Hence, advance action has to be initiated soon, to fulfil the fourth plan target.

Ensuing prompt and proper payments to the cultivators

Even in regulated markets, inspite of provisions in the Act prohibiting any trade deductions, the purchasing traders are found making unfair deductions. However, the market committee cannot in practice take any legal action against the traders, since firstly such deductions are not recorded in the books, and secondly the agriculturists are in a sort of coercive collusion with the trader, due to private financial arrangements. Some

of the traders have obtained licences under the Moneylenders Act and under its protection, advance loans at high rates of interests, and effect forceful deductions from the purchase price. Similarly, provisions that the purchase price to be paid on the day of purchase, are honoured more in the breach, thereby defeating the very purpose of the Act. Hence it is proposed to make a provision in Rule 20 providing that all payments to the seller should be made through the market committee and not directly. There would be no difficulty in implementing this, since at present the traders and commission agents have to send a copy of the account slip and bill of the transactions to the Market Committee. The purchaser or commission agent should endorse alongwith the account slip, a crossed cheque in favour of the seller. This is a major reform which has been long over due and seems to be a sure way of stopping unauthorised deductions, etc. from the price payable to Grower.

Linking of Credit and Marketing

The above suggestion, namely that payments for the produce sold have to be made through the market committee, would also incidentally provide an effective way of linking credit with marketing, and also strengthen the proposed taluka banks. The traders should be asked to draw the cheques in favour of the producers, on the Co-operative Bank situated in the locality. The village primary society would send the outstanding loans statement to the Bank, for effecting deduction of crop finance advanced. The byelaws of the village society should be amended to provide for this. Similar provision would be made in the byelaws of the Bank, authorising the banks to effect deductions of dues of Co-operative Societies from the cheque before making payments to the cultivators. It thus appears that (a) regulating all the markets in the State, (b) enforcing the regulations to see that all the surplus agricultural produce is sold only through such regulated markets, (c) in making it obligatory on the traders to make all payments in cheque through the market committee, and (d) authorising the Co-operative Bank on which the cheque is drawn to make deductions towards the co-operative society dues, would go a long way in helping the producer to get a better return for his produce without any harassment, delay or unauthorised deductions and in developing a habit of banking and thrift, in strengthening the Co-operative banks, and in recovery of crop finance.

Appointing Tribunals for deciding disputes

There is a provision under section 57, for appointing a one-man tribunal for deciding disputes regarding any sums payable to the market committee by traders, and for recovering such sums as arrears of land revenue.

The amounts due to an agriculturist are sometimes not paid by the purchasers for a long time. Similarly, there are disputes about such amounts. It is also not clear as to whether the tribunal has to be appointed by the Market Committee or by Government. Necessary amendments would be made in section 57, providing for the appointment of the tribunal by the Government giving it jurisdiction to decide disputes regarding payments due to an agriculturist, and further providing for the recovery of amounts due to an agriculturist as arrears of land revenue. In the interest of expeditious disposal of cases, the one-man tribunal would consist of the Assistant Registrar of Co-operative Societies of the area concerned.

Formation of a Federation of Regulated Markets

To co-ordinate the functions of the various market committees in the State, there is need for a federal body at the State level. In fact such a federal body, called Maharashtra Rajya Bazar Sahakari Sangh Limited, has recently been registered under the Co-operative Societies Act. However there is no provision in the Maharashtra Agricultural Produce Marketing (Regulation) Act, 1963, for a federal body of the Market Committees. A provision for the formation of a State level federation of the market committees is necessary to be provided in the Maharashtra Agricultural Produce Marketing (Regulation) Act, 1963.

Under the Maharashtra Co-operative Societies Act, the federal societies get a right to be consulted by the Registrar on a number of statutory matters, like directions to amend the bye-laws, direction to amalgamate societies, etc. Similarly privilege of being consulted should be given to the federal body of the market committees. Section 37 (N) (new) may be amended permitting the market committees to contribute to the share capital of the federal body. The federal body may be consulted by the Director, before directing amalgamation and division of market committees and ordering supersession under sections 55 and 45 respectively.

Grading Units

There are at present 78 grading centres, 2 Ghee and Oil Laboratories and Agmark Centres. It is proposed to set up 27 additional grading centres, 2 supervisory units and 2 Eggs Grading Centres during the fourth Plan. However, in view of the very large number of regulated markets in the State, more grading units have to be set up so that producers can obtain better prices for their produce. Further, while a number of grading units have been set up in the regulated markets, the benefits of grading have yet to create a real impact on the marketing pattern. Price information has to be collected and disseminated on the basis of grades that have been adopted for various commodities. A programme for dissemination of market price according to grades would be chalked out and

implemented. Since it is proposed to have a monopoly procurement of pulses, and convert these into dals, a number of "Dal trading centres would also be established.

Kapas Grading Centres

Since it is proposed to market all the surplus cotton through co-operative marketing societies, it is very essential that the necessary Grading Centres are established. At present, as an experimental measure two Grading Centres have been opened at Amalner and Pusad under Centrally sponsored scheme. Out of the 238 regulated markets in the State in 1968-69 only 103 regulated markets were dealing in cotton. Out of these, there are considerable arrivals that is more than 1,000 quintals in only 60 markets. It therefore appears that ultimately 60 cotton grading centres have to be established at the important markets in the State. The cost involved for this would be approximately R 15.00 lacs per year which has to be borne by the Government initially for one year. Afterwards at least the A-Class market committees which have an annual income of Rs. 1.00 lac and over should be asked to run the grading centre.

Training

The number of persons trained in different courses viz., Agricultural Marketing, Market Secretaries and Graders, and Assessors and Supervisors are 39,153 and 172 respectively. While the number of regulated markets in the State is 346, only 153 persons have received training in market secretaries course. There is need to get more persons trained so that all the markets are manned by trained personnel.

Regulation of terminal markets at Bombay, Poona and Nagpur

Bombay is mainly a terminal market. There are in all about 80 markets in Bombay city, out of which 6 are main wholesale markets. The Municipal Corporation has framed certain regulation under section 406 of the Municipal Corporation Act. These regulations are limited in scope compared to the provisions of the Maharashtra Agricultural Produce Marketing (Regulation) Act, 1963, and further the powers given in the regulations are not exercised in full in practice. The sales in Bombay market do not take place by public auction and they take place under "hatta" system. The sale memos are not given in time. There is no supervision of the Corporation on the weightment as it is not compulsory under the Corporation's Act. There is also no agency to ensure that unauthorised deductions like Dharmadayas, etc. are not made.

In view of this, the question of regulating the trading in Agricultural produce in the market of Bombay has been engaging the attention of Government for the last few years. The Government appointed a committee to go into this, which submitted the report in April, 1964. A preliminary

notification declaring the intention to regulate the markets was also published in the *Official Gazette* on 28th September 1968.

However, due to opposition from dalals, and due to certain administrative and legal difficulties the markets could not be regulated till now. Since Bombay is a terminal market with special problems of its own, and since the Maharashtra Agril. Produce Marketing (Regulation) Act, 1963 was essentially meant for primary markets, it was felt that considerable amendments would be necessary to the Act, before applying it to Bombay. Hence, a decision was taken in September 1969, in consultation with the Corporation, that the Corporation would suggest amendments to its Act creating a market committee and providing for the nomination of a certain number of agriculturists on the said market committee. It was also decided to allot 80 acres of Government land under Reclamation near the Mahim Creek, free of cost to the Municipal Corporation for establishing a wholesale assembly market. The improvement of the land and establishment of the Market is estimated to cost Rs. 1.75 crores. In spite of these decisions the progress on the part of the Corporation is extremely slow. The reason for the tardiness is probably the fact that it is not the object of the Corporation Act to ensure a fair deal to the growers and fair practices in marketing. It is generally accepted that the Corporation enforces the various regulations with the object of securing conditions of sanitation and free trade, whereas the objectives of the Maharashtra Agril. Produce Marketing (Regulation) Act is to ensure fair practices in marketing. Since the progress on the part of the Corporation is not encouraging, the Government would have to regulate the markets by special legislation on the lines of Maharashtra Agril. Produce Marketing (Regulation) Act, 1963, but with suitable modification, to cover terminal markets.

In Poona the Gur market has been regulated since May, 1957. As regards the sale of fruits, vegetables and condiments, a final notification regulating the markets in these commodities was issued in December, 1960. With a view to start actual working the market committee invited representatives of the trade to help it in framing suitable byelaws for regulating the rates of commission, Hamali, weightment etc. involved in the trade. Due to lack of co-operation from and a lukewarm attitude of the trading circles, the establishment of the market yard was delayed till January, 1967, though the final notification was issued as early as in 1960. The market at Hadapsar was regulated from 1967 to December, 1969 but the regulations have been withdrawn due to non-co-operation from the traders. At present, the Bhayani Peth Market dealing in gur, chillies, turmeric, coriander and tamarind is the only market where the regulations are enforced. The market committee established a market yard consisting Phule Mandi Hadapsar.

Nanapeth, Bhavani Peth, etc. and has plans to bring these existing markets under regulations. For the smooth working of regulated markets in Poona, a proposal for amalgamation of the Market Committee for Gur and Market Committee (vegetables, fruits and condiments) is under consideration of the Government.

Nagpur is another important terminal market. The two important markets at Nagpur are the Grain market and Oranges Market. Both these markets are being managed at present by the Nagpur Municipal Corporation. In addition there is a small cotton market also. The Government wanted to regulate the trade in these markets and hence notifications regulating the wholesale trade in foodgrains and oranges were issued in July, 1962. However, till the end of 1967 the elections to the markets committee could not be held pending the enforcement of the unified Market Committees Act. Efforts are now being made by Government to secure some suitable land measuring 10-15 acres for establishing market yards, so that the regulations can be vigorously enforced. Pending the creation of the Market Committee and the establishment of suitable yards, the markets at the present site are being managed by the Municipal Corporation.



Chapter 8

REVITALISATION OF COOPERATIVE MARKETING AND PROPOSALS FOR MARKETING OF COTTON, GROUNDNUT AND PULSES IN THE COOPERATIVE SECTOR

ORIGIN OF CO-OPERATIVE MARKETING— A HISTORIC NEED

Indian economy is basically agriculture oriented with 70 per cent of the gross national produce coming from agriculture. The sine-qua-non for increased agricultural production is the existence of an orderly marketing system which secures the interests of the primary producer and provides him with an incentive for greater production. However, one of the maladies from which the farmers suffered was the lack of opportunities to sell profitably the produce raised by them and consequently there was no stimulus to greater production. There has been a growing awareness right from the beginning of this century that the imperfections in the marketing system constitute a significant constraint on agricultural production. The need for developing an efficient and orderly system of agricultural marketing which secures the interest of the primary producer and furnishes him with the requisite incentive for greater production and improved varieties of crops is realised by the Government. While the State can no doubt help to create the minimum conditions necessary for such a system, through various regulatory measures and a positive agricultural price policy, it was realized that the real answer lies in the voluntary action by primary producers by organizing Co-operative Marketing.

A word may be said here regarding the special features of agricultural marketing. While the farm output is seasonal in character, the demand for it by consumers is spread over the whole year. The market system has therefore to suitably balance the seasonal outflow of the produce from the farm with the relatively steady and continuous consumer demand. The demand it makes on storage and transport facilities, and consequently on finances is very heavy; secondly in view of the small size of the individual marketable lots of the cultivators, the collection of the produce becomes a complicated process. In view of the large finances involved in marketing, the trader-cum-moneylender, and various intermediaries owning finances came to dominate the markets. The malpractices perpetuated by these intermediaries in India are very well known. In 1928, the Royal Commission

on Agriculture referred to these malpractices as "nothing less than theft". The effect of these malpractices is further aggravated by the fact that a large number of cultivators in the country are indebted to trader-cum-moneylender. Describing the powerful position of the trader-cum-moneylender, the All India Rural Credit Survey Committee remarked as follows :

"Often enough, the cultivator's position is that of having to bargain if he can, with someone who commands the money, commands the credit, commands the market and commands the transport".

In these circumstances the principal hope of a producer lies in organising Co-operative Societies and thereby joining hands with his fellow-producers to undertake the preparation, purchase and sale of various agricultural commodities to his best advantage and to perform all other connected functions as may be conducive to better production and better business.

While the need for Co-operative marketing was there all along, systematic efforts towards this development were initiated in India only after independence and especially from 1955 onwards. After the attainment of independence, the country launched upon a programme of planned development with the object of building up of democratic process rapidly expanding economy and a social order based on justice and equity for all. Five-Year Plans recognized the Co-operative sector as a balancing factor between the private sector and the public sector. The First Five-Year Plan recognised "Co-operation" as an effective instrument of democratic planning, combining initiative, mutual benefit and social purpose and the later plans also reiterated that a high priority should be given to the strengthening of Co-operative marketing.

Need for strengthening Co-operative Marketing

The need for giving a high priority to the strengthening of Co-operative marketing arises from more than one reason. Firstly, by organizing Co-operative marketing societies, the growers strengthen their bargaining power with the trader, market their produce to their best advantage, and obtain more remunerative prices to their produce, and can plough back the surplus for increased and better agricultural production. The undeserving and exorbitant profits made by the middle man would be reduced, the evils of hoarding by the profiteers would be eliminated and the farmer can secure his due share of the price paid by the consumer. For example, during the season 1967-68, the differences in price per bale between post-harvest (January-February 1967) and September 1968, of two varieties of cotton, 'L-147' and 'Khandesh-Wirnar', were respectively Rs. 84 and Rs. 96. Allowing for a small monthly carrying charges of 1½ per cent for a period

of six months, the remaining amount has been appropriated by the trader for no particular services rendered by him, leaving the cultivator high and dry in the bargain. Secondly the justification for Co-operative marketing does not merely depend upon the acquisitive propensities of the traders. Co-operative Marketing of agricultural produce, if efficiently carried out, should help to reduce the price spread between the producer and consumer and thereby ensure a better return to the primary producer, without at the same time affecting the interests of consumers. If the various marketing functions such as assembling, grading, pooling, processing, storage, financing, insuring, standardising, sale, transportation and export are performed by the growers themselves on Co-operative basis, they will not only secure considerable financial benefit but also acquire a business oriented outlook, and thus achieve the desired break through in the conservative agricultural attitude. Thirdly Co-operative marketing acts as an agency for disciplining the private trade and to break the private monopolistic tendencies. Marketing Co-operatives, as organisations of the farmers, owned and managed by themselves on democratic principles, are also desirable as a form of distributive system in a socialistic pattern of society. If the Co-operative Marketing of agricultural produce develops on a larger scale, it will have a healthy impact on the market trends and thus help in the stabilization of prices. Fourthly, the promotion of Co-operative marketing is an essential pre-requisite for the large scale expansion of Co-operative credit envisaged, particularly in view of the present shift in the emphasis from lands to crops as the main security and because Co-operative marketing provides a built-in mechanism for the recovery of production credit. In view of these multifarious advantages of Co-operative marketing the Government evolved a concept of State partnership in Co-operatives. The circumstances under which this concept evolved are mentioned below :

Concept of State Partnership in co-operatives

The Committee of Direction of All India Rural Credit Survey found overwhelming evidence to show that the bulk of the sale of produce by the cultivators took place in the village itself and that the lack of facilities for storage and of finances for holding the stock for a better price were mainly responsible for this. The Rural Credit Survey Report attributed the weakness of Indian Co-operative sector to two main factors ; one was the wholly unequal competition with which, in Indian conditions, the Co-operatives were faced. The other was the entirely inadequate financial and technical resources with which they faced that competition. Hence on the recommendations of the committee, the Government evolved a concept of state partnership in Co-operatives. This concept rested on the postulate that unless, at the very start, there was a minimum of financial resources

at the disposal of the society, it would never get going, let alone become successful, and to the extent this minimum was lacking, the State should step in as a partner and make up the gap. Arrangements were made under this scheme for providing financial assistance to marketing Co-operatives by way of share capital contribution, loans and subsidy for construction of godowns, loans for establishing cold storage, subsidies for managerial cost and setting up of grading units etc.

Present structure and functioning of marketing societies in Maharashtra

The Maharashtra State (the erstwhile Bombay) took a lead in the development of co-operative marketing of agricultural produce. As early as in 1942-43, there were 142 co-operative sale societies and a provincial marketing society in the erstwhile Bombay State, dealing in cotton, fruits, vegetables, chillies, Arecanut, paddy etc. In 1945 the Co-operative Planning Committee recommended that within ten years, twenty-five per cent of the total annual marketable surplus should be sold through co-operative organisations, and that for this purpose a marketing society should be organized roughly at the rate of one society for a group of 200 villages to undertake grading, pooling, processing wherever necessary and sale of agricultural produce to the best advantage of the growers. Pursuant to these recommendations, more number of co-operative marketing societies were organized in this State, and the number of total societies went on steadily increasing. Co-operative Marketing in this State followed a three tier pyramidal structure with the Apex Marketing Federation at the State level, District Marketing Federations at the district level, and primary marketing societies (also called taluka sale-purchase unions) at the taluka level. In addition a Regional Marketing Society is also functioning in Vidarbha area. The number of co-operative marketing societies with their membership as on 30th June 1969 is given below :—

	No. of socys	No. of Members	
		Individuals	Societies
1. Apex	1	151	650
2. Regional	1	1	239
3. District	23	28,725	7314
4. Primary	316	1,59,775	19075

(In addition there are 50 Fruit sale societies, and 15 cotton sale societies). The marketing societies gradually diversified their activities, to include distribution of agricultural requisites, supply of consumer goods etc. A few, in fact, very few societies also undertook processing activities like Ginning and Pressing, oil-milling etc. as an adjunct to their marketing activities. Again a very few societies undertook work of pooling of their members' produce, grading and standardization. These latter activities were usually undertaken

not by the general purpose-sale purchase unions, but by the special commodity marketing societies, like fruit sale societies, cotton sale societies etc. established in areas where one crop is dominant. The following table shows the extent of business done by the marketing societies :—

Activity	(Rs. in crores)		
	Apex Federation	District Federation	Primary Marketing Societies
1. Total No. of societies ...	1	24	316
2. No. of societies in loss ...	—	3	106
3. Agricultural produce sold ...	38.97	9.75	45.02
(a) of which foodgrains sold.	36.48	2.32	17.97
(b) other agricultural produce.	2.49	7.42	27.05
4. Agricultural requisites sold	3.22	27.66	31.31
5. Consumer goods sold ...	6.76	15.13	24.81
6. Loans of agriculture credit co-operatives recovered.	—	0.85	5.82

Deficiencies in the present functions

The figures may look impressive, but however during 1967-68, only 8 per cent of the total marketable surplus (excluding the foodgrains under monopoly procurement by Government) of Maharashtra was handled by the co-operatives in the State. This picture is very disappointing when compared with the performance of co-operatives in some of the advanced countries. In Yugoslavia, co-operatives handle 90 per cent of the vegetables, 68 per cent of the cereals, 70 per cent of the livestock and 89 per cent of the melical heregy produced in the country. In Israel co-operatives handle about 73 per cent of the country's total agricultural produce and 90 per cent of the citrus exports. The performance of co-operative marketing societies is equally impressive in Japan, Canada, France, U. S. A. and Germany.

Out of the total agricultural produce handled by the co-operatives, the quantity handled by the District Marketing Federations is very negligible. The quantity of agricultural requisites supplied by the District Societies is high, but the societies have taken up this distribution work as an end in itself, rather than as a factor contributory to the development of marketing agricultural produce, since it will also help to bring the cultivators within the marketing societies' sphere of influence. It is the duty of the Federal bodies to find more favourable markets for the produce of the primary marketing societies. The Apex Marketing Federation could not play a dominant part in this, as there was an intermediary stage of district federations, and the district federations have neglected this, as they were pre-occupied to the exclusion of everything else, with distribution of inputs and consumer goods. The result was that, even though the Apex

Federation helped to a small extent, the primaries in disposing their members' produce in the terminal market, the primary marketing societies could not by and large, go beyond the local markets, to reach more favourable markets. Most of the produce has been sold locally and that too to the traders. In view of this, the societies were often not in a position to reduce the price spread between the producers and consumers prices or give a better return to the producer. In many instances these societies rendered no perceptible advantage to their members over the private traders. As a result, they were not able to attract the loyalty of their members. On the other hand, due to the failure of even the few successful marketing societies in making a serious attempt to find more favourable markets, they (societies) were mostly functioning as commission agents for selling the produce to the local traders and in effect, their operations facilitated the work of the traders in assembling the produce.

Out of a total of 340 District and Primary Marketing Societies, only 5 societies undertook groundnut oil crushing, and 11 societies undertook cotton ginning and pressing, as adjuncts to their marketing activities. The working of all these adjunct units has been successful. In spite of this, the rest of the societies do not seem to have realised the importance of an organic link between marketing and processing. Most of the produce was sold in the raw, unprocessed form, leaving it to the trader to process the goods and reap the benefits. The extent of linking of marketing with credit is also not very happy. Whereas, during 1967-68, Rs. 83 crores of crop finance was advanced by the co-operative banks, the recoveries of crop finance by the marketing societies during 1968-69 was only Rs. 6.67 crores.

The above shows that while a net work of primary marketing societies at taluka and block level, district marketing federations at District level and an Apex Marketing Federation at the State level has been established, the progress made in actual marketing of agricultural produce has not been very impressive. Though the growth has been striking in terms of their number and coverage of area, the impact made by the marketing societies on the trade in agricultural commodities has not been significant. The reasons for this have been analysed above and it is necessary to devise effective steps to revitalise co-operative agricultural marketing in the State, so as to enable it to face the tasks before it.

TASK BEFORE THE CO-OPERATIVE MARKETING SOCIETIES

The main object of a co-operative marketing society is to ensure a fair price to the produce of its members. Marketing societies have to adopt a variety of methods to achieve this objective. They should arrange

for the collection and storage of their produce, they should introduce the system of grading of produce which results in better prices, they should introduce the system of pooling of produce, they should own the means of manufacture and process the produce to increase its value, they should export the produce to foreign countries and also perform all other functions like owning godowns, transport vehicles etc. as may be conducive to the better marketing of produce. Simultaneously they should undertake the manufacture, processing, distribution and supply of agricultural requisites and inputs as are necessary for better production of agricultural produce.

In addition, the marketing societies should be in a position to undertake monopoly procurement of agricultural produce, on behalf of the State, as and when called upon to do so. The Economic Policy Resolution adopted by the Seventy-third Plenary Session of the All India Congress recently, held in Bombay envisages taking over of wholesale trade in all major agricultural produce like cotton, groundnut, pulses etc. in order to prevent exploitation of the primary producer by unscrupulous middlemen. The Maharashtra Government as a prelude to the taking over of the trade in major agricultural commodities by the State, has recently appointed an Agricultural Prices Committee to enquire into and recommend fixation of remunerative prices of various agricultural commodities. Since, it is accepted that in a socialistic pattern of society, the State and co-operative sector are complementary to each other, it is natural that the co-operative sector has to undertake this responsibility. Ultimately when the co-operatives grow stronger, and co-operative marketing comes to stay, there would be no need to resort to legal props like monopoly procurement under Essential Commodities Act etc.

MEASURES PROPOSED TO REVITALISE THE MARKETING CO-OPERATIVES

In order to enable the marketing co-operatives to shoulder these responsibilities, measures have to be taken to remove the present deficiencies in the system and working of the marketing societies described earlier.

(a) Replacement of the three tier with a two tier structure

The object behind any structural arrangement of co-operative marketing societies at various levels should be to streamline the whole process of movement of agricultural produce to the consuming markets, and of agricultural inputs from the manufacturers to the farmers.

The three tier pyramidal structure of marketing societies consisting of primary marketing societies at taluka level, district marketing societies at district level and Apex marketing society at State level is supposed to

fulfil this object. The district societies which are expected to co-ordinate the working of primary marketing societies, formulate programmes of development of marketing according to local conditions, help in inter-district trade and undertake processing where necessary for a group of marketing societies are not functioning as federal bodies. They are working as any other primary (taluka) marketing society but only covering a bigger area than a primary marketing society. Out of the total membership of 33,876 in the 23 district federations, individuals account for 27,256, the three federations of Kolhapur, Osmanabad and Sangli having as many as 22,086 2,605 and 2,075 individual members respectively. The extent of agricultural produce handled by all the District Federations has been very meagre being about 4.5 per cent of the total agricultural produce handled by the marketing societies. Since the Government have approved of the supply of agricultural requisities and consumer goods through these District Federations, they have built some profits, even though they have been playing a very nominal role in agricultural marketing. There is however no justification to unnecessarily lock up the funds of the primary marketing societies in these federations and to treat these, in view of their performance till now, as an organic link between the primary marketing societies and the Apex Federation.

Since the district federations are not discharging any federal functions, and since the pyramidal structure is only in areas covered, and not functional and since a multitude of unnecessary institutions only adds to lowering of efficiency, increase in handling costs and unnecessary movement of stocks, the Government should recognize only the taluka primary marketing societies, and the Apex Federation at State level as the only Federal body. This would go a long way in improving the co-ordination between the Apex Federation and the primary marketing societies, and in helping the producers to sell their produce in more favourable markets. Efforts should be made to build up strong taluka marketing societies and for this Government should withdraw an amount of Rs. 49-50 lakhs invested by it in the share capital of the district marketing societies, and transfer the same towards the share capital of the primary marketing societies. The Apex Federation may appoint only the taluka marketing societies as its agents for supply of these agricultural requisites and consumer goods. Further since the continued expansion of the district societies may overshadow the taluka marketing societies, and stunt the growth of those bodies, they should obtain the permission of the Government before opening any new branches.

(b) A scheme of linking marketing and processing

Marketing is a complex process and begins at the farmer's field and ends with the ultimate consumer at the terminal market covering in between the

various activities of pooling, grading, standardisation, processing at various level, storing, packing etc. There is an organic link between processing and marketing and these two cannot be separated into water-tight compartments. The exploitation of the cultivator by the trader still remains only because the co-operative movement has not yet fully realized the importance of this organic link between marketing and processing. The major portion of the agricultural produce in the raw state is sold at the local and regulated markets mostly to the traders. The importance of integrating, processing and marketing operations would be abundantly clear from the hold the private trading-cum-processing agencies have on the growers. In fact, without such an integration, it would be difficult for the marketing societies to provide effective competition to private traders in many of the agricultural markets. Independent processing societies which have not forged an organic and effective link with the marketing society are mostly starved for want of supply of raw material. For instance, the interest of a well run cotton marketing society and a well run ginning and pressing society, where there is no link between the two, clash with each other and the presence of a trader to buy raw cotton at his rates starves the ginning and pressing society of its raw material. The Saraiya Committee on Co-operative Processing (1961) and the Dantwalla Committee on Co-operative Marketing (1966) have emphasised that processing is essentially a stage in marketing and that ordinarily processing units not involving substantial outlay of block investment should be established by marketing societies as an adjunct to their normal, marketing operations. The experience of some of the most successful co-operative marketing societies in the country show that it is the forging of organic link of processing activities with the marketing which has brought success. Where the block investment of the processing units is very large, independent processing societies may be there, but there should be an organised federal structure between the marketing and the processing societies. A pre-condition for these is that in districts where there are one or two major commodities, special commodity marketing and processing societies should be encouraged instead of formation of General Marketing Societies doing business in those commodities.

The main processing industries established in Maharashtra in co-operative sector are the sugar factories, spinning mills, ginning and pressing factories, oil mills based on groundnut and cotton seed, and rice mills. The performance of the sugar factories has been one of success and has been acclaimed by all. Most of the spinning mills are in the initial stages of production, and the time for a critical evaluation of these has not yet come.

Leaving these two processing industries, the performance of the rest, namely ginning and pressing factories, oil mills and rice mills has been far from happy. The following figures would indicate them :—

Ginning and Pressing Societies during 1968-69

		Capacity created. (Pressing).
No. of Ginning and Pressing Societies registered.	99	...16,50,000 bales.
No. of Ginning and Pressing Societies running in loss.	41	
No. of Ginning and Pressing Societies actually working.	64	...12,00,000 bales.
Quantity of cotton actually processed	...	... 3,16,698 bales.

Co-operative Oil-Mills during 1968-69

		Capacity created in groundnut pods/MT.
(1) No. of co-operative oil crushing societies registered.	97	1,90,650
(2) No. of societies running in loss	...	37
(3) No of societies actually working	...	42 1,20,000
(4) Quantity of groundnut (pods) actually crushed	...	44,691

This shows that inspite of ample production of the raw material namely cotton and groundnut in the State and inspite of ample capacity created in the processing industry, the performance of these processing societies has been extremely poor. The societies could not ensure the loyalty of their members, with the result they are starved for want of raw material, and they had to work much below capacity. One of the essential reasons for the state of affairs is the failure to establish an organic link between the marketing societies dealing in raw material and the processing societies. Each of the societies have been following their own independent programmes and policies, mostly detrimental to the interests of both, which situation was made use of by the traders in reaping a good harvest of profits.

Hence the solution for reviving the languishing processing societies, as well as the marketing societies lies in integrating the processing and marketing operations. In fact, as already stated earlier, without such an integration, it would be difficult for the marketing societies to provide effective competition to private traders in many of the agricultural markets. The integration should not stop at the level of primary processing, but should go up the levels of further processing of the raw material, so that the producers would come to own the manufacturing process, ensuring to themselves a better price, and a better price to the consumers due to elimination of middlemen. As a first steps for this the primary marketing societies and the basic processing societies have to be assured of supply of abundant raw material. With the present state of finances, where some societies have been accumulating losses over a number of years, the marketing

societies would not be in a position to make outright purchases involving huge capital. The societies for the present would not be able to carry on the business on their own, due to another reason, namely want of 100 per cent capacity for processing all the marketable surplus of cotton and groundnut as a result of which they have again to face an unequal competition with the powerful traders, in selling the processed material. Hence the Government has to lend its full support to strengthen the co-operative marketing societies, and two schemes the details of which are given in the next part, have been formulated one for the purchase of cotton, and the other for purchase of groundnut and pulses through the co-operative marketing societies. In the case of cotton the scheme consists of monopoly purchase of cotton as an interim measure and processing of the cotton through co-operative and hired private ginning and pressing factories. As the marketing societies improve their financial position, and as more capacity is created in Ginning, Pressing and Spinning in the co-operative sector enabling the co-operative marketing to have a decisive impact on the prices, the props of monopoly procurement would be withdrawn and the business handed over to specially organized sector of growers processing co-operatives. Once the supply of raw material, viz., cotton is ensured by the marketing societies, a feeder structure would be built up to the spinning level with further organizational changes to forge an effective link between the processing societies and the consumer societies.

In the case of groundnut and pulses, the growers are very diffused, and the marketable surplus of each grower is so meagre that it is difficult to build up a feeder structure of processing in the co-operative sector and plough back the profits derived from sale of the finished product to the primary grower. Further both these commodities are essentially consumer goods. Hence the scheme for groundnut and pulses envisages monopoly procurement of these, at remunerative prices, as a permanent arrangement to serve the interests of both the growers as well as consumers. The processed goods viz. oil and dal would be supplied through a network of marketing and consumer societies.

As regards the co-operative rice mills, the solution to the existing problem seems to lie in another direction, namely the purchase of the mills by the Government. The marketable surplus of paddy is being purchased on monopoly basis by the Government since 1965. Most of the co-operative rice mills are being utilized by Government to process the paddy into rice and processing charges are being paid to the mills. Thus since the beginning of Government Monopoly purchase in rice, the co-operative societies

have lost their co-operative character and they cannot any more be called as Co-operative Processing Units. Since some of the rice mills get adequate quantities of paddy from Government for processing, and since others do not get adequate quantities, the former category are making profits whereas the latter type are languishing. Hence all these co-operative rice mills should be purchased by the Civil Supplies Department and the sale price received should be distributed between the share-holders of the co-operative mills. In most of the co-operative rice mills, 20 per cent of the share capital has been contributed by the Government. When the State Government purchases these units, it has to purchase with the liabilities and assets. The cost involved in this scheme has been worked out at Rs. 138-64 lakhs.

MEASURES PROPOSED TO BOOST PRODUCTION AND DISTRIBUTION OF AGRICULTURAL INPUTS THROUGH CO-OPERATIVES

(a) Production of agriculture inputs

Need for a co-ordinated approach

The success of the ambitious agricultural production programmes which are proposed to be taken up during the Fourth Five-Year Plan depends, to a great extent, on adequate and timely supplies of the agriculture inputs, viz. seeds, fertilizers, insecticides, pesticides and farm machinery. An increased production of these inputs according to a co-ordinated plan, assumes importance in this context. At present, agricultural inputs like fertilizer mixtures, cattle-feed etc. are being produced by marketing societies, the Agro-Industries Corporation, other Co-operative Institutions, the Government, and private agencies. In the case of big projects involving a huge amount, it is necessary for the Government to undertake the responsibility of production. Today, the co-operative sector is entering even into such big projects, as is evident from the establishment of Indian Farmers Fertilizers Co-operative Ltd. and the Maharashtra Co-operative Fertilizers and Chemicals Ltd. The processing of agricultural inputs not involving very heavy outlays should in future be the responsibility of the marketing societies. Hence in future, the marketing co-operatives only would be encouraged to process fertilizer mixtures, pesticides etc. provided financial outlays are not very heavy. Government and other bodies like the Agro Industries Corporation would still be manufacturing certain of the inputs. It is very essential to co-ordinate the efforts of all these bodies in production, storage, marketing and especially in distribution programmes. Specific fields of production should be allocated to the various sectors, to avoid national wastage and to effect economies. A committee consisting of the Secretary, Agriculture Department, Registrar of Co-operative Societies, Managing Director of the Apex Marketing Federation, Managing Director,

Maharashtra Agro-Industries Corporation and the Managing Director of the Maharashtra State Co-operative Bank could be entrusted with the work of co-ordinating the production programmes of all agricultural inputs within the State. The variety of fertilizers to be produced by each sector, the quantity and quality of the fertilizers to be produced etc. are to be prescribed by this committee so that better quality fertilizers only are produced. Similarly the areas to be served by each of the manufacturing units and the distribution pattern in general also has to be prescribed, so as to reduce the over-head and distribution costs.

(b) Distribution of inputs through one Agency

At present there is a multiplicity of agencies undertaking distribution of various agricultural inputs. Fertilizers are being distributed by the Government through the District Wholesalers which are normally the District Marketing Federations, and co-ordination at State level is being done by the Department of Agriculture. Hybrid and improved seed is being purchased by and distributed through the Apex Marketing Federation. The purchase of insecticides and pesticides is being done by the Department of Agriculture, but the distribution is being done by the Zilla Parishad. Cattle-feed manufactured by the Agro-Industries Corporation is being distributed by the Corporation directly to the consumers. Oil engines and electric pumps are distributed by the Apex Marketing Federation through its agents. For the rest of the agricultural inputs, a cultivator had to depend on private sources of supply.

In view of this, it is necessary that there should be one agency for the distribution of all inputs, and the taluka sale purchase unions appear to be eminently suitable for appointment as wholesalers for such distribution. The Apex Marketing Federation should carry out all functions relating to supervision and co-ordination at State level.

(c) Distribution of fertilisers

A more detailed examination of distribution of fertilizers is necessary in view of the extremely important role of fertilizers in the green revolution.

In a majority of States in India, the work of distribution of the fertilizers has been given to the Apex Marketing Federations. In Maharashtra somehow or the other the Apex Marketing Federation has been kept out of the picture, and the distribution was being made by the Agricultural Department through district wholesalers. The Apex Federation was however working as the sole distributors of the Fertilizer Corporation of India (Trombay Unit) to distribute F. C. I. Urea and Suphala Complex fertilizers in the State of Maharashtra during April to October 1969. The federation gained enough experience in distribution of fertilizers, and it is

necessary to channelise distribution of all the fertilizers through the Apex Marketing Federation. This need become all the more urgent in view of some of the recent changes in the Government of India's policy of decontrol of fertilizers. The problem of co-ordination has become more difficult now, after the decontrol, as the primary marketing societies and village co-operative institutions may try effecting direct purchases from the open market by-passing the Apex Federation, thereby not only committing a breach of co-operative discipline, but also missing the advantages of economics of bulk purchase. Further since with the decontrol, all fertilizers except the imported ones would be freely available in the market, an agriculturist may make direct purchases from a trader, instead of through a co-operative. Hence it is also necessary to make a provision that an agriculturist who takes a loan from a primary agricultural society for the purchase of fertilizers, insecticides and other inputs should purchase his requirements from the co-operative purchase union. This would be on the same lines as the scheme for the distribution of oil engines and electric pumps through the co-operatives, to the borrowers from the Land Development Bank. Thirdly the Government of India also contemplates to change the present system of supply of fertilizers on a consignment basis, to one of outright purchases. Efforts are being made to represent to the Government, requesting for continuance of the present system of consignments. However, if the co-operatives are called upon to make outright purchases, it would be economical and more orderly for the Apex Federation to make the purchases. In view of these, it is necessary to channel the distribution of all fertilizers through the Apex Marketing Federation.

(d) Estimate of requirements of fertilisers

At present, the requirements of fertilizers are worked out by the Agricultural Department according to their programme and the sale purchase and marketing societies are asked to indent that quantity. In practice, it has been found that the societies' stocks are far in excess of the requirements and very often stocks remained for a number of years resulting in losses to the societies. One of the reasons put-forth for this is the fixation of unrealistic targets for the hybrid programmes etc. Another reason for this is the supply of varieties of fertilizers which have not become popular and which are not in demand. Considerable amount of promotional activities on the part of co-operative societies are also required to create a demand for these new varieties of fertilizers which are said to contain more nutrient value. As on 31st December 1969, the co-operative societies in the State had a stock of 94075 Metric Tonnes of fertilizers valued at Rs. 5,29,18,691 lying with them for a period of over two years. Since the indenting agent is one and the distributing agency is another, effective co-ordination could not be achieved. It is necessary that the

requirements of fertilizers are assessed by the Agriculture Department with as much exactitude as possible. The Federation should strengthen its fertilizers section, and one of its main tasks would be to keep accurate statistics about fertilizer consumption, estimated requirements etc. The projections of estimates of future requirements of fertilizers would be worked out by the Federation on the basis of trends in past consumption, whereas they are worked out by the Agricultural Department more on the basis of target fixed for agricultural production than on past consumption of fertilizers. On the basis of mutual discussion, between the federation and the Agricultural Department a reasonably correct estimate of requirements could be made, taking care to see that the estimates of both the bodies do not differ by more than 10 per cent. If inspite of this, any stocks of fertilizers remain unsold over a period of two years, the Agricultural Department and the Apex Federation should bear the resulting losses in 60:40 proportion.

(e) Establishment of service stations

for farm machinery

In the scheme under Co-operative Joint Farming societies, it is contemplated that a large number of joint farming societies of small holders should be encouraged and help on a massive scale should be given to them so that they can derive the benefits of large scale mechanized farming. This scheme will introduce machines, tractors etc. on a large scale in the rural areas. At present, there are no workshops to cater to the needs of sophisticated machinery. The running of a well equipped workshop by the sale purchase unions is the only way to meet these needs. The National Co-operative Development Corporation has prepared a scheme providing financial assistance to marketing and processing societies for implementing the scheme. The scheme consists of two parts (1) opening a centre for servicing/repairing of tractors and other agricultural machinery and (2) custom service in agricultural machinery i.e. the society should own ten tractors with matching equipment and give them to needy cultivators on hire. It is envisaged that in due course, the society should diversify and expand its activities to cover other ancillary farm equipment and spares also. The block capital and working capital requirements are of Rs. 1,45,000 and Rs. 90,000 for the first part of the scheme, and Rs. 4,09,500 and Rs. 24,000 for the second part. A sale purchase union undertaking this scheme is required to raise additional share capital of Rs. 25,000. The National Co-operative Development Corporation would provide a loan of Rs. 2,14,000 and a subsidy of Rs. 75,000 for establishing a service centre and for purchase of two tractors. The rest of the amount has to be raised by the society as loan from nationalised commercial banks. It is envisaged that these marketing

societies would in due course run a fuel station/pump for stocking and distribution of diesel oil and other lubricants, etc. by securing the necessary assistance from the Indian Oil Corporation. The areas for implementing this scheme should have an assured clientele and should be compact and preferably there should be an assured clientele for about 300 tractors or equivalent number of other agricultural machinery like power tillers, power sprayers, diesel engines, pumps, etc. As an experimental measure the Nira Canals Co-operative Societies Purchase and Sale Union Limited, Baramati, and the Dhulia District Purchase and Sale Union Ltd., Dhulia, are undertaking the scheme this year. It is necessary to encourage the sale purchase unions situated in areas with assured irrigation facilities or in command area of new irrigation projects like Girna Project, Purna Project, Katepurna, Jayakwadi, etc. for undertaking scheme.

**(f) Manufacture of Agricultural implements
by marketing societies**

Similarly the role of marketing co-operatives in the manufacture of agricultural implements has been very negligible. This industry has been neglected even in the private sector. Hence there is a great need for the marketing co-operatives to undertake this work. A model scheme has been prepared by the National Co-operative Development Corporation for establishment of small scale workshops by selected marketing co-operatives for fabrication of simple agricultural implements. The co-operative marketing societies at Arvi (Wardha), Dhulia, Nasik and Jamner (Jalgaon), have decided to take up the scheme involving a block capital of Rs. 73,500 and a working capital of Rs. 50,000. The National Co-operative Development Corporation would provide a loan of Rs. 70,375 and subsidy of Rs. 12,625. It is necessary to select a few more sale purchase unions where there are reasonable prospects of off-take of agricultural implements in its immediate vicinity and a few district branches of the Apex Marketing Federation, to implement this scheme. The societies selected should be able to spare Rs. 10,000 to Rs. 15,000 from their own resources so as to provide margin money for raising working capital loan from the Co-operative/State Bank.

**(g) Distribution of Kerosene and
other Petroleum Products**

The Indian Oil Company has given agencies in a small way to the Apex Marketing Federation for distribution of superior kerosene, crude oil, mobile oil, furnace oil and high speed diesel. During the year 1968-69, the federation sold petroleum products of worth Rs. 1,60,93,584 from its Wadala Depot making a gross profit of Rs. 1,93,102. Since Indian Oil Company is a public sector undertaking and since petrol, etc. are essential

commodities, it is desirable that the agency for distribution of these products (excluding special fuels like aviation fuel, etc.) of the Indian Oil Company is given on a monopoly basis in the Maharashtra State. These commodities are being increasingly used by cultivators in diesel engines, tractors, etc. In addition, the co-operative sugar factories and Spining Mills which maintain a fleet of trucks, need these commodities in large quantities. Hence, the Indian Oil Company should be requested to (a) not to give any agency in future to private parties and (b) on expiry of the terms of contract with the existing private parties, to give the existing branches also to Apex Marketing federation as a matter of policy.

CO-ORDINATION BETWEEN MARKETING AND CONSUMER MOVEMENT

The Consumers Co-operative Movement in the State has not been very successful. Even though the number of consumers societies is very large, there has been a haphazard growth of the movement. Here again a strong link between the marketing-cum-processing societies, and the consumers societies had not been established. The majority of the consumers societies have been making the required purchases from private traders. Similarly the marketing societies, including the Apex Federation did not give any preference to the consumer societies as against the private traders, in sale of consumer goods. Thus both the movements grew up independent of each other, and the resulting effect is a negation of the co-operative principles themselves.

Various committees on co-operation, have opined that no separate consumers societies should be organised in rural areas, and that the primary marketing societies themselves should carry out the work of supply of consumer goods through the village primary societies. It is estimated that to be a viable unit, a consumer society should have a minimum annual turnover of Rs. 2,00,000 exclusive of the value of controlled commodities. Since none of the consumer societies in the rural areas has this extent of business, it is necessary to wind up separate consumer societies in such areas.

In urban areas, with a population of over 50,000, creation of separate consumers' societies has to be encouraged. However these primary consumer societies would not make any purchases on their own. The Apex consumer society would estimate the requirements of each of the primary societies, and supply two months stock of goods on consignment basis. The Apex consumer society would make bulk purchases of manufactured goods direct from the manufacturers (preference being given to co-operative processors), and agricultural commodities from Apex Marketing Federation. Since it is envisaged that the Apex Marketing Federation would mop up all the surplus agricultural produce from the primary marketing societies for sale, the

link up from primary marketing society to Apex Marketing Federation to Apex Consumer Federation to primary consumer society would be perfect. This arrangement does not require any physical movement of goods required by a consumer society, from the particular marketing society to the Apex Federation etc. The primary marketing society would meet the requirements of the local (of course only in urban areas) primary consumer society as far as the stocks with it permit, and the Apex bodies would only have to give release orders, and make book transfers. Once a proper link is effected between the local marketing society and the consumer society, the requirements could be properly assessed and standing arrangements could be made for monthly supplies regularly. To enforce the link up between the societies, it is desirable to provide that the marketing societies contribute to the share capital of the consumer societies at 1/4th per cent. of the value of goods purchased by the consumer society. A suitable system of price rebate also can be worked out depending on the turnover of each consumer society.

MEASURE FOR STRENGTHENING FINANCIAL POSITION OF APEX FEDERATION AND OTHER MARKETING SOCIETIES

Apex Federation

The scheme of revitalization of co-operative marketing in the State unfolded in the earlier paragraphs envisages the Apex Marketing Federation to play a most crucial role. In the work of monopoly purchase of cotton, groundnut and pulses, the Apex Marketing Federation should exercise effective supervision over the work of the various primary marketing societies. Similarly wherever the primary marketing societies cannot effect substantial purchases for running the processing units to full capacity, the Apex Federation has to step in and make the necessary purchases and feed the processing units. Similarly it has to play a major role in the distribution of consumer-goods like cotton seed cotton-seedcake, groundnut oil, groundnut oil cake, pulses, etc. produced. The work of manufacture and distribution of agricultural inputs would also rest on the marketing federation. In addition it would be shouldered with export of surplus commodities like pulses, and import of some of the requirements like cotton. In order to enable the Apex Federation to discharge all these functions, the financial position of the Apex Federation has to be considerably strengthened on a permanent footing.

The Apex Federation has at present a share capital base of Rs. 130 lakhs. It had during 1968-69, owned funds of Rs. 154.74 lakhs and working capital of Rs. 1,589.36 lakhs. The financial requirements for undertaking the three

specific schemes of purchase of cotton, groundnut and pulses have already been given in detail elsewhere. The Apex Federation credits 25 per cent of its annual profit to Reserve Fund and 25 per cent to Price Fluctuation Fund. The Apex Marketing Federation is expected to earn considerable profits during the next ten years from the business in marketing of cotton, groundnut and pulses and from the distribution of agricultural inputs. If 25 per cent of this profit is credited to the Reserve Fund and 25 per cent to the Price Fluctuation Fund, the Apex Marketing Federation would be having considerable funds at its disposal which would enable it to expand its activities on a larger scale.

Strengthening the financial position of Primary Marketing Societies

In addition to the financial assistance to be given by the State Government, the marketing societies would have to make efforts to strengthen their share capital base. The value of agricultural produce sold during 1967-68 by the Apex Marketing Federation and the primary marketing societies is of the order of Rs. 42 crores and Rs. 44 crores respectively. If the members of these societies contribute every year at least $\frac{1}{4}$ per cent of the value of agricultural produce sold by them through the societies, as share capital, every year the societies would be able to build up an additional share capital of Rs. 22 lakhs. Similarly the value of agricultural requisites supplied through the co-operatives is Rs. 52 crores, and if $\frac{1}{4}$ per cent is contributed by the beneficiaries as share capital of the society, the share capital would increase annually by Rs. 13 lakhs. Since it is proposed to bring all the surplus agricultural produce under the fold of co-operative marketing, and since the quantum of supply of agricultural requisites is also bound to increase, the share capital base would be strengthened to a greater extent in the coming years than by Rs. 35 lakhs per year. As in the case of Apex Marketing Federation, it would be necessary for the primary marketing societies to credit 25 per cent of their annual profits to the Reserve Funds, and 25 per cent to the Price Fluctuation Fund. With the increased business that the primary marketing societies would be handling in future, they are expected to make sizable profits and within ten years, the societies would be able to build up sizable reserve, to enable them to expand their activities further.

MEASURE TO INCREASE GODOWN AND WAREHOUSING FACILITIES

With the growing involvement of the co-operatives in the marketing of agricultural produce and distribution of agricultural inputs as also the distribution of consumer articles in the rural areas, the demands for additional

storage facilities would increase. One of the ways of helping the cultivator get a better return for his produce is to create storage facilities as to be within the reach of every cultivator, thus increase his holding power. With this in view, a programme of construction of godowns by co-operative societies on a sizable scale was initiated.

The present storage capacity of the co-operative godowns is 5.15 lakhs metric tonnes. The marketing societies have godowning capacity of 2,39,300 M. Tonnes and the Agricultural Primaries of 2,75,800 Metric Tonnes. Creation of additional capacity of 4.51 lakhs M. Tonnes under co-operative sector is provided during the Fourth Five-Year Plan. Storage accommodation is also available with the Central and State Warehousing Corporation and other departments like Revenue, Civil Supplies, and Agricultural Department. The total storage capacity available with all different agencies including hired capacity is 17.53 lakh metric tonnes. This capacity is also being utilized for storage of seed, fertilizers and food-grains under monopoly procurement. The storage capacity would go upto 27.44 lakh Metric Tonnes by the end of the IV Plan.

Though the marketable surplus is estimated at 36.50 lakhs M. Tonnes, all this amount does not come into the market at one time. Assuming that about 3rd comes into the market at one time, the storage capacity required would be 27 lakhs M. Tonnes. Assuming again that out of the existing capacity of 17.53 lakhs M. Tonnes, 50 per cent is available for marketable surplus, and 50 per cent for agricultural inputs and assuming an increase in the supply of agricultural inputs the additional storage facilities required would be of the order of 5 lakhs M. Tonnes. However, the assessment of storage requirements cannot be accurate due to the presence of private godowning space and no uses of some of the existing capacity due to the wrong location.

The Warehousing Corporation of Maharashtra has owned capacity of 40,000 M. Tonnes and a hired capacity of 35,000 M. Tonnes. Most of the cotton gowing area falls under the Nagpur and Aurangabad Divisions and in the two Khandesh districts. However, except in the two Khandesh districts, the Warehousing Corporation has not got sufficient godowns in the cotton belt. The programmes of the Corporation are also modest and further during 1969-70 only 4 per cent of the total occupancy was accounted for by the co-operative sector. Hence it appears that the co-operatives should utilize the Corporation to a greater extent. However, the bulk of the additional requirements of godowns have to be provided for in the co-operative sector. The funds for constructing the 5 lakhs Tonnes of additional godown space would be Rs. 8.5 crores and these can be provided by the

commercial banks over the period of next five years. The government would be providing 25 per cent of this amount i.e. Rs. 2.13 crores as subsidy.

MANPOWER REQUIREMENTS

It is needless to state that the managerial personnel of the right calibre and experience have a crucial role to play in the development of co-operative marketing of agricultural produce. Lack of adequate managerial skill is one of the factors seriously inhibiting the growth of co-operative marketing. The cooperative marketing institutions right from the Apex level to the taluka level do not get the right type of personnel to manage their affairs, particularly trained managers with proper business background and experience. The National Cooperative Development Corporation has worked out a scheme for creation of a common cadre. However, experience has shown that the immediate creation and introduction of a common cadre is not feasible. The Apex federation has therefore initially created a pool of key personnel, with the ultimate object of creating a common cadre for all the cooperative marketing institutions in the Maharashtra State, starting from the nucleus of the common cadre. The time seems to be propitious for this, the Apex federation would be undertaking multifarious activities of a large magnitude under the proposed scheme. For the monopoly purchases of cotton etc. itself, the Federation has to undertake opening and management of a large number of centres and employ a large staff. The Federation may not be able to secure the services of adequately qualified persons on the scales of remuneration which it can afford to pay. The State government will have to give financial assistance for this. In addition the Government and also the Cooperative Banks will have to depute some of their officers to work with the Federation.

As regards training of the existing staff, the present arrangement available at the various training institutions are not adequate. Further theoretical training alone would not be able to meet the requirements of the job. The present proposals of revitalization of marketing, envisages an all-pervasive development of marketing, manufacturing, processing, storage and distribution including the import and export trade. It is proposed that a few experts in cooperative marketing from some of the advanced countries may be invited to work with the Apex marketing society for a couple of years so that the staff of the federation can receive adequate training from such experts, and implement the programme successfully.

CONCLUSION

With the green revolution taking rapid strides, and with the ambitious plans of agricultural production proposed in the fourth plan period, the need to have an orderly system of marketing of the agricultural produce which secures the interests of the producers as well as the consumer is very urgent. Co-operative marketing of the agricultural produce coupled with processing on a co-operative basis ensures a better return to the primary producer thereby providing him the incentive for production, without at the same time affecting the interests of the consumers, helps the farmers in acquiring a business-oriented outlook thus achieving the desired break-through in the conservative agricultural attitude, acts as an agency to discipline private trade by its impact on stabilization on prices and to curb monopolistic tendencies, is a desirable form of distributive system in a socialistic pattern of society, and is also an essential prerequisite for large-scale expansion of co-operative credit. The co-operatives would have therefore to be called on the next few years not only to market all the surplus agricultural produce, but also to undertake various other activities like processing of the agricultural produce, increasing godowning facilities, distributing all the agricultural inputs and consumer goods, maintaining repair stations for farm machinery etc. The proposals made for revitalizing the co-operative marketing so as to enable them to undertake these responsibilities are summarized below :—

(1) The structural arrangements of co-operative marketing societies at various levels should be as to streamline the whole process of movement of agricultural produce to the consuming markets, and of agricultural inputs from the manufacturers to the farmers. For achieving this, Government should recognize a two-tier structure of co-operative marketing societies, with the primary marketing societies at the taluka level, and the Apex Marketing Federation at the State level. Supply of all the agricultural inputs and consumer goods would be routed through this system only. Rs. 50 lakhs invested by Government in the share capital of the District Marketing Federations, would be transferred to the share capital of the primary marketing societies. The District marketing federations would not open any new branches without the permission of the Government.

(2) Marketing and processing operations have to be integrated, so that the co-operative marketing societies can provide an effective competition to private traders. This is necessary in the case of cotton, which is a major cash crop of the State. The main problem would be of ensuring supply of raw cotton to the marketing and processing societies.

(3) As the financial position of the co-operative marketing societies to-day is not such as to enable them to make huge purchases of cotton, and since the capacity for ginning and pressing in the co-operative sector is not enough to process all the surplus cotton, an interim scheme of monopoly purchase of cotton by the Government, through the Apex Marketing Federation is envisaged. The cotton would be got processed through the co-operative ginning and pressing societies, and hired private ginning and pressing factories.

(4) As the co-operative marketing societies grow stronger, and as the ginning and pressing capacity in the co-operative sector increases, and as the 19 co-operative spinning mills go into production, zones would be ear-marked for each spinning mill, and each ginning and pressing society, on the pattern of the co-operative sugar mills. Members supplying cotton will be paid an advance, and the final price would be paid after the yarn is sold. This is the ultimate pattern envisaged.

(5) Under the system of monopoly procurement of cotton, the grower would be assured of a remunerative price.

(6) The average of cotton prices during the last three preceding cotton seasons shall be called the 'basic price'. The grower-supplier would be assured a minimum price to be called the "Standard price for the season" which would be 90 per cent of the "basic price". Immediately, on supply of raw cotton, the supplier would be paid 90 per cent of the standard price fixed for the season as an advance. When the pressed bales are sold, and when the accounts are finalized, the grower would be paid the final price. As stated above, the grower would be assured of "standard price". If the price realized after sale of the pressed bales is less than the "standard price", the short-fall to be paid to the cultivator would be made up from a price fluctuation fund which would initially be built up by the Government at Rs. 1 crore. If such price realized is more than the Basic Price, 50 per cent of the surplus would be paid to the cultivator and 50 per cent would be credited to the "Cotton Price Fluctuation Fund".

(7) A pre-requisite for the success of the co-operative processing units in cotton is the availability of good quality cotton. Hence an intensive programme for improving the per acre yield of cotton, as well as a programme for increasing the acreage under long staple varieties has to be worked out by the Agriculture Department.

(8) Sixty cotton grading centres have to be opened, one each at sixty important regulated markets dealing in cotton at a cost of Rs. 15 lakhs per year.

(9) The Apex Marketing Federation should be entrusted with the work of importing from abroad the cotton required for the co-operative spinning mills and Government-run textile mills.

(10) Sizing units should be created in the co-operative sector at central places, each unit to cater for about 250 powerlooms. Necessary financial assistance is to be provided by the State.

(11) Priority should be given to encourage and promote viable units (50 looms) of powerlooms co-operatives in Vidarbha and Marathwada.

(12) Central Processing houses each with a capacity of minimum one lac metres should be established on co-operative basis at suitable centres where growth of powerloom is imperative.

(13) A post of Director of Handloom and Textile has to be sanctioned with necessary technical staff on the Madras Pattern to co-ordinate the working of the handlooms, powerlooms and spinning mills in the co-operative sector. He should also be designed as *ex-officio* Joint Registrar of Co-operatives.

(14) Government should fix remunerative prices for groundnut and pulses, and should purchase these through the Apex Marketing Federation and the primary marketing societies on a monopoly basis. The groundnut and pulses would be processed through co-operative processing societies, and would be supplied to the consumers through the marketing and consumer societies. Government would also arrange for the sale of cotton seed, groundnut oil cake, etc.

(15) The Apex Marketing Federation should be helped to establish a sufficiently large size *dal* factory in Maharashtra. The export of *dal* from this State should be carried out by Apex Marketing Federation for Government on a monopoly basis.

(16) For executing the scheme of monopoly procurement of cotton, groundnut and pulses, an amount of Rs. 7 crores has to be contributed to the share capital of the Apex Federation by the Government. In addition an amount of Rs. 33 crores has to be given as a long-term loan. Government would have also to provide bank guarantee for Rs. 100 crores.

(17) Since the Government started monopoly purchase in rice, the co-operative rice mills have lost their co-operative character and they cannot any more be termed as co-operative processing units. All these co-operative rice mills should be purchased and operated by the Civil Supplies Department.

(18) The work of manufacture and processing of agriculture inputs not involving very heavy investments should be undertaken by the marketing and sale purchase societies. The distribution of fertilizers should be routed through the Apex Marketing Federation.

(19) A High Power Committee to co-ordinate the efforts of the various agencies at secretaries level like Marketing Societies, Agro-Industrial Corporation, Government, etc. which manufacture agriculture inputs has to be formed. This committee should co-ordinate the efforts relating to storage, marketing and distribution as well as the inputs.

(20) Agriculturists taking loans from the primary agriculture society for purchase of inputs should purchase their requirements only through the co-operative sale purchase unions.

(21) The requirements of fertilizers should be worked out with the greatest possible effort by the Agriculture Department and the Apex Marketing Federation after mutual discussions, based on past consumption trends and future production plans. The Agricultural Department and the Apex should share the losses resulting from storage of stocks over two years in the ratio 60 : 40.

(22) The Indian Oil Company should be asked to give agency for distribution of all petroleum products (except special fuels like aviation fuel etc.) in the Maharashtra State, on a monopoly basis to the Apex Marketing Federation.

(23) The sale purchase unions should be encouraged to establish 8 to 10 Repair/Service/Custom Service Stations, on the pattern of the scheme proposed at Dhulia and Baramati to repair tractors, diesel engines, pumps and other agricultural machinery, to supply spare parts, and to hire out farm machinery. Such centres should be preferably established in areas under the command of major-medium-irrigation projects.

(24) The Apex Marketing Federation and some of the good sale-purchase unions should be encouraged to establish workshops for the manufacture of popular modern and simple farm equipment, on the pattern proposed at Arvi, Nasik, Dhulia and Jamner.

(25) No separate consumers co-operative societies be registered in rural areas, the taluka sale purchase unions themselves should carry on the activities of distribution of consumer goods. Registration of separate consumer society should be encouraged only in towns having population of over one lakh. The Apex Marketing Federation should hand over the consumer articles like dals, groundnut, oil, etc. to the Apex Consumer Society for distribution in city areas, through primary consumers' societies.

(26) The primary marketing societies should contribute to the share capital of the consumer societies at $\frac{1}{4}$ per cent. of the value of goods purchased by the consumer society. A suitable system of price rebate also has to be worked out depending on the turnover of each consumer society.

(27) The Apex Marketing Federation would have to be strengthened financially and for this, the federation should credit 25 per cent. of the profits it would make in future, to its Reserve Fund, and 25 per cent to a Price Fluctuation Fund.

(28) The Primary Marketing Societies should make a provision for a Reserve Fund, and a Price Fluctuation fund and credit 50 per cent. of the profits to these funds annually, so that they become financially strong over the period of next 5 years.

(29) The bye-laws of the co-operative marketing societies should provide for a contribution of $\frac{1}{4}$ th per cent. of the value of agriculture produce sold and of $\frac{1}{4}$ th per cent. of the value of agriculture requisites supplied from the members towards the share capital of the society.

(30) A scheme for construction of additional godown capacity of 5 lakhs Metric Tonnes, preferably in the co-operative sector has to be chalked out and implemented. An amount of Rs. 8.5 crores has to be raised from the nationalized banks, and Government would have to provide Rs. 2.13 crores as subsidy.

(31) For implementing the above schemes the Apex Marketing Federation has to build up a cadre of competent experts in co-operative marketing. It has to recruit new people with the financial assistance of the Government. A couple of experts in co-operative marketing from some of the advanced countries like Japan have to be invited to work on the Apex Federation, so that the existing staff would receive necessary training to successfully implement the schemes.

COTTON

Position regarding production of cotton in Maharashtra State

The production of cotton in India during the last ten years has been more or less stagnant. The quantity produced annually varies between 55 lakh bales and 61 lakh bales, depending upon the vagaries of weather. The area under cotton cultivation has remained constant around 20 million acres during the last ten years. During this period, though more and more irrigation facilities have been created and more inputs by way of chemical fertilisers, insecticides and improved seeds have been made available, the stage of breakthrough in production of cotton has not been reached.

Out of the total area of about 20 million acres under cotton in the country, Maharashtra accounts for about one-third i.e. 6.8 million acres. The production of cotton in Maharashtra varies between 14.5 and 17 lakhs bales per year, which is approximately one-fourth of the total quantity produced in India. This is on account of the lower yield per acre in Maharashtra which is approximately 60 lbs. per acre as compared to the all-India average of 113 lbs per acre.

Yield per acre

Out of the total area under cotton in the country, only about 8 per cent. is under irrigation in Maharashtra as against 16 per cent. in India. Accordingly, the yield per acre in Maharashtra varies between 195 lbs. per acre in Poona Division and 68 lbs. per acre in other Divisions. It will thus be observed that the yield per acre in Maharashtra is deplorably low, not only as compared with international standards but also with the national per acre average.

With so many competing claims on the cultivable land in the country, it is not reasonable to hope for an increase in the acreage under cotton except to a marginal extent, particularly since the onset of the green revolution has increased production of foodcrops. Hence the real remedy must be found in increased per acre yield by providing the cultivator better facilities.

If the yield of cotton per acre is to be increased, the cultivator will have to be provided with necessary facilities. As already stated, only about 8 per cent. of the area under cotton, is under irrigation. Without providing irrigation facilities, it will not be possible to increase the per acre yield. Also improved varieties of cotton cannot be grown in dry tracts. The foremost need is therefore, to bring more area under irrigation.

As regards making available necessary inputs to the cultivator, it may be stated that the existing arrangements for distribution of chemical fertilizers, insecticides, etc., are quite adequate. However, unless the cultivator is enabled to pay for them, their use cannot be extended. The cotton grower will, therefore, have to be provided finance at more liberal scales. The rate of crop finance will, therefore, have to be increased considerably so as to cover all expenses of cultivation.

The most important factor is, however propagation of high-yielding variety seeds. The existing arrangements for research cannot be said to be adequate. There is no dearth of scientists in our country. What is required is to make available facilities for research. Every year, we import long staple cotton valued at over Rs. 100 crores. This drain on our meagre foreign exchange resources requires to be stopped immediately. A number of research stations will have to be opened in the different cotton-growing areas and varieties suitable for the tract will have to be found out. Experiments will have to be

made with different strains of seed and by cross breeding or other methods, a suitable variety which can be grown in our State will have to be found out. A beginning may be made with an allotment of Rs. 2 crores for research for evolving suitable variety of long staple cotton.

Cotton, in particular, long staple cotton, has always been in short supply. The prices of different varieties of cotton have been controlled. However, the mechanism of price control which was intended to prevent hoarding, profiteering and blackmarketing, has not yielded satisfactory results. In order to ensure adequate supplies to the textile mills, floor and ceiling prices for different varieties of cotton were announced at the beginning of the cotton marketing season. Restrictions on the movement of cotton were also placed in order to ensure equitable distribution of cotton amongst all the textile units. However, since this policy of announcing floor and ceiling prices could not be effectively implemented, Government of India introduced a scheme of announcing support prices for cotton at the beginning of the sowing season so as to ensure a reasonable price to the grower. However, since cotton was always in short supply, prices never touched the support price level and the grower continued to be exploited by middlemen who purchased from him at low prices immediately after harvest and sold the same to the mills at high prices, thus retaining a very high margin disproportionate to the services rendered by him. It has, therefore, now become necessary to evolve a scheme which would not only ensure to the grower remunerative prices but would also ensure fair prices to the consumers.

Marketing of Cotton

Co-operative marketing of cotton had its origin in Gujarat and subsequently the idea was caught up in Maharashtra also. Unfortunately, a large number of cotton sale societies in the cotton growing districts of Dhulia and Jalgaon formed on the model of Gujarat cotton sale societies did not succeed and had to be taken into liquidation, and even now considerable headway will have to be made before Maharashtra catches up with Gujarat. As against 75 percent to 80 percent handled by Co-operatives in Gujarat State, **hardly about 15 percent of cotton produced in the State is sold through Co-operative societies.** The rest of the trade is controlled by private traders who control the stocks and reap profits by artificially raising prices. From the statistics relating to cotton prices during the last few years, it is seen that prices have been fluctuating widely not only from season to season but also at the beginning of the season and at the end of the season. Thus, the difference in the price of popular varieties of L/147 and Khandesh Virnar, between the post-harvest months and September 1968, was as large as 16 percent. Even after making an allowance of a small charge for carrying stocks, the difference is out of all proportion to the service rendered.

Need for Co-operative Marketing

As already stated above, the annual production of raw cotton in Maharashtra is about 80 lakh qtls. equivalent to 17 lakh pressed bales. The cotton grower brings his cotton to the market for sale. All sales are required to be effected within market yard under the supervision of the market Committee, which has been vested with wide powers under the Agricultural Produce Markets' Act. No doubt the cultivator is now assured of a fair deal since the buyers cannot impose the various cuts on flimsy grounds. Weighment is also made by weighmen who are appointed by the Market Committees. However, neither the Market Committee nor the grower has any say in the matter of fixation of prices. And once the grower brings his cotton for sale to the market yard, he is entirely at the mercy of the trader. Co-operative marketing societies have been set up at most of the major and even minor market centres. Unfortunately, however, their functioning has not been satisfactory. Although there are over three hundred primary marketing societies, their operations have so far had no impact either on the prices or on the method of marketing.

It is, therefore, necessary to revitalise all these marketing societies if their operations are to have an impact on the cotton trade in general. Most of them are financially weak. It will be necessary to provide them with adequate funds. In order to prevent wide fluctuations in prices, the cultivator will have to be assisted financially and enabled to hold his produce for some time instead of disposing it off immediately after harvesting. Also it will be necessary to grade and pool the cotton so that the quantum of stock available for sale is adequate.

Ginning and Pressing

At present most of the cultivators sell raw cotton. The middleman or the merchant purchases raw cotton from them, gets it ginned and pressed into bales and sells the pressed bales to the textile mills. However, the prices at which pressed bales are sold bear no relation to the price paid to the grower for his raw cotton. It will, therefore, be necessary to link up marketing and processing activities. The exploitation of the cultivator by middleman cannot be prevented unless the growers pool their cotton, process it and sell it in the form of pressed bales.

Linking of Marketing and Processing

As stated above, marketing of agricultural produce begins at the farmer's field and ends with distribution to the consumer, and covers in between various activities connected with assembling, storing, packing, grading, pooling, standardising, transporting, processing and retail distribution. There is, therefore, an organic link between marketing and processing. The two activities are interconnected and inseparable. The cultivator at present is denied remunerative prices because he is unable to process it and sell it in a finished

form. In order to prevent exploitation, it is necessary that the middleman is eliminated at all stages and the farmer continues to own his produce throughout until it reaches the market in the form in which it is consumed. Both the saraiya Committee on Co-operative processing appointed in 1961 and the Dantwala Committee appointed in 1966, have emphasised that processing is substantially a stage in marketing and the two activities cannot be separated into watertight compartments.

Import of Cotton

In so far as the production of cotton in the country lags behind the required consumption level cotton has to be imported from outside, particularly, cotton required to spin fine and superfine varieties has to be imported so long as equivalent cotton varieties are not grown in the country. In the years of deficit production equivalent varieties of cotton are also required to be imported to enable the mills to work to the full capacity. Normally, the imported cotton falls into three categories, viz. (i) global cotton, (ii) American cotton under PL 480, and (iii) cotton imported under barter agreement. The quality of cotton imported can broadly be graded into the following staple lengths : (1) cotton stapling 1·3/16 and above, (2) cotton stapling 1·1/16 but below 1·5/16, and (3) cotton stapling one inch and above.

Most of the imported cotton falls into the first two categories and mainly imported from Egypt, Sudan, Africa and American Upland cotton. The figures of cotton imported during the last four years and the value thereof are as under :

Year	American bales	Global bales	Total bales	Value Rs. in crores
1965-66	87,021	3,54,049	4,41,070	36·27
1966-67	4,38,478	4,47,922	8,86,400	92·43
1967-68	3,57,808	4,14,186	7,71,994	92·02
1968-69	1,31,229	3,20,637	4,51,866	68·57

From the above, it would be clear that in the years of deficit, the quantum of imported cotton is larger and hence it is desirable that our dependence on imports be curtailed in the years to come so that valuable foreign exchange can be made available for other more useful purposes.

During the last ten years, we have made considerable efforts in increasing the cultivation of medium and long staple cotton, particularly in the major producing States of our country such as Gujarat, Maharashtra and Mysore. In Maharashtra, we have successfully cultivated long staple varieties such as

Co 2 and Laxmi in irrigated area of Khandesh, Poona and Satara districts. There has been improvement also in medium staple varieties grown in non-irrigated area of Vidarbha and Khandesh and improved strains of qualities such as Y-1 in Khandesh and 1007 in Vidarbha areas. However, these improved varieties cannot spin counts higher than 40s and 60s and hence it is necessary that improved strains be evolved so that our dependence on imported cotton can be minimised.

Processing by co-operative units

As stated above, the annual production of cotton in Maharashtra is round about 80 lakh qtls. equivalent to 17 lakh bales. In order to gin and press this entire quantity, as many as 400 ginning and pressing factories of average capacity will be required. There are at present 92 co-operative ginning and pressing factories in Maharashtra. These processing units have been set up by the growers themselves and have been liberally financed by the State Government. However, their working has not been satisfactory and many of them have been defunct for a number of years. Considerable financial and administrative assistance will have to be provided to revise their working. At present only 55 units are reported to be functioning. Even those ginning and pressing units in the co-operative sector which are working, are not in a position to utilise their full installed capacity of 48 lakh quintals of raw cotton.

All the ginning and pressing factories in the co-operative sector do not have pressing units attached to them. The capacity of the ginning and pressing units is also lower than those of the private units. The present capacity of the co-operative ginning and pressing factories is estimated at 60 per cent of the total capacity required even if all the units are energised and pressed into service. Hence in order to reach the target of sixty per cent of total quantity, it would be necessary not only to revive the working of the defunct units but also increase their efficiency by affording necessary technical assistance.

Linking credit with marketing

As a result of the failure of co-operative marketing and processing societies credit co-operative societies are unable to make timely recoveries of crop finance advanced by them. The overdues of co-operative credit institutions which are as high as 38 per cent is a major drawback of the co-operative credit movement in Maharashtra State and active steps have to be taken to reorient the same. The need for forging an effective link between co-operative credit and marketing is, therefore, most urgent. Co-operative marketing and processing societies are extremely useful agencies for the recovery of dues of credit co-operatives. Since the dues can be deducted from the amount of sale proceeds payable to the borrowers and passed on to the credit societies, they would be enabled to reduce their overdues and make available additional

funds for being advanced to cultivators. An integrated scheme for the development of co-operative marketing of cotton will, therefore, prove of considerable assistance in the rehabilitation and development of co-operative credit movement enabling it to advance adequate credit for increasing yield per acre.

SCHEME FOR PROCUREMENT, PROCESSING AND MARKETING OF COTTON IN THE STATE

Objective of the Scheme

To summarise, therefore, the main objective of any integrated scheme of Co-operative marketing should be to enable the primary grower to become the owner of the manufacturing process and seller of his own processed produce and obtain a remunerative price. So far as cultivation and marketing of cotton are concerned, the cotton grower must have a predominant voice not only in growing but also in processing of cotton until it reaches at least the spinning stage. The integrated scheme of Co-operative marketing and processing will thus help in achieving the following five important objectives : (1) to assist the farmer increase the yield of cotton per acre by providing him with inputs and adequate finance, (2) encourage him to grow improved varieties of cotton so that the country may become self-sufficient so far as its requirements of long staple cotton are concerned, (3) to encourage him to pool his produce and sell it in processed form till the stage of manufacture of yarn, (4) to enable the growers to set up and own processing units so as to secure remunerative prices for their produce, and (5) to forge an effective link between Co-operative credit and marketing with a view to enable the financing institutions to make available adequate crop finance and at the same time, ensure prompt recoveries of their dues. The marketing societies will effect recoveries of the dues of credit Co-operative from out of the sale proceeds payable by them to the farmer.

Obligation to sell cotton

It has been ascertained that production of cotton in Maharashtra is of the order of 80 lakhs qtls. or 17 lakhs bales of the value of Rs. 160 crores. Cotton is grown in twenty districts of the State. The main varieties are 197/3, Y-1 L-147, 1007, C02, Laxmi, G-6, etc. The more important cotton growing districts are the four districts of Berar, two each in Marathwada and Khandesh. Since the scheme envisages procurement of cotton direct from the producer it will be necessary to issue orders under provision 3 of the Essential Commodities Act, 1955, to compel growers to deliver the cotton grown by them at places specified by the State Government. These purchase points will mostly be the market yards of the Agricultural Produce Market Committees and also premises of the ginning and pressing factories. The Market Committee will

appoint qualified and trained Graders for grading of kapas and the Marketing Federation will purchase the cotton at prices specified by Government according to the formula prescribed.

The Maharashtra State Co-operative Marketing Federation will be in complete charge of the operation of the scheme and enforcement of orders regarding delivery, procurement, grading processing and marketing of cotton. The grower will bring his cotton to the market yard where it will be graded by the trained Grader appointed by the Market Committee. Immediately on delivery of cotton, advances will be made to the grower against the stocks delivered under the supervision of the Market Committee.

Recovery of dues of Co-operative credit societies by Market Committee

The Market Committee will see that the dues of the Co-operative credit societies recoverable from the cultivator are duly deducted from the sale proceeds and passed on to the concerned societies. This arrangement will ensure prompt recoveries of the dues of Co-operative societies which would enable the Co-operatives to increase their resources and availability of funds for investment in crop finance and prevent accumulation of overdues.

Method of payment of Advance

For the purpose of determining the quantum of advance payments to be made to the cultivators, the following method will be adopted. On the basis of the weekly reports relating to prices of cotton published by the different Market Committees, the seasonal price for the year will be determined by the method of weighted average. For this purpose, weekly average prices of cotton in the major marketing period of November to February will be calculated on the basis of the average price prevailing during a particular week as also the quantity of cotton marketed in that week. The average prices for the months will be determined on the basis of weighted average arrived at by adding together the products of average price multiplied by the total quantity of cotton sold during the four weeks and dividing by the total quantity of cotton sold. The following example will illustrate this :

As more than 75 per cent of the cotton is sold during the post-harvest months from November to February, the prices prevailing during these four months alone will be taken into consideration. Since the arrivals in the market during these weeks are not uniform, the average monthly prices will have to be calculated after taking into consideration the total quantity

of cotton sold during the months. The average weighted price for the months will be determined as shown in the following example :

Week	Average price	Quantity sold during week	Product
	Rs. per qtl.	in Qtls.	in Rs.
First ..	170	2,000	3,40,000
Second ..	175	4,000	7,00,000
Third ..	160	3,000	4,80,000
Fourth ..	180	5,000	9,00,000
Total ..		14,000	24,20,000

Average weighted prices for the first month will, $\frac{24,20,000}{14,000}$ Rs. 173 per qtl. therefore, be

The average for the subsequent months of the season will also be calculated on the basis of the average monthly price as determined in the aforesaid manner.

2nd month—

Week	Average price	Quantity sold during week	Value
	Rs. per qtl.	in Qtls.	in Rs.
First	175	3,000	5,25,000
Second	180	3,500	6,30,000
Third	170	4,000	6,80,000
Fourth	165	3,000	4,95,000
		13,500	23,30,000

Average price for the month: $\frac{23,30,000}{13,500}$ Rs. 172 per qtl.

3rd month—

First	170	4,000	6,80,000
Second	175	5,000	8,75,000
Third	180	4,500	8,10,000
Fourth	165	4,000	6,60,000
		17,500	30,25,000

Average price for the month: $\frac{30,25,000}{17,500}$ Rs. 173 per qtl.

4th month—

Week	Average price	Quantity sold during week	Value
	Rs. per qtl.	in Qtls.	in Rs.
First	175	4,500	7,87,500
Second	170	5,000	8,50,000
Third	175	3,000	5,25,000
Fourth	160	2,000	3,20,000
		14,500	24,82,500

Average price for the month $\frac{24,82,500}{14,500}$ Rs. 171 per qtl.

Average for the Season—

First month	173	14,000	24,22,000
Second month	172	13,500	23,22,000
Third month	173	17,500	30,27,500
Fourth month	171	14,500	24,79,500
		59,500	1,02,51,000

Average price for the season $\frac{1,02,51,000}{59,500}$ Rs. 172 per qtl.

Basic and Standard Prices

As explained above, on the basis of the seasonal prices prevailing during the last three seasons, the basic price for the current season will be worked out and 90 per cent of this amount will be created as the standard price which will remain in force throughout the season. The cultivator will be paid an advance of 90 per cent of the standard price immediately on delivery of cotton. Thus, if the basic price (average of the prices for the last three seasons) is Rs.172, the standard price will be 90 per cent of the above, i.e., Rs.154.80 per quintal, and 90 per cent of this standard price, i.e. Rs.139.32 per quintal will be paid to the grower on delivery of cotton. This, however, will be advance payment and further payment will be made to him by way of rebate when the entire stocks procured during the season are sold and the accounts settled. After the entire quantity of cotton procured during the season is processed and sold, the average price realised during the season will be arrived at and if this average price is more than Rs. 172, the cultivator will be paid the difference between the price realised and the rate at which advance was made to him, i.e. Rs.172.00-Rs.139.32

Rs. 32.68 per quintal, plus half the rate of the amount by which the actual realisation exceeds Rs.172. Thus, if the average price realised during the season is Rs. 177, the grower will be paid as under :

Advance payment	139.32
Difference between basic price and advance paid	32.68
Rebate or share of profit (50 percent of 177-172)	2.50
	174.50

The balance of Rs. 2.50 Paise will be credited to a Price Fluctuation Fund which will be available for meeting losses in future. If the actual price realised is less than Rs. 172, the entire difference between the rate actually realised and the rate at which advance is paid, will be passed on to the cultivator. If the average price realised is less than Rs.139.32, the loss incurred will be borne by the Federation and met from the Price Fluctuation Fund.

Price Fluctuation Fund

As explained above, the Price Fluctuation Fund will be created from out of the surplus sale proceeds realised by the Federation. However, since there would be no amount available in the beginning, Government will have to make an initial contribution of Rs. 1 crore to the Fund and thereafter, every year amounts will be credited to this Fund from out of the excess over the basic price realised during the year. Before arriving at the actual price of the year, marketing and processing expenses in accordance with a schedule of expenses approved by the State Government will be deducted.

Schedule of Expenses

The schedule of expenses will, in addition to handling and processing charges, include all expenses incidental to procurement and marketing of the produce right from the time of procurement till final disposal at the consuming centres and commission of the Federation at a nominal rate.

As already stated, cotton will be brought to the delivery points by the cultivator and taken delivery of by the Federation. The cultivator as aforesaid will be paid in the presence of an officer of the Market Committee in accordance with the rates determined on the basis of the grade determined by the Grading Assistant appointed by the Market Committee. The cotton delivered to the Federation will be transported to the nearest co-operative ginning and pressing factory. As far as possible, services of co-operative ginning and pressing factories will be availed of and efforts will be made to enable them to work to

their fullest capacity so as to ensure that their capacity is utilised to the optimum, thus enabling even the financially weak ginning and pressing co-operative societies to improve their working and earn profits.

Zones for orderly marketing of cotton

For the purpose of procurement and processing of cotton, the entire cotton growing area in the district will be divided into suitable zones and each co-operative ginning and pressing factory will be allotted the area from which it will draw cotton required for processing. All the cotton grown in that area will be brought to the co-operative ginning and pressing factory specified for the purpose. In the same way, consuming centres (co-operative spinning mills) formed by the growers, will also be allotted specific areas of operation and the cotton ginned and pressed by co-operative ginning and pressing factories in that area will be delivered to the co-operative spinning mill for being spun into yarn. In this way, the ultimate object of the primary grower controlling the processing activities will be realised.

Supply of cotton to co-operative spinning mills and Government-controlled mills

There are eighteen co-operative spinning mills set up in Maharashtra State. Consumers' co-operative spinning mills organised by the handloom weavers' and powerloom weavers' co-operatives will not, however, be compelled to come within the purview of the above scheme. However, if they want to take advantage of the scheme, they would be welcome.

After the requirements of the co-operative spinning mills are met, out of the remaining stocks, the requirements of Government-controlled mills will be met. The stocks remaining thereafter will be sold in the open market in and outside the State by the Maharashtra State Co-operative Marketing Federation.

In order to ensure efficient marketing of cotton, the Federation will have to open selling centres at different consuming areas like Ahmedabad, Coimbatore, Bombay, Calcutta and Kanpur, etc., Since neither the Federation nor the State Government will have any control over the selling rates, sales will have to be effected at the rates prevailing in the different markets.

The cotton remaining after meeting the requirements of co-operative spinning mills and the Government-controlled mills will have to be sold at the prevailing market rates. Even the supplies made to co-operative spinning mills and Government-mills will have to be at rates in consonance with the prevailing market rates. In order to ensure that the primary grower gets the maximum benefit of efficient marketing, it will be necessary for the Federation to operate in a businesslike manner and minimise overheads by conscious efforts in all stages. It will always have to be borne in mind that Maharashtra does not have a monopoly in the production of cotton for which there is an all-India

market. Not only cotton grown in Maharashtra will have to be sold outside the State of Maharashtra, but cotton from outside the State will enter Maharashtra if prices of cotton grown in Maharashtra are qualitywise higher than those imported from outside.

Imports of cotton

In order to enable the Federation to earn some profits and build up funds for the development of cotton trade, it is suggested that imported cotton required by the textile industry (private and co-operative spinning mills) in Maharashtra should be channelised through the agency of the Federation.

Processing of cotton

As already stated, there are ninety-two co-operative ginning and pressing factories in Maharashtra, with a total installed ginning capacity of 2,668 gins. The daily ginning capacity on the basis of three working shifts per day works out at 8,200 bales per day, i.e. 2.50 lakh bales per month of 25 days. That means, these ginning factories can gin during the cotton marketing season an aggregate quantity of 10 lakh bales which is roughly 60 per cent of the total production in the State. In order to ensure timely ginning and thereby reduce the overhead charges on account of insurance, interest, storage, etc., it will be necessary to avail of the services of private ginning and pressing factories. It is accordingly proposed to utilise the services of private ginning and pressing factories for ensuring timely ginning and pressing of the entire stock of cotton procured by the Federation to the extent necessary.

Revival of stagnant co-operative ginning and pressing factories

As already stated, of the ninety two co-operative ginning and pressing factories only fifty-five are functioning at present and working of the remaining thirty-seven will have to be revived by assisting them financially as well as administratively. The Federation will of course ensure that they receive adequate business and thus are assured of definite income. However, in order to revitalise them a detailed scheme will have to be drawn up and necessary financial assistance will have to be given to them so that they will have necessary funds to conduct their operations efficiently.

In order to encourage cultivators to pool their cotton and bring it to the co-operative ginning and pressing factories themselves, it is proposed to give them a small rebate or pay them at a little higher rate. The co-operative ginning and pressing factories will be encouraged to increase their membership and take steps to ensure loyalty of their members.

Storage

It will not be difficult for the Federation to find storage facilities in the cotton growing areas as quite a number of marketing societies and other institutions have constructed a number of godowns. Besides, the Central and the State

Warehousing Corporations are also in a position to offer storage facilities for temporary periods. Since all the pressed bales will have to be brought to the consuming centres or transported to the terminal market in Bombay, it will be necessary for the Federation to make adequate arrangements for the storage of pressed cotton bales brought to Bombay either for delivery to cotton mills or for export outside Maharashtra. Storage facilities will also have to be found for the cotton which will be imported from outside countries and which will be required by mills in the State. For this purpose, it will be necessary to requisition a large number of cotton godowns situated at Sewri and Cotton Green.

Import of cotton from other countries

As already stated, valuable foreign exchange has to be spent on the import of medium and long staple cotton from USA, UAR, Sudan and other countries. The need for establishing research centres to evolve an improved strain of cotton so as to avoid dependence on imports, has already been emphasised. However, since imports will have to be continued for a few years more, it is suggested that import of long staple cotton from foreign countries should be made at a time which will not conflict with the marketing season of indigenous cotton. It is also suggested that quotas of imported cotton should be linked up with the consumption of indigenous cotton. This will encourage the grower to cultivate long staple cotton and thus help to reduce the dependence on imports. The Agriculture Department will be required to arrange for the procurement, storage and distribution of improved and high-yielding varieties of cotton seed, in particular, the long staple varieties. The Federation, however, will arrange for the proper grading storage and distribution of the seed. Since stocks of seeds would always be available with the Federation, the Agriculture Department should be required to purchase the requirements of seed from the Federation only. In order to maintain the purity of the lint cotton and prevent mixing up of cotton of different varieties, provisions of the Cotton Transport Act and other restrictions on the transport and import of cotton and cotton seed would have to be strictly enforced.

Disposal of Cotton Seed

As already pointed out, 80 lakh qtls. of raw cotton ginned will yield over 50 lakh qtls. of cotton seed. There are 60 cotton seed crushing units in India of which 23 are in Maharashtra. The crushing capacity of these 23 units is 4 lakh tonnes of cotton seed. Assuming that about one lakh tonnes would be required for seed purposes, four lakh tonnes of cotton seed should be available for being crushed which would keep all these crushing units busy.

Cotton seed contains 12 per cent. oil and hundred tonnes of cotton seed would yield about 36,000 lbs. of high quality cotton seed flour. Cotton seed flour contains 85 per cent protein and is, therefore, highly nutritious. At present, however, only two lakh tonnes of seed is available to the crushing units

and the balance of two lakh tonnes is directly fed to the cattle which is uneconomical. The Federation has already set up a cattle feed plant at Borvihir near Dhulia. There are also half a dozen more cattle feed plants and many more are likely to come up in view of the numerous dairy development schemes all over the State. The Federation itself therefore proposes to set up a cotton seed crushing factory so as to make the best use of the seed available with it.

Funds required for setting up the cotton seed crushing plant would be available from the National Co-operative Development Corporation and, therefore it will not be necessary for the Federation to approach Government for financial assistance. Necessary proposals along with the project scheme would be submitted to the National Co-operative Development Corporation, New Delhi, in due course.

FORMATION OF ZONES FOR SPINNING MILLS COMPRISING OF GINNING AND PRESSING SOCIETIES AND LINK WITH HAND-LOOM AND POWERLOOM SOCIETIES

In the State, there are 90 Ginning and Pressing Societies registered under the Co-operative Societies Act, having capacity to gin 12,55,000 bales and to press 13,33,000 bales of cotton (lint.) However, out of these, only 64 units having a capacity of 8,28,000 bales (ginning) and 10,00,000 bales (pressing) are at present working. (These requirements are on the basis of 20 working hours per day, for 125 days duration). About 19 Spinning mills have been registered under the Co-operative Societies Act, of which 11 mills have gone into production and the rest would be coming into production by March 1971. The total requirements of Cotton for all these 18 Spinning mills is approximately 81,122 bales of cotton. The Ginning and Pressing capacity created in each district (except in Kolhapur, Sholapur and Thana) and the availability of cotton in each district, are more than enough to meet the requirements of cotton for the Cooperative Spinning Mills in each district. Hence creation of zones for the Spinning mills is practical.

In addition to the Cooperative Spinning Mills, there are 13 Textile Mills which are being run by the Government. The requirement of cotton of these mills is estimated at 3.5 lac bales.

When all the 19 Cooperative Spinning Mills go into full production they would produce 13.6 million kg. of yarn of various counts. The yarn finds a ready market in the Cooperative Handlooms Industry and in the Cooperative Powerloom Industry which is steadily growing in strength. However, before the yarn can be used in the powerlooms, it has to be sized. Similarly, the powerloom weavers are likely to fetch a better price for their goods if they are sold after being processed (like printing, mercerising, anti-shrink, processing etc.). It is, therefore, necessary that the sizing and processing

plants are established in the Cooperative Sector at central places. One Sizing Machine feeds about 250 looms, and the project cost for a Sizing Plant is estimated at Rs. 4 lakhs.

Maharashtra has a large number (94570) of powerlooms. However, these are concentrated at certain centres and need to be spread out more evenly, so as to offer employment opportunities over a wide area and also to function as complementary units to the new Cooperative Spinning Mills. The future pattern of Textile Industry in Maharashtra would be dominated by the Cooperative Spinning Mills run on modern business lines with decentralised weaving in a large number of powerloom units serviced by central processing houses also run on cooperative principle. This of course requires much sustained efforts over many years of patient planning. The Kogekar Committee on Cotton Textile Industry of Maharashtra (1968) observed that one of the important factors contributing to the remarkable success of the Deccan Cooperative Spinning Mills at Ichalkaranji has been the success of linking between the mills and the consumers of the yarn who are either of hadloom or powerloom owners, the existence of a ready local demand for yarn and the production of fine and super-fine counts. It has therefore to be recognised that the existence of a thriving powerlooms sector in the Co-operative Spinning Mills is conducive to the efficient functioning of the mills, as the latter are assured of a regular off take of yarn in the locality itself. Some of the Cooperative Mills in Vidarbha complain that they had to sell the yarn at distant places like Malegaon in the absence of a powerloom centre nearby. Powerlooms are at present mainly concentrated at Bombay, Bhiwandi, Malegaon, Ichalkaranji, Sholapur, Dhulia and Sangli. It is, therefore, felt necessary to promote the establishment of cotton powerlooms in Vidarbha and Marathwada regions in the cooperative sector having regard to the establishment of a number of co-operative spinning mills in these regions. The Kogekar Committee observed as follows :—

“The Committee is of the view that only in integrated linking of the various operations from the purchase of yarn to the final sale of the cloth by the appropriate cooperative institutions can eliminate the exploitation of the powerloom weavers by financially powerful interests. It is also essential to set up sizing and processing houses on cooperative lines at important centres within the reach of the powerloom sites (on the lines of Yeshwant Cooperative Processors' Ltd., Ichalkaranji). We recommend that Central Processing Houses each with a capacity of a minimum of one lac metres should be established on co-operative basis at suitable centres where the growth of powerlooms in a surrounding area would lead to the utilisation of their full capacity.”

In addition to the powerlooms, there are 185000 handlooms in the State, out of which 85781 are in the cooperative fold. The concentration of these looms is in Sholapur and Nagpur districts followed by Kolhapur, Amravati, Parbhani, Ahmednagar and Nanded districts. There is a scheme for the conversion of handlooms into powerlooms and till now 1792 powerlooms have been installed in the cooperative sector under the scheme. A new improved and bold scheme for converting and installing another 5000 powerlooms during the Fourth Plan period is being implemented in a dynamic way. About 1/3rd of handlooms under the cooperative fold are at present stagnant. However, with suitable reliefs like rebate etc. these can be rejuvenated to some extent. The requirements of yarn by the handloom in the cooperative fold is at 10 million kgs. approximately, assuming 100 percent utilisation of the capacity. Similarly the requirements of 6392 powerlooms in the cooperative sector are approximately about 8 million kgs. The total demand for yarn from the co-operative sector would thus be 18 million kgs. The requirements of yarn by powerlooms are estimated to increase by another 6.24 million kgs. by the end of the fourth plan. The production from 19 Cooperative Spinning Mills would be of the order of 14 million kgs. and hence the Spinning Mills would be having a ready market in the decentralised textile sector viz. the cooperative handlooms and powerlooms.

To coordinate the working of the spinning mills with the handlooms and powerlooms; there seems to be an imperative need to create the post of a "Director of Handlooms and Textiles" who should also be *ex officio* Joint Registrar of Cooperative Societies on the lines of Madras pattern.

PROCUREMENT, PROCESSING AND MARKETING OF GROUNDNUT

The area under groundnut cultivation in Maharashtra is estimated to be roughly 28 lakh acres and total production of groundnut is about 6.4 lakh tonnes. The average yield per acre is only about 579 lbs. as against the all India average of 653 lbs. The highest yield per acre is in Tamilnadu which is 1021 lbs. per acre. The poor yield per acre of groundnut in Maharashtra is on account of lack of irrigation facilities. Unless more area is brought under irrigation, it would be difficult to increase the per-acre yield. Since production of groundnut depends on the vagaries of the monsoon, the quantum of annual production varies widely from year to year as would be seen from the following table:—

Groundnut production in Maharashtra.

Year	Total production (in lakh tons)
1955-56	7.18
1956-57	7.65
1957-58	6.67

Year	Total production (in lakh tons)
1958-59	6.79
1959-60	7.51
1960-61	8.00
1961-62	7.82
1962-63	8.07
1963-64	7.81
1964-65	8.05
1965-66	4.50
1966-67	4.70
1967-68	7.44
1968-69	6.94

The steep fall in the production of groundnut during 1965-66 and 1966-67 has been due to unfavourable climatic conditions. For want of subsequent rains the groundnut crop nearly failed and cultivators lost heavily. The average yield per acre also shows a downward trend as can be seen from the following table:—

Year	Average yield per acre (in lbs.)
1962-63	605.0
1963-64	623.2
1964-65	681.3
1965-66	387.4
1966-67	410.0
1967-68	579.0

Maharashtra will therefore have to make serious efforts in order to make up for lost ground. Since the crop depends on the vagaries of monsoon, farmers are reluctant to go in for groundnut cultivation. It will, therefore, be necessary to evolve a special type of seed which would withstand dry weather for long periods. It will also be necessary to evolve high-yielding varieties of seed so that without increasing the acreage, production can be increased. At present with so many demands over the available cultivable land, particularly of irrigated land, it will be difficult to induce the farmers to increase the area under cultivation of groundnut. The only solution, therefore, appears to be to evolve high-yielding varieties of seed which will withstand dry spells for considerable periods.

Processing of Groundnut

Groundnut is the most important oil-seed and accounts for nearly 80 per cent of the production of edible oil. There are 2010 oil mills with an installed capacity of 22.6 lakh tons of oil seeds. These include 22 solvent extraction plants with a

capacity of 4.5 tonnes of oil cake and 12 vanaspathi manufacturing units with a capacity of 1.9 tonnes. There are also 23 cotton seed crushing units with a crushing capacity of 4 lakh tonnes of cotton seed. Most of the oil mills are located in Bombay, Khandesh and Nagpur.

There are 96 co-operative oil mills and 2 co-operative solvent extraction plants. These units in the Co-operative sector have a crushing capacity of 3 lakh metric tonnes of groundnut. However, at present most of them are not working and hardly 20,000 tonnes of groundnut are crushed by the co-operative oil mills.

Assuming an extraction of 5 tons per expeller per day and that the oil mills will work for 300 days in the year, the crushing capacity of the co-operative oil mills works out at 3 lakh metric tonnes per year.

The total production of oil-seeds in the four divisions of Maharashtra is given below :—

Division	Total production of oil-seeds tonnes
Bombay-Khandesh	2,59,454
Poona	2,77,666
Aurangabad	2,52,637
Nagpur	1,20,827
Total	9,10,584

Although the total production is 9.10 lakh tonnes, only about 8 lakh tonnes can be assumed to be available to the mechanised units which would include 5 lakh tonnes of groundnut out of the local production of 6.94 lakh tonnes and 3 lakh tonnes would consist of seeds other than groundnut seeds, such as kardi, cotton-seed, til etc. and also imported seeds.

Since the crushing capacity of the oil mills in the co-operative sector is only of the order of 3 lakh tonnes for crushing, the balance of 5 lakh tonnes privately owned oil mills will have to be hired until such time as oil mills in the co-operative sector are able to crush the entire stocks.

Marketing of Groundnuts

The growers bring their groundnuts in pods and sell their produce to merchants and privately owned oil mills who in turn decorticate them and despatch the nuts to the oil mills for extraction of oil. Since the pods contain a good deal of moisture it would be necessary to dry before decorticating them. The farmers

are anxious to bring their produce to the market immediately it is harvested as they are in need of money to repay their advances obtained for cultivation expenses and also to purchase their other requirements. Also since adequate storage facilities are not available in the village, the farmers are unable to hold the stocks for sometime in anticipation of realising higher prices. They are, therefore, at a considerable disadvantage and the merchants and private oil mills take full advantage of their disabilities. Disproportionate cuts are imposed on account of moisture contents and existence of foreign material. Although the entire produce has to be sold within the precincts of the market yard, the Market Committees are unable to control the operations of private traders, in as much as once the produce is brought for sale to the market it has to be sold whatever the prices are. The traders by cornering supplies and creating artificial scarcity manipulate purchases and sales for their own benefit with scant regard for the interest either of cultivators or the consumers.

It is, therefore, necessary to evolve a scheme which would not only ensure remunerative prices to the producer but would also enable him to continue to own the produce until it is sold in the form in which it is consumed by the consumer. It is, therefore, necessary for the farmers to establish processing units themselves so as to free themselves from the clutches of middle man. The need of the hour is, therefore, linking of production and marketing with processing so that the farmers instead of selling groundnut in pods immediately it is harvested, will dry and arrange for its decortication if necessary and then deliver to the oil mills owned by them. Since there are only 96 co-operative oil mills, more oil mills will have to be set up in the co-operative sector. It will also be necessary to set up a number of solvent extraction plants and units for manufacturing vanaspati for which there is a great demand.

Price-Fluctuations

Since Maharashtra has to depend upon imports of groundnuts from other States, import has a considerable impact on the prices of groundnuts and groundnut oil. Since cultivation of groundnut in other States also depends on the vagaries of monsoon, it will be very difficult to control production and ensure steady supplies of oil-seeds. Prices of groundnuts and groundnut oil, therefore vary widely not only from season to season but also during the season. There is also a good deal of speculation and speculative activities on the part of private traders who have harmed the interests of the cultivators and also of the consumers.

Since edible oil is a very important item of daily requirement, variations in its prices will have considerable impact on the cost of living.

Scheme for Procurement, Processing and Marketing of Groundnut and Groundnut Oil

The objectives of the scheme are, firstly to enable the cultivators to secure remunerative prices for their produce and also to ensure that the consumer is not required to pay more than a reasonable price for his daily requirement of oil. It is envisaged that the consumer would obtain his requirement directly from wholesalers or distributors who would secure the supplies from the co-operative oil mills owned by the growers. Middlemen would be eliminated at all stages. At present small traders purchase from growers and sell groundnut to the bigger traders or the oil mills. The oil mills also do not undertake direct sales to the consumers but deliver their stock of oil to the wholesalers or other distributors who manipulate prices to their own advantage with scant regard to the interest of the consumers. Under this scheme, the grower will not only have controlling interest over the production and processing of his produce but will also play an important part in the distribution of supplies to the ultimate consumer. Also since the processing is being done by co-operative oil mills, there would be no adulteration and the consumer is assured of unadulterated supplies of high quality oil. Marketing and processing of groundnut through co-operative institutions would also result in the forging of the essential link between credit and marketing and would enable credit co-operatives to recover their dues of crop finance from the cultivators who would be compelled to deliver all their produce to the co-operative agency for processing and sale. Before making payment to the grower for the produce delivered by him, the co-operative marketing societies would deduct the dues outstanding from him on account of loans taken by him from his society. The amount so deducted would be passed on to the credit society which would thus be assisted in effecting prompt recoveries and would also ensure availability of additional funds for being advanced for crop finance. The quantum of credit now available to the cultivator is hopelessly inadequate and will have to be increased manifold in order to enable the farmers to pay for inputs such as fertilisers, seeds, insecticides etc. This would only be possible when the co-operative financing agency is assured that the advances made by it would be returned in time. The co-operative marketing society undertakes to deduct the dues of co-operative financing agency from the sale proceeds payable to the cultivator and thus the occasions for default on the part of the borrower are considerably reduced.

Marketing of Groundnuts

As explained above, at present groundnut is sold in the form of pods. Since the farmer is required to sell his produce immediately after harvest, the moisture content is also considerable. The presence of foreign materials also has to be taken into consideration before determining the selling price of the produce.

In order to eliminate these handicaps which prevent the cultivator from securing adequate price for his produce, the farmers should be encouraged to clean the produce and also dry it. Arrangements for decortication can also be made in the villages itself so that instead of bringing the groundnut in pods, the groundnuts would be shelled and groundnut seeds duly cleaned and dried would be brought to the oil mills.

However, since all the stocks will not be consumed immediately, only such of the stocks as are required for immediate crushing should be decorticated and the rest of the stocks should be maintained in shells so that they are not damaged or suffer in quality. If there are no storage facilities in the village itself, the groundnut which has not been decorticated will have to be brought to the market place or other places where there are storage facilities available.

Payment of price to the cultivator

Due to wide fluctuations in the prices of groundnut not only from year to year but also during the marketing season itself, the growers do not get remunerative prices for their groundnut. A number of private traders start buying groundnut immediately the crop rushes to the market and sell these stocks to private oil millers. Owners of oil mills themselves are large buyers of groundnuts in the markets. As if competition from them is not adequate, owners of Vanaspati plants also try to bid in the open market as a result of which there are wide fluctuations in the prices of groundnut. The supply of groundnut is also subject to vagaries of monsoon as well as policies adopted by different States in the country. As a result of these wide fluctuations in the prices of oilseeds, consumer of groundnut oil has to pay prices which are disproportionate to the prices of groundnut which is the basic raw material for groundnut oil. It is, therefore, absolutely necessary to take such steps as would reduce the fluctuations in prices of groundnut, enabling the grower to get remunerative prices throughout the year and at the same time ensure supply of groundnut oil to the consumer at reasonable prices throughout the year. This cannot be achieved unless the State takes over the entire trading in groundnut as well as other edible oils.

Fixation of procurement prices

The price to be paid to the grower of groundnut will have to be fixed by the State Government on the basis of the recommendations of the Agricultural Prices Committee recently constituted by the State Government for the purpose. While fixing the prices, however, care will have to be taken to see that the prices are remunerative enough to act as an incentive to the grower for increasing the acreage and the per acre yield with a view to reduce the shortage in the production of groundnut in the State. Deductions in the price will have to be made

on the following counts: (1) quality of groundnut, (2) content of moisture in the groundnut, (3) percentage of impurities in the groundnut delivered, (4) percentage of weevilled nuts, etc.

It would be necessary to fix the fair average quality of groundnut for each variety and permit deductions for departure from fair average quality as in the case of purchases of jowar and paddy.

The Maharashtra State Co-operative Marketing Federation will have to arrange for purchase of groundnut at all market yards through taluka co-operative purchase and sale unions as well as co-operative oil mills at prices fixed by the State. At all these places, the Marketing Federation will have to make arrangements for storing groundnuts thus purchased till it is sent to the co-operative or private oil mill for processing. It may also be necessary to make available open space for storing groundnut in the initial stages.

Purchases will be made by the Marketing Federation directly from the producers. For this purpose the Marketing Federation will appoint the Taluka Marketing Societies and the Co-operative oil Mills as its agents. The Marketing Federation will also make arrangements, for hiring godowns for storing shelled groundnut and open spaces for storing groundnut in shell.

Processing of Groundnut

As already explained, the services of all the 96 co-operative oil mills will be availed of. Since the capacity of oil mills in the co-operative sector is inadequate private oil mills will be hired by the Federation on annual basis. The entire groundnut growing tract will be divided into suitable zones and specific areas will be allotted to each oil mill from which to draw its supplies. Processing charges will be paid to the oil mills and they would be required to deliver the entire oil and oil-cake turned out by them. Pre-determined formula for recovery of oil and oil-cake will be prescribed and all oil mills whether co-operative or private will be required to deliver oil and oil-cake in accordance with this formula. The standard oil recovery percentage of bold and quality varieties are given below :

KHANDESH QUALITY BOLD

	percent	percent
1. G.N. Oil to nuts with shell. ..	32	30
2. G.N.Oil-cake to nuts with shell. ..	45	47

There might be slight variations according to the quality of groundnut and its moisture contents but the above formula will have to be strictly enforced as otherwise it will be difficult to ensure that the extraction of oil and out-turn of cake is correct.

Delivery of Finished Products

It is estimated that 30 per cent of oil and 45 per cent of oil-cake will be available for sale after providing for reasonable shortages in packing, handling storage etc. As noted above the total procurement of groundnut has been, estimated at 5 lac tonnes groundnuts which would yield 1.50 lac tonnes of oil and 2.25 lac tonnes of oil-cake respectively. So under this scheme Government will ensure the consumers atleast supply of 50 per cent of their total oil requirement.

The groundnut oil will be packed in barrels or tins and duly agmarked and would be delivered to Government exmill or will be despatched to distributing or consuming centres as directed by Government. The Federation will assume responsibility for purchase and processing of groundnuts and deliver the stocks ex-oil mill and Government will arrange for its distribution further to the consuming centres or Vanaspati manufacturers through co-operative agencies as far as possible.

Fixation of prices

While fixing the prices of oil, the following factors will have to be taken into consideration :—

1. Purchase price of groundnuts.
2. Incidental expenses like market cess.
3. Storage of raw materials.
4. Insurance and bank charges.
5. Shortages.
6. Crushing charges.
7. Packing charges.
8. Overhead expenses.

Credit will have to be taken for the realisation on account of sale of oil-cake in the open market. It may also be possible to export oil-cake if international prices are favourable and then earn valuable foreign exchange.

Imports

As already explained, Maharashtra is deficit in supplies of edible oils. As such considerable quantities of groundnut seeds and other edible oils are required to be imported from other States. As already stated the crushing capacity of oil mills in Maharashtra is considerably higher than is warranted by the requirements of oil for consumption in the State. As such, oil seeds are required to be imported from out-side and the oil extracted, exported to other States for sale. It has also been noted that in lean years the production of oil

in the country falls short of its requirements and as such import from other countries are required to be made to supplement the available stocks. Sunflower oil and Soyabean oil are imported in large quantities and supplied to the vanaspati manufacturers, with a view to reduce their dependence on local supplies of groundnut and other edible oil. Since selling prices of groundnut oil will have to be determined after due consideration of the cost of imported oil and also availability of supplies of vanaspati, it is suggested that all imports of Soyabean and Sunflower oil from other countries as well as groundnut oil from other States should be channelised through the Apex Marketing Federation. For this purpose, the Marketing Federation should be appointed as sole-agent for purchase of oil from producing centres in other States. Purchases will have to be made at prevailing rates since the State Government will have no power to fix prices. Similarly, the entire quantity of Soyabean oil and Sunflower oil meant for consumption in Maharashtra should be distributed through the agency of this Federation. This would enable the Federation to earn some profit and strengthen its Price Fluctuation Fund.

Creation of Price Fluctuation fund

The Marketing Federation will create and maintain a Price Fluctuation Fund for meeting losses likely to be incurred in this business. As already explained, excess amounts over base prices realised by the Federation and also part of profits earned on the procurement and distribution of groundnut oil imported from other States and also import of Soyabean and Sunflower oil from foreign countries will be credited to this Price Fluctuation Fund.

Financial Requirements

In order to enable the Federation to procure the entire surplus stock of groundnut and process it, the Federation would require funds to the extent of (Rs. 1,300X5 lakh=65 cr.) Rs. 65 crores. In addition to this for the import of Soyabean and Sunflower oils as well as raw materials from the other States the Federation would require additional (for 1.6 lakh tonnes of groundnut at Rs. 1,300 p. tonne, Rs. 20 crores and for 50,000 tonnes of imported oils at Rs. 3,000 p. tonne, Rs. 15 crores) Rs. 35 crores.

Total requirement of edible oils is 3 lakh tonnes. Of this quantity 1.50 lakh tonnes would be available under the procurement scheme, 50,000 tonnes would be available in the form of Vanaspati Kardi, oil, and other edible oils and another 50,000 tonnes will be processed from the imported oil seeds from other States. Balance of 50,000 tonnes will have to be imported from other countries and other surplus States. Thus the Federation will require funds to the tune of Rs. 100 crores for implementing this scheme which has been evolved with the sole object of achieving the social objectives of our government. Assuming that the turnover will be four times, the net requirement of working capital will be Rs. 25 crores, of which Rs. 15 crores, would be borrowed from the bank against

Government guarantee and the balance of Rs. 10 crores will have to be contributed by Government by way of long term loan free of interest to enable the Federation to provide necessary margin against its borrowings.

Procurement, Processing and Distribution of Pulses

The main pulses grown in Maharashtra are moong, toor, urid and chana. On an average, about 3.65 lakh tonnes of toor, 8 lakh tonnes of moong and urid and 1.25 lakh tonnes of gram are grown in Maharashtra. Maharashtra is surplus in so far as pulses are concerned except gram and toor to some extent. After meeting the total requirements of the State, considerable quantities are exported to neighbouring States as well as to foreign countries. Gujarat, West Bengal, Kerala and Tamil Nadu are the States which import considerable quantities of pulses from Maharashtra.

Pulses are ordinarily converted into dal before consumption. In the villages pulses are processed into dal on small improvised chakkies. However, now-a-days this village industry is practically dying and most of the whole pulses are brought to cities where power operated dal mills have been established.

The following table furnishes details of area under pulses, production in tonnes and average yield per acre in Maharashtra :—

Year	Area under cultivation (in thousand hectares)	Production (in lakh tonnes)	Average yield per acre (in lbs)
1955-56	2,457	9.32	338
1956-57	2,522	9.13	323
1957-58	2,464	8.67	314
1958-59	2,420	8.34	308
1959-60	2,459	7.70	279
1960-61	2,351	9.89	375
1961-62	2,427	8.55	314
1962-63	2,349	8.28	345
1963-64	2,381	8.51	324
1964-65	2,334	8.90	345
1965-66	2,115	6.72	287
1966-67	2,232	7.42	302
1967-68	2,386	8.22	320
1968-69	2,344	8.46	331

As against the all India average of 434 lbs. the yield per acre in Maharashtra is only 331 lbs. U.P. has the highest average of 641 lbs. per acre. Moong and Urid are grown alongwith other kharif crops and the area under cultivation

and also the quantum of production varies according to the vagaries of monsoon. Very few cultivators grow pulses as their main crops. Foodgrains and other commercial crops like cotton and groundnut, claim priority over pulses, when climatic conditions are favourable.

As regards the marketing of pulses, as already stated, whole pulses are brought to the market yard for sale. Merchants and dal mill owners purchase them and despatch them to the dal mills for conversion into dal or hoard them in anticipation of better prices. Since most of these stocks come in the market immediately after they are harvested, the variations in prices are wide and the merchants always reap the benefit of higher prices during the fag-end of the year when stocks with cultivators have been depleted.

In order to save the farmer from the exploitation to which he is at present subjected and also enable him to secure remunerative prices, it is necessary to develop co-operative marketing. In fact, a few years ago the Federation had undertaken purchase and processing of moong, urid and toor on a large scale under a special scheme sanctioned by Government. Under this scheme, purchases and sales were to be made at prevailing prices and according to the conditions of the market. Government had accepted responsibility for reimbursement of losses, if any, incurred by the Federation. The results of the working of this scheme during the first two years were quite encouraging. However, subsequently as a result of the removal of restrictions on the movement and prices of pulses and also because of good harvest, prices slumped heavily and the stocks held by the Federation had to be disposed of at considerable losses. Since the supply position has considerably eased and the prices have also come down, the working of the scheme which was discontinued has not been taken up again. Nevertheless, the valuable experience gained by the Federation, particularly, with regard to the marketing procedure and also the contacts established with the distributors in consuming centres will be of considerable assistance to the Federation in handling this business.

Accordingly, an integrated plan for procurement, processing and marketing of pulses mainly toor, moong, urid and chana has been prepared and described in the following paragraphs. Various other pulses which also are marketed will be brought within the purview of this scheme. The primary object of this scheme is to enable the grower to secure better and remunerative prices and also ensure adequate supplies at reasonable prices to the consumer at all times. Pulses are an essential item of daily requirement and if their prices are maintained at a steady level, it will help to reduce the cost of living of the common man.

As at present the grower will bring his produce to the market yard where it will be purchased by the local co-operative marketing society which would work as an agent of this Federation.

- Price

The price to be paid to the grower of pulses will have to be fixed by the State Government on the basis of the recommendations of the Agricultural Prices Committee recently constituted by the State Government for the purpose. While fixing the prices, however, care will have to be taken to see that the prices are remunerative enough to act as an incentive to the grower for increasing the acreage and the per acre yield.

As there are no co-operative dal mills at present, it will be necessary to set up dal mills of the required capacity at all important producing centres. It is envisaged that a dal mill will be set up in an area, if adequate supplies to keep it busy throughout the major part of the year are available. However, until such time as co-operative dal mills are established it will be necessary for the marketing societies to hire private dal mills. In case the local marketing societies are unable to arrange for the conversion of pulses into dals themselves, the Federation will arrange for the hiring of dal mills.

The dals produced will be stored at convenient places and will be despatched to consuming centres according to their requirements. All purchases and sales will be made in accordance with the decisions taken by Government and the Federation will function merely as an agent of Government for purposes of procurement, processing and distribution of pulses. Since Maharashtra is a surplus State considerable quantities will have to be exported outside the State. The Federation will open distribution centres at convenient places in other States so that there will be a network of cooperative agencies for distribution of dals outside the State.

Payment to the cultivator will be made under the supervision of the Market Committee, which will assume responsibility for deducting crop finance advanced by the co-operative society. The deductions made would be passed on to the co-operative societies concerned which will thus be enabled to reduce their overdues and also make available larger funds for being advanced as crop finance.

As regards financial implications of the scheme, on the assumption that the average rate of toor, urid, moong and chana would be about Rs. 1,200 per tonne, the total amount required to be invested in this business will be about Rs. 90 crores. All the pulses procured by the Federation will be stored either in Government Warehouses or in the warehouses constructed by co-operative societies. The handling charges and processing charges for converting pulses into dals would come to about Rs. 10 crores. Another Rs. 20 crores would be required for importing 2 lakh tonnes of chana dal from other States. Thus the total requirement of finance for implementing the scheme works out at Rs. 125 crores. However, assuming a turnover of four times of the working

capital, Rs. 30 crores will be required to be invested in this business. The out turn of dal and bye products available on processing of the pulses will be as under, on the assumption that about 7,50,000 tonnes would be procured under this scheme:

	Recovery rate	Tonnes
Dal	70 per cent.	5,30,000
Chuni, Chhala, Matra	28 per cent.	2,05,000
Wastage	2 per cent.	15,000
Total		7,50,000

The dals will be handed over to the Government or to the Consumer Co-operative Societies as per Government's instructions. Chuni, Chhalla, etc. will be supplied to the co-operative and Government run cattle feed factories and dairy societies.

Exports

Maharashtra State being an important producing State of moong, toor and urid is in a position to export its produce to other States and even to foreign countries. The Federation has adequate experience of export trade and has been exporting onion and other commodities during the last eight years. In the year 1962-63, the Federation exported 3,200 tonnes of pulses valued at Rs. 32 lakhs to different countries. As regards Chana and Chana dal which we do not produce in enough quantity, the Federation should be appointed sole agent for importing them from other States. This will eliminate the private trader and help build up the co-operative sector. Also it would be possible to earn some profit from the export of pulses as well as imports of Chana and Chana dal from other States which would go to strengthen the Price Fluctuation Fund which would be created from out of profits and contributions to be received from Government.

Finance and Other Assistance Required

The requirements of finance for implementing the above three schemes of procurement and processing of groundnuts, cotton and pulses are worked out and furnished below:—

(A) Requirements of finances for procurement, processing and marketing of Cotton,—

Rs. in Crores,

1. Amount required for purchase of 80 lakh quintals of raw 160·00 cotton at Rs. 220 per quintal.

	Rs. in Crores.
2. Handling and Processing charges on 17 lakhs pressed bales at Rs. 100 per bale.	17·00
3. Cost of 2·5 lakhs imported cotton bales at Rs. 1,200 per bale.	30·00
4. Handling and Storage charges of imported cotton	.. 1·00
	208·00

(B) Purchase and processing of groundnuts and marketing of oil and oilcake and processing of cotton seeds—

1. Amount required for purchase of 5 lakh metric tonnes at Rs. 1,300 per metric tonne.	65·00
2. Handling and processing charges at Rs. 220 per tonne	.. 12·50
3. Handling, Transport and processing charges of cotton seed (4 lakh tonnes) at Rs. 250 per tonne.	10·00
4. Amount required for import of groundnuts and groundnut oil from other States and purchase of imported Soyabean and Sunflower oil.	35·00
5. Handling charges	.. 5·50
	128·00

(C) Requirements of finance for implementing the scheme of purchase and processing of pulses—

1. Purchase price of 7·50 lakh tonnes of moong, urid, toor and chana at the average rate of Rs. 1,200 per tonne.	90·00
2. Handling and processing charges at Rs. 130 per tonne	.. 10·00
3. Amount required for import of 2 lakh tonnes of chana and chana dal from other States at Rs. 1,250 per tonne.	25·00
	125·00

Grand Total—Rs. 461·00 Crores.

As per details furnished above, the Federation would be required to raise resources to the extent of about Rs. 460 crores for working the entire scheme. However, this amount will not be required to be invested at all times

and we can expect a turnover of four times of the working capital during the year. As such, the amount of working capital which will be required to be invested for working the entire scheme of cotton, groundnut and pulses would be about Rs. 110 crores. The owned funds of the federation are of the order of Rs. 1.7 crores. However, this amount is fully utilised for providing margin for its normal business activities and also for working of the monopoly procurement scheme of jowar and paddy and will not be available for working the above scheme.

The primary marketing and processing societies and also the district marketing societies which would be functioning as agents of the Federation for implementing the scheme will be asked to contribute a portion of their owned funds towards the share capital of the Federation. The owned funds of the primary marketing and processing societies amount to Rs. 11 crores. However, their available resources are expected to be considerably less since a large portion of the owned funds has been invested in fixed assets and locked up in overdues. The amount of accumulated losses which will have to be written off is also considerable. As such, the Federation expects an additional contribution of only about Rs. 2 crores from the primary marketing and processing societies into the share capital of the Federation. However, this capital base would be inadequate and for raising the borrowing capacity of the Federation, Government will have to assist the Federation by providing necessary share capital and also additional amounts by way of interest-free deposits to enable the Federation to furnish the necessary margin to the Bank for its borrowings. In order to enable the Federation to borrow Rs. 110 crores as stated above, it will be necessary to have a share capital base of Rs. 11 crores. As already stated, including the expected collection of share capital from the affiliated societies, the capital base of the Federation would be about Rs. 4 crores; the balance of Rs. 7 crores will, therefore, have to be provided by the Government by way of contribution to the share capital of the Federation.

Margin Money

The Bank ordinarily insists on a margin of 40 per cent to be maintained in respect of the amounts borrowed from it by way of hypothecation credit. However, considering that the Federation would be functioning merely as an agent of the State Government for implementing the policies evolved by it, and will have no financial stake in any of the transactions, the directives contained in the Reserve Bank's Circular to the Scheduled Banks should not be made applicable to the borrowings of this Federation. All purchases and sales would be made in accordance with the policies fixed by Government and Federation would only get reimbursement of expenses incurred by it plus a nominal commission to meet its overhead expenses. If the Bank credit is

made available on these considerations the Federation would be required to provide margin to the extent of only 10 per cent of its total borrowings. Otherwise in order to borrow Rs. 110 crores, an amount of Rs. 44 crores will have to be found as margin money. The share capital of the Federation would be of the order of Rs. 11 crores and as such the balance of Rs. 33 crores will have to be made available by Government by way of interest-free deposits as suggested above.

OTHER ASSISTANCE REQUIRED

Relaxation of restrictive orders on Bank advances by the Reserve Bank

It has to be noted that the Reserve Bank has at present prescribed a margin of 60 per cent to be maintained by borrowers for their borrowings from banks for purchase of cotton. Till now, the banks insisted on a margin of 40 per cent. However, it was noticed that the prices of cotton, groundnut and other commercial crops have been steadily increasing mainly on account of speculative activities on the part of private traders. Accordingly, in order to discourage private traders from purchasing and hoarding stocks of these commodities which are in short supply, the Reserve Bank in exercise of the powers vested in it, has issued directives to all the scheduled banks to insist on a margin of 60 per cent in respect of their advances against security of cotton. The scheme for purchases, processing and marketing of cotton, groundnuts and pulses described in the foregoing paragraphs envisages the regulation and control of trading in these commodities so as to bring about stability of prices, assurance of a remunerative price to the grower and fair prices for the consumer. There would be no speculation and no exploitation of the producer or the consumer by middle-men.

Government Guarantee for Bank loans to be obtained by the Federation

It is likely that the Bank may not agree to finance the operations of the Federation without Government Guarantee. Government will, therefore, have to provide guarantee to the Bank to the extent of about Rs. 100 crores.

Remittance facilities

The Federation will have to open a very large number of centres in the producing districts for purchase of cotton, groundnut and pulses. Large funds will have to be remitted from Bombay to purchasing centres in order to enable the sub-agents to make timely payments to the growers. It has been the general experience that remittance of funds from Bombay to the centres involves not only considerable delay but also payment of considerable remittance charges. In order to avoid delay and also effect savings in remittance

charges, it is suggested that arrangements may be made for providing overdraft facilities to the Federation at all the branches of the State Bank of India and the District Central Co-operative Banks as may be convenient to the Federation.

Personnel and Training

As regards administrative assistance required by the Federation, it may be noted that since the Federation has to undertake opening and management of a large number of purchase centres, it will have to employ a large staff. Before entrusting responsible duties to the members of the staff, it has to be ensured that they are adequately trained for the jobs which they have to execute. The Federation may not be able to secure the services of adequately qualified persons on the scales of remuneration which it can afford to pay. The State Government and also the Co-operative Banks will have to depute some of their officers to work with the Federation.

Extension of Training Facilities

As regard training of the staff, it is clear that the existing arrangements available at the various training institutions are not adequate. It would, therefore, be necessary to make special arrangements for training of the employees of the Federation. Since the Federation has to assume very high responsibilities, it will be necessary for it to secure the services of technical persons who are experts in their line. It may be difficult for the Federation to hire the services of such experts without the help of the Government.



AMELIORATING THE CONDITIONS OF THE WEAKER SECTIONS OF THE COMMUNITY

LABOUR CONTRACT/FOREST LABOURERS AND OTHER INDUSTRIAL CO-OPERATIVE SOCIETIES

The Co-operative Movement in Maharashtra has been in existence for the last 70 years or more but so far its attention has mostly been concentrated on the agricultural sector. It is only in comparatively recent years that the Movement has begun to uplift the economic conditions of the weaker sections of the society.

It is not yet quite fully appreciated that the weaker sections of the society form a very sizeable proportion of the population of the State. Taking the State as a whole 24 % of the population consists of landless labourers and in certain specific areas of the State the percentage of landless labourers is as high as 55 to 60%. Besides landless labourers, there are also others, such as members of Scheduled Tribes, Scheduled Castes and other backward classes who constitute the weaker sections of the community (even though some of them are marginal land-holders). The State has, therefore, very definite obligations towards helping this section of the under-privileged population attain its economic development. Some attempts to achieve the economic emancipation of this class have no doubt been made but these attempts have been only marginal or half-hearted. Though landless labourers form a very important part of the weaker sections of the community, so far comparatively little has been done by the State to promote their economic interests. There are several schemes for the benefit of land-holders in existence but schemes for the benefit of the landless persons as such are conspicuous more by their absence. They certainly deserve considerably more sympathy from the State than has been shown so far. It is, therefore, high time that the State pays greater attention to this section of the population and undertakes concrete schemes for their benefit on an extensive scale.

As we may shortly see, there is a great deal that has to be done by the State to achieve the objective of a socialistic pattern of society through Co-operation and it must, therefore, leap forward whole-heartedly to achieve this goal.

A great deal can be done to help them through the medium of Co-operative activities. Labour Contract Societies, Forest Labourers Societies and Industrial Co-operatives relating to cottage industries and other traditional industries are three available forms of Co-operation through which it is possible to help these under-privileged classes.

A. Labour Contract Societies :

As manual labourers in the building and construction industry are generally illiterate and ignorant, they are liable to be exploited by unscrupulous contractors. Organising them into labour contract societies is calculated to raise their status and to improve their economic condition generally. Labour Contract Societies are, therefore, organised with a view to ensure that :—

(i) Labourers are assured of adequate return for their labour and they are not exploited ;

(ii) The profits which otherwise would have been earned by the Contractors are made available to the labourers as bonus and other benefits ;

(iii) In the long run the work-awarding agencies also benefit through reduced costs of work and observance of satisfactory standard of work and the promotion of honest dealings.

The Planning Commission has, therefore, laid considerable emphasis on the promotion of Labour Contract Societies for gradually replacing the existing system in the execution of public works. It has recommended that Labour Co-operatives should be given special concessions in respect of award of works at scheduled rates and in respect of earnest money, security, etc., Government of India, therefore, have appointed a National Advisory Board, which reviews the working of Labour Contract Societies from time to time and makes recommendations for their improvement.

Though Labour Contract Societies in Maharashtra have made considerable progress, it cannot be said that the movement is an un-qualified success and that all its aims have been achieved. The number of societies and their membership has almost doubled between 1962-63 and 1968-69 and the share capital has increased three-folds. At the same time there is a very heavy incidence of failures in the working of these societies and only 33 per cent. of the existing societies are working successfully. (See Appendix I).

As at the end of 30th June 1969 out of 1,044 societies existing in the State, 279 were dormant. Of the societies that were working 402 made a loss and 363 made a profit. The total membership of all societies was 46,955 and the value of works executed by them was Rs. 3.55 crores,

(which means that on an average every member got work valued at Rs. 755 only during a year).

At present Labour Contract Societies are registered like other societies with a minimum share capital of Rs. 500.

The area of operation is generally co-terminus with that of Revenue Taluka or a part thereof having regard to availability of adequate work. There is a provision for admitting sympathiser members upto 1/10th of the total membership as it was thought necessary to provide necessary leadership.

Labour Contract Societies cannot raise adequate loans for working capital from Central Financing Agencies unless it has adequate share capital. At present a share capital contribution to the extent of Rs. 3,000 is given by Government to primary labour contract societies.

On account of their slender resources labour co-operatives find it difficult to meet managerial expenses in initial stages. In fact this is the main reason for their inability to engage efficient managerial staff. At present Rs. 1,200 are sanctioned towards managerial subsidy and Rs. 1,200 as technical guidance subsidy to each society only once. Every year about 50 societies are being granted management subsidy and technical guidance subsidy involving a total expenditure of Rs. 1,20,000.

At present Rs. 1,000 are sanctioned by way of subsidy for the purchase of tools and equipments and Rs. 1,000 by way of loan for the same purpose. Important concessions given to these societies are given in Appendix II.

Defects and Problems

As Labour Contract Societies consist mostly of the weaker sections of the community, they encounter several difficulties in the matter of securing contracts and in their speedy execution. Government have already granted several concessions from time to time as recommended by the National Advisory Board for Labour Contract and Construction Co-operatives. But inspite of the existing instructions the societies are not always being awarded the works reserved for them. The Government policies are not being implemented properly at the lower levels of the work-awarding agencies. The major difficulties noticed in the working of Labour Contract Societies are :—

(1) The attitude of work awarding agencies towards these societies is unsympathetic and there is not enough co-ordination between the two e.g.—

- (a) in giving preference to Labour Co-operatives in awarding work ;
- (b) non-payment or delayed payment of running bills ;

- (c) the scheduled rates are not revised from time to time ; and
 - (d) imposition of heavy penalty for minor lapses by labour contract societies.
- (2) Concessions granted by Government from time to time in respect of reservation etc. are not being implemented properly at lower levels.
 - (3) Lack of technical guidance to these societies for securing, supervising and executing works.
 - (4) Absence of an independent machinery to decide the disputes between the work awarding agencies and the labour contract societies.
 - (5) Weak financial position of the labour contract societies.
 - (6) Lack of effective supervision over the work awarding agencies in respect of award of works.
 - (7) Lack of sympathy of the Central Co-operative Banks and general neglect in meeting the financial requirements of these societies.

So far the discretion of work-awarding agencies has always been in favour of private contractors generally and they are not only unsympathetic but even hostile to labour contract societies. The labour contract societies are therefore handicapped in achieving their objectives and attaining financial stability. The Railways and the Central Ministry of Works are two of the biggest employers in the country and they have given very negligible patronage to these societies. All this calls for a radical change in the attitude of the work-awarding agencies.

New Proposals

It is likely that some of the existing working societies are bogus societies as they are dominated by contractors. Such societies only serve to exploit labour and should, therefore, be cancelled.

A large number of the existing dormant and moribund societies will have either to be liquidated or cancelled and new ones organised in their place. Such of them as are capable of being revived may also be revived by taking suitable measures. The entire labour contract societies movement will have to be completely re-oriented in the light of the suggestions made here.

Under the new pattern of labour contract societies proposed here it will be made the direct responsibility of Government and semi-Government work awarding agencies themselves to implement their development programme. As the labour contract societies consist of the weaker sections of the community, Government must take upon itself full responsibility of seeing that these societies are given full patronage and are provided with opportunities to grow. It should, therefore, be an accepted objective of all work-awarding agencies

to ensure that all work which these societies are capable of executing is given to them alone. All the works involving unskilled labour should compulsorily be reserved for execution by the labour contract societies on an obligatory basis and without any limit as to its value. Even when a work consists of skilled and unskilled portions, it should be awarded to labour contract society : the unskilled portion wholly and the skilled portion to such extent that the labour contract society is found capable of executing. As there will be separate labour contract societies of skilled workers and as even an average labour contract society will consist of some members who are skilled workers it will be possible for them to execute the work.

These societies will be organised primarily for the benefit of landless labourers and other weaker sections of the community. They have also to be organised on a fairly large scale so as to be effective. An average district can easily have atleast 20 societies to begin with and every society will have a minimum membership of 100. In a district with a population of say 10 lakhs the number of landless labourers would be around 2 lakhs. It should be the ultimate objective of these societies to provide employment to as many of these landless labourers as possible.

The area of operation of a society should be flexible having regards to employment potential and availability of work. The membership of the society should comprise of manual, skilled and semi-skilled labourers totalling atleast 100. The value of each share which is kept at Rs. 10 may be recovered by an initial subscription of Re. 1 and the balance in suitable monthly instalments to be deducted from wages subsequently.

To be a viable unit, a labour contract society needs a share capital of Rs. 5,000 to start with. However, as the society is of the weaker sections of the community, it is difficult to collect this amount initially and a liberal concession has to be made in this respect. This hurdle can be got over if the Central Financing Agency agrees to finance the society, as then it should be possible for it to start with a share capital of Rs. 500 and gradually to build it up from deductions from the wages of each member, until every member owns shares worth Rs. 100 and till the society's share capital reaches the required norm. The requirement of paid up share capital of a society would be anything from Rs. 5,000 to Rs. 50,000 depending upon its membership and the quantity and value of work it ordinarily undertakes to execute. With an average membership of 100, every society should thus be able to build up adequate share capital.

In admitting people to membership, preference has to be given to landless labourers, small holders, harijans and scheduled tribes and landless labourers should ordinarily form 80 per cent. of the total membership of the society.

A society should have freedom to take up work outside its area of operation, if there is no society in that area, or a work is such that cannot be executed by the local society alone. It should be possible for any society to work anywhere within the district or even outside, with the concurrence of the Federation to which it is affiliated.

All Labour Contract Societies in the district will have to be suitably strengthened and given assistance as proposed here. They will also be compulsorily affiliated to the district federation which will also be strengthened by appointing staff to manage it as proposed here and Government would be undertaking full responsibility for providing work to labour contract societies.

From a survey of total work arising in an average district, it seems there is new work on an average of the value of Rupees one crore per year and repairs and maintenance work to the extent of Rs. 50 lakhs. Thus the total work that arises in a district is more than adequate, according to the standards of the Buildings and Communications Department to sustain an Executive Engineer and his staff.

To begin with a few suitable districts will be selected for development of labour contract societies and district federations existing therein as well as the labour contract societies will be revitalised and strengthened. Every society shall be a member of the local District Federation of Labour Contract Societies and one such Federation shall be set up in each district. It is, therefore, necessary to revitalise and strengthen the District Federations of Labour Contract Societies. All work awarded to Labour Contract Societies by the work awarding agencies should be awarded through the District Federation which will exercise close and proper supervision over the working of each society. The relations between a District Federation and a primary society will be closely guided by the District Federation which itself will be made an administratively strong and technically competent body. Every one of these federations will be given the services of 1 Executive Engineer assisted by 3 Overseers and 1 Accountant, 1 Senior Clerk and 2 Junior Clerks and 2 Peons at Government cost for a period of five years on a trial basis.

Similarly, services of 1 Superintending Engineer with 3 Overseers, 1 Head Clerk, 2 Senior Clerks, 4 Junior Clerks, 1 Tracer, and 2 Peons should be placed at the disposal of the Commissioner for Co-operation and Registrar of Co-operative Societies at Government cost for a period of 5 years in the first instance. The Superintending Engineer will exercise general control and watch over the allotment of work and its proper execution.

Each Executive Engineer may also be provided with 1 Jeep along with 1 Station Wagon for the Superintending Engineer. The probable expenditure for 10 districts to start with would be as under :

		Rs.
Establishment of Ten Executive Engineers with staff.	}	5,50,000
Establishment of Superintending Engineer with staff.		60,000
Provision for D.A. and T.A. on the above staff.		Recurring ... 50,000
Salaries of Drivers ...		40,000
Contingencies ...		1,20,000
10 Jeeps and a Station Wagon ...	Non-Recurring ... 2,80,000	
Total ...		10,00,000

This will provide work worth about 10-15 crores of rupees in the ten districts selected for development and will provide employment to more than 20,000 labourers in the State initially. Looking to the number of persons belonging to weaker sections that would be provided employment, the appointment of this staff at Government cost will be more than justified. If this scheme of technical staff at Government cost proves beneficial, proposals for its expansion to other districts would be made in due course.

This staff will ensure that not only the work awarded to Labour Contract Societies is carried out satisfactorily and in time and upto the required standards, but it will also ensure that adequate work is allotted to all Labour Contract Societies and the policy decision made in this respect by the Government is carried out fully and in the right spirit by the work awarding agencies as well as the Labour Contract Societies.

As this staff will be given free of cost by Government and this will result in quite adequate business for all Labour Contract Societies they will automatically become viable. The present managerial subsidy could therefore be dispensed with in those districts. Suitable arrangements for resolving disputes between Labour Contract Societies and work-awarding agencies expeditiously will also be evolved.

At present there are only eight district federations of labour contract societies viz: at Amravati, Aurangabad, Chandrapur, Nagpur, Nasik, Sholapur, Thana and Wardha. Most of these federations, with the notable exception of Sholapur, are not doing particularly well. The appointment of the proposed staff will bring up their work to the required standards. It will

also be necessary to organise similar federations in the remaining districts in the State and a proper liaison maintained with the work awarding agency so as to secure adequate work. In the new setup the work awarding agencies will deal with the district federation only, which in turn will distribute the work to its affiliated primary labour contract societies.

There are also other improvements that will need to be made in the working of the labour contract societies and these may be listed as follows :—

(1) Under the garb of sympathiser members contractors have in some cases entered the existing labour contract societies and are exploiting them for their own ends. The present provision of sympathiser members in the labour contract societies to the extent of 10% of the total membership will have to be done away with. It would no longer be necessary to have sympathiser members at all in these societies.

(2) In any district where the number of skilled workers is sufficiently large, specialised societies of skilled labourers will have to be formed and affiliated to the district federation, e.g. there can be labour contract societies of carpenters or masons or of brick-workers and a number of similar special trades in the building and construction industry. These special societies could lend their members for doing the relevant skilled portions of works undertaken by the other labour contract societies. This will result in keeping down the cost of skilled labour and will enable these societies to undertake without hitch work involving skilled work. Thus the scope of the work of these societies will be greatly enlarged by this co-ordination between skilled and unskilled labour under the guidance of the district federation.

(3) At present Government gives a share capital contribution to labour contract societies upto Rs. 3,000. This limit may be raised to Rs. 5,000 for all primary labour contract societies and in deserving cases it should be possible to raise this limit to Rs. 10,000. The portions of loans to be granted to these societies for the purchase of tools and equipments by Government may be raised to Rs. 4,000 per society.

(4) Central Financing Agencies must come forward whole-heartedly to assist the labour contract societies. In the Punjab, Central Financing Agencies provide temporary accommodation to labour contract societies upto 75% of the value of works executed on the basis of certificates issued by work awarding agencies on the express condition that the cheques given by the work awarding agencies are cashed only through them. They have also provided clean cash credit accommodation to these societies to the extent of their paid up share capital. Central Financing Agencies in Maharashtra should take similar steps to provide finance to these societies.

Since district federations are proposed to be managed by Executive Engineers, it will facilitate recovery of Government and bank loans given to these societies. There should be no hesitation on the part of financing agencies in making loans, as the recovery would be linked with encashment of bills.

(5) In case the Central Co-operative Banks are slow in providing loans for working capital, Government should come forward and help these societies by advancing such loans. This is being done in Kerala, where loans are given by Government to Central Co-operative Banks upto 20% of the cost of the works to be executed by societies, subject to an overall limit of Rs. 5,000 per society. The advances are re-couped from the running bills, sanctioned in such a way that at no time does the loan outstanding exceed 20% of the value of works remaining unfinished.

In Orissa, Labour Contract Co-operatives undertaking works from the P. W. D. are entitled to receive advance upto 20% of the tender value of the contracts taken up by them. This system could be adopted in our State also.

(6) As Labour Co-operatives consist of weaker sections, the contribution of the members to the share capital is very nominal. Government may, therefore, advance loans to deserving individual members to enable them to purchase shares. The recovery of this loan can be effected in equated annual instalments spread over five years.

(7) The present special financial assistance from Government to which Vimukta Jatis are entitled may also be extended to labour contract societies of scheduled castes and scheduled tribes.

(8) In view of the proposals made here all the concessions and Government assistance will be pooled and made available to the primary societies through the district federations or on its recommendations. Where, however, the District Federation is not established or is not strong enough, these concessions may, as a temporary measure, continue to be given to individual labour contract societies. This will ensure a considerable amount of flexibility and the best possible utilisation of the Government assistance.

The following proposals are therefore placed for consideration :—

A: Labour Contract Societies :

1. Steps should be taken to liquidate dormant societies and working societies having contractors as members.
2. Labour Contract Societies may be registered with an initial capital of Rs. 500 and with a minimum membership of 100. Preference should be

given to landless labourers, small holders, harijans and scheduled tribes. Landless labourers should ordinarily form 80 per cent. of the total membership.

3. The maximum membership should not go beyond 500. The present practice of enrolling sympathiser members upto 1/10th of membership should be done away with immediately.

4. As far as possible, separate labour contract societies should be organised of skilled workers tradewise separately, viz. : carpenters, masons, brick workers, etc.

5. The area of operation of the society should be kept flexible according to the mobility of labour and availability of work.

6. District Federation of Labour Contract Societies should be organised in each district and all primary labour contract societies should be affiliated to the Federation.

7. All works should be awarded to the district federation which in turn should allot the same to the primaries according to their capacity.

8. Services of 10 Executive Engineers with staff at Government cost should be kept at the disposal of the selected district federations.

9. One Superintending Engineer with necessary staff should be attached at Government cost to the office of the Commissioner for Co-operative and Registrar of Co-operative Societies.

10. Each Executive Engineer should be provided one Jeep and a station wagon be placed at the disposal of Superintending Engineer at Government cost.

11. Primary Labour Contract Societies should be given Rs. 5,000 as Government share capital contribution and in deserving cases, this limit should be enhanced to Rs. 10,000. This should be irrespective of own share capital raised by the society.

12. The loan provision for the purchase of tools and equipment should be raised from Rs. 1,000 to Rs. 4,000.

13. The members of the labour contract societies should be granted individual loans for the purchase of shares and recovery of such loan should be effected in equated annual instalments spread over 5 years.

14. The present concessions sanctioned for Vimukta Jatis should be made available to labour contract societies of Scheduled Castes and Scheduled Tribes.

15. The work awarding agencies should advance 20 per cent. of the tender value of the contract to the labour contract society at the time of work award.

16. Unskilled works without any limit and skilled works according to their capacity should be reserved for labour contract societies for execution without inviting tenders.

17. Contracts of works reserved for labour cooperative should be given to them on negotiated rates based on schedules brought up-to-date.

18. Payment of bills should be made every fortnight on completion of each stage of work upto specified limit in order to ensure prompt payment.

19. Costly machines and equipments should be provided to labour co-operatives by the work awarding agencies either on contract or on nominal rent.

20. Suitable arrangements for expeditious settlement of disputes between the work awarding agencies and labour contract societies in connection with execution of works, settlement of bills etc. should be evolved.

21. The programme of development of labour cooperatives should be accepted as an important programme by all Government Work Awarding Agencies. Semi-Government institutions, Corporations, Maharashtra State Electricity Board, Maharashtra State Transport Corporation, Maharashtra Housing Board, Maharashtra Industrial Development Corporation, Municipalities, Zilla Parishads etc. should as a rule give work only to labour contract cooperatives.

B. Forest Labourers' Societies

There is a great deal in common between Labour Contract Societies and Forest Labourers' Societies. These societies were organised primarily to replace the forest contractors and thus to do away with the possibility of their exploiting forest labourers who are generally very backward and illiterate and consist mostly of Scheduled Tribes (Adiwasis). Beginning with only 10 societies, a membership of 480 and share capital of Rs. 8,000 in 1947 the Movement has been progressing well and today there are 457 societies with a total membership of about 49,000 and a share capital exceeding Rs. 17,34,000.

Considering the illiteracy and backwardness of the forest labourers, voluntary social service organisations were initially called upon to play an important role in this movement by acting as sponsoring agencies for these societies and social workers belonging to these organisations were permitted to work as office bearers of the societies.

As Forest Labourers' Societies consist of the weaker sections of the society and mostly consist of Scheduled Tribes and Other Backward Classes, special assistance is made available to these societies according to the following pattern :—

- (1) Rs. 3,000 as Government Share Capital Contribution,
- (2) Rs. 1,200 per annum as Management Subsidy for a period of 2 years.
- (3) Rs. 1,500 per annum as a Subsidy for Welfare Activities for a period of 3 years.

Forest Labourers' Co-operative Societies constituted in scheduled areas or those whose membership consists of at least 75 per cent. of scheduled tribes are considered eligible for the grant of this assistance.

With the expansion of the Co-operative Movement and increase in the forest labourers' co-operative societies, the district co-ordination committees were formed which were later replaced by district federation of forest labourers' cooperative societies to guide, supervise and sponsor forest labourers' societies. The District Federation received Management Subsidy at Rs. 3,500 per annum for 2 years.

As a further progressive step, a State Federation of Forest Labourers' Cooperative Societies was formed in 1966 in order to attend to the needs of the forest labourers' societies in marketing, processing of forest produce, starting of forest based industries and to guide the entire forest labourers' co-operative societies movement in a planned manner. Government gave share capital contribution and assistance to this Apex Federation for meeting the full cost of a Conservator of Forests to act as Forestry Adviser and District Deputy Registrar to act as Chief Executive Officer. Provision has also been made for one Social Welfare Officer. An expenditure of Rs. 52,857 has been incurred on staff and Government share capital contribution of Rs. 1,60,000 has been made since 1968-69.

All the above assistance to Primary Societies, District Federations and Apex Federation ultimately comes from the funds of the Government of India.

Likewise, the Government have also constituted a State Level Committee called 'State Council' for Forest Cooperatives with a view to guide the movement. The State Minister for Co-operation and Social Welfare is the Chairman and Deputy Minister for Forests is the Vice-Chairman of the State Council for Forest Cooperatives. The State Council consists of 11 non-official and 9 official members.

The forest co-operative movement has completed 23 years. In spite of this, the actual labourers or the Adiwasis have hardly made a beginning in controlling their own co-operative societies.

Considering the experience of the past, several deficiencies in the movement will have to be removed forthwith:—

(1) The movement is mostly controlled by workers of the Social Service Organisations or other sympathiser members. It is high time now to see that the labourers and Adiwasis control their own movement and shoulder full responsibilities.

(2) Even at their best, forest labourers' cooperative societies can provide work to their members only for 2 or 3 months in a year, as the work of exploitation of forest is of a seasonal nature.

(3) In the State of Maharashtra, Forests cover an area of 67,000 square kilo meters and it is about 22 per cent of its total area. According to the system of exploitation adopted by the Forest Department every felling series offers at least one coupe every year in rotation.

Statistics show that a substantial number of felling series are still available for the formation of the forest labourers' co-operative societies. It should be the objective of the Government to cover up the available felling series by the Forest Labourers' Co-operative Societies by the end of Fourth Five-Year Plan.

(4) While the forest labourers' co-operative societies consist of members who are very backward and illiterate, these societies are entrusted with exploitation of forest produce worth several crores of rupees and this is done without obtaining surety or recovering any price for the material in advance. The latter is realised only when the accounts of the coupes are finalised at the end of the working season. Government has, therefore, a high financial stake in the forest labourers' co-operative societies movement and the revenue of Government will depend on the high efficiency of the societies and effective control on the expenditure incurred by the societies. As the expenditure of the societies is at present wholly controlled by the office-bearers, it is necessary to prevent unfructuous or wasteful expenditure. This will increase the profits of the societies and assure a fair return to the labourers by way of bonus over and above their daily wages.

From the foregoing, it would be evident that a new and radical approach is necessary to see that objectives of this movement are fulfilled with no loss of time. For this purpose the following proposals are made :—

(1) *Membership of Societies.*—The membership of forest labourers' co-operative societies should be restricted to forest labourers from Scheduled

Tribes, Scheduled Castes, Other Backward Classes and landless labourers from the area of operation. It is necessary that the present sympathisers and representatives of the Social Service Organisations who are the members of the Forest Labourers' Co-operative Societies withdraw from this Movement and make room for the Adiwasis who can shoulder these responsibilities. These social workers can easily find considerably more fruitful areas in the field of Education, Public Health and other Sector where they can do a great deal for promoting the welfare of the Adiwasis.

At the time of registration of forest labourers' co-operative societies, the number of members should be 50 or above, so that the coupe could be worked efficiently and as far as possible by members alone. For the continuance of the membership, it would be incumbent on the members to do manual work for at least 1/3rd of the total number of working days in a year.

(2) *Strengthening of Federations.*—For the switch over of responsibilities to Adiwasi Forest Labourers to be smooth and to safe-guard Government's financial interests, it is necessary to strengthen the District Federations which are supervisory bodies by providing services of responsible officers of the rank of Divisional Forest Officers as Managing Directors. The financial burden on this account should be wholly borne by the Government. Along with the Divisional Forest Officer, necessary suitable supporting staff of (i) Head Clerk, (ii) Clerk-cum-typist, (iii) one peon should also be given at the cost of Government. The Divisional Forest Officer should also be provided with a Jeep for effective control over the societies. All this would cost Rs. 58,100 (Recurrent Rs. 31,100 and non-recurrent Rs. 27,000)

There are at present 13 Federations the jurisdictions of which are coterminus with revenue districts. Intensity of forests differs from district to district and revenue district, therefore does not form a proper unit for constituting a district federation. As the responsibility of guiding the societies is going to shift to Government agency, it would be necessary to constitute more federations from the point of view of the intensity of forests, turn-over of the societies and communication. So there should be a federation for 20 to 30 societies which it will be able to control effectively. With this end in view present thirteen federations will need to be reorganised and about ten more federations would need to be formed. The total expenditure that will have to be incurred on this account will be Rs. 13,36,300 (Rs. 7,15,300 Recurrent and Rs. 6,21,000 non-recurrent).

(3) *Providing full time work to the societies.*—In order that the forest labourers get work all the year round, it is necessary that the forest

labourers' cooperative societies are entrusted with all the forest works like the collection of all the Minor Forest Produce and of items like 'Tendu Leaves' as well as all plantation work, nursery work, fire protection work, etc. They should also be given the work of construction of roads, buildings, etc., in the forest areas, when not engaged in forest work. To achieve this objective, the forest labourers' co-operative societies which cannot get enough work for the whole year by working forest coupes should be considered a labour contract society and provided with the work of roads, buildings, etc., in forest areas, and no new labour contract society should be formed in the area, unless the existing forest labourers' society is unable to cope up with the volume of work. To increase efficiency and greater turnover of work, it would be necessary to train the forest labourers in the use of basic logging tools and also provide them with such tools.

(4) *Phased expansion of Forest Labourers' Co-operative Societies.*—At present there are 1,506 felling series in the State, of which the Forest Department works 243 felling series and 492 felling series have been allotted to co-operative societies of forest labourers. There are at least 291 felling series which could be economically exploited by co-operative societies of forest labourers if they are formed. If these are allotted to co-operative societies it should be possible to have 119 economically available societies to do this work. It is, therefore, intended to cover up the available vacant Felling Series during the Fourth Five-Year Plan period. However, steps will have to be taken in advance to recruit and train up available adiwasi talent to prevent other elements entering the Movement. In spite of the policy of the Government to encourage forest labourers' co-operative societies during the year 1966-67, 236 coupes were exploited by the Forest Department itself and 1,147 by contractors as against 669 by societies. Thus, there is a great scope for organising more societies and all coupes should in future be given to the societies and none should be given to the contractors as a definite policy of the State.

(5) *Pooling of profits of societies.*—Profits which accrue to societies mainly depend on the type of coupes that they get for working which is a nature's gift. It is, therefore, necessary that these profits are ultimately utilised for the benefit of all the forest labourers' working in the State. For this purpose, it would be necessary to pool the profits of all the Forest Labourers' Co-operative Societies in the State and then re-distribute them equitably to all the societies.

It would also be worthwhile to pool the 2 per cent of the Forest Revenue now paid to Zilla Parishads at State Level and distribute it equitably for the development works in Adiwasi areas through Forest Labourers' Co-operative Societies. This will help to achieve greater welfare

of forest labourers. It would be necessary to frame suitable rules for the utilisation of welfare funds in the interest of the members of these societies.

(6) *Handling of Cash.*—The forest produce that is extracted from coupes is Government material but the proceeds from the sales are handled by the office-bearers of the societies. To prevent possible mis-utilisation, payment of auction sale amounts should be made by purchasers by crossed drafts and deposited in the Central Financing agency in the societies' account.

(7) *Surprise Checking Squad.*—The produce handled by societies is very valuable and it is necessary to have a surprise checking of accounts stores, registers and records etc. so as to check any mis-management or fraud. A surprise checking squad should consist of (i) Co-operative Officer, (ii) Forest Officer, and (iii) Senior Audit Officer; which can pay surprise visits to societies. This will help to detect and prevent mal-practices in time.

(8) *Appointment of staff of Federation and Societies.* In order to ensure that there is no discrimination or favouritism in making appointments to posts and to ensure that suitable adiwasi candidates get opportunities to serve as Secretaries, Accountants etc. it is necessary to have selection committees at district level and to see that only the candidates selected by such committees are appointed by societies and federations to various posts.

(9) *Training of Auditors.*—In forest labourers' co-operative societies movement, the Auditors play a very important role. For the audit of these societies to be more meaningful, it is necessary that these auditors are given special training to give them an insight into the working of coupes etc.

(10) *Periodic Evaluation.*—The forest labourers' co-operative movement is essentially meant for the uplift of Adiwasis who are illiterate and backward. It is, therefore, essential to watch whether the movement is going ahead on proper lines and for the benefit of the Adiwasis. Periodic Evaluation of the movement should, therefore, be carried out by an independent agency like the Social Welfare Department.

(11) *Staff for the Co-operative Department at District Level.*—At present the existing staff at the district level is burdened with multifarious and heavy duties with the result that the work of supervision and inspection of forest labourers' co-operative societies often gets neglected. To overcome this situation, it is necessary to provide one Co-operative Officer at the District Level in the 13 Districts where District Federations of forest labourers' societies exist. It would be the whole time job of these

officers to look after the work of the supervision and inspection of forest labourers' co-operative societies.

(12) *Marketing and Processing of Forest Produce.*—The activities of the forest labourers' cooperative societies at present are limited to only felling, extraction and sale of Forest Produce. Participation of forest labourers' co-operative societies in processing of the material is practically negligible. However, to encourage processing units to come up in interior areas it would be necessary to pick up talent from the Adiwasis and train them in various crafts like, saw-milling and other allied industries, so that this field is captured by the forest labourers' co-operative societies. It should be the ultimate aim that the processing of forest produce and marketing should be done by the co-operative organisation or by the State itself or by both jointly.

Following proposals are, therefore made for consideration :—

(1) No Society in future should be registered unless there are 50 members to start with. The membership of the forest labourers' co-operative societies should be restricted to forest labourers from the Scheduled Tribes, Scheduled Castes, Other Backward Classes and landless labourers residing within the area of operation.

(2) The existing District Federations will need to be reorganised into a suitable number of federations, depending upon intensity of forests, turn over and communications. Each Federation will be strengthened by providing a Managing Director of the rank of Divisional Forest Officer and allied staff. The expenditure for the staff and vehicles provided to them will be borne by Government.

(3) To ensure that forest labourers' co-operative societies get work all the year round, they should be given collection of Minor Forest Produce and nationalised items like Tendu Leaves and also the work of plantations, nursery work, construction of roads and buildings etc. As forest work lasts only for a brief period, they should also work as labour contract societies when not engaged in forest work. Priority in allotting labour contract work should be given to forest labourers' co-operative societies. Labourers should be given training in the use of improved logging tools.

(4) Measures should be taken to pool the profits of all the societies in the State and to distribute them amongst all of them on an equitable basis.

Two percent of the forest revenue now paid to Zilla Parishads should be pooled at State Level and distributed on equitable basis for the development works in Adiwasi areas through forest labourers' co-operative societies.

Suitable rules for the utilisation of welfare funds may be framed in the interest of the members of the Forest Labourers' Co-operative Societies.

(5) The performance of the forest labourers' co-operative societies should be evaluated by Social Welfare Department periodically.

(6) To enable the District Deputy Registrar of Co-operative Societies to supervise the working of forest labourers' co-operative societies effectively, the post of Co-operative Officer (forest labourers' co-operative societies) should be created in each of the 13 districts where there is a District Federation of forest labourers' co-operative societies.

(7) Greater attention should be paid to marketing and processing of Forest Produce and as far as possible, this should be done by the State itself or through the Co-operative Organisations or by both jointly on a progressive basis.

(C) Industrial Co-operative Societies (other than Weavers, Labour Contract Societies and Forest Labourers Cooperative Societies)

The membership of industrial Co-operative societies also consists of weaker sections of the community. Their main object is to see that the artisans and workers engaged in handicrafts and cottage industries control the production and marketing of their products with a view to sharing the profits of their work and earn better wages and ultimately lead a better life. The idea is to free the artisans from exploitation by master craftsmen and financiers, and to preserve and encourage the traditional art and skill of handicraftsmen engaged in village industries such as flaying and tanning, pottery, handicrafts etc.

Apart from the Handloom and Powerloom societies, labour contract societies and forest labourers' societies (which have been separately dealt with in other chapters) there are 1889 other industrial co-operative societies registered as on 30th June 1969 in the State. Out of these 867, i.e. 45 per cent. of the total number are dormant. So far as hereditary industries are concerned, the members of many of these societies have either migrated to cities or have taken up other occupations as a means of their livelihood.

Most of these societies have been very small uneconomic units and in the absence of advantages accruing from large scale production, they have found it extremely difficult to survive the competition of bigger mechanised industrial units. Their production costs tend to be on the higher side and the quality of their products has not been uniformly satisfactory. These societies have also been facing difficulties in securing and stocking raw materials required by them. The Co-operative Banks have been rather unsympathetic in meeting their credit requirements for the purchase

of raw materials and for the marketing of their products. The main difficulty faced by these societies have been, however, in the matter of marketing their products. There is no agency or arrangement made for the marketing of the products of these societies with the result that their stocks accumulate very often and further production comes to a standstill. This inevitably leads many of these societies to a state of stagnation.

Suggestions for revitalisation and strengthening these societies

As already stated above, it has been noticed that many of these societies are very small uneconomic units which should not have been registered at all. It would be, therefore, necessary to adopt a policy of registering only such societies as will prove economically viable and will not experience difficulties in the matter of procurement of raw materials. The Working Group appointed by the Reserve Bank of India on industrial cooperatives has also endorsed this view and has recommended that only economically viable and technically sound societies should be organised in future and the existing uneconomic units should be liquidated. It is, therefore, proposed to liquidate all such uneconomic units which have absolutely no chance of survival or revitalisation and to register in future only societies which will stand this scrutiny of economic and technical viability.

These societies have been finding various difficulties in the matter of securing and stocking raw materials in sufficient quantities for want of financial accommodation from the Banks. Similarly until their products are marketed, the societies have to continue their production activity and are in need of sufficient finance for this purpose. The present unsympathetic attitude of the cooperative banks has, therefore, aggravated these problems. In the proposals for the reorganisation of the cooperative credit structure, it is proposed that the District Industrial Bank should be entrusted with the work of providing finance for non-agricultural purposes only. It would, therefore, be possible for these industrial banks to pay more attention to the industrial societies in future and to ensure that all their credit requirements are met fully. It has also been observed that these societies are at present being financed through various sources like the Cooperative Department, Industries Department, Khadi and Village Industries Board, Zilla Parishads and the Cooperative Banks. In order to avoid the possibility of overlapping of finance, it would be advisable to route the finance to these societies through one agency only. It is, therefore, proposed that as far as possible all assistance by way of credit should be given to the industrial societies through the agency of the District Cooperative Banks only.

As regards the facilities to be made available for the marketing of the products of these societies, it is proposed that the consumers societies and

their federation should undertake the responsibility of not only supplying the raw material requirements but also to undertake the marketing of their products. The federation and the net-work of the consumer society will provide a ready channel for the distribution and marketing of the products of these societies and this channel must be fully utilised for this purpose.

District Industrial Co-operative Associations

The District Industrial Cooperative Associations were organised with a view to look after the requirements of primary industrial co-operatives, and to supply them with necessary raw material and to provide necessary marketing facilities for their products. This was a middle link of the three tier structure. In all 24 District Industrial Co-operative Associations were registered. There were no District Industrial Co-operative Associations in Greater Bombay and Buldana Districts. Out of 24 District Industrial Co-operative Associations, 6 have already been taken into liquidation and five are stagnant. Barring one or two, the remaining 13 are not working satisfactorily. Since there is no adequate scope of business, the working of these societies cannot be brought on profitable basis. These District Associations could never inspire confidence of affiliated societies. Most of them confined their activities to the sale of handloom cloth only and did very little to promote the marketing of products of other various types of societies. Further many of the items of the business which these Associations were expected to handle, have already been taken up by the Maharashtra State Small Industries Development Corporation. In the proposed reorganisation Plan, the work of supply of raw material and of providing marketing facilities to the primary industrial cooperative societies, is being entrusted to the consumers societies federation. The necessity of continuing those District Associations no longer exists.

It is, therefore, proposed that the District Industrial Co-operative Associations which have failed to function properly and shown no response to the efforts for their revitalisation should be liquidated.

State Industrial Co-operative Association

To look after the requirements of Industrial Cooperatives and to supply them with necessary raw materials and to provide necessary marketing facilities, for their finished goods an Apex Cooperative Society called the State Industrial Cooperative Association was organised in 1946. This Society met the same fate as most of the Industrial Cooperative Societies which it was intended to serve and was liquidated in June 1967.

For a while the Association did well as the mainstay of its business was the distribution of controlled yarn. As soon as yarn was de-controlled this Association began to incur heavy losses and all efforts to save it proved infructuous.

Apart from its financial failure the State Industrial Co-operative Association could never inspire any confidence in the affiliated societies as its own affairs were grossly mis-managed.

Today the Industrial Cooperative Societies in general are in such poor condition that they cannot support an apex body. Further many of the items of business which such a body might have undertaken are already taken up by the Maharashtra State Industrial Development Corporation (supply of scarce and controlled raw materials to small scale units and marketing their products).

Further other trade-wise apex institutions such as the Regional Weavers Federation and the Co-operative Industrial Estates Federation have also taken away some of the potential business which an apex industrial association might have handled. Thus there is no scope for having an apex society of industrial cooperatives in the immediate or near future.

It is therefore proposed that so far as securing supplies of raw materials, (imported or indigenous) and affording marketing facilities to the products of industrial co-operative is concerned, these objects could for the time being, very well be fulfilled by the Maharashtra Rajya Wholesale Consumers Federations Ltd., Bombay and industrial Societies needing its services could get affiliated to it with advantage.

The following proposals are, therefore, placed for consideration :—

(1) Uneconomic and non-viable industrial societies should not be registered in future.

(2) Societies which are uneconomic and have no chance of revitalisation should be taken into liquidation.

(3) Assistance to these societies by way of loans should be channeled through one agency namely, the District Industrial Cooperative Bank and not through the various agencies as is being done at present.

(4) The District Industrial Cooperative Banks should meet all the credit requirements of such societies.

(5) The supply of raw material and the marketing of products of these societies, should be undertaken by the consumers' societies and their federation.

(6) The District Industrial Cooperative Associations, which have failed to function properly and shown no response to the efforts for their revitalisation should be liquidated.

(7) No State Industrial Cooperative Association should be registered as Apex Institution of Industrial Cooperatives.

(8) The Maharashtra Rajya Wholesale Consumers Societies Federation Limited, Bombay should cater to the needs of Industrial Cooperatives in respect of supply of raw materials (imported and indigenous) and should also afford marketing facilities to them.

APPENDIX I

Statistical information for the last 7 years in respect of labour contract societies in Maharashtra

(Rs. in thousands)

Serial No.	Year	No. of L.C.S.	Member-ship	Share Capital	No. of L.C.S., in profit	Amount of profit	No. of L.C.S., in loss	Amount of loss	No. of Dormant Societies.	Value of work executed
1	1962-63	587	24,948	984	232	441	232	189	123	N.A.
2	1963-64	676	29,394	1,269	265	1,387	251	550	160	N.A.
3	1964-65	795	37,692	1,723	297	757	299	382	199	N.A.
4	1965-66	901	41,348	2,375	378	588	315	408	228	24,112
5	1966-67	965	44,997	2,931	365	891	392	709	228	29,131
6	1967-68	1,019	46,493	3,397	367	1,031	385	547	314	31,457
7	1968-69	1,044	46,955	3,633	363	1,106	402	619	279	35,500

APPENDIX II

Important Concessions at present given to Labour Contract Societies

1. Work costing upto Rs. 20,000 should be allotted to Labour Contract Societies without calling for tenders.
2. Technical guidance should be rendered free of charge.
3. Exemption from payment of Security Deposit at 50 per cent. in case works which do not involve use of Government material.
4. If a tender submitted by Labour Contract Societies is within 5 per cent. of the lowest acceptable tender, the preference should be given to labour Contract Societies in case of works above Rs. 20,000 and upto Rs. 1 lakh.
5. Fortnightly or part payment to Labour Contract Societies for disputed work also allowed.
6. Electrical and machanical works less than Rs. 5,000 should be allotted to Labour Contract Societies at estimated rates without calling tenders.
7. Labour Contract Societies should not be insisted upon to produce solvency certificate.

Chapter 10

SCHEME FOR CONVERSION OF HANDLOOMS INTO POWERLOOMS

The Textile Enquiry Committee (1954) as well as the Powerloom Enquiry Committee (1964) in their reports had recommended conversion of handlooms into powerlooms in the cooperative sector with the objective of maintaining employment in a short run and securing the best possible efficiency in the long run. The Textile Enquiry Committee in its report had made following observations for relieving the distress of handloom weavers and had observed as follows :—

“ After a very careful consideration the Committee has come to what, in its opinion, is irresistible conclusion, viz., that at a base at which there will not be a too drastic resistance to the economic and socialistic fabric, the Handloom Industry has to be made technically more efficient by converting the handloom either into semi-automatic loom and/or into a powerloom as power becomes available more generally in the areas where the Handloom Industry is widely prevalent.”

In view of the above, Government of India had sanctioned installation of 35,000 powerlooms in the country during the Second Five-Year Plan in the handloom sector and was confined to the co-operative sector of the handloom industry. Under this scheme 1,772 looms were installed in Maharashtra.

During the Third Five-Year Plan period Government of India sanctioned 7,300 powerlooms for the State under the conversion scheme out of which 5,000 powerlooms were to be installed in the co-operative sector. A scheme for installation of powerlooms in Marathwada area has been taken up by the Marathwada Development Corporation by establishment of powerloom cooperatives. There is a balance of 2,800 powerlooms now available to be installed under the scheme. It is proposed to instal these in the Vidarbha and Western Maharashtra. It is proposed that 1,400 powerlooms may be installed in Vidarbha and balance in Western Maharashtra area in those locations where there is a concentration of handloom. The powerlooms will be allotted in a unit of 48 powerlooms for one society. Only existing handloom weavers in the locality would be allowed to join the same. Others having no experience of weaving will not be allowed to get the benefit of the scheme. Thus the weaving part will be decentralised. As regards pre-weaving and post-weaving facilities it is proposed to instal sizing plants and processing units which will be run by the Federation of these societies. The surplus capacity available with the Government run mills for sizing

and processing will be utilised to the full before establishing new units for these purposes. The financial and operational details are discussed in the following paragraphs :

Weaving

As stated above, the weaving will be done by the powerloom societies which will be established in units of 48 powerlooms each. It is proposed that a common shed for installation of powerlooms will be constructed but no housing accommodation would be provided to the weavers and they will continue to live in their own houses. The capital cost per loom will be Rs. 8,166 which will include the cost of powerloom, accessories, electrification, shed, etc. The total capital cost at this rate, therefore, comes to Rs. 2,28,64,800. The societies will provide 25 per cent. of this amount viz. Rs. 57,16,200 by way of share capital and the balance of Rs. 1,71,48,600 will be obtained as medium term loan from financial institutions. Each member will contribute in the society a sum of Rs. 25 per loom towards share capital and the balance will be made available to him for purchase of shares by Government in the form of loan. Thus, Government will have to provide Rs. 56,46,200 as loan to the members. As regards working capital the requirement of the same per loom is Rs. 3,000. The society will have to provide Rs. 300 per loom as margin money and the balance of Rs. 2,700 will be made available from the financial institutions. For the 2,800 looms, the total margin money required by the societies will be Rs. 8,40,000 and the total Government funds involved will, therefore, be as under :—

	Total Rs.	Government Rs.	Financing Agencies Rs.
(1) Capital cost ...	2,28,64,800	57,16,200	1,71,48,600
(2) Working capital at Rs. 3,000.	84,00,000	8,40,000	75,60,000
			C. F. A.s (R. B. I. Scheme.)
	3,12,64,800	65,56,200	2,47,08,000

Pre-weaving facilities :

As already stated powerlooms should be established in the areas consisting of Vidarbha and Western Maharashtra and suitable pre-weaving facilities will be required to be established at suitable places. Taking into account the capacity available for pre-weaving facilities in the private and co-operative sector it is proposed to establish 5 sizing plants out of which three will be in Vidarbha and two in the western Maharashtra. The cost per sizing plant will be as follows :—

			Rupees in lakhs
(a) Machinery	...	...	13.00
(b) Civil Works	...	...	4.50
(c) Pre-operational Expenses	...	...	2.50

Thus the total cost per unit will be Rs. 20 lakhs and the cost for 5 units will be Rs. 1 crore. Out of this amount Government's share will be 25 per cent. for (a) and (b) and 100 per cent. for (c) i.e. total Rs. 34.375 lakhs and the balance will be obtained as medium term loan from the financial institutions. As regards the requirement of the working capital it comes to Rs. 33 lakhs both for pre-weaving and post-weaving out of which Rs. 13.20 lakhs will be provided by Government as margin money and balance will be obtained from the financial institutions. The requirement of funds, therefore, is as follows :—

(Rupees in lakhs)			
	Total	Government	Borrowings
1. Machinery	65.00	16.25	48.75
2. Civil Work	22.50	5.625	16.875
3. Start up expenses	12.50	12.50	—
4. Working capital	33.00	13.20	19.80
	133.00	47.575	85.425

Post-weaving process

To cater to the need for processing of woven cloth it is proposed to establish two processing plants one in Vidarbha and one in Western Maharashtra. The requirement of funds for the same is as follows :—

(Rupees in lakhs)			
	Total cost	Government	Borrowings
1. Machinery (two units)— Processing unit at 167.23.	334.46	83.615	250.845
2. Civil works with land etc. at 29.26.	58.52	14.63	43.890
3. Start up expenses at 20.00.	40.00	40.00	—
4. Working capital	Shown under pre-weaving.		
	432.98	138.245	294.735

Marketing and technical guidance

For providing technical guidance to the powerloom societies established under the scheme as well as for running the sizing plants and processing plants as also to assist the societies in marketing of their cloth we may establish Federation of these powerloom societies for Vidarbha and Western Maharashtra. It may, however, be convenient initially to take advantage of the existing Vidarbha Weavers' Central Cooperative Society and Western Maharashtra Weavers' Central Cooperative Association which are catering to the needs of handloom weavers in Vidarbha and Western Maharashtra. This could be achieved by suitable modification to their bye-laws so that

they can enroll powerloom societies as their members and undertake activities required in the scheme. The working capital required for marketing of the product of powerlooms established would be nearly Rs. 300 lakhs and the margin money required for raising this large amount will be Rs. 30.00 lakhs. The balance amount of Rs. 270 lakhs could be raised through financial institutions.

Summary

In short, the scheme envisages the following :—

(a) Installation of 2,800 new powerlooms in the cooperative sector in the Conversion Scheme out of which half of them will be in Vidarbha and the balance in Western Maharashtra.

(b) Providing sizing facilities for the power-looms by establishing 5 sizing units.

(c) To provide post-weaving facilities by establishing two large units.

(d) To arrange for marketing and technical guidance through the two Apex Federations.

The financial implications and the sources of finance are as follows :—

		(Rupees in lakhs)		
		Total cost	Government	Borrowings
1.	Weaving—			
	(a) Capital cost	228.63	57.16	171.49
	(b) Working capital.. .. .	84.00	8.40	75.60
2.	Pre-weaving—			
	(a) Machinery	65.00	16.25	48.75
	(b) Civil works etc.	22.50	5.625	16.875
	(c) Start up expenses	12.50	12.50	.....
	(d) Working capital.. .. .	33.00	13.20	19.80
3.	Post-weaving—			
	(a) Machinery	334.46	83.615	250.845
	(b) Civil works etc.	58.52	14.63	43.890
	(c) Start up expenses	40.00	40.00	.....
	(d) Working capital	Shown under pre-weaving.		
4.	Marketing—			
	(a) Working capital	300.00	30.00	270.00
		1178.63	281.38	897.25

Out of total plan provision of Rs. 138 lakhs for development of powerloom industry a sum of about Rs. 126 lakhs would be available for the above scheme. An additional provision of Rs. 156 lakhs approximately will therefore be required to complete the project.

BOMBAY

Serial No.	District	Place	Handlooms	Existing Units and number of powerlooms
1	2	3	4	5
1	Thana	.. Bhivandi ..	2411	2 25, 15 ..
2	Nasik	.. Sinnar ...	351	3 (17), 24, 16 ..
3	Do.	.. Yeola ..	....	5 (15, 15, 15.) 15, 15
4	Do.	.. Chandwad ..	107	1 15 ..
5	Dhulia	.. Dhulia ..	2116	.....
6	Do.	.. Shahada ..	407	1 24 ..
7	Do.	.. Nashirabad ..	848	3 10, 15, (15),
8	Do.	.. Savada ..	624	.....
9	Do.	.. Faizpur ..	672	.....
10	Do.	.. Dharangaon ..	91	5 (15), 31, 34, 24, 25
11	Jalgaon	.. Erandol ..	329	2 49, 24 ..
12	Do.	.. Chopda ..	303	1 24 ..
13	Do.	.. Parola ..	962	2 15, 15 ..
14	Do.	.. Varangaon ..	89	1 16 ..
				Grand Total

Note.— (a) In Column 5, the first number shows the number of societies to which powerlooms are allotted and the number in bracket shows the number of looms allotted to respective societies.

(b) Where the number of looms previously allotted is in bracket, it means new

DIVISION

Total	To be allotted		Grand total of Power Looms	Spinning Mills and distance
	Units	Number		
6	7	8	9	10
40	2	56	96	
57	2	56	113	
75	2	66	141	
15	....	....	15	
<u>147</u>		<u>122</u>	<u>269</u>	
....	3	144	144	
24	1	24	48	
<u>24</u>		<u>168</u>	<u>192</u>	
40	2	71	111	The Jalgaon Co-operative Spinning Mills, Jalgaon— 12 Km. from Jalgaon. 16 Km. from Bhusaval.
....	1	48	48	16 Km. from Bhusaval.
....	1	48	48	22 Km. from Bhusaval.
129	4	78	207	Maharashtra Co-operative Spinning Mills, Limited Bhusaval.—32 Km. from Jalgaon.
73	1	24	97	32 Km. from Jalgaon.
24	1	24	48	66 Km. from Jalgaon.
30	1	33	63	50 Km. from Jalgaon.
16	1	32	48	13 Km. from Bhusaval.
<u>312</u>		<u>358</u>	<u>670</u>	
523		704	1,227	

looms have been allotted under the old conversion scheme. The figures following, show
looms are not proposed to be allotted to that society now.

POONA

Serial No.	District	Place	Handlooms	Existing Units and number of powerlooms
1	2	3	4	5
1	Ahmednagar	Ahmednagar	2,216	....
2	Ahmednagar	Sangamner	685	4 ; (10, 24, 15), 15
3	Poona	Poona	1,150	....
4	Poona	Manchar	69	1 ; 15
5	Poona	Bhor	....	1 ; 24
6	Sholapur	Sholapur	20,205	8 ; (12, 16) 15, 15 15, 15, 15, 15
7	Sholapur	Karkamb	330	1 ; 15
8	Sholapur	Karajagi	61	1 ; 20
9	Sholapur	Maindargi	2,345	3 ; 10, 21, 15
10	Sholapur	Sangola	243	1 ; 10
11	Sholapur	Walsang	1,143	1 ; 15
12	Sangli	Madhavnagar	....	1 ; 30
13	Sangli	Atapadi	108	1 ; 31
14	Sangli	Miraj	....	1 ; 24
15	Sangli	K. Mahankal	....	1 ; 15
16	Sangli	Kundal	262	1 ; 15
17	Sangli	Tasgaon	....	1 ; 15
18	Sangli	Vita	521	1 ; 24
19	Sangli	Kasegaon	....	1 ; 10
20	Kolhapur	Ichalkaranji	6,790	1 ; 49
21	Kolhapur	Kodoli	112	1 ; 15
22	Kolhapur	Yalgud	62	1 ; 16
23	Kolhapur	Rendal	967	2 ; 15, 15
24	Satara	Karad	196	1 ; 21
25	Satara	Atit	64	1 ; 24
26	Satara	Phaltan	133	1 ; 15
				Grand Total

DIVISION

Total	To be allotted		Grand Total of Power- looms	Spinning Mill and distance
	Units	Number		
6	7	8	9	10
..	2	96	96	Shrirampur Taluka Sahakari Soot Girni Ltd' Shrirampur. -68 Km. from the Soot Girni.
..	1	33	97	51 Km. From Soot Girni.
64	..	129	193	
..	1	48	48	
15	1	33	48	
24	1	24	48	
39		105	144	
118	6	198	316	
15	1	33	48	
20	1	28	48	
46	..	..	46	
10	..	..	10	
15	..	..	15	
224		259	483	
30	1	18	48	Bharat Co-operative Spinning Mill, Madhav- nagar.
31	1	17	48	111 Km. from Spinning Mill.
24	1	24	48	18 Km. from Spinning Mill.
15	..	..	15	55 Km from Bharat Co-operative Spinning Mills.
15	..	..	15	50 Km. Do.
15	..	..	15	20 Km. Do.
24	..	..	24	50 Km. Do.
10	..	..	10	61 Km. Do.
164		59	223	
49	1	47	96	Kolhapur Zilla Shetkari Vinkari Sahakari Soot Girni Ltd., Ichalkaranji.
15	1	25	40	43 Km. from Do.
10	1	24	40	54 Km. from Do.
30	..	..	30	56 Km. from Do.
110		96	206	
21	..	27	48	
24	..	24	48	
15	..	..	15	
60	..	51	111	
661		699	1,360	

NAGPUR

Serial No.	District	Place	Handlooms	Existing Units and number of Powerlooms
1	2	3	4	5
1	Nagpur ..	Nagpur ..	10,746	....
2	Nagpur ..	Kamtee ..	....	5 ; 10, 25 (25), 15
3	Nagpur ..	Umred ..	1,797	3 ; 15, 15, (15) ..
4	Nagpur ..	Bhivapur ..	567	....
5	Nagpur ..	Narkhed ..	130	1 ; 15 ..
6	Nagpur ..	Dhapewada ..	410	....
7	Nagpur ..	Patansawangi ..	317	....
8	Nagpur ..	Khapa ..	1,542	1 ; 20 :
9	Nagpur ..	Jalalkheda ..	159	1 ; 15 ..
				11 Units.
10	Wardha ..	Hinganghat ..	321	1 ; 24
11	Wardha ..	Seloo ..	140	1 ; 10 ..
				2 Units
12	Amravati ..	Achalpur ..	2,451	2 ; 20, 18 ..
13	Amravati ..	Anjangaon ..	1,004	2 ; 20, 15 ..
				4 Units.
14	Bhandara ..	Bhandara ..	410	....
15	Bhandara ..	Panni ..	727	1 ; 15 ..
				1 Unit

DIVISION

Total	To be allotted		Grand total of Power- looms	Spinning Mill and distance
	Units	Number		
6	7	8	9	10
..	8	384	384	
90	4	79	169	16 Km. from Nagpur.
45	2	66	111	45 Km. from Nagpur.
..	1	48	48	60 Km. from Nagpur.
15	1	33	48	80 Km. from Nagpur.
..	1	48	48	80 Km. from Nagpur.
..	1	48	48	25 Km. from Nagpur.
20	1	28	48	32 Km. from Nagpur.
15	..	..	15	80 Km. from Nagpur.
185		734	919	
24	1	24	48	Yeotmal Zilla Sahakari Soot Girni, Pusad.
10	1	38	48	Vasant Co-operative Spinning Mills, Pandhar- kawada.
34		62	96	
38	2	58	96	50 Km. from Amraoti Growers Coop. Spg. Mills Ltd., Amraoti.
35	2	61	96	80 Km. from Amraoti Growers Coop. Spg. Mills Ltd., Amraoti.
73		119	192	
..	1	48	48	
15	1	33	48	
15	2	81	96	

NAGPUR

Serial No.	District	Place	Handlooms	Existing units and number of Powerlooms
1	2	3	4	5
16	Chandrapur	Chandrapur	1,051	....
17	Chandrapur	Nagbhir	....	1; 15
18	Chandrapur	Armori	529	....
19	Chandrapur	Navargaon	2,351	....
		Shindewadi..	2,441	....
				2 Units ..
20	Akola	Washim	600	1; 49
21	Akola	Balapur	762	....
				1 Unit
22	Buldhana	Deulgaon Raja	471	2; 30, 20
23	Buldhana	Nandura	116	1; 10
24	Buldhana	Malkapur	144	1; 10
				4 Units ..
				Grand Total ..

DIVISION—contd.

Total	To be allotted		Grand total of Power- looms	Spinning Mill and distance
	Units	Number		
6	7	8	9	10
..	2	96	96	
15	1	33	48	
..	1	48	48	
..	1	48	48	
..				
15	5	225	240	
49	1	49	98	
..	1	48	48	
49	2	97	146	
50	2	46	96	51 Km. from Maharashtra Co-op. Spinning Mill, Bhusaval.
20	1	38	48	76 Km. from Maharashtra Co-op. Spinning Mill, Bhusaval.
70	3	84	144	
441		1402	1843	

• • •

Chapter 11

CONSUMERS STORES

The present structure of consumers co-operatives in the State was evolved during the period of Third Plan under the Centrally Sponsored Scheme of Consumers Co-operatives. The scheme was evolved by Government of India at the time of national emergency in 1962 when the prices were going up and scarcity prevailed in many consumers goods. The structure evolved consisted of a State Federation of Central Consumers Co-operatives, a chain of Central Wholesale and Retail Stores in each district and in each town with the population of 50,000 and Primary Consumers Co-operatives in towns with the population of 10,000 and above. There are at present 1,391 Primary Stores including those which were already in existence before the introduction of the Centrally Sponsored Scheme. These primary Stores have a membership of 3,49,100 and a share capital of Rs. 112 lakhs out of which Rs. 71 lakhs were contributed by the members. These Primaries sold goods worth Rs. 3,157 lakhs. Out of these Primaries, 779 made a total profit of Rs. 31 lakhs and 344 suffered losses, the amount of loss being Rs. 7 lakhs. However, the bulk of the business dealt by the Primary Stores was of controlled foodgrains and with the abolition of rationing, many of them will become non-viable and may soon become defunct. The Primary Stores are supposed to take their requirements from Central Wholesale and Retail Stores but due to meagre transaction in non-controlled commodities, they have not been able to forge an effective link with the Central Wholesale and Retail Stores except in the case of scarce commodities which they cannot obtain easily from the local market. The same is the story in the case of Central Wholesale and Retail Stores which appear destined to fade away as soon as they have been organised. These Central Wholesale Stores have 420 branches at present with a membership of 1,29,600 and a share capital of Rs. 121 lakhs. Their sales during 1968-69 were Rs. 29 crores. However, number of stores which earned profit is coming down every year and was 21 only during 1968-69 with a profit of Rs. 4 lakhs while the number of stores in loss has increased to 26 and the amount of loss is as large as Rs. 49,64,000. The central Wholesale Stores also started merely by purchasing and selling controlled goods and even now 2/3rd of their turnover consists of controlled goods with very meagre margin of profit

and with dwindling business in view of the lifting of rationing. The Apex Federation has a membership of Central Wholesale Stores and a paid up share capital of Rs. 9,68,000 and its total sales during 1968-69 were about Rs. 193 lakhs and a net profit of Rs. 66,630. However, the bulk of the transactions of the Federation was confined to sale of cloth and custom confiscated goods. Most of the Central Wholesale Stores which are supposed to purchase from the apex federation do not do so with the result that the activities of the Federation have been limited to a very great extent. The above state of affairs does not lead to optimistic future for the consumers co-operatives. The scheme which was till 68-69 a Centrally Sponsored Scheme has been passed to the State Government since beginning of the Fourth Plan and the State Governments are now responsible for the development and stabilisation of the Consumers Co-operative Movement. The following paragraph gives in brief the chief reasons for the failure of the Co-operative Movement in such a short time after its beginning.

Causes for the present position of the Consumers Co-operatives

When the Centrally Sponsored Scheme of Consumers Co-operatives was started in 1962 there was no adequate experience regarding the structure and working for a viable consumers co-operative movement. The Consumers Co-operatives were organised in past also at the time of Second World War which after a period of brief activity of scarce and controlled commodities disappeared from the scene. It may be stated that the same mistakes were committed when the Centrally Sponsored Scheme was started as the basis for permanent viable structure was not laid. Since emergency was there and the Stores had to be started in a hurry, Government had to organise them by contributing share capital and giving other monetary assistance with the hope that the people for whom they are meant will participate and make the scheme successful. The people, however, were not fully involved in the Scheme nor there was any loyalty to these stores of the members after the conditions of scarcity were over. Thus the basic condition of a successful co-operative viz. coming together of a number of persons for achieving a common objective in a co-operative way was absent. Secondly, the managements of these stores who were new to the task of management of Consumers Co-operative Movement made costly and avoidable mistakes mainly in the purchase of goods which were not necessary or which were purchased at a higher price and could not be sold. Added to these was the wide fluctuation in the market of various agricultural commodities which in many cases wiped out the very capital of the stores. Thirdly the Stores were not geared in the beginning for the sale of non-controlled goods which could assure them a viable future and the shops established by them were small in size, located in non-business areas and were unable to attract customers as well as members. Fourthly, the consumers

stores were handicapped from the beginning as they were not able to obtain expert and trained managerial personnel for managing the stores which undoubtedly required skill of high degree and expertise. Nor were the sales men and other staff employed upto the mark in their jobs and sales particularly in non-controlled commodities suffered due to these difficulties. Added to these is the structure of economy particularly the position of private retail trade and their methods of work. This point *vis-a-vis* the role of Government in promotion of consumers co-operatives is discussed in the next paras.

Need for Government assistance

The most important point to be remembered while discussing the future role of consumers co-operatives is the existence of very large number of small private retail shops. This private trade has been there in business for centuries and they know the tricks of the trade. They have the benefit of hereditary experience, have their own business premises and capital and employ their own family members and relatives. Against this the consumer co-operatives have to borrow funds from the Bank at high rate of interest, have hardly any experience in running of the shops and have to employ managerial and sales staff who are not interested in increasing the sales or giving services to the customers. The purpose of starting consumers co-operatives is twofold viz. providing the members and the customers with quality goods and at reasonable price so that price level could be maintained in the condition of our inflationary economy. This is a very onerous task for the consumers co-operatives and unless Government is determined to make it a success by giving Government patronage and financial assistance, any effort to reorganise and revive the Consumers Co-operative Movement will be a failure. It may be asked why the Co-operatives require any such assistance and why they are not able to compete with private trade and earn profits as the private trade is able to do. In this connection it is pertinent to note that the ways of private trade are not open to consumers co-operatives otherwise the very purpose of providing quality goods at reasonable prices would be defeated. The private traders particularly the family shop owners can very easily and without compunction avoid payment of sales tax, octroi etc. which a consumers co-operative cannot do. Secondly while in the case of falling prices the consumers co-operative has to sell at the market level so as to be able to compete with private trade, it cannot sell at exorbitant prices, when the prices are rising and the commodities are scarce when the private trade makes enough profits to wipe off its losses. It is also very well known that the level of adulteration prevailing in the commodities sold by the private traders is very high. Added to these problems is the lack of members' loyalty and the lack of interest and expertise among the management of the consumers co-operatives. If these difficulties are realised, it will be clear that they cannot

easily survive and take their place in the present retail trade without Government patronage and assistance. Since the scheme is no longer a centrally sponsored one, the main burden will fall on the State Government. Keeping in view above difficulties and shortcomings, a new structural framework is proposed in the following paragraphs which will enable us to have an integrated approach to the movement.

Structure of Consumers Co-operatives

After the experience of last 7-8 years it is now clear that the present three tier structure is both costly and inefficient. The Central Wholesale and Retail Stores cannot perform their functions as wholesalers in their limited area of operation of a district or a part of the district. The channelling of goods from State Federation to the Central Wholesale Stores and thereafter to the Primary Stores makes for higher cost. In all the countries of the West where the Consumers Co-operative Movement has taken deep roots and is fairly stabilised a two tier structure prevails which consists of a strong State Wholesale Society with affiliated Primary Stores in the various towns and cities. It appears that the three tier structure was applied for consumers co-operatives on the line of the structure in the field of co-operative banking, marketing etc. However the same has not been found successful and needs to be changed in the light of experience. It is therefore, proposed that in Maharashtra the three tier structure should be replaced by a two tier structure. The State Federation will continue and will be suitably strengthened as explained in the following paragraphs. It will however, affiliate not only the present Central Stores but also all the Primary Stores whose annual turnover of retail non-controlled goods is Rs. 2 lakhs or more. Only those Primaries will be affiliated which are well managed and which have established their business reasonably well in non-controlled commodities. According to the present margin of profit in the non-controlled goods which averages from 5 to 7 per cent. of the turnover, with a turnover of Rs. 2 lakhs in non-controlled goods a primary store can be deemed viable. Other Primaries which deal mainly in controlled rationed goods or deal only marginally in non-controlled goods will either close down or will have to amalgamate with the existing viable Primary Stores. The area of operation of the existing Central Stores which at present is a district or a part of a District will be reduced to their headquarter town and the Primary Societies affiliated to them will be disaffiliated. All the Primary Stores to be affiliated to the Federation may have also to be designated as "Central Stores" while the word "Wholesale and Retail" in the case of present Central Stores would be deleted. Thus we will have a two tier structure consisting of a State level body doing only wholesale business and a number of central Stores in different towns and cities doing only the retail business. The number of such Stores may come to about 250 including the existing Central Stores.

Proposed structure of the Federation

As stated above, the State Federation will have to be a very strong body. Its board will be elected by its affiliated Stores. Its main functions will include the following:—

(a) *Purchases.*—In the scheme now proposed, it is envisaged that all the Stores affiliated to the Federation will compulsorily buy their requirements of all the goods from the Federation. For this purpose, it should be incumbent on the Stores to join the membership of the Federation and also to provide if necessary by legislation that they cannot buy their requirement of goods except from the Federation. The Federation will buy all its requirements of manufactured goods from the manufacturers at the first point of distribution. It will buy all its requirements of agricultural commodities from the State Marketing Federation or from other co-operative agencies as far as possible or directly from the cultivators to obtain best possible advantage. To provide quick and efficient service to its affiliated Stores it will open suitable number of depots and godowns in different parts of the State. The Stores will requisition their requirements once or twice a week which the Federation will supply as soon as possible and by charging minimum margin of profit. It will be the duty of the Federation to see that the goods supplied by it to the Stores are of good quality and at a price which enables the Stores to sell them competitively in the market. Needless to say that the Purchase Department will be manned by experts in different commodities.

(b) *Shop Planning.*—The existing shops run by most of the Stores present very sad picture of shop planning. As a matter of fact in most cases no planning at all is done nor any attempt is made to decorate the shop which will attract customers and to see that the goods are arranged in proper and scientific manner. The main difficulty of course has been the lack of finance for acquisition, construction and furnishing of the shops. Nor any expert advice is available on the scientific shop planning. It is therefore no wonder that most of the shops are very small in sizes situated in non-business areas and cannot sell any goods excepting controlled rationed goods. The Federation will have its main functions to acquire, construct and furnish shops on behalf of its affiliated stores for which it will have expert and trained personnel at its disposal for survey of the business areas in various towns. It will also have a revolving fund placed at its disposal on a long term basis. This point will be elaborated later on.

(c) *Personnel.*—Despite the recommendation of various bodies for formation of a staff cadre for consumer co-operatives little has been achieved in this direction. In the beginning most of these stores were manned by

Government officials who, although in some cases were useful in setting up the store and providing some stability have in majority of cases failed to come up to the expectations. This is not surprising because neither they had necessary training nor experience in management of consumer stores which require high degree of training and expertise. It is therefore agreed by all that the consumers stores should have their own common cadre of trained managerial personnel. This task has to be taken up by the Federation through its Personnel Department. It will undertake recruitment, training and placement of senior managerial personnel for the stores. It will be obligatory on the part of the stores to take their senior managerial personnel only from this cadre. If necessary suitable legislation will have to be made to enforce this requirement. The Federation will also fix the staff requirements for each store on the basis of its expected turnover and also advise on their pay-scales.

(d) *Inventories and sales.*—As is now known many of the Stores came to by indiscriminate and unnecessary purchases made by them. Some of these were made by the management due to inexperience while many could be contributed to indiscreet purchases without planning their annual purchase budget and without regard to the requirement of goods for particular area served by the Store. The Federation will have expert staff with it to guide its affiliated stores regarding the level and nature of inventory so that goods are not stocked unnecessarily. It is further proposed that the Federation will supply goods or credit to the Stores for a period of 3 months after assessing the requirements of the stores by means of annual and monthly purchase budgets. It will also see that the stock not disposed off within that period is taken back by the Federation. It will also have experts to advise the Stores on various techniques of sales promotion.

Measures to strengthen the Federation

(a) As will be seen from the above the Federation will be buying goods on behalf of its affiliated stores from the manufacturers and others for supplying to the affiliated stores on credit as per their requirements. This will require big amount of working capital for which the Federation will have to be strengthened by additional share capital. The present share capital structure of the Federation consists of share capital contribution by Government of Rs. 5 lakhs and equivalent amount contributed by the existing members of the Federation. With the new members joining the Federation the share capital of the Federation is likely to go upto Rs. 15 lakhs. Since this will not be enough for raising adequate working capital the Federation must be given a share capital contribution of at least Rs. 25 lakhs by Government. Furthermore with a view to obtain goods at 10 per cent margin as per existing Government of India Guarantee Scheme which is coming to an end by 1971,

the State Government may extend guarantee to the Federation so that it can obtain goods on 10 per cent margin. The Federation will thus be able to raise working capital of Rs. 4 crores.

(b) As pointed out above the Federation will require a long term revolving fund which could be utilised by it for acquisition, construction and furnishing of business premises for its affiliated stores. Government will contribute a sum of Rs. 50 lakhs either in the form of share capital or as long term interest free loan. The Federation will in consultation with its affiliated Stores and after surveying the area of operation of the Store undertake to acquire construct and furnish business premises for the Store. The Store will repay this amount in a period of seven years. The amount so received back could be utilised by the Federation again for investment in new business premises. The present method of annual budgetary allotment will not be helpful for this long term operation. Nor will it be possible for the Federation to obtain such long term fund from Banks which are bound to charge high rate of interest.

(c) The Federation as proposed above will be recruiting, training and maintaining staff cadre of managerial personnel for its constituents. To obtain persons of good background and experience is not an easy task particularly in the field of retail trade. It may not be economic for the stores to pay high salaries for the senior managerial personnel in the beginning. Government should therefore give subsidy for a period of 5 years to the Federation to meet the cost of recruitment training etc. and also to the Stores which obtain their managerial staff from the staff cadre.

(d) It is well-known that many of the Stores have suffered huge losses which have even wiped out their own funds due to fluctuations in the agricultural commodities or agriculture-based goods which are the constant phenomenon. If the Federation has to enter the market and purchase such items it will be liable to this risk which has to be shared by Government. It is, therefore, suggested that Agricultural Commodities Losses Fund be created to which the Federation may contribute 25 per cent of its profit and Government may also give matching grants.

(e) The Federation should be exempted from payment of octroi duty on distribution to the affiliated Stores.

Strengthening at Primary level

With the arrangement as suggested above, affiliated stores will be relieved of their chief problem viz. purchasing of goods as well as placement of senior managerial personnel. They will also be assisted by the Federation in acquisition and furnishing of business premises, shop planning, inventories, sales promotion techniques and will also receive goods from the Federation on credit. The main function at the Primary level therefore, will be to concentrate

on sales and proper accounting. The members of the Manging Committee could concentrate on membership drive in their area and could also place their views and suggestions before the Federation for opening of new shops and increasing the turnover in the existing shops. Thus it will be easier for the Stores to run their shops profitably and economically than it was possible for them so far in view of the chronic shortage of trained personnel, funds, fluctuating prices of goods etc.

Audit.—At present all the Central Wholesale Stores and Federation are subject to Concurrent and Continuous Auditing. The resultant burden on the Stores on account of cost of the audit staff is extremely heavy and many of them are unable to bear the burden of such audit. The actual benefit derived by such audit is also open to doubts. Since the main function of purchase is now to be centralised at the level of Federation it will be possible to do away with Continuous and Concurrent audit except in the case of Federation and those Stores which are running large sized Department Stores. The Federation may keep its own staff for surprise checking on the Stores if necessary. In respect of other Stores annual statutory audit will be sufficient.

The proposals contained above may be summarised as follows :—

(1) The existing structure of the consumer co-operatives will be changed so that there will be an Apex Federation which will affiliate existing central Stores as well as Primary Stores which have a turn-over in non-controlled goods of at least Rs. 2 lakhs ;

(2) The Federation will be adequately strengthened to act as an Apex organisation and to serve the Primaries affiliated by its following Departments :

(a) *Purchase Department.*—All the purchases will be made by the Primaries only through the Federation. This will be enforced through Legislation. The Federation will obtain all the manufactured goods from the manufacturers directly and from Apex Marketing Federation and other co-operative societies in respect of agricultural and agriculture based commodities ;

(b) *Shop Planning Department.*—The Federation will have a long term revolving fund which will be used by it for the purpose of construction, acquisition and furnishing of shopping premises on behalf of its primaries which will repay the cost to the Federation by instalments ;

(c) *Personnel and Sales.*—The Federation will maintain a staff cadre for managerial personnel and the primaries will be forced to obtain their requirement of managerial personnel only through this cadre by legislation. The Federation will also prescribe for each primary store its staff requirements and payscales which will not be exceeded by the Primaries ;

(d) *Inventories and Sales.*—The Federation will prepare for each Primary its annual purchase budget as well as monthly budgets. The Federation will supply goods to the store according to this budget on credit upto 3 months. The goods remaining unsold by the stores will be taken back by the Federation. It will also have experts in sales promotion who will visit the Stores and advise them on sales ;

(3) The Federation will be strengthened by the following assistance from the Government :—

(a) Grant of additional share capital to enable it to provide margin money for working capital. The amount required initially for this purpose will be Rs. 25 lakhs ;

(b) A revolving fund of Rs. 50 lakhs will be placed in the form of share capital or interest free loan, for acquisition, construction and furnishing of business premises ;

(c) Suitable subsidy will be given for recruitment and training of personnel ;

(d) Agricultural commodities losses fund would be created to which the Federation will credit 25 per cent of its profits and the Government will also give a matching contribution every year ;

(e) The Federation will be exempted from octroi duties in the movement of goods from its depots to the consumers stores ;

(4) Since the primary stores will be obtaining goods from the Federation they will not require big amount of share capital. They will however, require managerial subsidy for initial period. The Primary Stores will therefore, confine their activities to membership and sales promotion ;

(5) *Audit.*—Only the Stores running large sized department stores and the Federation will be subject to Continuous and Concurrent Audit. Other Stores would be subject to annual statutory audit. The Federation will keep a watch on the stocks supplied by it to prevent misappropriation etc.



Chapter 12

OTHER TYPES OF SOCIETIES

(A) MILK PRODUCTION AND MILK SUPPLY

The Dairy Co-operative Movement, although of a comparatively recent origin, has developed with great speed and now occupies an important place in the day-to-day life of the agriculturists and the common man. Government encouraged the organisation of these co-operatives in rural areas with a two-fold object viz. :—

- (1) to provide a subsidiary occupation to the agriculturists particularly those with limited income; and
- (2) to increase the milk-production for feeding the Government Milk-Plant so that wholesome milk could be made available to the consumers in big cities like Bombay, Poona, Nagpur, Aurangabad and so on.

The progress made by the Dairy Co-operative Movement during the short span of its existence may be seen from the following figures :—

	At the end of II FYP 1961	At the end of III FYP 1966	End of 1969
1. Number of Dairy Societies including Unions and Federations ...	450	1038	1405
2. Number of members (in thousands).	175	565	719
3. Milk production (value) (Rs. in lakhs).	74	550	1061
4. Milk and Milk-products sold (value Rs. in lakhs). ...	77	615	1068
5. Profit (Rs. in lakhs) ...	7	10	12
6. Loss (Rs. in lakhs) ...	1	6	3

At the village level the primary dairy co-operative societies collect the milk from the agriculturists and deliver it to the Taluka Unions or Milk Federations which arrange for its transport and supply it to the Government Milk Schemes for further processing and distribution among the consumers. The number of such unions and federations in this State is 42.

These dairy Co-operative Societies have provided a valuable subsidiary occupation to the agriculturist who can take up this business very easily. This business is more easily understood and therefore profitable as compared to Poultry-keeping and Pig-keeping. This industry has been of immense help to agriculturists as it helps to retain soil fertility by making natural manure available. Today, the dairy co-operatives in rural areas have developed so well that all Government Milk Schemes operating in cities depend preponderatingly on these dairy co-operatives for their supply of Milk. The Dhulia District Milk Union alone is supplying on an average 50,000 litres of milk per day to the Government Milk Scheme.

With the growth in the quantity of milk produced the dairy societies are also enabled to add other ancillary activities to their work. There is also to-day a visible movement for the establishment of bigger dairy projects in the Co-operative field. At places like Nanded, Yeotmal, and Jalgaon the milk processing and distribution alongwith the normal work of production and collection of milk has been entrusted to the co-operative federations. In fact the milk unions/federations at Dhulia, Karad, Satara, Kolhapur are already distributing milk to the consumers in their cities. New milk projects on a big scale are proposed to be executed in the Co-operative sector at Katraj in Poona District, at Jalgaon and at Warananagar in the Kolhapur District.

As the dairy co-operative movement is expanding, some defects have also crept into its working. It is also required to face several acute problems. Unless these defects are removed and suitable solutions for the problems are found, it will have adverse effect on their progress.

(1) Finance for purchase of milch cattle

To-day the finance for purchase of milch cattle is given partly by the Dairy Development Department to the members of the Dairy Societies through the Unions/Federations and the District Central Co-operative Banks, generally out of their owned funds, through the Seva Societies only, as they have no control over Dairy Societies. No loans are made to land-less persons by the District Central Co-operative Banks, who may like to take up milk production as a subsidiary occupation.

These defects can be remedied if proper linking is done between the financing agencies and the Dairy Societies. While loans may be given through the Seva Societies to the members of the Dairy Societies for purchase of milch cattle on the recommendations of the Dairy Societies and the Milk Union/Federation, the primary Dairy Societies and Milk Unions/Federations should give a guarantee to the District Central Co-operative Banks to make deductions of the loan instalments through the milk bills of the members.

concerned. When such under-taking is given for the land-less labourer also, there would be no hitch on the part of the Central Co-operative Banks to advance milch cattle loans to them. This will ensure flow of more finance for purchase of milch cattle and help the industry to grow faster. At the same time, the risk of non-recovery of the loan instalment will be eliminated.

The loans made by the Dairy Development Department for the purchase of milch cattle should be routed through the Taluka Co-operative Banks and the common rate of interest should be charged on all loans granted for this purpose.

(2) Dependence on imported cattle :

For increasing the milk production, these Co-operatives to-day mainly depend upon import of cattle from outside the State. Unless the breeding of buffaloes (and cows) is taken up locally, the milk industry will hardly ever become viable. It is, therefore, necessary to encourage the breeding of suitable strains locally and to ensure the supply of milch cattle from this source.

(3) Closer association of Technical Departments

In Milk production

In the production of milk, prompt veterinary aid is an essential requirement. Similarly, proper advice on the management of the cattle is also necessary. Selection of breed and their propagation also present various technical problems. In all these matters, the Animal Husbandary Department and the Dairy Development Department can be of great help in rendering the necessary assistance. In view of this the Animal Husbandary Department and the Dairy Development Department should undertake complete responsibility so far as production side is concerned.

(4) Paucity and inadequate supply of quality cattle feed

Similarly there is no planned scheme will the societies for growing fodder and manufacturing quality cattle-feed so that it may be made available to the agriculturists for feeding the cattle.

(5) Apathy towards community milking

Cleanliness is another important aspect of dairy business. Milking is done at agriculturists own home and in majority of cases it is seen that surroundings where actual milking is done are unclean and very often unhygienic. In order to inculcate the habit of cleanliness, the agriculturists should be encouraged to adopt community milking, and for this purpose a planned and systematic programme of erecting such community milking sheds should be undertaken.

(6) Duplication of Societies at the same place

On account of the lucrative business provided by the Dairy Co-operatives, in some districts more than one proposal for registration of dairy societies in the same village come in despite the fact that a dairy co-operative society already exists in the village. Registration of another society when one already exists is not desirable, as it gives rise to unhealthy competition and other administrative problems and it also tells adversely on the economic collection and handling of milk. It is, therefore, necessary that a rule more than one dairy co-operative Society should not be registered in any village.

Looking at it from the economic and administrative point of view it would be desirable to give preference to an independent primary dairy cooperative society in preference to seva-societies in undertaking dairy activities. The Seva Societies should hand over their dairy business to Dairy Societies as soon as it is registered. Thus there should not be two agencies for the same purpose in the village. At the level of milk unions, it is seen that some Kharedi-Vikri Sangs (e.g. Satara, Wai, etc.) have entered the milk business encroaching on the legitimate sphere or area of operations of the existing milk Unions. This also has to be stopped. Similarly the Dairy Development Department also operates certain routes in the areas of operation of certain Unions/Federations. This deprived the Unions/Federations of their legitimate work and affects their financial condition adversely. This practice should therefore be stopped and all collection and transport work, as a rule, should be made the exclusive preserve of the Unions/ Federation.

(7) Registration of Milk Union :

At present we have primary dairy societies at the village level and the district federations at the district level. We also have in some districts Taluka Unions whose area is already covered by District Federation, e.g. Shirol and Tasgaon in the area of Krishna Khore Dudh Sangh, Sindhkheda in the area of Dhulia milk union etc. These unions are cutting into the area of operation, of the district federations. This trend is affecting the district federations adversely and giving rise to unhealthy competition. The Dairy Development Department has advanced large amounts of milch-cattle loans to the primary dairy societies through the district federations. In case new Unions are organised, the question of taking over the responsibility for the repayment of these loans by the successor unions, poses a difficult problem. The financial condition of a good number of Taluka Unions is also not satisfactory and they have suffered huge losses. It is, therefore, necessary to ensure that these unions as well as Federations become economically viable by rationalising their spheres of activities.

(8) Need for undertaking 'Milk-shed' Survey.

Moreover the Dairy Development Department is now working out and defining the milk-shed areas, or milk districts in the State. In future we propose to have one Federation or Union for each such "Milk-District". It is, therefore, necessary to get the survey of milk areas completed by the Dairy Development Department and get the milk pockets clearly indicated so that the question of demarcating the areas of Federations or Unions could be finalised and organizational work taken up accordingly by the Co-operative Department. This will also eliminate the existence of rival Unions/Federations in the same area and the structure of these societies would be rationalised. The distinction between Taluka Unions and District Federations would also disappear.

(9) Direct Milk Supply by Dairy Co-operatives

At present there does not seem to be a uniform system in existence for the supply of milk by the primary dairy cooperatives to the Government Milk Scheme. The Dairy Development Department, in its anxiety to get adequate and increasing supplies of milk for processing is tempted to accept milk directly from the Dairy Cooperatives by-passing the Union or Federation. This is harmful for the healthy growth of the Dairy Co-operative Movement. The responsibility for increasing the milk production, collection thereof and finally its delivery to Government Milk Scheme has been cast on the cooperative unions and Federations, and if this responsibility is to be fulfilled in a satisfactory manner, it is necessary to see that the milk-unions and federations are made administratively and financially strong. Hence the Unions or Federations should not be deprived of their legitimate source of income accruing to them from collection and transport of milk.

PROPOSALS FOR FUTURE DEVELOPMENT

(i) New Co-operative Milk Schemes

Hitherto, the scope of activities of the Dairy Cooperatives has been mainly confined to increasing the production of milk, its collection and delivery to Government Milk Scheme for processing and distribution. This field of activity is being expanded and it has been decided by Government that the Ten Town Milk Supply Schemes for which a provision of Rs. 50 lakhs has been made in the IVth Five Year Plan should be started in the cooperative sector. Accordingly Town Milk Supply Schemes at Nanded, Yeotmal and Jalgaon have already been started recently with Government financial assistance.

In view of the growing importance of the cooperative sector in milk production, it is necessary to consider the question of undertaking bigger milk projects in suitable areas, by availing of financial assistance from Nationalised Banks and the Agricultural Refinance Corporation instead of depending upon Government assistance loans. The finance from the Nationalised Banks and Agricultural Refinance Corporations should be availed of for installation of processing equipment and such other items of capital expenditure.

(ii) Entrusting of all processing and distribution activity to Co-operative Institutions

Now a days there has been a demand from the workers in the cooperative dairy movement, that the entire milk processing and distribution which is at present carried out by the Dairy Development Department should be handed over to the Federations/Unions of Dairy Cooperatives. Government have established milk processing plants and machinery at places like Bombay, Poona, Nagpur, Sholapur and several other places and made pretty heavy capital investments therein. To be in a position to take over the entire processing plants from the Government, dairy cooperatives, federations/unions will have to build up a very strong financial position and a sound capital base. This may take a long time to achieve, but this is a prospect and an ideal well worth working for, for then alone will the dream of full cooperation in the milk industry come true. To achieve this ultimate objective, Cooperative Dairy Societies and their Unions/Federations should in the meantime continue to concentrate their attention on increasingly efficient production of milk.

The following proposals are therefore placed for consideration :—

(1) Finance for the purchase of milch-cattle should be provided by the Taluka Cooperative Banks and this should be the only agency for dispensing of credit for this purpose. The Government loan which is at present being granted for this purpose through the Dairy Development Department should also be routed through these Taluka Co-operative Banks, and a common rate of interest should be charged.

(2) The finance required for heavy capital investment e.g. processing plant, equipment, transport etc., should be availed of from the Nationalised Banks and the Agricultural Refinance Corporation.

(3) There should be complete linking between the Taluka Cooperative Banks to be organized in future and the Milk Union/Federation in the area covered by it. Similarly there should be proper coordination between the Seva Society and the Primary Dairy Society with a view to ensuring that recovery of milch-cattle loan are made. On an undertaking given by a Primary Dairy Society, such loans could also be granted

by the Taluka Cooperative Banks to the Seva Societies to the landless persons.

(4) The production side of milk business should be the special responsibility of the Animal Husbandry and the Dairy Development Departments.

(5) The collection and transport of milk should be the exclusive preserve of the Milk Unions/Federation, which should operate all the routes in their area of operations.

(6) The existing Dairy Societies and their Unions/Federations should concentrate their attention on increasing the production of milk and take steps to produce milk more efficiently and economically. To achieve this they may have to :—

(a) Arrange for cattle breeding locally. Government may have to give special assistance in encouraging local production of improved breeds of cattle.

(b) Arrange for production of cattle fodder and cattle feeds.

(c) Rationalise the organisation of Dairy Societies at the village level and the organisation of Union/or Federations according to reorganised milk shed areas or milk districts.

(d) Improve their own financial position and share capital base so that ultimately they are in a position to undertake collection, transport, processing and distribution of milk to an increasing extent.

(7) The ultimate object of the Dairy Cooperative movement will be to become self-contained and all inclusive and to take over the processing and distribution of milk from the Dairy Development Department, which will thus be freed to concentrate its attention on its legitimate work of efficient and increasing production of milk.

(B) CO-OPERATIVE HOUSING

Co-operative Housing Societies are organised with the object of providing dwelling houses to their members. After the construction of the dwelling houses the housing societies continue to function as service societies by providing common facilities to their members. The Co-operative Housing Movement gathered momentum during last two decades when on account of shortage of housing particularly in bigger towns and high return available in housing a number of persons floated housing societies. Another reason for starting of the housing societies has been the availability of certain concessions the chief of them being exemption from stamp duty. It is doubtful if many of these societies could really be called co-operative societies at all as they were not formed with the object of providing dwelling houses to

their members but to provide them with an attractive method of investment of their finances. In view of this position prevailing in the field of co-operative housing it is necessary to define more precisely the purpose and scope for which housing societies may be registered and the condition on which the members may join the same.

Types of Co-operative Housing Societies

Under the Co-operative Societies Act a housing society means a society the object of which is providing its members with dwelling houses. The two types of societies normally found are Tenant Ownership Housing Societies where the land is owned by the society but the dwelling houses thereon are constructed individually by the members. The second type of society is Tenant Co-Partnership Housing Society in which both the land and the building belongs to the society and the member occupying a tenement does not actually own the same but has right of occupation as long as he satisfies the rules and byelaws of the society. A third type of societies are being registered after the passing of Maharashtra Ownership Flats Act which is applicable to Bombay and Poona City areas. According to this Act wherever a builder constructs a building and sells more than 10 flats he is bound to make an application for registration either as a co-operative society or as a company. In view of the facilities available for co-operative societies all these buildings have been registered as co-operative housing societies. It may be mentioned here that there is hardly any co-operative aspect in these societies because the members need not stay in their flats nor they co-operate at the time of construction of the building which is already constructed by the builder and sold to individuals. In view of the non-co-operative character of these societies, it is proposed that such cases should not be registered as co-operative societies. They may be registered as a company.

Membership

According to section 6 (i) of Maharashtra Co-operative Societies Act the members who join a society are required to stay in the area of operation. This condition, however, is not being enforced in the case of many co-operative housing societies registered in the State and many non-residents have also been included as members by the registering authorities. It is however, doubtful whether such a condition requires at all to be applied in the case of a housing society. As stated above a housing society is formed to provide dwelling houses to its members and if a person is already having a dwelling house in the area of operation where he is supposed to reside there is no point in his joining a housing society. Moreover, it is not possible to verify or to lay any definite standards for residents. Furthermore, it is not possible in the case of large number of persons to reside at a particular town where they would like ultimately to settle down

in view of the nature of their work. In view of this, it is suggested that the housing societies to be registered in Corporation areas may be exempted from this condition of section 6 of Maharashtra Co-operative Societies Act.

Transfer and Subletting

As already stated before many persons join a housing society with a view not to reside there but only for the purpose of investment. It is therefore, not uncommon for members to transfer their membership and flat as soon as the building is completed, at a premium. The number of cases in which the members sublet their flats to others is also increasing. With a view to discourage this tendency it is proposed that the byelaws of a society should provide for non-transfer of flats for a period of one year after occupying the flat and thereafter making payment to the society a part of the extra gain they may obtain by transferring their flat, a proportion depending upon the number of years they stayed in the flat. Subletting of the flat should not be allowed without the permission of the Managing Committee of the Society and should also be allowed for short periods. It may be necessary to lay down in the byelaws that the rent obtained beyond a certain specified sum by the member should be shared by him with the society. With a view to avoid conflicts within a society it is also proposed to include in the byelaws a provision that the number of members in the housing society should not be more or less than the number of flats to be constructed and all the members should be taken at the time of registration. This will reduce to great extent the corruption in the societies where the builders and promoters corner a large number of flats to be disposed off later at big premium.

House Mortgage Societies

In mofussil towns there are a number of persons who do not own houses but have got individual pieces of land. If house mortgage societies are formed in each town which would be open to such persons it will help them to apply for loan for construction of houses to the Maharashtra Co-operative Housing Finance Society to which these Housing Mortgage Societies may be affiliated. The Maharashtra Cooperative Housing Finance Society has agreed to this proposal which will boost up housing activities in the mofussil areas. The members of these societies will get loans on the same terms and condition as the members of normal housing societies obtain loans from Maharashtra Co-operative Housing Finance Society.

Loan for purchase of flat in the Housing Society

According to present system of the working of the Maharashtra Co-operative Housing Finance Society the Housing Society as such has to apply for loan on behalf of its members and to mortgage the whole building when the building consists of flats. If for any reason the housing society is not

willing to sponsor the application of a member or to mortgage the whole building the member cannot obtain financial assistance. Recently, the Chairman of the Life Insurance Corporation has shown his willingness to advance loans for purchase of flats in a co-operative housing society provided the housing society has no objection and the loan is secured by mortgage of the flat only.

It is reported that Life Insurance Corporation has already moved Government for suitable amendment to the Maharashtra Co-operative Societies Act so that the Life Insurance Corporation can have mortgage on the flat for which the finance is given and from which the Life Insurance Corporation could realise its advances in case of default. It may be necessary to have a suitable legislation in Act to provide for such cases. The legislation may provide that in the case of co-operative Tenant Co-Partnership Housing Societies a member can mortgage his right, title and interest to institutions notified by Government and the society will be obliged to agree to such a mortgage. If the above is done it may be possible for various other institutions like banks, semi-commercial institutions and the State Government to advance loans to their employees for purchase of flats in Tenant Co-Partnership Housing Societies which is not possible to be done now.

Supervision

The supervision of housing societies in the State is almost nil. The management of these societies is run by Managing Committees and Honorary Secretaries who do not have enough time to devote to this work. On account of this problem the number of complaints against the housing societies' management is increasing and it is very difficult to verify these complaints because the records as well as Office bearers are not easily available. In many cases the audit of these societies is not possible as records are kept with non-official Honorary Secretaries. It is impossible to audit the accounts of these societies and redress their complaints which are increasing every day. With a view to meet these difficulties it is proposed to have a system of Group Secretaries for a group of housing societies which will bear the cost of the Secretary who will be full time Departmental Officer of suitable rank deputed to these societies. Such a system may at least be tried in the case of societies under construction where the chance of mismanagement and irregularities is much larger. This will help to keep a watch on the working of the societies and also help the members who deposit large amounts with the societies and are many times deceived.

(C) LIFT IRRIGATION

The history of the Cooperative Lift Irrigation Schemes dates as back as 1949 when this movement was started as a part of "Grow More Food Campaign" during the acute food and fodder scarcity period of 1949-53.

Since then this movement has been expanding continuously and a large number of Co-operative Lift Irrigation Schemes have been organised in this State. Membership of these societies was restricted only to the beneficiaries coming in the command of the scheme and thus the benefit was reaped by a limited number of persons. The area of the scheme varied very widely from about 60 acres in the smallest to thousand acres in larger schemes depending on the source of water available and willingness of the beneficiaries to join the scheme. These schemes were financed by Government on per acre basis and this per acre cost was meagre. The Maharashtra State Irrigation Commission, while studying the Cooperative Lift Irrigation Schemes, had observed that a number of schemes were unsuccessful mainly because many cultivators within the command area did not take water. This was so because a number of societies had put restrictions on the growing of different crops particularly cash crops. These restrictions were originally put by Government some years ago but have since been removed. Notwithstanding this, some societies continued the restrictions because if they did not do so, the cropping pattern would be different from the one contained in the original project. The cropping pattern included in the original project was obviously adjusted by the Society in order that the capital cost per acre should be within the yard stick of feasibility fixed by Government. The Commission, after careful consideration, suggested that the existing yard stick of capital cost per acre irrigated should be done away with and instead a standard annual recurring cost of irrigation per acre of each principal crop should be worked out for varying lifts. It has further observed that only where soil and climate of the area as well as local level of cultivation efficiency justified the expectations that the crops proposed to be grown by prospective irrigators, would be able to bear the standard annual recurring cost per acre relevant to the lift in question, should a Cooperative Lift Irrigation Scheme be considered as feasible. Government accepted the recommendations and directed to take up the work of preparation of new feasibility norms accordingly.

This work was started in October 1962 when there were 143 Cooperative Lift Irrigation Schemes both complete and incomplete. Certain schemes were pertaining to flow irrigation, dam construction, tube well water distribution. Some of these schemes were taken into liquidation and 123 schemes were taken up for investigation. Information pertaining to the financial assistance to which the societies of these 123 schemes were entitled to and the actual financial assistance disbursed to them both by way of loan and subsidy, the share capital required to be collected by these societies and has actually collected by them has also been ascertained. Similarly information pertaining to the area under command of each scheme as per project, as actually found available, cropping pattern assumed while forming the

society and the area as actually irrigated, has also been studied and efforts were made to study the case history of most of these schemes. The deficiencies and defects noticed generally during this investigation by the Special Officer appointed for this purpose may be sub-divided under the three broad heads as under :—

- (1) Those which can be attributed to Government policy in respect of Cooperative Lift Irrigation activity;
- (2) Acts of commission and omission on the part of the societies themselves; and
- (3) Those pertaining to different Government Departments concerned.

As a result of review of the working of these schemes and on the examination of the reports regarding investigation of the dormant schemes submitted by the Special Officer, Government decided that a Life Irrigation Cell should be created in the Cooperative Department charged with the responsibility of efficient follow up of the Cooperative Lift Irrigation Schemes through experienced technical and trained staff, who should act as a Unit. This Unit should consist of a Mechanical-cum-Electrical Executive Engineer, one Deputy Engineer (Civil) one Deputy Engineer (Mechanical) with ancillary technical staff. In addition Government also created under "Non-technical" staff, a post of Joint Registrar, Cooperative Societies (Irrigation) and posts of two Assistant Registrars, also with ancillary non-technical staff. Government have also issued detailed instructions on the implementation of the scheme.

The preliminary requirement of Lift Irrigation Scheme is availability of suitable site and feasibility on technical and economical grounds justifying the setting of a Lift Irrigation Scheme at the site. The sites for feasible Lift Irrigation Schemes have to be explored and decided upon having regard to the quantum of winter and hot weather flow available and suitability of land for irrigation. It is also necessary to have proper mechanical advice as regards pumping machinery etc. Government, therefore, felt that there should be a separate organisation under the Irrigation and Power Department which will take up the necessary preliminary examination to determine the sites where the Lift Irrigation Schemes would be technically feasible and prepare the Preliminary Investigation Reports. The P. I. Reports will be submitted to the Committee of Experts which will consist of Superintending Engineer, Lift Irrigation Circle, Joint Registrar, Cooperative Societies (Irrigation) and Joint Director of Agriculture. At present Joint Registrar, Cooperative Societies (Lift Irrigation) is the convenor of the meeting. The meetings of the Committee are convened as and when required as soon as the schemes are received for scrutiny. The Committee scrutinises the Preliminary Investigation Reports and decides

which schemes should be taken up for execution having regard to the Co-operative and Agricultural aspects. After the approval of the feasible schemes by the Committee, a Detailed Project Report and Plans and Estimates thereof are prepared by the Lift Irrigation Division. As regards execution of these schemes, Cooperative Societies are permitted to execute their work as per the approved Plans. If, however, a society requests Government to execute its scheme, the Executive Engineer in charge of irrigation work in the district, executes the work on agency basis and charges necessary agency charges as fixed by Government. In case of feasible Lift Irrigation Schemes of Cooperative Sugar Factories as approved by the Committee of Experts, Detailed Plans and Estimates are prepared and the schemes executed by their own engineering staff, after technical clearance is given by the Lift Irrigation Division. Government had sanctioned for this purpose one Circle with four divisions, nine Civil Sub-divisions and 8 Mechanical Sub-Divisions with ancillary technical and non-technical and ministerial staff, which has since been reduced to 1 Division at Poona and 4 Sub-Divisions one each at Satara, Poona, Nanded and Akola. The Division and Sub-Divisions are kept under the technical and administrative control of the regular Superintending Engineer of the Irrigation and Power Department.

At present in the State of Maharashtra there are 289 Co-operative Lift Irrigation Schemes with an irrigable area of 1,84,013 acres and irrigated area 46,614 acres. Out of these 289 schemes, 201 schemes are completed with an irrigable area of 93,395 acres and irrigated area 43,252 acres. The percentage of acreage irrigated to irrigable works out to 46.31 on physical basis and will be quite higher than those on standardised basis. The partially-completed schemes number 21. The irrigable area of these 21 schemes is 8,266 acres and irrigated area is 3,362 acres. This percentage works out to 31 % on physical basis. The number of incomplete schemes is 67 with irrigable area of 82,352 acres.

Government has sanctioned financial assistance to 273 schemes and the total amount of loan advanced is Rs. 547.93 lakhs. The amount due for recovery is Rs. 72.145 lakhs and actually recovered is Rs. 37.60 lakhs and arrears Rs. 34.545 lakhs. The percentage of recovery to demand is 52.22%. The arrears have been mainly due from some of the old schemes which are defunct and not working.

Fourth Five-Year Plan

During the Fourth Five-Year Plan, it is proposed to complete 135 old schemes bringing the total number of old schemes to be completed to 262. In addition some of the new schemes would be completed. The Department has surveyed and examined 98 schemes which have been cleared by the Expert Committee. These schemes would cover an irrigable command

of 43,000 acres approximately. It is expected that 50 schemes out of these 98 could be organised and may bring in about 20,000 acres under irrigable command. This, however would depend mainly on collection of share capital by members, assurance by District Central Co-operative Bank for medium term loan and active financial participation these societies can secure from the Zilla Parishad for contribution towards share capital etc. The additional irrigation potential to be created by these schemes as well as new schemes to be taken up would be roughly 69,000 acres.

In the initial stages the State Government has taken up the development of Co-operative Lift Irrigation as one of the developmental activities. Therefore, since 1949 to 1968 the State Government financed directly the Co-operative Lift Irrigation Societies liberally. The financial assistance was provided towards the capital cost of the scheme as loan, grant for managerial subsidy and loan for purchase of shares etc. The quantum and pattern of assistance underwent a number of changes from year to year. The pattern in vogue in 1967-68 before the new arrangement with Bombay State Co-operative Land Mortgage Bank and refinance facilities from Agricultural Refinance Corporation came into force was as follows :—

- (1) Promoters were required to collect 25 % of the estimated capital cost before the Society was permitted to be registered.
- (2) 100 % of the estimated cost of the scheme for Capital expenditure was provided as loan by Government ;
- (3) No loan for working capital was granted as the societies were expected to utilise share capital amount collected by it for its working capital ;
- (4) Subsidy for a portion of Manager's pay Rs. 900 for the first year and Rs. 450 each for second and third year was sanctioned by Government.

Since February 1968 the arrangements of institutional finance has been introduced and Government has taken a decision to discontinue financial assistance to new Lift Irrigation Schemes. Under the new arrangements various Co-operative Agencies have been playing their role which is summarised below :

- (1) The Central Financing Agencies have been financing Co-operative Lift Irrigation Schemes by sanctioning medium term loan upto 20 % of the estimated cost of the scheme for purchase of shares.
- (2) 100 % of the capital cost being provided by the Bombay State Co-operative Land Mortgage Bank with refinance facilities from the Agricultural Refinance Corporation.

(3) There have been further facilities made available to Co-operative Lift Irrigation Schemes by the Zilla Parishad coming into picture for contribution of 2½ % of the initial share capital provided the remaining 2½ per cent. of the initial share capital was collected in cash by the beneficiaries.

The above facility has been made available by the Zilla Parishad after it has taken a decision not to implement the Lift Irrigation Schemes departmentally and to assist the Co-operative Lift Irrigation Societies on taking up these schemes. With this change in policy of the Zilla Parishad the demand for organising Co-operative Lift Irrigation Schemes and financial assistance required by them will increase considerably and will have to be coped up with suitable arrangements of institutional finance. A large responsibility in this regard will have to be shouldered by the Co-operative Sector.

With the introduction of institutional finance for providing funds for capital investment the beneficiaries were required, as mentioned above, to raise the necessary share capital to utilise it for working capital when the scheme is completed and irrigation is started. Though a number of facilities have been provided to the beneficiaries in making up the share capital as mentioned above, it has been observed that the beneficiaries are either unable or at times reluctant to raise the necessary share capital of 25 per cent. which consists of contribution of cash element a meagre amount of 2½ per cent. and obtaining guarantee of 20 per cent. from the District Central Co-operative Bank and 2½ per cent. from the Zilla Parishad. The Zilla Parishads seem to be very helpful and willing to contribute their share of 2½ per cent. There is demand from certain sections of cultivators in the State that the collection of share capital even of 2½ per cent. may not be insisted upon in the initial stages. It may not, however, be a desirable feature. The beneficiaries should have a stake in the society in order to feel the responsibility and the interest in the scheme. The other difficulty in obtaining guarantee of 20 per cent. from the District Central Co-operative Bank to provide loan for purchase of shares by the members of the society could be experienced by the defaulter members who may not be able to obtain guarantee from the Bank and derive the advantage of the scheme. In this process some genuine and needy cultivators are likely to be left out of the purview of this scheme.

Apart from the difficulties of collection of share capital, lot of time is spent on collection of mortgages etc. involving delay on that account also. This could be avoided and the commitment charges levied by the Agricultural Refinance Corporation for not lifting funds as per schedule could be

avoided. At the same time the Corporation in genuine cases should sympathetically consider waiving the commitment charges to certain extent as this is a new scheme and has to be popularised amongst the cultivators and their societies. The beneficiaries have also not been so much attracted to this new arrangement. It may therefore, not be out of place to take a review of the arrangement of this institutional finance which has come into force since February 1968 and has been working for the last two years. No doubt in the initial stages a number of problems crop up and have to be solved. However, on taking a review of the working of the present arrangement, it may be said that the procedure is rather lengthy and laborious for the beneficiaries of the Cooperative Lift Irrigation Schemes to get funds from the Primary Land Development Bank. It is high time to find out short-cuts both in regard to making available funds from the Bank for the schemes as well as completion of preliminaries and formalities by the beneficiaries in this regard. The Agricultural Refinance Corporation adopts its own procedure of examining each and every scheme by carrying out the surveys one for technical feasibility and the other for economic feasibility even though the schemes are cleared by the Expert Committee before forwarding it to the Agricultural Refinance Corporation. Lot of delay takes place before the Expert is available to Agricultural Refinance Corporation to visit the area for surveys. This is an avoidable delay, but the Agricultural Refinance Corporation insists on its own surveys and scrutiny. With the nationalisation of the bigger banks and a directive from Government to these banks to provide finance for agricultural production it may be possible as an alternative to take advantage of finance from these banks by the Cooperative Lift Irrigation Schemes. It seems that these banks will be more expeditious in disposing off the applications as they have a commercial background and will be interested in increasing this type of business. If these banks are provided with necessary background material and other facilities, for example, preparation of Preliminary Investigation Reports, Detailed Plans and Estimates and a sort of assistance in recovery of their dues, perhaps these banks will be more interested in this business and provide funds expeditiously. This would have two fold effects—firstly the Co-operative Lift Irrigation Schemes will get required money expeditiously and secondly more funds will be available for the Cooperative Sector with the opening of this new avenue. As these Cooperative Lift Irrigation Schemes are working more or less on commercial basis, those nationalised banks will be more appropriate sources for providing finance to these societies. It may be mentioned that some special arrangement may have to be made to provide this finance with a moratorium for repayment, as the construction of scheme may take 18 months to 2 years and development of full irrigation may require about 3 years; the beneficiaries may

not be able to repay the loan till the irrigation is developed to a considerable extent. Therefore, the recovery of loan should start after about 3 to 4 years from the disbursement of loan. Perhaps the payment of interest may start after two years from disbursement of loan. When the nationalised banks take up this business it may be necessary to come up with the assistance required by them and a definite procedure may have to be laid down in the interest of getting the funds expeditiously from the Nationalised Banks. As mentioned earlier the availability of water and water lifting permission from the concerned authority will be the first requirement of introducing the scheme. On getting the water lifting permission, P. I. Reports should be prepared by the concerned Executive Engineer of the Lift Irrigation Division on the basis of the cropping pattern to be obtained from the concerned Parishad Agricultural Development Officer, Zilla Parishad. The water rates and benefit cost ratio should be worked out and the scheme should be placed before the Committee of experts for clearance. The Nationalised Banks should in normal course, go according to the decision of the Expert Committee. This may be helpful and in the interest of uniformity in the organisation and working of the Lift Irrigation Scheme throughout the State. Once the scheme is cleared, the Nationalised Banks can follow the normal procedure adopted in financing the agriculturist. This would help in expeditiously organising the Cooperative Lift Irrigation schemes cleared by the Committee of Experts and bring in the maximum acreage under irrigation in the State.

Recently another important aspect has been noticed in some of these areas when a scheme is proposed, surveyed and scrutinised and sanctioned by a small number of cultivators coming in the command area but who cannot be isolated refuses to join the Cooperative Lift Irrigation Society. Thereby the design of the scheme has to be changed the cost of the scheme per acre goes up. At times it becomes uneconomic and for this type of attitude from such a small number of cultivators, it becomes necessary to drop the scheme. Thus a large group of cultivators lose the advantage of the facility. In such cases in the larger interest of the community it may be necessary to compel such cultivators to join the Society by enacting suitable legislation. Some criteria may, however, have to be fixed about the percentage of persons to be compelled in such cases. It is suggested that where 75 per cent. of the total membership bringing in more than 60 per cent of the total area under the command of the scheme desires to organise the society in a contiguous command, the remaining 25 per cent. of the members should be compelled to join the society and share proportionate liabilities. This would enable the society to lay down pipe lines etc, according to the design through the lands of such beneficiaries along with that of other beneficiaries and instal and run the scheme in an economic manner.

This would prove to be a good lesson to dissuade obstructing elements from creating difficulties in organisation of the schemes and help implementation of the programme expeditiously.

The following are the proposals in brief published for eliciting public opinion :

- (1) In addition to the present arrangements of finance, advantage of Nationalised Banks be taken to obtain finance for capital investment by the Cooperative Lift Irrigation Societies as these banks can sanction funds expeditiously ;
- (2) The Nationalised Banks should provide finance to the Cooperative Lift Irrigation Schemes with moratorium for repayment ;
- (3) The Department should provide necessary background material to these banks such as preparation of Preliminary Investigation Reports, Plans and Estimates and help these banks in recovery of their dues and clearance of the schemes through the Expert Committee ;
- (4) The beneficiaries should scrupulously complete all preliminaries such as collection of share capital, obtain guarantee from District Central Cooperative Banks and contribution of share capital from the Zilla Parishad, execute loan bonds etc. in time. No concessions in these aspects should be extended ;
- (5) The Agricultural Refinance Cooperation, in genuine cases should consider favourably waiving of the commitment charges ;
- (6) In order to rule out objections to join the scheme from a small number of beneficiaries coming in the command of a contiguous Lift Irrigation Scheme but who cannot be eliminated except at a very high cost or by dropping the scheme itself may be compelled to join the scheme by enacting suitable legislation. Where 75 per cent of the total membership bringing in more than 60 per cent of the total area under the command of the scheme desires to organise a society in a contiguous command the remaining 25 per cent of the members should be compelled to join the society and share proportionate liabilities.

(D) TRANSPORT SOCIETIES

A Co-operative Transport Society may be defined as an organisation where the means of transport are controlled by the persons dependent on them in such a way that in addition to getting reasonable returns for the services rendered, they will also have a share in the resultant profit. Such societies can be organised by :—

- (1) Owners of Transport vehicles by pooling vehicles together and by operating jointly and getting the profits equitably distributed amongst themselves.

- (2) Transport operators and workers engaged in transport business joining together and running the society on agreed terms and conditions by securing vehicles from owners for operation.
- (3) Vehicle owners and workers joining together to form a society.

As on 30th June 1968 there were 69 Transport Co-operative Societies classified as under :—

(1) Goods Service	48
(2) Passenger service	10
(3) Mixed	1
(4) Taxi-Drivers	1
(5) Cycle rickshaws	3
(6) Auto Rickshaws	3
(7) Mixed (cycle-cum-Auto)	2
Total	68

Of these 68 Transport Co-operative Societies, only 47 are working and the rest are dormant. There are 4603 worker members and 628 sympathiser members. Total share capital is Rs. 15.19 lakhs and working capital Rs. 51.55 lakhs. 155 vehicles are owned by the societies, 63 owned by members and 78 vehicles owned by others, making a total of 296 vehicles.

These societies were originally intended for workers, like drivers, cleaners, mechanics and other engaged in the transport industry. However, many owners of vehicles have found their way into these societies as an owner-driver is as much a worker as the cleaner attending on him. It is therefore necessary to define the term "worker" as to exclude owners-operators from the purview of these societies. It is necessary to see that these societies work in the interest of the weaker sections and the concessions and assistance given by Government goes only to them and not to the vehicle owners who are economically better off.

It is difficult to organise Transport Societies of workers comprising only of drivers, cleaners, mechanics etc. because these employees are economically incapable of raising money to buy vehicles. On the other hand if owners of vehicles are included in the membership along with workers, there is a possibility of the former dominating the latter by virtue of their economic and intellectual superiority. It is, therefore, desirable to restrict registration of transport societies to societies consisting of workers only.

Passenger transport in Maharashtra has been nationalised and is thus closed for development to the co-operative sector. But it is possible to

develop more co-operative societies in the sphere of goods transport which offers a good potential at present as the major portion of goods transport business is handled by the private operators only.

Transport societies have generally failed to help the weaker sections of the society. It is, therefore, necessary to take measures to ensure that the exploiting agencies and vested interests are eliminated from these societies. In future, it is proposed to ban the registration of owner-operators' societies and to cancel the existing societies of owners-operators. Societies which will be able to uplift the economic conditions of the weaker sections of society alone will be given necessary encouragement.

The following proposal is therefore, placed for consideration :—

Societies which will help to improve the economic conditions of the weaker sections of the community viz. actual workers, alone should be given necessary encouragement.

The registration of Societies of non-working owners should be stopped forth-with and existing societies of such non-working owners should be cancelled.

(E) CO-OPERATIVE HOSPITALS

A co-operative hospital is a new and a rare type of co-operative society. There are only 6 such societies in Maharashtra State at present and outstanding among these societies is the Shushrusha Citizens' Co-operative Hospital Ltd., Dadar, Bombay. The other co-operative hospitals are trying to follow the model set-up by this hospital.

Timely medical aid is perhaps the greatest need of the community, almost as important as food and shelter and such aid should be easily available and at a reasonable cost. The State Government and local bodies such as Corporations and Municipalities are striving hard to make medical aid and hospital facilities available to the public as a measure of welfare. However, on account of their limited resources and the extreme pressure of population, these efforts fall far short of the requirements of the public. The existing hospital facilities even in big cities and towns are too inadequate to meet the demand for them. Most of these hospitals are, therefore, always overcrowded and it has become very difficult for the common man to get hospital facilities in time and at a reasonable cost. Conditions in the rural areas are still worse as adequate medical facilities do not exist in rural areas. As is well known, members of the public do not get prompt or adequate attention in public hospitals on account of the pressure of work on the hospital staff and all those who can afford to obtain private treatment go in for private treatment in preference to treatment in public hospitals. In the large cities the charges for

medical assistance by the private practitioners are so high that the common man often feels that he is being exploited.

Co-operative Hospitals, therefore, should be able to provide a satisfactory solution to the problem of making medical aid available to the public promptly, efficiently and at a reasonable cost. Since in a Co-operative Hospital, the patients themselves would be managing the hospitals, their interest would certainly be well looked after. They would also be contributing to cover major part of the expenses of these hospitals and the services of the Doctors and specialists working in the hospitals would be easily available to the members and that too at a very moderate cost. Thus it would be in the interest of Government to encourage formation of co-operative hospitals as they would not only serve public more efficiently but would also give far better return on the tax-payers' money spent on them. It should, therefore, be a part of the State policy to encourage formation of co-operative hospitals by giving them substantial financial assistance. The Government assistance provided to co-operative hospitals will secure a far better return on the money spent than would be the case in a hospital run by Government itself, as for the same results, Government money spent on co-operative hospitals is only marginal in extent. It, therefore, follows that by encouraging organisation of co-operative hospitals, Government would be able to provide medical assistance to a far greater number of people and more effectively than if Government undertook to establish its own hospitals. It is, therefore, proposed that an adequate provision might be made annually in the Cooperative Departmental Budget for the purpose of giving financial assistance, which should be so modelled as to provide comprehensive medical and surgical facilities with efficiency and promptness combined with reasonable cost.

At present, there are in Maharashtra 1,305 hospitals and dispensaries run by the State Government, the Government of India, Municipal and Local Bodies and private agencies, the total number of beds being 37,425. The details are as under :—

	Hospitals		Dispensaries		Total	
	Number	Beds	Number	Beds	Number	Beds
1. State Government	77	17,325	34	427	111	17,752
2. Government of India.	9	1,020	6	...	15	1,020
3. Private agencies ..	217	11,751	51	210	268	11,961
4. Municipal and Local bodies.	90	4,850	911	1,842	1,001	6,692

As Government hospitals are very over-crowded and congested, an additional amount of Rs. 3 crores was earmarked for meeting the minimum requirements

of hospitals over and above the provision made in the Third Five-Year Plan. In spite of this expenditure, over-crowding and congestion continues to be the rule, in public hospitals. Co-operative hospitals could relieve this overcrowding to some extent.

It is, therefore, necessary to make a large scale experiment by encouraging organisation of co-operative hospitals in all towns with a population of 50,000 and above in the first instance. These hospitals should be so modelled so as to provide comprehensive medical, surgical and dental services, which would combine the efficiency and promptness of private practitioners with the reasonable cost associated with the co-operative venture.

A co-operative hospital is a new type of venture and the only co-operative hospital which can be taken up as a working model for co-operative hospitals is, the Shushrusha Citizens' Co-operative Hospital Ltd., Bombay. This Hospital has been given only Rs. 5 lakhs by Government as a matching share capital, and with this comparatively small amount of outlay provided by Government matched by its own resources, it has provided various medical and surgical services and 120 beds for indoor patients. It is likely that in smaller towns, the public may not be able to raise adequate share capital and, therefore, Government may be called upon to give more than matching share capital contribution. Any person residing in the area of operation of the hospital (Greater Bombay) can become a member of the hospital. Its services are open to members and non-members alike.

The scheme for this hospital has been worked out very realistically and it has proved not only workable but also cheaper to its members. Even to non-members services at this hospital are provided at rates much lower than what they may have to pay in any private hospital. However, its bye-laws do not contain provision for obligatory membership of all its employees like doctors, nurses, ward-boys and sweepers, etc. When this lacuna is made good, its bye-laws would also present a model for others to follow. It would be worth-while for Government to encourage the formation of co-operative hospital on the model of Shushrusha Citizens' Co-operative Hospital in all major towns in the State and thus assist the people to solve their medical problems through the medium of co-operation.

The following proposals are, therefore, placed for consideration :—

(i) The Shushrusha Citizens' Co-operative Hospital Ltd., Bombay, has set up a good model for the organisation of Co-operative Hospitals in the State. This model may be followed elsewhere, with necessary modification to suit local conditions.

(ii) Government should encourage the formation of co-operative hospitals in all towns having a population of 50,000 and above, in the State.

(iii) To make the working of these hospitals more purposefull and efficient, all their employees such as doctors, nurses, ward-boys, etc., should also be made their members.

(F) Fisheries

As fishermen belong to the weaker sections of the community, Government as a part of its welfare programme is making efforts to improve their economic conditions through the medium of co-operative societies, and also through its Fisheries Department. Fisheries co-operatives have been of great help to fishermen in obtaining their requirements of finance and materials required for fishing and also serve as a check to some extent in their exploitation by middlemen. Co-operative societies of Fishermen now occupy an important place in the fishing industry.

Fisheries co-operatives have made good progress in the coastal districts of Bombay, Thana, Kolaba and Ratnagiri. Though co-operative societies of fishermen exist in the interior parts of the State, they are comparatively very weak as inland fishing resources are rather meagre compared to maritime fisheries.

The organisational pattern of these societies follows the usual three tier structure. At the village level, there are primary fisheries societies and these societies are federal into a district federation at the district level. There is also an Apex Federation of fisheries co-operatives societies at the Apex Level. For inland fishery societies, Divisional Level Federations at Nagpur and Aurangabad have been organised and possibilities of organising a similar divisional level federation for Poona Division are being explored. Inland Fishery Societies do not have district federations.

Activities of Fisheries Societies

These fisheries co-operative societies mainly undertake supply of fishing material such as oil, nylon, tar, and other fishing requirements and also undertake marketing of their fish catch to a limited extent.

The following table will indicate the progress made by these societies :—

Particulars	1966-67	1967-68	1968-69
1. No. of societies	303	330	337
2. Membership	50,991	58,703	64,536
3. Paid up share capital Rs.	21,00,000	25,00,000	49,60,000
4. Value of catch Rs.	72,00,000	80,00,000	76,00,000
5. Profit :			
Societies in profit Rs.	4,00,000	5,00,000	5,84,000
Societies in loss Rs.	2,00,000	2,00,000	2,39,000

Government Assistance

With a view to encourage the fishermen to organise themselves into co-operatives, Government in the Co-operative Department and Fisheries Department has been granting financial assistance to these co-operative societies. The financial assistance under the co-operative departmental scheme consist of (i) Management Subsidy to Primary Fisheries Societies (ii) Share Capital Contribution, and (iii) Loan and Subsidy for construction of godowns.

The fisheries department grants financial assistance to these co-operative societies mainly for capital investment such as purchase of boats and engines, cold storage, ice factory, purchase of nets etc. Subsidies are also given on purchase of nylon thread.

In view of the importance that is being assumed by the fisheries co-operative societies, Government have revised its policy and the pattern of its assistance, financial as well as other. Government have sanctioned very recently a new pattern of financial assistance to the groups of fishermen for mechanisation of boats. So far the financial assistance for this purpose was granted by the fisheries department directly to the fishermen. Under the new pattern, the financial assistance will be given to the groups of fishermen through the fisheries co-operatives with 50 per cent. participation of the district central co-operative banks for boats, engines (both imported and indigeneous) and winches. The Government financial assistance will consist of contribution by Government to non-redeemable share capital of the societies and loans for purchase of shares. In order to ensure that the benefit of this scheme is extended to all genuine and deserving fishermen, terms and conditions have been liberalised to some extent.

The schemes of financial assistance implemented through the Co-operative Department have also been liberalised. Limit of Government share capital subscription to primary societies has been raised from Rs. 3,000 to Rs. 20,000. Similarly, the period of management subsidy has been raised from 3 years to 5 years and its quantum increased. The District or Divisional level Federations are also now made eligible for Government share capital contribution on a substantial scale for undertaking of supply and marketing activities. The main objective is to strengthen the Fishery Societies and increase their production and to expand the scope of their work, so as to include supply of requisites and processing and marketing of fish, etc.

New Fisheries Projects

Government have also sponsored co-operative fisheries projects in Ratnagiri and Thana districts with the financial assistance provided by the Agricultural Refinance Corporation. These projects will be executed by the respective District Federations of the fisheries societies.

The Ratnagiri project has been very recently sanctioned by Government and the capital investment involved therein is of the order of Rs. 35,30,000, Rs. 23,47,500 being refinance Corporation's share and Rs. 11,82,500 that of Government. This project will operate 30 trawlers, establish a service station and will run a freezing plant complex and peeling shed etc. The Agricultural Refinance Corporation has agreed to finance this project. A similar project for Thana is also under consideration.

The Maharashtra Rajya Machhimar Sahakari Sangh is the Apex Level Institution of the fisheries co-operative societies. This institution is expected to take a leading part in improving the economic condition of fishermen through co-operative efforts. This institution was granted substantial financial help by Government. But due to gross mis-management in the past, it suffered heavy losses. It is at present under supersession and efforts are being made to put on its feet once again.

The activities, which the fisheries co-operative societies are expected to undertake are of a technical nature and require constant guidance and supervision from technical experts. Production of fish, their preservation and processing etc. are matters, which require a considerable technical know how and expert guidance.

It is, therefore, necessary that day to day management and supervision over these societies should be exercised by the fisheries department which should be responsible for their proper working. Apart from helping the societies to achieve increased production, this change will help in eliminating avoidable losses suffered by some of the fisheries societies. To enable the fisheries department to exercise proper supervision over these societies, the services of a Deputy Registrar have been placed at its disposal. There is still vast scope for expanding and improving the activities of the fisheries co-operative societies so as to achieve the ultimate objective of improving the economic condition of the fishermen and adding to the total food resources of the country. The fishing industry can also become a major foreign exchange earner for our country if it is properly developed. There is considerable demand in foreign countries for processed products such as prawns, frog legs and lobsters etc. The fishermen's societies and their federation should, therefore, develop their activities with an eye on earning increasing amount of foreign exchange.

So far deep sea fishing has not been undertaken by any of the fishery societies on account of the heavy capital outlay involved nor have international fishing grounds in other parts of the world been exploited by co-operatives. Corporated to other countries like Japan and Norway, India is still extremely backward in the sphere of maritime fishing. It is necessary to see that suitable steps are taken to increase the scope of fishing activities and that co-operative societies also play their part increasingly in these activities.

The following proposals are therefore placed for consideration :

(1) The Primary fishery societies and their federations should improve their financial condition and have a firm financial base to enable them to undertake fishing activities on a larger scale. The total fish production

should also be increased sufficiently so as to add appreciably to the total food resources of the country.

(2) The Apex Federation of Fishery Societies should be revitalised quickly so that it may be able to carry out its proper functions in fishery co-operative movement.

(3) Greater attention should be paid to co-operative marketing of fish and fish products. The present domination of Dalals over the disposal of the fish catches should be completely done with as early as possible.

(4) Co-operative fishery Societies should pay greater attention to processing of fish products and their export to foreign countries with a view to earning foreign exchange on an increasing scale.

(5) The Fisheries Department should be made completely responsible for the day to day supervision over the activities of the fishery societies and giving them technical guidance for their successful working.

(G) POULTRY AND PIGGERY SOCIETIES

Poultry and Piggery Societies were started with a view to provide farmers with a lucrative subsidiary occupation. At present there are 135 Poultry Societies and 87 Piggery Societies in the State. Most of them are, however, not working very satisfactorily and when the causes for their failures are analysed it is found that most of these Societies incur loss as they have not yet begun to understand the technical problems involved in these industries.

The main object of providing individual farmers with subsidiary occupation has also not been fulfilled, as in the case of most of the existing Societies the live-stock viz. the Pigs and Poultry are kept and managed by the Society centrally and not by individual members independently on their farms. The latter stage will take several years to reach and individual management would be successful only when every farmer has perfectly grasped the technicalities involved in these business.

Poultry and Piggery Societies have a number of problems of a varied and complicated nature, e.g. the question of providing finance, making available feed-stuffs at reasonable prices, providing of veterinary assistance and technical guidance and marketing of finished products, etc. Even a slight delay or mistake in the handling of any of these aspects of the business adversely affects the production, processing or sale, which can cause considerable loss to the Co-operatives.

The Poultry Co-operative Societies require processed feed on a large scale for feeding the birds. However, these Societies cannot undertake production of this feed and they have, therefore, to depend upon the poultry feed produced in the State Sector or in the Private Sector. This is also true of Piggery Societies. A large investment is required for the establish-

ment of such feed-production units. A primary Society cannot therefore, undertake the production of feeding stuffs. It is therefore, necessary to organise Federations of these Societies so that these Federations may undertake the production of standardised feeding stuffs. The existing plants should be taken over by these Federations in due course.

The marketing of poultry and pigs cannot take place unless these are properly processed before being placed in the consumers market for sale. As the establishment of processing plants for these involves as a very heavy capital outlay, it was not possible for the Co-operative Societies to undertake the establishment of these plants. Government have, therefore, established a Poultry Dressing Plant at Poona and a Bacon Factory at Borivli in Greater Bombay at a considerable cost. The marketing of the finished products of these plants is also undertaken by Government.

Similarly, the egg marketing scheme is being managed by the Animal Husbandry Department which collects the eggs from the Co-operative Poultry Societies and others and arranges for their sale to the Consumers. As the Poultry Co-operatives are in an infant stage and are required to concentrate more on the production side, the egg marketing scheme comes in handy for them. Thus the existing position is that the production of Pigs and poultry is carried on in the Co-operative Sector and Processing and marketing is undertaken in the State Sector. This is not an ideal state of affairs. The production should be managed by Societies with the help of the technical departments and processing and marketing should be managed by the Federations of the Societies with the assistance of the Co-operative Department. Federations of Poultry and Piggery Societies will have, therefore, to undertake this important work.

These Federations will have to establish effective liaison with their constituents members and the concerned technical departments. It should also be possible to arrange for the retail marketing of milk, eggs, bacon and dressed chicken supplied by the respective Co-operatives at the Milk Booths of the Government Milk Schemes in big cities so that besides saving in marketing costs, a guaranteed market at the retail end is assured and the consumer is also able to buy all his requirements at one centre conveniently.

The proposed Federations of Poultry and Piggery Societies should also take over, in course of time, the egg marketing schemes from the Animal Husbandry Department. In other words, the production side of these Societies would be looked after with the technical and managerial assistance of the respective technical departments, while further processing of the products and ultimate sale of the finished products will be the sole respon-

sibility of the proposed Co-operative Federations under the guidance of the Co-operative Department.

Since Government Departments are involved in finding solutions to the problems of these Societies and quick and final decisions have to be taken on important matters, it is desirable to have a state level co-ordination committee consisting of the Ministers dealing with these subjects under the chairmanship of the Minister for Co-operation.

The following proposals are therefore placed for consideration :—

(1) The successful development and management of the production activities of the Poultry and Piggery Societies require constant technical assistance. This should therefore, be made the specific responsibility of the Animal Husbandry Department.

(2) Poultry and Piggery Societies should in due course form their own Federations which should take over the processing and marketing of the products of these Societies.

(3) The Government Poultry Dressing Plant at Poona and the Pig Processing Plant at Borivili should in due course be taken over by the respective Federations of Poultry and Piggery Societies.

(4) The egg marketing scheme of the Animal Husbandry Department should be taken over in due course by the Federation of the Co-operative Poultry Societies.

(5) Poultry and Piggery Societies (or their Federations) should sell their products at the existing milk booths of the Government Milk Scheme in large cities like Bombay, Poona, etc.

(6) Manufacture of Feeding stuffs should be undertaken by the respective Federations of these Societies.



Chapter 13

COOPERATIVE FARMING

In the State of Maharashtra two forms of Cooperative Farming Societies namely Joint and Collective Farming Societies are being registered for the present. As on 30th June 1969, there were 376 Joint Farming Societies and 858 Collective Farming Societies with a total membership of 28704. The area under the command of these societies was to the extent of 72,842 hectares or 1.8 lakh acres. Out of which the area brought under cultivation was to the extent of 46,897 hectares. The statistical figures regarding the working of these societies are given below :—

(Rs. in lakhs)

	Joint	Collective	Total
1. Number of societies	376	858	1234
2. Out of which members are cultivating jointly..	251	596	847
3. Number of members	6402	22302	28704
4. Of them Number of working members ..	5856	19402	25258
5. Area under command (Hectares)	17684	55158	72842
6. Of which under cultivation (Hectares) ..	11590	35307	46897
7. Paid up share capital	18.60	20.49	39.09
8. Of which Government	5.06	7.33	12.39
9. Working Capital	78.56	162.99	241.44
10. Value of production	35.65	41.82	77.47
11. Value of sales	38.37	39.28	77.65
12. Cost of Management	4.39	7.29	11.68
13. Number of societies in profit	101	169	270
14. Amount of profit	3.56	5.01	8.57
15. Number of societies in loss	128	430	558
16. Amount of loss	2.64	10.40	13.0
17. Number of societies without profit or loss ..	147	259	406

Such of the Societies which were organised after 1st November 1966 were being given financial assistance under the following pattern :—

Purpose of assistance	Scale of assistance		
	Loan	Subsidy	Total
	Rs.	Rs.	Rs.
1. Land Development—			
(a) Joint Farming	20,000	....	*20,000
(b) Collective Farming	30,000	....	†30,000
2. Construction of godown-cum-cattle shed (75 per cent loan and 25 per cent subsidy).	3,750	1,250	5,000
3. Managerial subsidy for 3 years (Joint Rs. 500, Rs. 400 and Rs. 300 and Collective Rs. 800, Rs. 700 and Rs. 600)—			
(a) Joint Farming .. .. .	....	1,200	1,200
(b) Collective Farming .. .. .	....	2,100	2,100
4. Government share capital contribution on matching basis.	2,000	....	2,000

*At Rs. 100 per acre subject to a ceiling of Rs. 20,000 per Society.

†At Rs. 150 per acre subject to a ceiling of Rs. 30,000 per society.

Though financial assistance under the various schemes referred to above is being given to the Cooperative Farming Societies during the last 3 years, there is only a small number of societies which have really benefited themselves under the scheme and improved their position which can be seen from the following figures about the audit classification of the societies.

The Audit Classification of Co-operative Farming Societies for the year 1968-69.

A Class	...	...	4
B Class	...	...	208
C Class	...	...	463
D Class	...	...	236
Societies not classified	...	...	77
Societies not audited	...	...	246
		...	1,234

From the above figures it would be observed that very small number of societies could secure 'A' & 'B' Audit classification while majority of the societies are in 'C' & 'D' Class. This position is not a desirable one and sets us thinking what should be done to improve the working of the

societies. On taking a review of the Co-operative Farming Societies in all the districts of the State, it is observed that following are the main reasons why a large number of societies have suffered losses and/or have not shown the desired improvement in their working :—

(1) The lands allotted to societies are generally forest lands which are covered with small bushes and stones. Moreover most of these lands are on the slopes of hills and are intersected by small streams which rendered these lands sandy and/or the upper layer of earth is washed off. Some of these lands will require heavy expenditure for development and even if financial assistance at higher rate is sanctioned, it is problematic whether the expenditure that would be incurred would be commensurate with the yield that would be produced from such lands after their development.

(2) Most of the lands are of very low fertility as they are of murmad or light soils. In such lands crops could not be economically cultivated under dry conditions.

(3) In most of these lands Soil Conservation measures such as bunding, levelling, terracing have not yet been carried out and as such whatever efforts that have been made for developing such lands are wasted due to erosion of soils, exposing the murum or rocks on the surface. As the lands are of low fertility, they are not economically suitable for dry farming.

(4) With all the financial assistance that we have been giving, it has not been possible to provide irrigation facilities to any considerable extent. This is one of the reasons why there has been uneconomic farming by most of these societies. The Department is now trying to provide irrigation facilities wherever possible. We may have to think of liberalising the financial assistance particularly for wells and pumping sets. Even with best of the efforts, we are not likely to irrigate more than 20 per cent. of the total land under the command of such societies.

For land improvement there are number of difficulties such as non-availability of bullocks, the area not being surveyed and even demarcated and in some cases even labourers are not available for carrying out the work. These societies also have difficulties in obtaining short term, medium term and long term finance from Central Cooperative Banks and Land Development Banks. In order to remove some of these defects the Department has been taking a number of measures as indicated below :

The financial assistance for land development has been increased during the IV Five Year Plan. Instead of giving flat rate assistance of Rs. 4,000 per society it is based on area to be developed. It has now been the practice to first have the land development programme for all the societies which

are proposed to be revitalised. Before sanctioning the land development schemes of the farming society, the whole scheme is being technically scrutinised and it is pre-ascertained that after the development is effected the societies would work as viable units. The land development can be taken up in stages also if financial limitations so demand. It is also intended to sanction loans for wells as well as for installation of oil engines with pumping sets, etc. so that the societies can bring more land under irrigation and revitalise their activities. Also co-ordination meetings in each district are being arranged with the staff of the Soil Conservation Section of the Agriculture Department. In these meetings the programme of bunding, levelling and terracing in each district is being drawn up and the societies are being selected for the land development work. The Extension Officers are also directed to keep close contact with the staff of the Soil Conservation Section for expediting the work of land development.

With a view to provide financial accommodation to these farming societies, the Department has been persuading the District Central Co-operative Banks to sanction short term crop finance to Farming Societies as in case of Agricultural Credit Societies and some Banks have already started giving such finance though the attitude of the District Central Cooperative Banks, in general, is not very encouraging. With all the efforts of the Department, it has not been possible for it to induce the Land Development Banks to sanction medium, and long term finance to such societies. If these societies are able to get adequate short, medium and long term loans, it would go a long way in improving the lands belonging to such societies by providing irrigation facilities etc. and using sufficient dosage of fertilisers to boost the produce.

From the audit classification of these societies it would be seen that out of 1234 societies 212 societies fall under the category of 'A' & 'B' class of audit i.e. good working societies. The 'C' Class societies number 463. It may be possible to revitalise a percentage of these societies, if necessary, assistance is provided on liberal scale both financial and technical. Even then the major portion of these 'C' Class societies and 236 'D' class societies will have to be taken into liquidation and removed from the register. A plan of liquidation of Collective Farming and Joint Farming Societies falling under this category will have to be made and executed expeditiously and in a systematic way so that the morale of the people may not be affected. Similarly the societies not classified and not audited will have practically the same percentage of the 'A' & 'B' and 'C' & 'D' class societies and there also the same procedure of revitalisation and liquidation will have to be followed.

No doubt a beginning has been made in this direction and a systematic programme of taking the societies into liquidation and prepare a plan for revitalisation has been chalked out by the Department on a scientific study. During the last two years supervisory and technical staff has been drafted for drawing up a systematic plan for technical guidance and providing the society with agricultural production plans, cropping plans, land development plans and follow them up. These efforts are expected to show definite improvements.

Even with all these efforts if the working of the Co-operative Farming Societies, which could be allowed to continue working because they fall under the 'A' and 'B' classification of audit or they are expected to show better performance with additional help, does not improve to the desired extent or deteriorate their condition, we may have to consider straight way to take them into liquidation without any hesitation whatsoever.

In case of Joint Farming Societies, on their liquidation the lands would naturally be reverted to the owners with the liabilities incurred on them. In case of Collective Farming Societies also on their liquidation the societies should be allowed to distribute the land to members on permanent basis with a view to enable them to cultivate the same individually and with an ultimate object that there would be additional agricultural production. In the later case if the beneficiaries so desire, a Service type Society should be organised for these individuals. The Service Type Societies may make available to them Interfarm Co-operation Service facilities such as mechanised cultivation by Tractors, Mechanised tillers, bunding, terracing, irrigation facilities, supply of fertilisers and improved seeds, etc. This has been suggested as it is felt that the Indian Agriculturist has still a greater attachment for ownership of land than usage of land and it might be likely that if lands are permanently allotted to individual members, they might take greater interest in developing the lands and increase the agricultural production. This would, however, be in contradiction to the recommendations of all the Committees that have studied or evaluated the Co-operative Farming Scheme, since 1949.

To assess the progress made by Co-operative Farming and to evaluate the working of Pilot Projects, a Committee of Direction was appointed by Government of India in July 1963, under the Chairmanship of Professor Gadgil. This Committee has observed that the programme is still in its infancy; Co-operative Farming still requires time before it can make significant impact on the entire country. The case studies initiated by the Committee have shown that a great deal requires to be done to encourage, guide and assist the programme.

It has further observed that the main emphasis should be on having co-operative farming societies which are viable units. What is important is to ensure that the societies are able to achieve cohesion among the members and have the resources to function as viable units. Unfortunately we have not been able to have a large number of such societies working as viable units and as such a large number of such societies have suffered losses as indicated earlier. The Committee has further observed that greatest possible emphasis should be on assistance to small and uneconomic holders. Experience has shown that setting up of Co-operative Farming Societies by members of other categories of cultivators is primarily motivated by the persons either to escape some legal restrictions or disability by joining the Co-operative Farming Societies or to obtain financial advantage or concessions given by Government. These defects should be eliminated in the Fourth Five-Year Plan principally by directing the programme to small and uneconomic class of cultivators. The Committee has further opined that Co-operative Farming Societies have got a capacity to provide larger employment with the undertaking of programme for land improvement and capital works and undertaking of allied activities such as dairying, sheep rearing and the development of non-farm occupation.

The Committee has further recommended that the State Government should undertake a programme of revitalisation of such societies which are weak and dormant, to give them technical guidance, and to give training and education to the persons engaged in the management of the Society. The Committee has also recommended organisation of State and District Federations of the societies. The pattern of financial assistance referred to above is also as per the recommendations of the Gadgil Committee.

Lastly the Committee has observed that the results should not be expected hastily and that there are no shortcuts for solving the problems of marginal and sub-marginal cultivators.

The Estimates Committee in its 12th Report for 1964-65 has observed that there are certain inherent defects in the organisation and administration of Co-operative Farming Societies in the State. It has been observed that the schemes could not fulfil the objective with which they were introduced, not because there was something inherently wrong with the scheme but because they were not properly executed. A number of defects were noticed even in case of Co-operative Farming Societies, which had reportedly been working satisfactorily. In many cases Government land granted to the societies had not been transferred in their names. The wages paid were also inadequate to meet the daily needs of the members. The Land Development loan paid was found to be too inadequate and other facilities

essential for the satisfactory working of the schemes were not made available. Among other suggestions, the Committee has recommended that it would be necessary and advisable for the State Government to set up at an early date, a High Powered Committee of officials and non-officials to be placed directly in-charge of planning and execution of the scheme.

The Government of Maharashtra considered these observations and recommendations of the Estimates Committee and constituted an Evaluation Committee in September 1965. The Committee has submitted its report to Government in the year 1969 and the recommendations of the Committee are under the consideration of Government. The main recommendations of the Committee are given below :—

(1) In practice there is no joint cultivation in the Joint Farming Societies. The organisation of such joint Farming Societies should not, therefore, be encouraged. No proposals for registration should be processed unless there is a pressing need from the members and they agree to bring in all or atleast 80 per cent. of their land in the pool and the Department is fully satisfied.

(2) The existing Joint Farming Societies which are stagnant or not working according to the aims and objects of the byelaws, their cases should be dealt with strictly even by adopting coercive measures against such Societies and their members individually and the large number of these types of societies should be liquidated. It should, however, be ensured that cent per cent. Government dues and dues of Central Financing Agencies are recovered.

(3) The member in a Joint Farming Society, not only should bring in the whole or atleast 80 per cent of his holding within the area of operation but should definitely commit to a long term arrangement extending over a period of 20 years if not permanently.

(4) The cases of Collective Farming Societies where individual cultivation is being practiced should be probed into with a view to removing the dead wood from the Movement.

(5) Government should invest on Government waste land through Government agencies for their development upto a cost of Rs. 2,500 per acre before they are allotted to Collective Farming Societies and this cost should be charged on this land.

(6) The Cooperative Farming Societies should be given all facilities that exist for individual cultivators. In addition enhanced quantum of loan should be extended for purpose like lift irrigation, pipe lines, purchase of heavy machinery, tractors, digging of community wells etc. In case of Collective Farming Societies where they have no real security to offer,

the Banks should advance loans against the assets to be created coupled with Government guarantee. Commissioner and Registrar may be authorised to extend such guarantee by giving him a blanket sanction upto a particular amount.

(7) The Secretary of Cooperative Farming Society should be kept under the control of a third agency. A regular cadre of full-time Managers of Cooperative Societies should, therefore, be prepared.

(8) With a view to providing technical supervision in recommending the cropping pattern, etc., the services of Extension Officers (Agriculture) at the rate of one for about 15-20 societies should be appointed.

(9) Adequate crop finance should be made available by the Central Cooperative Banks to the societies. If necessary, Government guarantee should be provided.

On the basis of the general background of working of the Cooperative Farming Societies, the efforts made by various agencies and the results obtained therefrom are taken into consideration to make a number of suggestions for streamlining the working of the movement. These suggestions aim at increasing agricultural production and put higher returns in the pockets of the small farmers, at the same time retaining his initiative. This is given in the next part under the heading of "Proposals".

Proposals

In the previous part i.e. 'Back-ground' recommendations of various Committees have been explained elaborately. Some of them touch land improvement, technical guidance, supervision etc. Most important factor for successful working of the Co-operative Farming Societies lies in making some permanent arrangements for crop finance. Experience has shown that many Co-operative Farming Societies have not been able to get crop finance. Even facilities which are available to individual agriculturists particularly regarding short, medium and long term finance are denied to Co-operative Farming Societies under some grounds. It is, therefore, necessary to induce the District Central Co-operative Banks and the Land Development Banks as stated earlier, to give adequate finance to such societies. If necessary Government should give guarantee to the banks for repayment of the loan with interest advanced by the Co-operative Institutions to the Co-operative Farming Societies as recommended by the Evaluation Committee. If this is done, it would be possible for Joint Farming Societies to have mechanised farm operations by purchasing heavy equipments like tractors, bulldozers etc. etc. with such financial assistance under Government guarantee. Care will have to be taken to see that the benefit of such finance does not go to big farmers, who are in a position to get all such facilities

either from their own resources or by raising loans against their own resources. For this purpose we should lay down as a policy to have joint farming societies of small holders owning not more than 5 acres of land. Care being taken to eliminate absentee landlords. In forming such societies, there might be some difficulty as the lands of all such small holders may not be adjacent to each other so as to form big blocks of land which can give benefit of large scale farming. It is observed that generally the lands of such small holders are scattered over an area and when we register a joint farming society of such small holders, the land under the command of the society would be in the form of a large number of small pieces away from each other. To obviate this difficulty, we may perhaps allow a few big land holders also with limitations on their area to join such societies for the sake of contiguity of the command area with due care to protect the interest of small holders in the management and financial advantages.

In providing finance to farming societies as suggested above, it would be necessary to follow a selective method. On examination of the statistical information on the working of the existing farming societies it is found that only 23 % of the societies are in 'A' and 'B' audit classification and 51 % in 'C' and 26 % in 'D' classification. Similarly 22 % of societies are working in profit and 45 % of societies are working in loss. The picture is not encouraging. It is, therefore, necessary that defunct and societies working in loss should be taken into liquidation straight way both of Joint Farming and Collective Farming category. In case of Joint Farming Societies taken into liquidation the lands of the societies would naturally revert to the members with the liabilities incurred on them. In case of Collective Farming Societies these societies are given Government lands by the Revenue Department and these lands in most of the cases being given to the societies on permanent basis, may be distributed to members with the only objective of getting additional agricultural production. In case the members so desire in future to come together for certain common activities Service Type Co-operatives could be organised of such members.

The question of good working Joint and Collective Farming Societies has also to be considered. These societies pursuing agriculture as their main business it is considered that if these societies are supervised and guided by the Agriculture Department and made a responsibility of that Department, it may be possible for them to get better treatment and technical assistance from that Department at all levels and show better results in the matter of agricultural production.

It is suggested that these Collective and Joint Farming Societies should be transferred to the Agriculture Department and the Director of Agriculture,

should be assisted by deputing a senior officer of the Co-operative Department. He should work under the administrative control of the Director of Agriculture and may be of the rank of Joint Registrar or Deputy Registrar to assist him in Co-operative aspect so as to enable him to take expeditious decisions and action in legal matters in case of these societies. Care may have to be taken to see that the Co-operative aspect is not ignored by that Department. It is hardly necessary to mention that the Department can provide technical guidance without any limitations. Here it may be necessary, nay essential to stress that this programme of Co-operative Farming Societies is not passed on to the Zilla Parishad as it is rightly feared that these societies may not get uniform treatment and proper nursing at the hands of Zilla Parishads on political grounds.

The discussions above gives a line of thinking about the existing co-operative farming societies suffering from inherent and chronic defects and the ways and means to reduce them.

The aims and objects with which these societies were organised to bring in small holders of land and assist them with facilities generally available to big farmers, in a collective manner have not been fulfilled and strenuous efforts are required to made in this direction. Perhaps a new approach to this problem has to be thought of. The problem of small holders is becoming more and more acute day by day and various methods are being adopted by multifarious agencies to solve the same. In spite of all the good intentions of these various agencies to help the small farmers it is found that they are working in isolation. Therefore, co-ordination is the need of the day. Before trying to co-ordinate them let us mention the various schemes :—

(1) The Co-operative Department is assisting the farming societies in the form of :

- (a) Loan for land development linked to the acreage with a ceiling ;
- (b) Loan-cum-subsidy for construction of godown-cum-cattle shed ;
- (c) Managerial subsidy for 3 years ;
- (d) Government share capital contribution on matching basis with a ceiling.

(2) Agriculture Department is implementing the integrated Area Development Scheme for Small Holders and Agricultural Labourers popularly known as "Page Scheme" (through Zilla Parishad). This scheme provides an integrated pattern, wherein the facilities and concessions available under various schemes of Agriculture and Animal Husbandry Departments are liberalised to an extent that they have the desired impact on these economically weaker sections of the agricultural community. In this programme an attempt is made to reach directly to these weaker

sections of the agricultural community, the benefits of planned development which would enable them to generate an economy that would sustain them honourably and at the same time contribute to the larger agricultural economy of the State.

(3) Pilot Projects for Small Farmers known as Small Farmers' Development Agencies. A Central Sector Programme included in the Four Five-Year Plan by the Government of India. The Scheme aims at identifying small farmers, who have a base in land, investigate and identify their problems, formulate programme incorporating suitable measures, devise ways and means of implementing those programmes through the existing agencies. The advantage of the scheme is proposed to be given to the potentially viable category of small farmers who is not viable and economic today, but who can easily become credit-worthy if certain improvements are made to his land and he takes to intensive cultivation with high yielding varieties. The proposals formulated by the State Government for this programme involve Agricultural Production Programme such as development of irrigation potential of the viable farmers, land development, intensive cropping and farming, custom service for mechanised farming, dairy development, poultry development etc. It is intended that the long term and short term finance required for the programme given above would normally be provided by the Co-operative Agencies and scheduled banks and the project authorities will have to consider the manner in which these banking agencies could be involved in the programme to supplement the finance of Rs. 150 lakhs available for each project from the Government of India under Central Sector.

(4) Revenue Department has also been advancing subsidy for land reclamation and loan and subsidy for agricultural implements in resettlement of landless agricultural workers under Centrally Sponsored Scheme.

(5) Cooperative Banking Structure i.e. short term finance from the Central Co-operative Banks through Seva Societies, long term finance through the Apex Cooperative Land Mortgage Banks and Primary Land Development Banks and Agricultural Refinance Corporation. These funds are procured for crop finance from the Central Cooperative Banks and for land development, irrigation and rural electrification from the Land Development Banks. The difficulty is experienced in securing these loans in many cases and therefore these financing agencies are rather reluctant to take risk hence the small farmers' cannot take full advantage of these facilities.

It would thus be seen that a number of agencies have been working to finance, and ameliorate the conditions of small farmers. These agencies are working more or less in isolation. There are number of difficulties and

drawbacks and lapses in implementation of each of the scheme. The drawbacks in the scheme implemented departmentally and as observed by the Evaluation Committee are mentioned in the earlier part of this note.

Under the Integrated Area Development Scheme for small holders and Agricultural Labourers it was envisaged that new plans with reference to each Small Holders should be evolved and economic viability projected out of these plans should be accepted as security for credit to be supplied to these small holders. It is reported that a very vigorous attempt was made. About 1,500 individual plans were drawn out, but the credit supplying agency being different than the agency drawing out plans, all this was to no purposes. Planning and implementation did not go hand in hand with all the efforts. One of the objective of the scheme was to take science and technology to the farms and the farmers. This has not been fulfilled. Other improvements anticipated have also not been achieved.

In so far as the Small Farmers' Development Agency is concerned, the scheme is yet to be sanctioned. As mentioned earlier the scheme contemplates identifying potentially viable small holders and involve a kind of supervised agricultural programming with the small holders. It is anticipated that in a block of District so selected atleast 50,000 small farmers will receive the benefit of the scheme over a period of 5 years. and on gaining experience it is proposed to extend the scheme to a large number of small holders within the area of operation of the scheme.

Apart from the fact that there should be an adequate number of potentially viable small holders, it is necessary to safeguard the active assistance of local financing agencies like District Central Cooperative Bank and the Land Development Bank.

In the scheme circulated by the Government of India for setting up Small Farmers' Development Agency in selected areas advising State Government to prepare suitable programmes in case of potentially viable small farmers provision has been suggested for grant by the Agency for contribution to the risk funds in case of the advances made by the Cooperative Banking structure. The suggestion is made on the basis of the Report of the All India Rural Credit Review Committee headed by Shri B. Venkatappiah and adopted unanimously by the members. The Report stresses that the agency should endeavour to promote the flow of short term, medium term and long term cooperative credit to cultivators for appropriate purpose from the agricultural credit societies and Central Cooperative Banks on the one hand and Land Development Banks on the other. The Agency will provide grant to these institutions so as (a) to provide them with an incentive to finance such farmers without undue apprehension of risks and (b) to enable them to employ such special staff technical as well as supervisory as may be necessary for dispensing and supervising credit to such farmers. The

Agency will be placed with funds for the purpose of providing such grants. The part of the grant to be given to the banks for providing an incentive for financing small loans advanced to such sections in a year will be built up into a special risk fund in these institutions. The grants by the Agency for contribution to the risk funds may be determined on the following basis :—

Primary Agricultural Credit Societies.	6 Per cent. of actual additional advances.
Central Co-operative Banks ...	3 Per cent. of actual additional advances.
Land Development Banks ...	3 Per cent. of actual additional advances.

As long term loans are not likely to be made to the same farmers more than once within a period of five year, the grant in the case of land development banks should be made at 3 per cent of the actual amount lent to small farmers in a year rather than of the increase in such advances because all the new lending would be, in fact, additional. The contribution to the risk fund of the primary agricultural credit society will be based on its additional loans to such farmers. The corresponding grant to the Central Bank will also be based on this additional lending by the society but should not be made available to the bank unless it is clear that the bank has contributed to the relevant increase in the society's loan to such farmers.

It also contemplates that the Agency should investigate the instances of cultivators who are unable to raise adequate credit for production of investment from the cooperative credit institutions and pursue with the later the question of making appropriate modifications in loan policies and procedures which would accelerate the flow of credit to the weaker sections. It further states that both in view of these incentives and support in terms of supervisory grants and the fact it will be ensured that the operations are in the nature of supervised credit the Committee expects that the Agency will have a considerable say in the formulation of credit policies, sanction of loan limits etc., subject, of course, to the overriding authority of the boards of management of the Cooperative Credit Institutions concerned. This will be a great incentive to the Cooperative Farming Institutions to provide adequate credit to potentially viable small farmers.

In the scheme proposed for implementing the programme that a separate agency should be constituted in each of the two selected areas which will include the following members :

- (1) The Chief Executive Officer, Zilla Parishad concerned.
- (2) One representative of President of India to be nominated by Ministry of Food and Agriculture.

- (3) One representative of the Planning Commission.
- (4) Director of Agriculture or his nominee.
- (5) Director of Animal Husbandary or his nominee.
- (6) Commissioner for Cooperation and Registrar, Cooperative Societies or his nominee.
- (7) Dairy Development Commissioner or his nominee.
- (8) Chairman, Land Development Bank.
- (9) Chairman, District Central Cooperative Bank.
- (10) The President Zilla Parishad concerned.
- (11) Two non-officials to be nominated by the State Government.
- (12) Project Officer, Central Project for Small farmers (Member-Secretary).

Though the Commissioner for Cooperation and Registrar, Cooperative Societies would be a member of the Society which has to work as the Agency, it is very necessary that the administration of this Agency must come to the Cooperative Department because it is that Department only which can make the financing agencies work in a particular direction and a large portion of the resources nearly double the amount of the resources obtainable from Central Project is to come from the Cooperative Financing Agencies. Otherwise this project will also not give the expected results for want of adequate and timely finance from the Cooperative Financing Agencies.

This can be supported by the views expressed by the Government of India and Planning Commission that it is the absence of credit and irregular flow of development money which has been at the bottom of our failure of efforts in respect of small-holders. The Co-operative Department will alone be in a position to know the intricacies of the credit management and have the necessary staffing support at village level to carry through a well organised programme of development.

Analysis of the working of the various schemes clearly indicates that these schemes are likely to work in isolation. In each of the scheme it is aimed to assist the small holders in all possible manner and therefore, unless we coordinate the various resources available under different schemes a large portion of our resources, man power and efforts is likely to prove to be a waste. It is, therefore, necessary to pool the resources available under the various items mentioned above and plan a coordinated programme to assist the small holders. It is suggested that a high powered Coordination Committee may be appointed with a clear mandate and direction that the selection of areas should be primarily done on merits only and that political consideration in the selection of areas etc. should be a secondary factor. The interest of small holders be given maximum weightage in implementing the scheme. The small holders can be assisted in the best possible manner

if they are brought into a Co-operative Organisation. It seems necessary that the reorganisation of small holders' joint farming society needs immediate attention at least on experimental basis. To make a beginning, this scheme may be taken up on an experimental basis in one Taluka in each of the 4 divisions, and then extended to other areas. The scheme of reorganisation involves organisation of a number of Joint Farming Societies of small holders in a taluka to be federated in a taluka Federation. The societies will be organised with a view to bring together small holders in a compact block for inter-farm Co-operation and they will carry out certain agricultural operations in common as far as possible. The block may consist of about 250-500 acres of area per society and it may be possible to organise about 30 to 50 such societies in a taluka where the scheme is proposed to be taken up on pilot basis. This would bring in on an average about 15,000 acres in a taluka under the programme. The Taluka Federation can provide necessary services to these constituent societies. It may be possible to organise one Tractor Station Unit with 3 field units by the Taluka Federation for providing services of mechanised cultivation and transport facilities to the members of the Joint Farming Societies. Similarly this unit is expected to supply seeds, fertilizers and other services to these members through the Joint Farming Societies. It is expected that the Tractor unit will serve about 4,000 to 6,000 members and each field unit will provide servicing facilities to about 1,500 to 2,000 members covering an area of about 5,000 acres. Except for mechanised operations all other operations will be carried out by the members themselves. Thus the members will have the benefit of large scale mechanised farming operations which will bring down the cost of that portion of the operation, while they will have all the initiative and personal interest as well as benefits in the farming occupation. This is expected to show definite results of increased production and reduction in cost of the same. It would be necessary for some time to watch the additional benefits derived by small holders before arriving at definite conclusions. Perhaps it may not be possible for all small holders to get full time employment and in such cases the agency of Taluka Federation can come to the rescue and provide facilities for alternative occupation such as dairy, poultry, transport business, etc. This Tractor Station Unit organised by the Taluka Federation should become the centre of activities for improved cultivation with possibilities of alternative occupation for about 6,000 members covering an area of 15,000 acres in the initial stage. The expenditure on a Tractor Unit with its field units would work out to Rs. 5.00 lakhs approximately as capital cost which includes 12 Tractors, its accessories, transport and maintenance equipment spares and buildings, etc. The recurring cost per annum for maintenance, depreciation, interest etc. would be Rs. 3.00 lakhs approximately. The cost can be

recouped with a margin of profit after providing depreciation, interest etc. if the tractor rent is fixed between Rs. 27 to 30 per hour for ploughing Rs. 120 per acre for levelling and Rs. 20 per acre for harrowing. Suitable rent can be fixed for transport also. In the initial stages except for maintenance no provision for repair workshop has been made and local facilities or facilities proposed to be provided by the Taluka Purchase and Sale Unions would be availed of by these units for major repairs. While organising these societies of small holders some areas owned by big land holders may fall in between and at times it may be disadvantageous to the small holders to eliminate such areas and their owners from enrolling in the society. In such cases, the big land owners may be enrolled as members only for their areas falling under the command of the society. However, the percentage of such areas of big land owners should be restricted to 20 per cent. while that of small holders to 80 per cent. or so. In exceptional cases this ratio of 20 : 80 can raise upto 30 to 70. The assistance under the Co-operative Plan, assistance from various development departments and assistance from Co-operative Financing Agencies should, therefore, be so arranged that the requirements of farming societies should be provided on priority basis. As the funds are expected to be pooled from various agencies, the working of these societies should be administered by the Co-operative Department by placing it in charge of one whole time Joint Registrar at the State level and he should be supported by suitable technical and non-technical staff.

The following are the proposals in brief published for eliciting public opinion :—

(1) The Joint Farming Societies working at losses and falling under 'C' and 'D' classification of audit and which are defunct should be taken into liquidation and the lands would revert to the member owners along with the liabilities incurred thereon.

(2) The Collective Farming Societies falling under 'C' and 'D' classification of Audit and not likely to be revitalised, similarly those working at losses and defunct should be taken into liquidation and the lands may be distributed to the members with a view to have more agricultural production. In case the members so desire in future to come together for certain common activities, Service Type Co-operatives should be organised of such members.

(3) Other good working societies both Joint as well as Collective Farming should be transferred to the Agriculture Department with a view to get benefits of the schemes of the Agriculture Department and technical guidance. It has to be ensured that the Co-operative aspect is not neglected and that these schemes are not transferred to the Zilla Parishad.

(4) The future programme of organising Co-operative Farming should be restricted to the small, potentially viable farmers and Service Type Co-operative Societies should be formed for interfarm co-operation. The area may be restricted to 250 to 500 acres and about 30 to 50 such societies should be federated at Taluka level.

(5) The Tractor Unit with three field units should be organised by the Taluka Federation and its services made available to the members of the constituent societies. These units should be organised on pilot basis in 4 selected talukas in 4 divisions to start with. Approximately the funds to the extent of Rs. 5 lakhs for capital expenditure and 3 lakhs for working capital would be required per Tractor Unit.

(6) The programme for ameliorating the lots of the small farmers implemented by various agencies should be co-ordinated by a High Powered Coordination Committee which should enjoy all the powers of selecting the projects and executing the programme. The advantage of finance under the Integrated Area Development Block, Small Farmer's Development Agency, the Cooperative Banking Structure, the Cooperative Department's scheme and the Revenue Department Scheme should be availed of in implementing these projects. The advantage of the Risk Fund suggested under the Small Farmers' Development Agency should be taken to persuade the Cooperative Banking Structure to provide adequate finance without any apprehension of the risk and with supervised credit.

(7) As this coordinated scheme involves major portion of finance from Co-operative Institutional Structure the scheme should be administered by the Cooperative Department.



Chapter 14

COOPERATIVISATION OF SUGAR FACTORIES

I think, it will be a truism to say that the entire co-operative movement in Maharashtra would have suffered a set back but for the actual establishment of 26 co-operative sugar factories which are now under production and twenty-one more which are under various stages of completion. The total crushing capacity of all these 47 sugar factories is 61,310 M.Tons per day. During 1968-69 crushing season, Maharashtra produced 19.9 per cent of the total sugar production in the country and when all the 47 sugar factories go into production, co-operative sugar factories in Maharashtra alone will be producing 35 to 40 per cent of the total sugar produced in the country. This by any standard is a remarkable achievement and is a vindication of the principle of locating industry as near the source of raw materials as possible and making the primary producer also the owner of the manufacturing process. That these 47 sugar factories enabled the sugar-cane growers to be co-operatively organised in matter of channelizing inputs, to bargain collectively for a better price from Government and the public, to organise technical know-how of the right standard in common effort to increase per acre yields and enabled them to put agriculture on scientific lines carries its own commentary. There is no doubt that the working of sugar factories in the private sector on the one hand and those working in the public sector in the other parts of the country have both been put into insignificance as a model for working arrangements against which the co-operatively organised sugar factories stand far out as the true model to be adopted. These 47 co-operative sugar factories came into existence in spite of a tremendous opposition from the privately organised sugar industry sector and their opposition can be understood. The cloud which in 1950 or so was no bigger than a man's hand has traveled long enough to become a tornado of co-operative development and has given a new sense of direction to the very concept of sugar factory expansion in Maharashtra. It has made the private sugar factory owners realise the futility of continuing their privately organised production of sugar and offers were forthcoming as early as 1962 to convert private sugar factories into co-operatives. The first sugar factory from the private sector which

recognised the winds of change was the Belwandi Sugar Farms Limited, and a co-operative sugar factory was registered on 30th August 1965 in the name of 'Shrigonda Sahakari Sakhar Karkhana Limited'. This was followed by the conversion of Gangapur Sugar Mills Limited which was managed by Messrs. Brady and Co. into Gangapur Sahakari Sakhar Karkhana Limited and registered in April 1968. Similarly, the Chitale Sugar Works, Private, Limited which was under liquidation was purchased in an open auction by a co-operative society by the name of the 'Shankar Sahakari Sakhar Karkhana Limited' which was specifically organised to purchase the plant in "as is, where is" condition. Only last month the share-holders and the Board of Directors of the Saswad Mali Sugar Factory at Malinagar have passed a resolution requesting Government to convert their privately organised sugar factory into a full-fledged co-operative sugar producing enterprise and Government has decided to accede to their request and steps have already been taken to complete its conversion as early as possible.

While this trend towards co-operativisation of sugar factories had positively set in and is gathering momentum an event of considerable significance took place for the Maharashtrian peasantry when its Government enacted a Legislation to fix ceiling on holdings by an individual. These ceilings came to be prescribed for different regions of the State in which the ceiling on the category of irrigated land was of the highest significance, as it was mostly in the irrigated areas that privately owned sugar factories were located. These privately owned sugar factories were established by foreign interests like Messrs. Brady and Co. in Belapur. During the 1930s when not only India, but the whole world witnessed the worst depression in agriculture, outside capital took on long leases lands belonging to the cultivators in these localities on as low a rent as Rs. 2 per acre. In 1970, an irrigated cultivator pays Rs. 4 per day as wages to his labourer and in retrospect the rent of Rs. 2 per acre in 1930 is the worst commentary which can be made on the working of Government which permitted these things to happen. Large tracts of lands were taken on lease by private sugar factory entrepreneurs either by inducement or threat or a combination of both, directly under Governmental encouragement and connivance. As a result, the following sugar factories came to be established during the thirties :—

Serial No.	Name of the Karkhana	Total acreage	Company's owned land	Leased land	Permanent Labour
1	Walchandnagar	15,750	8,138	7,612	11,682
2	Sakharwadi	9,113	1,416	7,697	794
3	Ravalgaon	7,621	4,571	2,050	606
4	Changdeonagr	3,536	298	3,238	310
5	Kolhapur	1,176	117	1,059	155

Serial No.	Name of the Karkhana	Total acreage	Company's owned land	Leased land	Permanent Labour
6	Bilvandi	1,810	1,079	731	97
7	Tilaknagar	9,753	1,560	8,193	1,051
8	Haregaon	10,772	6,670	4,102	856
9	Shripur	6,937	3,631	3,306	680
	Malinagar	147	53	94	....
10	Gangapur	3,939	3,737	202	23
11	Laxmiwadi	2,896	423	2,473	362
12	Sakarwadi	7,422	1,290	6,132	500
13	Chitlenagar	3,285	337	2,948	16
Total ..		84,157	44,320	49,837	7,132

The extent of acreages, lands owned and taken on lease and number of permanent labourers on each farm is also included in the statement so that at a glance it will be possible to understand and appreciate the significance of problems that has been agitating the minds of people in Maharashtra.

The problem in 1961 and 1962 before the Government of Maharashtra was to decide whether to apply the provisions of the Land Ceiling Act to the large farms owned and taken on lease by the various sugar factories. The Planning Commission and even the Government of India were insisting on the Government of Maharashtra exempting the large and compact holdings of the sugar factories. Land-holders, big and small, were agitating with the sugar factories for a rise in rent and demands were vociferously raised to ask for even a compulsory return of these lands from the factories, to the original holders. It is necessary to grasp this conflict of interest; Government was unable to exempt the large estates owned by the factories as they rightly argued that when they are unable to exempt a neighbouring cultivator, any exemption given to Factory Estates will be a political discrimination which would make the Government look small before the eyes of the people. Planning Commission was afraid that any break in the integrity of these farms would destroy the benefits of large-scale mechanised cultivation; and lastly the big holders were insisting that if the Ceiling Act was applied to these Estates, they would have been able to get half the land back from the factory owners, under the provisions of the Tenancy Act.

It was after protracted discussion between the Government of Maharashtra, then represented by Shri Y. B. Chavan, Planning Commission and the Late Prime Minister Shri Jawaharlal Nehru that a compromise was arrived at which *inter-alia* (1) permitted the Government of Maharashtra to apply the Ceiling Act to Factory Estates; (2) that in applying the provisions of the Act, care will have to be taken to see that the integrity of the Factory Estates is not broken; and (3) whatever form of management the Factory

Estates are given after application of the Ceiling Act and surplus lands taken in possession would guarantee adequate supply of raw materials to the factories at their price. It is out of the conflicting interests of all these elements that the idea of a State Farming Corporation was given concrete shape and Government gave the declared surplus lands of the Factory Estates (86,000 acres) to the care of a nominated Board of Directors.

There is a large body of permanent labourers (about 8,000 permanent and about 12,000 temporary) who belong to the backward classes and tribes and who had migrated from distant lands during the poverty of 1930s to work as sugarcane labourers. Starting their wages at 4 annas a day and suffering considerable hardship, they have after long struggle against the Factory Establishment now been linked together into well-organised and consolidated trade unionism to snatch large number of concessions from the factory owners like fixity of service, Provident Fund, gratuity, medical benefits, leave salary and the application of all the provisions of the Industrial Disputes Act to their service conditions. While these are considerable benefits it must be remembered that they have not been won as a matter of easy development of events; behind each concession gained the labourers have paid dearly by way of punishment, dismissals, imprisonment etc. Very naturally and logically these permanent labourers would now like to be assured fixity of service and a guarantee of all those concessions which they have gained after every inch of struggle. Nothing that will snatch even remotely these concessions from them is acceptable to a large body of permanent labour. In the working out of a solution which will satisfy all these conflicting interests care will have to be taken to see that any solution offered is not at the cost of any of these active and politically conscious body of sugarcane workers.

On one point, I have no doubts, the people of Maharashtra will be unanimous and it is this that privately organised sugar factories are completely outdated, an anathema to the growing demands of the people for socialisation of the means of production and an anachronism in an atmosphere in which 47 sugar factories are going to be owned by the primary producers of sugarcane. In fact, between the interests of the primary producer and those of the privately owned sugar factory owner the conflict of interest is so deeprooted that the primary producer cannot survive in the fierce competition that is soon to develop for a successful capturing of raw materials. Similarly, it is unthinkable that the interests of the factory owner will remain inviolate unless he continues to practice fraud and deception on the primary producer in the matter of price paid, weightment etc. The social base of the privately owned sugar factories is so narrow that during the period when sugarcane was surplus they, inspite of repeated appeals from the Government and the people, closed their factories in April

as they used to do every year, but the co-operative sugar factories continued crushing even as late as the end of May, and inspite of incurring heavy losses in recoveries. Argue it in any way one likes, the privately owned sugar factories must go lock, stock and barrel. They are positive bottlenecks in the onward march of progress of co-operation everywhere and a hindrance to the consolidation of the producers' interest.

With regard to the demands of permanent labourers all various Estates and the ex-lessors of lands, Government in the Revenue Department have already worked out a scheme of distributing the ownership of lands amongst them and it should not be difficult to convert the privately owned sugar factories into co-operative sugar factories by making the labourers and ex-lessors of land as partners and share-holders of the co-operative sugar factory. This distribution need not break the integrity of large Estate as Government can organise a Service Co-operative to cater to an organisation of ploughing and harrowing, ridging and Bulldozing, supply of inputs and other common activities which do not take away from the labourers and ex-lessors the benefits of large scale cultivation. The demand for co-operativisation of sugar factories is therefore growing fast and this momentum may soon become unmanagable. Government will have to undertake speedy legislation to regularise these demands.



Chapter 15

UNIFORMITY IN THE BYE-LAWS OF SIMILAR TYPES OF SOCIETIES

The Co-operative Department had prepared model bye-laws for various types of societies some years ago. It is, however, observed that most of these bye-laws have become outdated and obsolete in view of the fact that the policies of the co-operative department as well as the co-operative law have undergone considerable change in the intervening period. Efforts have been made from time to time by the office-bearers of co-operative societies as well as by the department to effect necessary changes in these bye-laws but such changes have been neither uniform nor necessarily in the interest of the institutions concerned. In the absence of a uniform policy in respect of various matters, the amendments suggested by the office-bearers of societies have been accepted by the registering authorities with the result that in course of time, the bye-laws governing the working of different societies of the same type have differed in various important respects from one another. It has also been noticed that unscrupulous office-bearers interested in perpetuating their hold on the management of the society have succeeded in getting such amendments passed by the registering authorities as would deny equal opportunity to all the members or to act in favour of one group as against the other. In order to bring about uniformity in the bye-laws of similar types of societies it is proposed to prepare a new set of bye-laws for all important types of societies like banks, sugar factories, other processing societies, marketing societies etc. and to ensure that they are adopted by all concerned societies without exception.

The amendment made to the Maharashtra Co-operative Societies Act last year, seeks to regulate the elections in important co-operative societies and provides for their being conducted under the supervision of the Collector. It is necessary that all the societies should, therefore, have uniform rules in this behalf to enable the Collector to hold the elections in an efficient manner.

The need for revising the bye-laws and for prescribing a uniform set of bye-laws would be evident from the details given below in respect of the bye-laws of some societies :

I. Sugar Factories :

The model bye-laws of co-operative sugar factories were revised in 1965 and were being adopted till recently. When in May 1969, the Government of

India issued licences to 12 new co-operative sugar factories, these bye-laws framed in 1965 required substantial revision in view of the experience gained during the implementation of the new Co-operative Societies Act, 1960, due to the decisions of the Income Tax Tribunal, changes in Government of India's sugar policy etc. The old co-operative sugar factories adopted various amendments in piecemeal fashion according to their needs with the result that there is no uniformity in the bye-laws of all co-operative sugar factories. The Maharashtra Rajya Sahakari Sakhar Karkhana Sangh Ltd., Bombay, set up a committee in 1967 to revise the bye-laws.

Meanwhile due to the issue of new licences in May 1969, the Karkhanas were required to be registered expeditiously and hence bye-laws as revised by the Co-operative Department were adopted for ten factories. As some of the provisions of these bye-laws were found conflicting with the provisions of the Act and Rules a revised set of bye-laws were prescribed by the Registrar in August 1969. Thus broadly, three slightly different sets of bye-laws for the co-operative sugar factories are in force today.

The present bye-laws do not, however, contain any provisions on very important matters like the conduct of elections etc. Some of the important provisions requiring modification and uniformity are as follows :—

(i) *Delimitation of constituencies and conduct of elections.*—At present, election rules which lay down the procedure for conduct of elections are not included in the bye-laws of the karkhanas but they are framed by the Board of Directors of the karkhanas and approved by the General Body. In some karkhanas, it is provided that the approval of the Joint Registrar would be necessary for the election rules. There is no uniformity in the election rules of all the karkhanas though they are the most important provisions in a democratic set-up.

The rules regarding the delimitation of the constituencies etc. of some of the karkhanas are such as to perpetuate the continuance in office of the Directors after being once elected to the committee. Secondly, according to the present procedure adopted for election, the area of operation of the karkhana is divided into suitable number of groups (constituencies) for electing producer's representatives. From each constituency one or more members are elected depending upon the number of grower members. Each member is required to give as many votes as the number of members to be elected from that constituency. This provision has encouraged the creation of vested interests where the Directors try to safeguard the interests of a constituency though they might at times prove detrimental to the interest of the karkhana as a whole. For instance, it is an admitted fact that the success of all co-operative sugar factories has been due to the insistence on a properly timed and planned harvesting programme for the sugarcane. However, due to the

creation of separate constituencies some of the Directors cannot look beyond the interest of their own constituency and insist on priority for harvesting in that area irrespective of the fact whether the cane is mature or not. In view of this it may be necessary to frame the bye-laws in such a way, that the Directors are elected by all the members of the co-operative sugar factory, that each Director is responsible to all the members, and looks after the interests of all the members. Since the area of operation of a cooperative sugar factories is a very compact one consisting of about 3000 members, one method appears to be to have no separate territorial constituencies in such a compact area. The entire area of operation can be regarded as one constituency and the voter is to give vote to the number of Directors representing the grower members. However, in this scheme where there would be no separate territorial constituencies, there is a possibility that all the Directors may come from a few dominant villages, and some areas within the zone of operation of the factory may not get representation on the Board. A second alternative therefore, would be to have a number of single member territorial constituencies, where each of the Directors would be elected by all the members of the sugar factory.

(ii) *Steps to curb misuse of powers by Directors.*—Disqualifications for being elected on the Board of Directors are provided for in Rule 58 of the Maharashtra Co-operative Societies Rules. In spite of these provisions favouritism and nepotism in appointments to important posts have been prevalent in certain co-operative sugar factories. It is, therefore, necessary to widen the scope of the existing provisions relating to disqualifications. The Maharashtra Agricultural Produce Marketing (Regulation) Act, the Maharashtra Zilla Parishads and Panchayat Samitis Act and other Acts relating to local bodies and Panchayati Raj bodies, provide for preventing any member who has interest in any contract with or employment in the body, directly or indirectly by himself or his partner or member of the family, for being elected to the committees of such bodies. It may be necessary to make a similar provision in the bye-laws of co-operative sugar factories.

(iii) *Role of Nominated Directors.*—Another important provision is regarding the powers of the directors nominated to the committee of the co-operative sugar factories by the Government or the financial institutions providing the funds. The *raison d'être* for the presence of the nominees of the financial institute on any society is that they should safeguard the interests of the financing bank and at the same time give guidance on financial matters etc. to the society. In practice, however, it is found that these nominees sometimes take undue interest in the elections to the committee of the factories, often to the neglect and detriment of their own

legitimate functions. Realising this, the recent amendment to the Maharashtra Co-operative Societies Act provided that no nominee of the Government or of any financing bank on any society shall be entitled to vote at any elections of its committee. However, the provisions of the amendment are yet to be enforced. Meanwhile, it may be necessary to make a provision in the bye-laws of the factories preventing the nominees to vote at any election.

II. Marketing Societies :

Co-operative Marketing Movement in Maharashtra commenced with the organisation of commodity sale societies like cotton sale societies, gur sale societies, fruit sale societies etc. Later on when some of these commodity sale societies converted themselves into taluka sale purchase unions, they adopted the same old bye-laws applicable to the commodity societies with slight changes. A new taluka kharedi vikri sangh which came into existence also adopted the same set of bye-laws. These bye-laws were revised in June 1958. A model set of bye-laws to be adopted by the taluka sale purchase unions was prescribed. However, due to piecemeal amendements by various societies, no uniformity has been now left in the bye-laws.

In future, the marketing societies would have to undertake great responsibilities including processing, distribution of agricultural inputs, supply of consumers goods, construction of godowns etc. It is, therefore, necessary that a set of uniform bye-laws is prescribed.

Some of the bye-laws which are necessary to be adopted by the taluka sale purchase unions are as follows :—

(i) There is no uniformity in the constitution of the Board of Directors. In some societies more representation has been given to the individuals as compared to the constituent societies on the Board. Even though, it is necessary that individuals would have to be taken as members, in a taluka sale and purchase union, the societies should have a dominant voice in the management of these taluka sale purchase unions.

(ii) It is proposed to have a scheme of monopoly purchase of all the surplus agricultural produce through the co-operative marketing societies. It is, therefore, necessary to enrol as many individual cultivators as possible as members of the taluka sale purchase unions.

(iii) The bye-laws do not at present compel the members to sell their marketable surplus of agricultural produce through the society. It may be necessary to amend the bye-laws suitably.

(iv) Even though, there is a provision that no member of the board shall carry on the business of the kind carried on by the society, the provision has become a dead letter because such business is sometimes carried on by some of the directors through their near relatives. Suitable amendments for this may have to be made in the bye-laws.

(v) A provision may have to be made in the bye-laws to take farming societies, processing societies, primary consumers societies and agricultural produce market committees as members.

(vi) It is necessary that the financial position of these societies is increased substantially within the coming five years. Hence provisions may have to be made that the members shall contribute 1/4th per cent. of the value of agricultural produce sold by them through the society as share capital of the society. Similarly, it may also be necessary to provide that the members and other beneficiaries who obtain agricultural inputs through the society should also contribute 1/4th of the value of such inputs as share capital. Similarly all the societies need to create a Reserve Fund and a Price Fluctuation Fund and credit 25 per cent of the profit of the society into each of these funds annually.

(vii) Marketing societies need to be encouraged and assisted in undertaking processing activities. Hence a specific mention may be made in the bye-laws that one of the objects of the society would be to undertake pooling, grading and processing wherever possible and necessary.

(viii) It is also found that the cash balances of the societies are many a times utilised by the office-bearers for purposes other than the business of the society. It is necessary to frame rules prescribing the limit for maintaining the cash balances and to see that the sale proceeds are deposited within a reasonable time in the bank.

III. Spinning Mills :

There are 19 co-operative spinning mills registered in the State. Out of these 5 are consumer mills which are established by handloom or powerloom co-operative societies or weavers and the rest of the 14 mills are of cotton growers. Some of these mills were registered as early as 1963 when the Master Plan for organisation of co-operative spinning mills was drawn. Since there was no uniform bye-laws approved by the Department at that time different provisions exist in the bye-laws of different mills. Uniform bye-laws are, therefore, required to be prepared for different types of mills viz. consumers mills with membership of weavers societies, consumers mills with membership of individual weavers, and grower type mills with membership of cotton

growers. The model bye-laws so prepared should clearly define the nature and type of membership, the area of operation, delimitation of the area of operation and allotment of seats to the different constituencies, system of elections, linking of production and utilisation of finished products in the case of consumer mills, collection of non-refundable deposits, delegation of functions and powers etc.

Committees for preparation of Bye-laws :

For the purpose of preparing the model bye-laws of important co-operative societies and to bring about uniformity in the bye-laws of similar societies, it is, therefore, proposed to appoint committees under the chairmanship of the Joint Registrars concerned with the particular types of societies. Some representatives of each type of society are proposed to be taken up on the committees.



Chapter 16

1969—SECOND AMENDMENT TO THE ACT REASON FOR DELAY IN IMPLEMENTATION

Members of the Assembly and cooperative field workers will recall that the Maharashtra Cooperative Societies (2nd Amendment) Act was passed by the Assembly in April 1969, and it was published in *the Maharashtra Government Gazette* dated the 8th May 1969. The Notification under section 1(2) of the Act bringing the provisions of the Act into force has, however, remained to be issued till today. Many anxious enquiries about its implementation were made by the honourable members of the Assembly and a few questions were also asked on the floor of the Assembly. Cooperative field workers, on either side, were agitated about the ultimate outcome of this enactment and doubts were freely expressed whether the Legislative enactment (the 2nd Amendment) will ever be brought into force. I am sure, I owe an explanation to both the honourable members of the Assembly and the cooperative field workers outside in this respect.

Let me at the outset state categorically that it was the Government's intention to enforce the provisions of the Act immediately after it was passed by the Maharashtra Legislative Assembly in 1969. They were, however, faced with the following legal difficulties of a basic type without the removal of which the Act could not have been brought into force.

Firstly, under section 73G of the 2nd Amendment Act, 1969, it has been provided that the Collector shall conduct the elections of such of the societies as come under the specified categories. The framers of the Act, however, failed to make a specific provision that the cost of holding such elections will be borne by the concerned societies. Failure to make a specific provision in this respect meant that the Government will have to bear this cost which was never the intention of Government, both before and after the passing of the Act. The Act needs to be amended whereby powers can be assumed by the State Government for making rules in this behalf. It is proposed to bring about this change in the provisions of the Act as early as possible, without which the Act cannot be enforced.

Secondly, under section 73G (2) of the 2nd Amendment Act, 1969, it is stipulated that all election petitions would lie to the Maharashtra State Cooperative Tribunal. This would mean that the Maharashtra State Co-

operative Tribunal which uptill now has been working as an appellate Tribunal will now be called upon to function as an original court. There are no provisions in the Act under which rules can be framed to alter the powers and procedures of the Cooperative Tribunal. The difficulty in this respect is so patent that only an amendment to the Act can solve it. This change is proposed to be brought about very soon.

Thirdly, under the provisions of the Amended Act, Collectors have been authorised to hold elections of societies under specified categories. Obviously, the elections of these societies will have to be held according to the existing byelaws of such societies. A study of all the byelaws of such societies has revealed considerable diversity and even conflict between the provisions made by one society as against the other, with the result that it is impossible for the Cooperative Department to frame election rules in this behalf on a uniform basis. Orders have now been issued by me to take up expeditiously the framing of uniform byelaws for specific categories of societies. It is only when this is done that election rules can be framed and Government will find it convenient to hold elections on a uniform basis.

All the difficulties explained above are genuine and so patent that without an amendment to the Act (2nd Amendment) the entire implementation would have been brought to a standstill.

The honourable members of the Assembly and cooperative field workers are by now very much aware of the existence of a fierce controversy which at one time threatened to divide the entire cooperative fraternity in Maharashtra about disqualifications incurred by office-bearers of cooperative societies. I specifically refer to sub-section (5) of section 73-A of the Amended Act which in substance disqualifies a designated officer of a specified society from continuing to hold office after he has held that office continuously for a period of six years in the past. In other words the six years disqualification was intended to apply retrospectively and the period of disqualification had to be counted backwards from the day from which the Act came into force. I am sure, it will be appreciated in retrospect, by well-wishers of the cooperative movement in Maharashtra that this retrospective application of the disqualification clause carries an indirect censure on the past functioning of the office-bearers of specified societies. Many of the chairmen and vice-chairmen of cooperative societies who, by the sheer force of their personality, self-effacing nature and considerable organising abilities had rallied round a body of peasant workers to erect huge monuments of processing industries, who had given a new direction to the entire cooperative movement in Maharashtra and on whom Government and the general public had showered sincere praises, suddenly found themselves isolated for having achieved substantial success in their own

sphere. The period that was considered the period of hard work and sacrifice by all of us and which was responsible for enabling them to raise huge agro-based industries by mobilizing local resources was itself condemned by the amending Act as a period of their disqualification. I am sure, it was the intention neither of the Government nor of the people in Maharashtra to censure the cooperative workers for their past achievements. Government only desired that a cooperative worker should not be incharge of an institution for more than six years continuously, so that he does not develop a kind of vested interest in any particular institution and that the benefit of the experience, knowledge and expertise which he had acquired within a particular institution should be available to all other institutions as well.

Much water has by now poured down on this controversy and the time has come when I should like to assuage the feelings of bitterness amongst cooperative workers without at the same time by-passing the intentions of Government on this six years' rule of holding an office. I would, therefore, like to make a very small change in sub-section (5) of section 73-A of the Amended Act and that is to modify the existing penalty clause of six years continuous holding of an office into a prospective one. This will serve the intention of Government by discouraging monopolistic tendencies in future and at the same time removing a large degree of bitterness and heart-burning amongst the cooperative field workers.

I have been encouraged to suggest this small alteration on the understanding that a broad consensus will be forthcoming amongst the general public and the honourable members of the Maharashtra Assembly in favour of this change. Further, in any case, Government had also to come to the Assembly for various amendments enumerated above and I have been encouraged to take advantage of this inevitable necessity of amending the Act even at the start, however regrettable it might be, to suggest a slight modification in sub-section (5) of section 73-A of the 2nd Amendment Act. The honourable members of the Assembly will also kindly recall the discussion raised by members with regard to the powers of the Registrar and there was unanimity in the expression of resentment by members on the likely abuse of his power conferred by section 15 of the new Act on the Registrar, of giving directions to any society whenever such directions are found to be in the interest of the society or in the public interest. Government on reconsideration of the whole problem are convinced that such wide power in the hands of an official against elected representatives of the society is not desirable. Instead, it is proposed to so amend the Act as to enable the Government itself to exercise this power.

I may also hasten to add that it has never been my intention to by-pass the wishes of the members of the Legislature. On the contrary, in

fact, even at this stage if they are unable to accept the reasonableness of converting the six years' retrospective disqualification to prospective disqualification, I shall have no hesitation to abide by their superior judgment. The Act will nevertheless have to be amended as discussed earlier. A word of explanation is also necessary as to how, in order to maintain the initiative in the hands of cooperative institutions a public discussion on the proposed amendment had to be permitted along with a general discussion on the various changes I have been compelled to bring about in the working of the cooperatives. I am sure, the honourable members of the Assembly will not misunderstand me on this point and agree that we have all been benefitted by a public discussion of these issues. It is my intention further to discuss with every one concerned the problems raised in these pages with the earnestness and sincerity with which they have been presented to all the well-wishers of the cooperative movement. I have, I must repeat, an absolutely open mind on every subject discussed and I am willing to accept unhesitatingly any modification to the interpretations made and solutions offered.



Chapter 17

NEW INSTITUTIONS

I. THE MAHARASHTRA STATE RECONSTRUCTION AND REHABILITATION CORPORATION

(A Government of Maharashtra Undertaking)

Today a large number of Co-operative processing industries in Maharashtra State are languishing for want of proper leadership, inadequate and unscientific financial arrangements, disloyalty on the part of members of such societies and because of the existence of an adverse, fluctuating and undependable price mechanism. It was during the Second Five-Year Plan that a beginning was made to bring processing Industries in the Co-operative sphere. Starting with sugar factories, a large number of paddy processing, Groundnut processing, Cotton Ginning and Pressing, Spinning Mills and fruit and vegetable processing societies were started in the co-operative sector during the First, Second, and Third Five-Year Plans. Government financial assistance by way of matching contribution was provided for the smooth running of these societies and Bank assistance was forthcoming on a very large scale by way of medium-term loan hypothecation and pledge finance. The commulative effect of all these encouraging measures was to increase the number of such processing units from 128 in the Second Five-Year Plan to 380 as on 30th June 1969. The success of co-operative sugar factories inspite of and in the face of stubborn opposition from fully entrenched vested interests has added laurels to the co-operative movement in Maharashtra. The Co-operative Spinning Mills are another bold departure, the success in which, inspite of a poor start will add to the glory of the co-operative movement in Maharashtra. The story of other processing units like Ginning and Pressing, Rice Milling and Oil Extraction Units present, however, an extremely gloomy picture. Our Rice Mills today account for accumulated losses of Rs. 6.43 lakhs; a survey conducted by the Department in 1967 shows the total accumulated losses in Oil Mills at Rs. 53.82 lakhs as 71 out of 79 Oil Mills have been continuously showing an adverse balance of payment position. This has so far wiped out one-half of their owned funds and nearly 95 per cent of

members share capital. There were 31 such Mills where the accumulated losses were so huge (Rs. 47 lakhs) that they far exceeded the share capital contribution made by the members (Rs. 20 lakhs) making it necessary to account for it from Government contribution of the share capital. The story of Cotton Ginning and Pressing repeats itself on the lines of the Oil Industry and to-day 46 out of 64 societies account for a total loss of Rs. 34.65 lakhs. Ten of these societies were so badly managed as to incur a total loss of Rs. 21.22 lakhs which accounted for more than double the members' share capital. The fruit and vegetable societies have shown the worst record in the sphere of co-operation and the biggest amongst them, NOGA shows a total accumulated loss of Rs. 18.17 lakhs. A detailed picture of the working of processing and Industrial societies is separately attached which will show at a glance the existing state of affairs. 865 industrial societies today are dormant out of total of 1,884 registered carrying its own commentary on our achievement.

Why is the picture so bright in the sphere of co-operative sugar factories and exactly the reverse in other processing industries? Fixed price of sugar-cane is not the only answer; after all when Jaggery prices went up members' loyalty was severely tested even in sugar factories. To my way of thinking all these industries failed because of the absence of a scheme of guidance which Government was unable to provide. Government provided the finances and left it entirely to local leadership to compete with the traders of these commodities in the open market. While we have shown extra enthusiasm for successful processing co-operatives we turned a deaf ear to the demands of these processing industries. Loyalty of members of these societies could not be developed when adequate finances were not forthcoming. That these societies had to play with a hostile atmosphere and to function in the midst of fierce competition was not taken due note of by the Co-operative Department and also the Government. The result is an around dismal failure which has discredited the co-operative movement itself. Having reached a point of no return, it is no use Government now pumping more finances to extricate these societies from the quagmire of total losses. Starting of new such societies in lieu of the old will carry with it stigma and a psychological disadvantage.

For this it is suggested that Government should boldly come forward to start a Public Corporation, on the lines of the one started for languishing private Textile Mills. The Textile Mills Corporation was started more with a view to providing employment relief to textile workers. The Co-operative Reconstruction and Rehabilitation Corporation should provide a remedy for ailing co-operatives. This will perhaps be the first time where the public sector will be brought to the rescue of the co-operative sector. It is

not intended to make the Maharashtra State Co-operative Reconstruction and Rehabilitation Corporation a permanent body doling out finances and administering correctives but as soon as the corporation is able to resuscitate a sick co-operative and put it on its legs, it should hand over that society to the care of the people for whom it is really meant. Like the anarchist State this corporation too is intended to wither away each time it is able to put new life into sick co-operatives.

A Public Corporation today is no longer an objectionable Governmental innovation but has become a part and parcel of 20th Century administration all over the world. Examples of such Public Corporations with varying degrees of autonomy, can easily be seen in the United States of America, England, France and other continental countries. The original motivation for Public Corporation was to secure freedom from Parliamentary Supervision and Treasury Control on personnel and finances but gradually the process of Parliamentary control through supervision committees and Treasury control through chartered accountants has come to stay within the system itself. That is why a Public Corporation will be free in their day-to-day management from Parliamentary questioning as distinct from its policies. The Ministerial responsibility is ensured as an important ingredient of the policy to be followed in all Public Corporations. The charter of registration for which the Corporation is brought into existence guarantees the execution of the public purpose for which it is constituted. It shall have self-contained finances outside the National Budget and Capital formation will be encouraged out of public funds or by borrowing.

In advocating the formation of such Public Corporations Mr. Herbert Morrison, the great Socialist Leader of the Labour Party described the aims thus :

“ We are seeking a combination of public ownership, public accountability and business management for public ends. It is important that from the beginning the Public Corporation should be regarded by all and should regard itself as a public concern. Its first business is the competent conduct of the undertaking committed to its charge in the public interest. It must feel that it is responsible to the Nation accordingly and that it cannot be the instrument of this or that private or sectional interest ... This was a different outfit from a State Department and that we were giving this greater degree of managerial autonomy in order that we would get a higher degree of business efficiency, less red tape and burcaucrazy..... ”.

The Corporation need not itself be registered under the Co-operative Societies Act. It may be registered under the Indian Companies Act as a Private Limited Company on the same lines on which the Textile Corporation has been registered. This will give to the co-operative corporation the necessary autonomy and flexibility in execution of schemes.

The Corporation may not take over the management of small village level societies which are uneconomic units. The Corporation would confine its attention to processing societies and initially it may take over those cotton, ginning and pressing societies and oil mills which have become stagnant on account of the fact that their share capital has been wiped out by the losses incurred by them. The number of such societies at a glance in the State are as below :—

(Rs. in lacs)				
Type	No.	Government share capital	Members' share capital	Accumulated losses
		Rs.	Rs.	Rs.
Ginning and Pressing	.. 10	8.18	10.11	21.22
Oil Mills	.. 30	9.40	14.55	89.10

The working capital requirements of these societies on the basis of a turnover of two months is estimated at nearly Rs. 5 crores, presuming that the cotton societies would work for the full season of five months and the oil mills would work for a full period of ten months every year. The Corporation would be required to raise share capital to the extent of 40 per cent of its working capital requirements, and it would be in a position to raise loans from the Apex Co-operative Bank or the commercial banks for the remaining amount on the basis of 40 per cent margin. Thus, the share capital requirement of the Corporation would be Rs. 2 crores.

The authorised share capital of the Corporation may be fixed at Rs. 5 crores and the subscribed capital may be Rs. 2 crores on the basis of the above requirements. The Government may subscribe to 65 per cent of the subscribed capital and 35 per cent may be allowed to be subscribed by successful co-operative institutions like the Apex Bank, sugar factories, and their federations etc. This is necessary in order to create a sense of association on the part of the successful co-operatives like the sugar factories in this cause of lifting the sick co-operatives from their present unhappy state. It is also necessary that the inter-co-operative relationship and brotherhood should be developed and encouraged so that the successful co-operatives may come to the assistance of the unsuccessful ones and give them financial assistance as well as necessary advice. This will be in keeping with the co-operative spirit. In case, the subscription from other societies falls short of 35 per cent, Government may be required to subscribe to all such remaining share capital so that the working of the Corporation may not suffer.

At present the loans advanced by co-operative banks and others in these societies have almost been completely wiped out and the chances of recovering the same are very little. It would, therefore, be in the interest of the

bank and other creditors themselves to assist the Corporation and invest in its shares so that these creditors would in a period of three to five years, be in a position to get back their loans. The banks would, therefore, be expected to buy the shares of this Corporation not only with a view to strengthening it but in order to safeguard their past investments also. The banks and the other creditors would also be expected to postpone the recovery of their dues for the period during which the affairs of the societies will be managed by the Corporation. Similarly, it would be advisable for them to discontinue charging of interest on the loans advanced during this period. The Corporation in turn would be expected to utilise all the profits accrued to it from the working of the society for the benefit of that society itself. This would help the society in reducing its liabilities even while it is being managed by the Corporation.

It would thus be seen that the members of the sick societies, the banks which have advanced loans to such societies and Government which has also invested in the share capital of these societies and advanced loans to them will all be the beneficiaries of this scheme.

In the case of the sick textile mills, some have been taken over on lease by Government, some have been purchased and some have been taken over for management by appointment of an authorised controller in pursuance of a Central Act. In the case of the co-operative societies to be taken over by the corporation, it would be advisable to take them over for management under a lease to be executed by the societies in favour of the corporation for a specific period. The corporation will of course not take over any of the liabilities of the societies. The corporation would hand over the management of the society to its elected representatives at the end of the lease period or even earlier as soon as the society is in a position to stand on its own legs.

The Board of Directors of the Corporation may consist of the following :—

1. Commissioner for Co-operation and Registrar of *Chairman.*
Co-operative Societies, Maharashtra State, Poona.
2. Divisional Joint Registrar, Co-operative Societies,
Bombay.
3. Divisional Joint Registrar, Co-operative Societies,
Poona.
4. Divisional Joint Registrar, Co-operative Societies,
Nagpur.
5. Divisional Joint Registrar, Co-operative Societies,
Aurangabad.
6. Representative of the Maharashtra State Co-operative
Bank Ltd., Bombay.

7. Representative of the other share-holders to be nominated by Government.

8. Qualified technical hand in textile or oil technology. *Managing Director.*

The following steps are therefore to be taken :—

1. A Corporation would be set up to take over the management of sick co-operatives.

2. The Corporation may be sanctioned a maximum share capital upto Rs. 2 crores by the Government.

3. Successful co-operatives like sugar factories and banks will be expected to contribute to the share capital of the corporation.

4. The Corporation will take over the management of such societies under a lease agreement for a period of 3/5 years.

5. The Corporation will hand over the management of the society at the end of the lease period or earlier as soon as the position of the society has sufficiently improved.

A Statement showing important indicators of working of Processing and other Industrial Societies

30th June 1969.

(Rs. in '000)

Type	Total	Number		Member-ship	Owned funds (S/C + R.F.)
		In Production	Dormant		
1	2	3	4	5	6
1. Ginning and Processing ..	64	53	N.A.	55,614	27,768
2. Oil Mills ..	79	30	N.A.	51,209	13,948
3. Fruit and Vegetable Preservation ..	6	2	N.A.	16,652	18,860
4. Other Industrial Societies ..	1,884	1,019	865	92,411	29,881

Of which Share Capital		Food Produced/ Processed	Value of goods sold	No. of Societies in loss	Amount of loss	No. of Societies in profit	Amount of Profit
Government	Members						
7	8	9	10	11	12	13	14
			Rs.		Rs.		Rs.
4,852	6,194	6,61,126	65,619	41	1,186	21	589
		(in quintals)					
2,259	3,911	1,05,422	4,920	37	1,112	9	173
		(in quintals)					
2,373	1,621	24,553	1,063	3	1,074	2	608
		(in quintals)					
7,935	13,810	39,376	51,765	500	1,303	515	2,305
		(in Rs.)					

II. STATE FEDERATION OF SPINNING MILLS

The first Co-operative Spinning Mill was established at Ichalkaranji, district Kolhapur, during the Second Plan period consisting of power-loom weavers in the area. This mill called 'the Deccan Co-operative Spinning Mills' was very successful from the beginning and therefore, Government prepared a Master Plan for establishment of Co-operative Spinning Mills both of growers and consumers type to be taken up during Third Plan period. Ultimately 18 such mills were registered and licensed with the capacity ranging from 12,000 spindles to 25,000 spindles. Out of these spinning mills four are in the consumer sector and 14 are for the growers of cotton. Due to various reasons there was considerable delay in starting of these mills with the result that the project cost of these mills went up considerably firstly due to devaluation of Rupee and secondly due to increase in pre-operational cost. Even after the mills went into trial production there was avoidable delay in achieving full production and reaching maximum efficiency due to various reasons. One of the reasons would be the lack of expertise among the members of the Board of these mills in running these new ventures and to some extent inefficient management in purchase of raw material production and sale of yarn. In view of the fact that Government have given substantial share capital contribution to these mills as well as guaranteed the loans sanctioned by Financing Agencies the question of setting up a High Power Body to guide and supervise the working of these mills has been under consideration of Government. It is in this context that idea of organising a State Level Federation of Co-operative Spinning Mills which will give necessary guidance and supervision to the mills concerned was thought of. The functions and structure of the Federation are discussed in the following paragraphs :—

(a) The Federation would give technical guidance to the Spinning Mills in the State through its technical officers. The Federation would also exercise supervision over the working of the Mills and would also see that the Mills which are not running efficiently improve their working. For this purpose, the Technical Advisor of the Federation will visit the Mill periodically and give his reports to the Federation.

(b) The Federation will also buy indigenous cotton required by the Mills from sources other than their own members. The grower mills should normally obtain as much of their requirement of cotton as possible from their members. Similarly the Federation will arrange to buy indigenous cotton required by consumer mills.

(c) The Federation would also make arrangements to sell the yarn produced by the Mills. In the case of consumer mills most of their

production would be consumed by their members according to the conditions of the bye-laws of the mills concerned. However, in the case of grower mills it will obtain best market for sale of yarn for the produce.

(d) The Federation would also recruit technical and managerial personnel on behalf of the mills and will also select and recommend machinery required by the Mills. The Federation will thus take over the work presently being done by the Co-operative Textile Advisory Committee of the Government and its sub-committees on personnel and machinery.

(e) The Federation may also give guidance to the grower mills in the cultivation of suitable type of cotton within their area of operation.

(f) The Federation will represent the spinning mills in the State with various bodies as well as the State and Central Government Departments.

The Managing Committee of the Federation will consist of 11 members out of which 7 will be elected by the Mills themselves. The other 4 members would be representatives of the Registrar, Co-operative Societies, a representative of the State Co-operative Bank and 2 Experts nominated by the State Government.

The Federation will have one Technical Advisor who will be an experienced Spinning Master. It will also have one Purchase Officer, one Sales Officer and one Cotton Development Officer. It will also have a Secretary and the necessary office staff. The Headquarters of the Federation will be located in Bombay.

The annual cost on account of the above staff would be around Rs. 1 lakh. The total spindleage likely to go in production by next six months would be 2.80 lakhs spindles and we may have to levy a contribution of 40 paise per spindle on the spinning mills. Each mill will, therefore, have to pay an annual contribution of atleast Rs. 5,000. It may be considered if Government can meet the portion of the cost by way of subsidy for a period of 3 years.

It is proposed that the Federation will be chiefly an Advisory Body and will not do any business on its own account. However, if the Federation is required to buy any stock of cotton and send to the members and also buy yarn produced by them and sell it in the market it may require big amount of working capital. In that case the Federation will require paid-up share capital of about Rs. 5 lakhs. This will have to be contributed initially by Government as the members will not be able to contribute in a big way since they are already short of funds.

It is further proposed that the advice given by the Federation to the Spinning Mills should be given due importance by them. If a Spinning

Mill deliberately disobeys the advice given by the Federation the Registrar may supersede the management.

Details in respect of the statements are given below:—

(1) A set of draft bye-laws.

(2) A list of Co-operative Spinning Mills with their spindleage and the present position.

(3) A statement showing the staff required and the annual expenses required to be incurred.

BYE-LAWS OF THE PROPOSED FEDERATION OF CO-OPERATIVE SPINNING MILLS IN MAHARASHTRA STATE

1. *Name.*—The Federation of the Co-operative Spinning Mills registered under the Maharashtra Co-operative Societies Act, 1960 shall be called the Maharashtra Co-operative Spinning Mills' Federation and its registered address shall be Bombay.

Any change of address shall be communicated to the Registrar, Co-operative Societies, M. S., Poona within 14 days.

2. Its jurisdiction shall extend to the whole of Maharashtra State.

3. *Object.*—(1) To advise and help in the promotion and organisation of Co-operative Spinning Mills of cultivators and consumers of yarn in the Maharashtra State.

(2) To advise or render technical and other assistance in the selection and purchase of machinery, spares, tools and other equipment, appointment of higher and technical staff and in the matter of cultivation and transport of cotton and location of factory site.

(3) To undertake or arrange to purchase in bulk on indent basis or otherwise, chemicals, gunny bags, fuel and any other requirements of the Mill and to arrange for the sale of yarn or ancillary products.

(4) To undertake or arrange for the bulk utilisation of by-products of Member-Mills.

(5) To supervise the working of the Mills generally and advise regarding their work.

(6) To help Member-Mills to procure financial accommodation from Government, the Industrial Finance Corporation, the State or Central Co-operative Banks or from any other financing agency.

(7) To represent Mills at organisations (permanent or *ad hoc*) and to present on their behalf their views to Government or any other institution.

(8) To provide common cadres of key personnel required by the Member-Mills of the Federation.

(9) To provide servicing and workshop and other facilities for spares and parts required by the Mills.

(10) To undertake publication of and to supply market and other information relating to cotton cultivation and yarn spinning.

(11) To advise Member-Mills regarding methods of cotton cultivation and to conduct research in it.

(12) To conduct research in problems of various kinds affecting or arising out of working of Member-Mills and/or their producer and consumer members.

(13) To generally take up such other activities as are conducive and incidental to the efficient working of the Member-Mills in order to obtain the above objectives and to further the common interests of Member-Mills.

(14) To arrange for supply of stationery, books, forms, furnitures etc., required by the affiliated Mills on indent basis without incurring any liability for losses in these operations.

4. *Membership.*—All the Co-operative Spinning Mills registered under the Maharashtra Co-operative Societies Act in Maharashtra State shall become Members of this Federation.

Every Application for membership shall be accompanied by the Resolution of the Board of Directors of Co-operative Spinning Mills authorising the Chairman and two Directors to apply for affiliation to the Federation.

5. Each Member-Mill shall pay to the Federation an annual subscription on the basis of spindleage capacity at such scale and on such basis as may be fixed by the General Meeting of the Federation from time to time and such contributions for specific purposes as may be determined by the General Meeting of the Federation from time to time provided that the Member-Mill should pay a minimum annual subscription of Rs. 1,000 till it goes into 3 shifts production and Rs. 3,000 when it goes into 3 shifts production.

6. Each Member-Mill shall pay an entrance fee of Rs. 100 with its application for membership and shall contribute to share capital of the Federation.

7. The liability of the Member-Mill shall be limited to its share capital in the Federation.

8. (A) *Funds.*—The funds may be raised by—

1. Entrance fee from members.

2. Annual subscription and contributions for specific purpose.
3. Issue of shares.
4. Contributions from Government or other agencies.
5. Donations.
6. Commission earned on supplies or sales.
7. Loans not exceeding a limit determined by the General Meeting of the Federation with the approval of the Registrar, Co-operative Societies.

(B) Authorised share capital of the Federation will be Rs. 5 lakhs divided into 1000 shares of Rs. 500 each.

(C) Each Mill should buy at least one share of Rs. 500 of the Federation at the time of admission.

9. *Management.*—The General Meeting shall consist of representatives elected by each Member-Mill itself at its Board Meeting, a representative deputed, if any, by the Registrar, Co-operative Societies, Maharashtra State Co-operative Bank and two nominees of the State Government. Provided however that in the case of the Mill whose representatives have signed the application for registration of the Federation, the said signatories shall be deemed to be the representatives duly elected by the said Mill until such time as they are replaced by others elected in accordance with this clause in their Board Meeting.

10. First General Meeting shall have the same powers and functions as any other General Meeting and shall be called within 3 months from the date of registration or such further period as may be allowed by the Registrar of Co-operative Societies. Before proceeding to transact any other business it shall—

1. elect a person from among the original signatories present to preside over the meeting.
2. formally adopt the bye-laws approved and registered by the Registrar, and
3. consider and dispose of applications for admission to membership.

11. The Annual General Meeting shall be held within 3 months from the close of the co-operative year as mentioned in the Rules under the Co-operative Societies Act.

12. A Special General Meeting shall be held if necessary by a resolution of Board of Directors or shall be called within one month on written requisition from one-third of the Member-Mill or from the Registrar, Co-operative Societies. The requisition shall state the objects for which the Special General Meeting is to be called.

13. Fourteen days' notice for the Annual or Special General Meeting shall be given to the member-Mills, the nominees of the Maharashtra State Co-operative Bank and the Registrar of Co-operative Societies. The notice shall specify the place, date, time of the meeting and the business to be transacted.

14. One-third of the representatives eligible to constitute the General Meeting under bye-law No. 9 or seven representatives whichever is less shall form a quorum. If no quorum is formed, the meeting shall be adjourned to such date and time as the Chairman of the Federation may decide. If there is no quorum at an adjourned meeting, the business of the meeting shall be proceeded with, with or without a quorum.

15. The following among other matters shall be dealt with at the annual general meeting :—

- (a) to read and confirm the minutes of the last general meeting ;
- (b) to review and consider the annual report and statement of accounts prepared by the Board of Directors and to review the working of the Federation ;
- (c) to fix the annual programme of work and to prepare a budget estimates of receipts and expenditure for the ensuing year ;
- (d) to sanction and decide upon new undertakings and raising of capital for the same ;
- (e) to elect members to the Board of Directors ;
- (f) to consider the Audit Memo or any business referred to by the Registrar or Government ;
- (g) to consider any other business laid before it by the Board of Directors ;
- (h) to fix up the scale and basis of annual subscriptions and also of contributions whenever deemed necessary for specific purposes.

16. The Chairman of the Federation shall preside over the General Meetings. In his absence, the representatives present at the meeting shall elect the Chairman from among themselves. All questions shall be decided by the majority of the members present and voting. When the votes are equal, the Chairman shall have a casting or second vote.

17. The Board of Directors shall consist of the following :—

- 7 Directors elected by the Member-Mills.
- 1 Registrar, Co-operative Societies or his nominee.
- 1 Representative of Maharashtra State Co-operative Bank.
- 2 Experts appointed by Government.

The Board of Directors should elect its Chairman and Vice-Chairman.

(a) The Board of Directors may transact its business either in meeting or by circulation of papers. Where there is difference of opinion on any subject sent out for circulation the same shall be held back for decision in a meeting of the Board.

(b) All questions before the Board of Directors shall be decided by a majority of votes and when votes are equal, the Chairman of the Board shall have a casting or second vote.

(c) The proceedings of the Meetings of the Board shall be recorded in a minute book and signed by the Chairman on behalf of all the members present.

18. The Board of Directors shall meet as often as is necessary but it shall meet at least once in two months. Five Members of the Board shall form a quorum.

(i) At least 10 days' notice of the meeting of the Board shall be given by the Secretary under instructions from the Chairman. The notice shall specify the date, time and place of the meeting and also contain the agenda for the meeting.

19. Subject to the provisions of bye-laws and directions conveyed in the Resolutions of the General Meeting, the Board of Directors shall have authority to carry on the business of the Federation.

20. Duties and functions of the Board of Directors shall be—

(a) To undertake investigations for promotion and organisation of Co-operative Spinning Mills.

(b) To advise the member-Mills on the selection of machinery, selection of sites, and appointment of the higher managerial or technical personnel.

(c) To arrange for the purchase of capital and current requirements of member-Mills on indent-basis or otherwise and for the sale of the yarn and other products.

(d) To advise member-Mills on matters relating to finance and production.

(e) To run workshop, research laboratories, cotton research farms etc. and to undertake other business related to spinning industry and to purchase necessary sites, farms etc. for the same.

(f) To advise, guide and supervise the working of member-Mills and to arrange for their periodical inspections.

(g) To arrange for publication of market intelligence and periodical bulletin pertaining to the spinning industry or cultivation of cotton.

(h) To call for the periodical returns from member-Mills.

(i) To conduct research in problems concerning working of member-Mills.

(j) To represent the Federation on Government or other bodies when required and to depute representatives at conference or any other Associations connected with the Spinning Industry.

(k) To deal with applications for membership.

*(kk) To prepare a cadre of persons for being posted to work as Managing Director or General Manager, Spinning Master, Electrical-cum-Mechanical Engineer, Assistant Spinning Master for its member-Mill and to prepare service rules for such cadre.

(l) To raise funds from the member-Mills.

(m) To sanction expenditure of establishments and other contingent expenditure.

(n) To undertake the management of such member-Mill as may be entrusted to it by Government.

(o) To prepare the annual budget of income and expenditure for the consideration of the General Meeting.

(p) To appoint with the approval of Registrar, Co-operative Societies the Secretary and technical persons and other staff as and when required and to fix their remuneration and/or service conditions.

(q) To convene general meeting of the Federation.

21. Notwithstanding any vacancy in the Board of Directors or any defect in the qualification or appointment nomination or co-option of any representative the acts of the representatives or of the Board of Directors shall be valid as if no such vacancy or defect existed.

22. The Federation will have a qualified Technical Advisor and such other personnel as required by the Federation.

23. *Secretary.*—The duties of the Secretary shall be :—

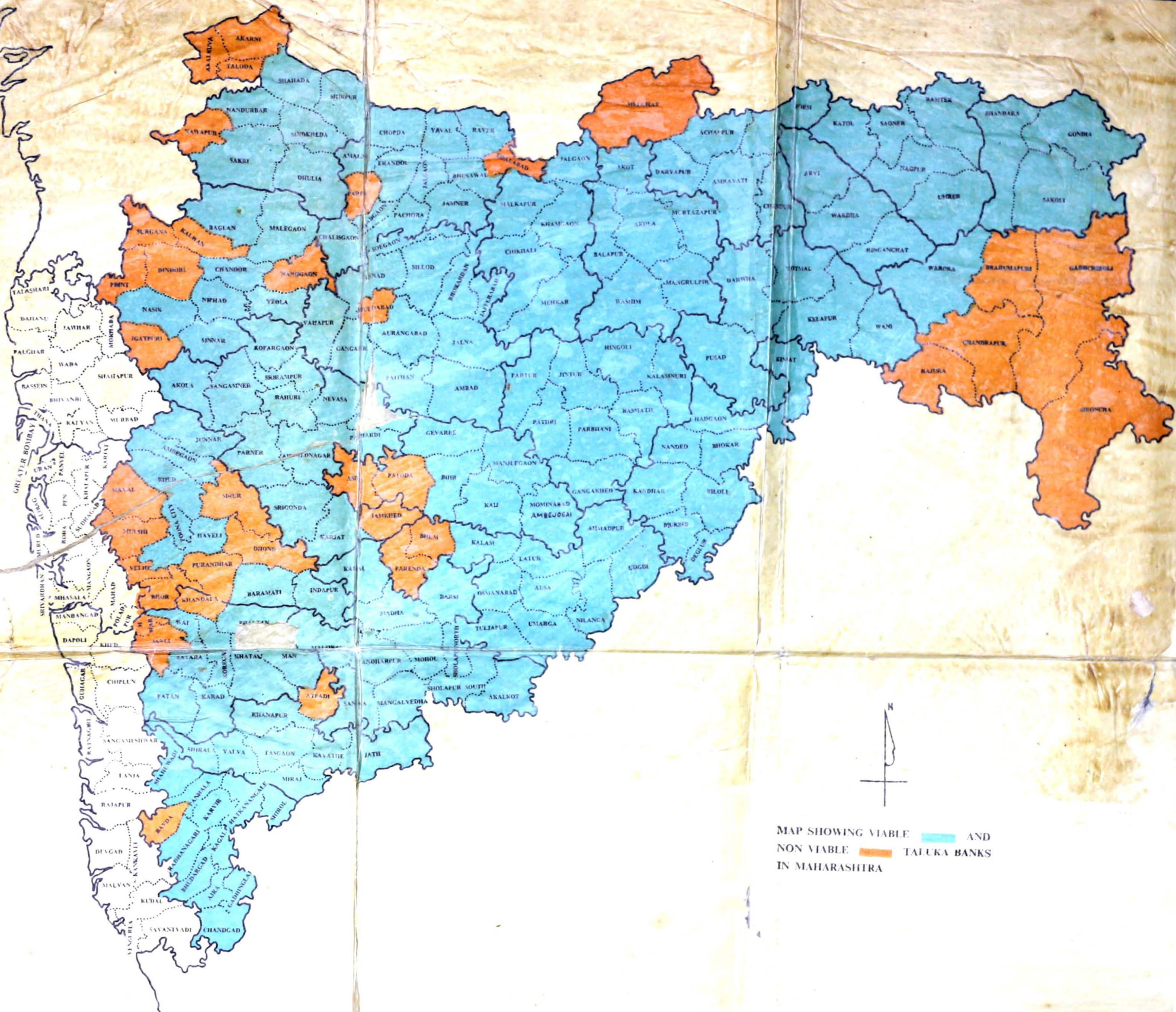
1. To carry the correspondence and to maintain all books, accounts and registers as required by the Rules and Bye-laws.

2. To receive and disburse moneys on behalf of the Federation.

3. To convene and attend General Meetings and meetings of the Board of Directors and record the proceedings of these meetings.

4. To carry out such duties and functions as may be assigned to him from time to time by the Board of Directors.

* *Note.*—General Meeting of the Federation may add to the above categories of persons by a resolution duly adopted at its meetings.



MAP SHOWING VIABLE AND NON VIABLE TALUKA BANKS IN MAHARASHTRA

5. To commence, institute, prosecute and to defend all such actions and suits as the Board of Directors may think necessary or proper and to compromise and submit the same to the Board.

24. *Amendment of Bye-laws.*—Subject to rules framed by the State Government Bye-laws can be amended at a General Meeting provided that due notice of the amendment has been given to the Registrar and the Members atleast 14 days prior to the meeting. Amendments shall take effect only after they are approved and registered under section 13(2) of the Maharashtra Co-operative Societies Act, 1960.

25. Every affiliated Mill shall be supplied with a copy of these bye-laws and amendments thereto approved by the Registrar from time to time.

26. *Miscellaneous.*—The Federation will affiliate itself to the Maharashtra State Co-operative Union and the Maharashtra State Co-operative Bank Ltd.

27. In the event of the conflict in the interpretation of the bye-laws of the member-mill and the federation, the matter will be referred to the Registrar, Co-operative Societies and his decision thereon shall be final and binding.

(Figures in thousand Rs.)

Serial No.	Name of the Mill	Licensed Spindleage capacity.	Spindleage capacity working	Profit (+) or Loss (—) during 1968-69	Accumulated loss as on 30th June 1969
1	2	3	4	5	6
1	Amravati	20,000	20,000	(—) 1,760	(—) 6,644
2	Nagpur	20,000	20,000	(—) 1,749	(—) 6,818
3	Sholapur	12,000	12,000	(—) 51	(—) 2,083
4	Nanded	12,000	12,000	(—) 2,642	(—) 2,642
5	Latur	12,000	12,000	(—) 82	(—) 132
6	Bhusawal	12,000	12,000	(—) 376	(—) 921
7	Deccan	54,000	42,000	(—) 321	(—) 702
8	Yeshwant	12,000	12,000	(—) 47	(—) 68
9	Kolhapur	25,000	25,000	(—) 1,517	(—) 1,517
10	Bhiwandi	25,000	25,000	(—) 2,522	(—) 2,520
11	Pusad	12,000	....	(—) 36	(—) 98
12	Vasant	12,000	....	(—) 58	(—) 205
13	Akola	20,000	....	(+) 6	(—) 35
14	Jalgaon	12,000	....	(+) 5	(—) 29
15	Nasik	12,000	....	(+) 19	(—) 79
16	Aurangabad	12,000	....	(—) 17	(—) 24
17	Sangli	12,000	....	(—) 26	(—) 95
18	Rahuri	13,000	....	(—) 8	(—) 326
19	Shrirampur	12,000	....	(—) 1,288	(—) 1,552

STATEMENT SHOWING THE COST OF STAFF

	No. of Posts	For 12 Months Rs.
I. Salaries—		
(1) Technical Advisor at Rs. 2,000 p.m. consolidated ..	One	24,000
(2) Purchase Officer for Cotton at Rs. 1,000 p.m. consolidated.	One	12,000
(3) Sales Officer at Rs. 1,000 p.m. consolidated ..	One	12,000
(4) Cotton Development Officer at Rs. 1,000 p.m. consolidated	One	12,000
(5) Secretary at Rs. 750 p.m. consolidated ..	One	9,000
(6) Stenographer in the grade of Rs. 180—400 ..	One	2,160
(7) Junior Clerk in the grade of Rs. 115—215 ..	One	1,380
(8) Peon in the grade of Rs. 75—100 ..	..	900
	Total ..	73,440
II. Allowances and Honoraria—		
(1) T. A. at Rs. 1,250 p.m. for (1) to (4) above ..		15,000
(2) D. A. at Rs. 270 p.m. for (6) to (8) above ..		3,240
(3) H. R. A. and C. L. A. at Rs. 110 p.m. for (6) to (8) above		1,320
	Total ..	19,560
III. Office Rent [at Rs. 1,000 p.m.		
Printing and Stationery at Rs. 300 p.m.	..	3,600
Contingencies at Rs. 100 p.m.		1,200
Furniture and Fixture		7,000
	Total ..	23,800
	Grand Total ..	1,16,800

**III. DIRECTORATE OF SUGAR
AND DIRECTORATE OF MARKETING**

Directorate of Sugar

Starting with a humble beginning in 1949 with one lone factory, the sugar industry in the Co-operative Sector in Maharashtra took rapid strides of progress, and in 1968-69 the 26 Co-operative Sugar Mills in the State produced 19 per cent of the total sugar production in the country. To-day in addition to these 26 co-operative factories, there are 21 more in various stages of erection, and all are scheduled to go into production by 1972. The success story of the Co-operative Sugar Factories in the State, is an outcome of the progressiveness and resourceful of the cultivators, of the management and of the Government in utilising to the fullest extent whatever natural advantages like soil, water and climate are available. With a proper price policy for sugar, and sugar-cane the area under sugarcane and consequently the number of sugar factories in the State is bound to increase in future. To-day the percentage of utilisation of capacity by the sugar mills in this State is the highest in the country.

and the sugar mills are working much beyond the normal crushing season. Hence, even to-day there is a pressing demand from the growers for establishment of more co-operative sugar factories in the State.

A number of cooperative sugar factories have plans for expansion of their present crushing capacity. Similarly there are plans for establishing by-product industries like power alcohol, paper, etc. There is also a demand from the shareholders and directors of some of the private sugar factories, for conversion of their factories into Cooperative Sugar Factories. It is likely that within the next few years all the eleven existing private factories are brought under the co-operative fold.

The Government has a very great responsibility in ensuring the success of these co-operative sugar mills not only because of the heavy investment made by the Government in each of these mills, but mainly because the Cooperative Sugar Mills have been instrumental in the social and economic revolution that has now gripped the rural areas. In fact it would not be an exaggeration to say that the future of the rural economy of this State is intimately linked with the growth of the Sugar Industry here. Even though the Co-operative Sugar Mills are owned and managed by the canegrowers, Government has to play a very dominant role at various stages. In the initial stages leading to establishment of a new sugar factory, Government has a major role in the promotion of the sugar factory, processing the applications for industrial licence, registration of the society, approval of bye-laws, supply of procedural know-how to the intending parties, processing and recommendation of applications for loans, coordination between the factories and the suppliers of machinery and a thousand other things. At the later stages it has to play the role of a coordinator between the cooperative sector and the Central Government which determines the sugar policy. This coordination becomes all the more important due to the fact that sugar is a controlled commodity, at least partially, and right from the price of cane to the releases of sugar stocks to the markets the policy is controlled by the Central Government. Further the sugar industry in India has unfortunately been following a cyclical pattern of fluctuations in production, prices etc. and consequently the policies have to be changed year after year.

At present the Joint Registrar of Co-operative Societies (Sugar) with a skeleton staff of an Assistant Registrar and a few clerks to help him, looks after the work of all the Co-operative Sugar Mills. He works under the administrative control of the Department of Co-operation. The work relating to fixation of cane prices, and all other matters relating to sugarcane are being dealt with by the Department of Agriculture. Matters pertaining to private sugar factories, their expansion proposals etc. are being handled by

the Industries Department. As a result coordination between the private sector factories and factories in cooperative sector becomes difficult. Matters relating to releases of free sale and levy sugar are being dealt with by the Food and Civil Supplies Department. Matters pertaining to grant of licences for disposal of molasses, etc. are being handled both by the Industries and Prohibition Department. Similarly the export policy for sugar is within the purview of the Industries Department. In view of the matters being handled by so many departments, coordination with the Government of India becomes difficult and diffused. It is necessary to resort to an integrated approach to all matters relating to sugar, so that co-ordination with various bodies and especially with the Government of India becomes effective. Even the proper and timely releases of sugar for sale has an effect on the consumption of sugar, which in turn affects the price and production policy for sugar. The office of the Joint Registrar of Co-operative Societies (Sugar) is too meagrely staffed to deal with all these problems. The problems are bound to increase in future with the increase in the number of sugar factories in the State. Hence it is necessary to create a separate Directorate of Sugar with adequate staff to deal with all aspects of sugar right from fixation of sugarcane price, to the release and export of sugar. A Directorate of Sugar is very essential to coordinate all policy and executive matters relating to sugar.

Directorate of Marketing

The various measures proposed to strengthen the Co-operative Marketing Movement in the State, have been discussed elsewhere. It is envisaged that the work of manufacture and processing of agricultural inputs not involving very heavy outlays, the work of distribution of all agricultural inputs including such items as petroleum products, the work of supply of consumers goods would have to be entirely undertaken by the cooperative marketing societies. Similarly the cooperative marketing societies would be running service and repair stations for farm machinery. The work of collection, processing and marketing of the entire agricultural surplus would be undertaken by the cooperative marketing societies. It is estimated that the turnover of business in cotton, groundnut and pulses itself would be of the order of Rs. 400 crores per year. The work of export of agricultural surplus and import of some of the scarce commodities like long staple cotton etc. has also to be undertaken by the cooperatives. Similarly various measures for effectively linking cooperative marketing, with credit on the one hand, and with processing and consumer activities on the other hand, have been suggested. The implementation of these schemes is bound to throw up a number of problems of coordination. Hence the present administrative structure has to be strengthened to handle these problems expeditiously.

The proposals also envisage, regulation of almost all the markets in the State, especially the terminal ones at Bombay, Poona and Nagpur, effective enforcement of the regulations, a working solution of linking marketing with credit etc.

At present the Joint Registrar of Co-operative Societies (Marketing) looks after the work relating to cooperative marketing societies especially that of control, supervision, and coordination with the State Government, Central Government and other statutory bodies like National Cooperative Development Corporation etc. The work relating to Agricultural Produce Market Committees is also being dealt by him in his capacity as Director of Agricultural Marketing and Rural Finance.

In view of the huge magnitude of business to be handled by the co-operatives, ranging from collection of the surplus to the distribution and export of the consumer goods, and in view of the huge financial stake the Government would have in these societies, it is necessary that proper guidance and orientation is given to the co-operative marketing societies, and that the Government takes necessary administrative measures to ensure the success of these cooperatives. A compartmentised and departmental approach would not solve the problems. Only an integrated and coordinated approach to the various aspects and facets of marketing would help achieve the desired results. It is suggested that a separate establishment, called the Directorate of Marketing with sufficient staff and expertise, to deal with the administrative, financial and technical problems of marketing be created to give a proper direction and orientation to the Cooperative Marketing Movement in Maharashtra.



Chapter 18

MISCELLANEOUS

I—COOPERATIVE RELIEF FUND

The co-operative movement has extended to various fields of activity like credit, marketing, processing, industries, etc. Some of these activities are of such a nature that they involve a certain amount of risk. The marketing and processing societies as well as the industrial societies have to face the consequence of fluctuation in prices and sometimes even with the best of efforts, they find it extremely difficult to counteract the ill effects of such fluctuations. In the absence of an immediate possibility of assistance the smaller societies are unable to bear the shock and have some times to close down. A general scheme of relief needs, therefore, to be devised which would come to the rescue of the small societies which are in need of immediate assistance on account of circumstances beyond their control. It is possible for the cooperative sector itself to create a sort of a relief fund and to make a small contribution to it every year. Government has been standing a guarantee for the repayment of loans taken by some societies from the banks. It would also be possible for Government to draw on this fund in cases where the guarantee is invoked by the banks on account of the failure of the societies to repay the loans. At present, it is obligatory on the part of the societies to contribute to the education fund of the State Co-operative Union from out of their profits on the scale prescribed under the cooperative law. The contributions so received from the societies are utilised by the union for the purpose of education and training of the personnel and office-bearers of cooperative societies. The annual contributions collected by the State Co-operative Union are of the order of Rs. 10 lakhs at present. Instead of creating a separate fund for relief, it would be advisable to create only one fund and obtain a small contribution for it from every working society on the basis of its turnover. Even with an insignificant collection of 5 paise per Rs. 100 of turnover (or loaning in the case of credit societies), it is estimated that the annual contribution to this fund would be of the order of Rs. 50 lakhs and the same is bound to increase as the turnover of societies increases in future. Part of this fund could be utilized for the purpose of cooperative education and training.

The following proposals are therefore, made :—

(1) A Co-operative Relief Fund should be created by levying a contribution of 5 paise per Rs. 100 of the turnover (or loaning in the case of Credit Societies of every working society.

(2) This fund should be utilised for cooperative education and training and for giving relief to deserving societies.

(3) The education fund which is at present collected should be discontinued.

II—STATE LEVEL COORDINATION COMMITTEE

The various reforms now proposed to be implemented in the Cooperative Department are of a far reaching consequence ; they impinge at various points on the working of the Agricultural, Civil Supplies and Forest Departments. An instance in point is the decision to handover poultry and fisheries societies to the respective Departments or the running of Cooperative Rice Mills by the Civil Supplies Department. The proposed large-scale reforms in the Marketing Sector also impinge on the various regulations of the Textile Department. At the field level, actual implementation will also throw up a large number of questions which will have to be tackled by the Commissioner for Co-operation and Registrar of Cooperative Societies, who being the officer of the rank of a Secretary will not find it difficult to command the services of the Director of Animal Husbandry, Director of Agriculture and the Director of Public Health. It is, however, at the planning or the State level that a high power body of the Cabinet should be constituted to keep a vigilant watch over the evolution of this policy, from time to time. It will be the duty of this State Level Coordination Committee to iron out any difference of opinion, guard against any possible deviation in the development of policies and to present a united front about the decision taking power of Government on various issues that are likely to arise.

About the constitution of the Committee, it is suggested that it may consist of the following :—

- | | |
|-----------------------------------|---------------|
| 1. Minister for Cooperation | ... Chairman. |
| 2. Minister for Agriculture | ... Member. |
| 3. Minister for Labour | ... " |
| 4. Minister for Forests | ... " |
| 5. State Minister for Cooperation | ... " |

III — VOTING POWER OF NOMINEES AND LIQUIDATORS IN ELECTIONS

Government has nominated its officers on the managing bodies of a number of important co-operative institutions. Similarly Government has in some cases nominated experts on the managing bodies of some societies where technical guidance is considered necessary. As financing agencies, the Co-

operative Banks have also nominated their representatives on the other societies. These nominees and representatives are not expected to take part in the elections of the societies but the general experience in this behalf has been not very happy. As far as Government nominees are concerned, instructions have been issued to them not to take part in elections of the societies. The Banks and other federal societies, representatives are, however, often found taking part in the elections of the societies. This creates rivalries and bitterness and the basic purpose for which representatives are expected to be sent is lost sight of and the provision to send representatives is misused for the purpose of supporting the election of one group or the other. In order to avoid this, it is necessary to prescribe that nominees of financing institutions or other federal bodies on the societies should not have the right to vote in the elections of the societies. A similar provision needs to be made in the case of liquidators of societies so that they may not take part in the elections of other societies of which the liquidated society is a member. In the absence of such a provision, the liquidators of societies are found to exercise undue influence and power in the matter of elections particularly when they are liquidators of more than one societies and consequently enjoy the voting rights of all the societies of which they are liquidators. Such concentration of voting power in one individual defeats the democratic principles of co-operation and leads to unhealthy practices.

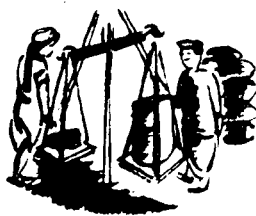
It is, therefore, proposed to take away the right to vote in elections from the nominees on societies and liquidators.

IV — REORIENTATION OF GOVERNMENT POLICY

As the co-operative movement is progressing and benefitting a large sector of the population, the role of the State in furthering the cause of co-operation is assuming increasing importance and the Government is being called upon to shoulder greater responsibility in creating and maintaining the necessary conditions for the successful growth of the movement. Government has treated the activities of the departments like Education, Social Welfare, Labour, Agriculture as essentially social welfare activities, as they are mainly intended to improve the conditions of the people. They have never been looked upon as income earning departments and Government has never tried to examine any scheme of such departments with an idea of making it self-supporting.

It is necessary that the state must adopt the same attitude in respect of the schemes of the co-operative movement as the movement is essentially aimed at lifting the economically weaker sections of society. With the avowed objective of ushering in a socialistic pattern of society, the State must look upon the co-operative movement as an important instrument to bring about the desired

change and to ameliorate the conditions of the agriculturists and the other-
weaker sections of the community which constitute a large bulk of the popula-
tion. Many of the proposals made in the earlier chapters involve an extra
expenditure on additional schemes of administration and assistance and it is
necessary that the Government considers these as social welfare measures
essentially and not schemes which must become self-supporting. With the
further growth of the movement on the right lines a stage might eventually
come when the movement might not need any Government assistance as it
might become self-generating and self-accelerating. Till such a stage is reached,
it is absolutely necessary that Government looks upon the co-operative
movement with the necessary reorientation in its attitude which it so richly
deserves.



Chapter 19

SUMMARY OF PROPOSALS

INTRODUCTION

CHAPTER I

Adherence to the principles of co-operation in the registration of co-operative societies

(1) The following principles should be followed in registration of societies :—

(a) Only such co-operative societies should be registered whose membership is wholly restricted to either the agricultural producer or the consumer or the worker.

(b) In a co-operative society the individual profit motive will always be subordinated to the needs and requirements of social good.

(c) Registration of such societies as would lead to the creation of monopoly in favour of a small group of people against the interest of the overwhelming majority will not be permitted.

(d) Societies should not be registered if their registration would result in the exploitation of the poor, helpless and economically non-viable members of the society.

(e) Societies whose membership is very large, diffused and shifting should not be registered.

(2) The Co-operative Societies Act is proposed to be amended to provide for provisional registration and de-registration of wrongly registered societies.

CHAPTER II

Transfer of certain co-operative societies to the care of the Technical Departments.

(1) Societies requiring expert know-how and constant technical guidance should be transferred to respective departments and it should be the exclusive responsibility of the technical departments concerned to make such societies a success.

(2) The following types of societies be transferred to technical departments shown against them :—

(i) Poultry societies	...	...	} Animal Husbandry Department.
(ii) Piggery societies	...	...
(iii) Cattle breeding societies	...	...
(iv) Fishery societies (both inland and maritime).			} Fisheries Department.
(v) Farming societies	...	...	} Agriculture Department.
(vi) District Industrialisation and Co-operative Development Societies.			} Industries Department.
(vii) Co-operative Industrial Estates ...	...	...

(3) Powers of registration, supercession, winding up, audit and revisionary powers under Section 154 of the Maharashtra Co-operative Societies Act will continue to remain with the Registrar of Co-operative Societies.

(4) To assist Heads of Technical Departments to whom the control of societies is proposed to be passed on, an Officer of the rank of a Joint Registrar or Deputy Registrar should be deputed wherever necessary.

(5) Officers deputed to Technical Department will be authorised to exercise necessary regulatory powers of the Registrar in respect of such societies.

CHAPTER III

Measures to increase efficiency

(A) Audit--

(1) To prepare an Audit Manual which will serve as a reference book and to entrust the work of writing the Manual to a Senior Joint Registrar from the Audit side by creating a special post for the purpose, if necessary.

(2) To start Departmental Training Schools for the training of auditors for the task of undertaking the audits of various co-operative institutions.

(3) The audit of the primary agricultural credit societies will be transferred to the Taluka Banks.

(4) Audit of Taluka Banks will be taken by the Departmental Auditors.

(5) The remaining types of societies will be audited by the Departmental Auditors and the cost of the audit staff employed for bigger commercial and industrial types of societies will be covered from the audit fees.

(6) To withdraw gradually the audits of co-operative societies from the Certified Auditors and to entrust the audits of all societies to the Departmental Audit staff.

(B) Arbitration—

(1) Co-operative Courts may be established to decide Co-operative disputes.

(2) A summary procedure may be prescribed for deciding disputes not involving heavy financial stakes.

(3) The strength of the Co-operative Tribunal may be increased by appointing 2 additional members so that the Tribunal may hold its sittings in the Divisional Headquarters simultaneously.

(4) Amendments may be made to the Co-operative Societies Act and Rules for the above purpose.

(C) Liquidation—

(1) A post of Assistant Registrar and a Co-operative Officer should be created in every district for attending to the work of liquidated societies exclusively.

(2) The present powers given to the Registrar and Divisional Joint Registrars to write off Government dues to the extent of Rs. 1,000 may be raised to Rs. 5,000 in the case of Government dues recoverable from liquidated societies. Similarly District Deputy Registrar should be empowered to write off Government dues recoverable from such societies to the extent of Rs. 1,000. Necessary amendment to the Bombay Financial Rules may be made for the purpose.

(3) Amendment may be made to the Maharashtra Co-operative Societies Act for allotment of surplus assets of liquidated societies to the education and training requirements of the Co-operative Departmental personnel and co-operative field workers.

CHAPTER IV

Removal of mal-practices from co-operative societies

(A) Flying Squad—

(1) A flying squad is proposed to be set up at each divisional headquarters to pay surprise visits to co-operative societies and to inspect their accounts.

(B) Police Cell--

(2) A police cell is proposed to be created for each district for expeditious investigation of misappropriation cases in societies.

(C) State Co-operative Accounts Committee—

(3) A Co-operative Accounts Committee is proposed to be constituted at the State level to review the audit reports of important co-operative societies.

CHAPTER V

Co-ordinating the activities of nationalised and Co-operative Banks

(1) The commercial banks should not provide any competitive line of credit in the State so far as short-term and medium term loans for agriculture are concerned.

(2) The commercial banks and the Agricultural Finance Corporation could, however, extend financial assistance for strengthening the resources of the co-operative credit structure in respect of development schemes requiring medium and long term loans.

(3) For this purpose there should be a State level co-ordination committee.

(4) The financial support of the commercial banks and the Agricultural Finance Corporation would be invited for developing the infra-structure in the undeveloped tracts of Konkan districts.

CHAPTER VI

A scheme to reorganise Cooperative Rural Banking with a view to make the cultivator self-sufficient in his requirements of credit for crop and reducing the rate of interest

(1) Existing primary agricultural credit societies, majority of which are not viable, will have to be reorganised into economically viable units by a process of amalgamation (compulsorily, if necessary):

(2) Suitable operational reforms in the loaning policies and procedures will be introduced so as to achieve the objectives of adequate and timely supply of credit at a low rate of interest to all creditworthy khatedars who in course of time will have built up sufficient savings of their own so as to make them self reliant in the matter of short term agricultural credit.

Important amongst these will be the following :—

(a) by operation of law it will be provided that every khatedar in a village will be deemed to be a member of the society in his village and that an obligation will be cast on the managing committee of the society to include every khatedar's credit requirement in the normal credit statement unless at the time of preparation of the normal credit statement he states in writing that he does not want any loan ;

(b) the present system of annual preparation and sanction of normal credit statement will be replaced by triennial preparation and sanction of credit limit ;

(c) the bylaws of societies and the relevant provisions in the Co-operative Law will be amended to provide for triennial elections to the managing committees of the societies ;

(d) right to vote will be available only to the borrowing member of the society ;

(e) defaulter for two years and above will not have a right to vote ;

(f) the Agricultural Produce Market Act will be amended to provide for settlement of dues only through the market committees ;

(g) in certain contingencies a borrower-member of the society will have freedom to repay his dues directly to the taluka bank instead of his society ;

(h) a borrower-member will not be deemed to be a defaulter if he has discharged his obligation to deliver his produce to the marketing/processing society and even if the actual settlement of his dues takes place at a later date ;

(i) irrespective of whether a society is in default to the taluka bank, a borrower-member who repays his dues in full to the society shall be eligible for fresh finance in the next year ; and,

(j) interest will be charged to a borrower only with effect from the date he draws the loan from the society and it will cease from the date he repays his dues in full.

(3) The existing district central co-operative banks should be split up into taluka level banks which will look exclusively after short and medium term credit for agriculture, so that they have more intimate contact with agricultural primaries and their members than at present. In addition, taluka banks will also be responsible for supervision and audit of accounts and timely recovery of loans of primaries.

(4) Residual of the district central co-operative banks will be recognized as district or regional industrial co-operative banks responsible for meeting the credit needs of agricultural processing and industrial societies and marketing societies.

(5) Even in this process of reorganization, there would emerge certain taluka banks in whose cases, because of agro-climatic conditions and/or preponderance of Harijans/Girijans and nomadic tribes residing therein, their operations will need nursing in initial stages by Government and other financing agencies. This might take the form of special Government share capital contribution and managerial subsidy to these banks, and specially reduced rate of interest by the Reserve Bank of India.

(6) In view of the special problems of the 3 districts of Thana, Kolaba and Ratnagiri and the generally weak financial position of the existing district central co-operative banks in these districts, they are to be excluded from the purview of the present scheme and a special programme of development is proposed to be undertaken in these districts so that agriculture combined with other agro-based industries is developed through the agency of co-operative banks.

(7) The taluka banks will undertake the audit of accounts of primary societies affiliated to them. This will be done by them with the help of their own staff. Consequently, primary societies will not pay any audit fees to the Government. The taluka banks will also be exempted from payment of audit fees so far as their own audits are concerned.

(8) The taluka banks will also be responsible for supervising the operations of their affiliated primaries. For this purpose, they will maintain at their own cost a cadre of secretaries whose services will be placed at the disposal of primary societies. As a result of this the existing Taluka Supervising Unions will be abolished and the societies will not be required to pay any separate supervision fees to Government as at present.

(9) Some of the above measures will need amendments in the Maharashtra Co-operative Societies Act, 1960, besides a self-contained enactment detailing the procedure for division of assets and liabilities of the existing district central co-operative banks on the lines of the procedure laid down in the States Reorganization Act. Incidental to the above, there would be need for amendments to the Agricultural Produce Market Act and the Land Revenue Code.

CHAPTER VII

Regulation of Agricultural Produce Markets

(1) To make a provision that all payments to the sellers on the market yard should be through the market committee and not directly.

(2) It should be made obligatory on the traders to make all payments by cheques through market committee and to authorise the co-operative banks on which the cheque is drawn to make deductions towards co-operative society's dues.

(3) The Assistant Registrar, Co-operative Societies should be appointed as a one man Tribunal for deciding disputes between the market committee, the agriculturists and the traders.

(4) Provision may be made for the formation of a State Level Federation of market committees.

(5) In the event of monopoly purchase of pulses a number of dal-grading centres should be established. Similarly more cotton grading centres should be established.

(6) Provision should be made for the training of more market secretaries.

(7) Special Legislation on the lines of the Maharashtra Agricultural Produce Marketing (Regulation) Act, 1963, with suitable modifications will have to be passed to cover the Terminal Markets in Bombay. Similarly steps will have to be taken, if necessary, to amalgamate the market committees for gur and market committee for other agricultural produce in Poona.

CHAPTER VIII

Revitalisation of co-operative marketing and proposals for marketing of cotton, groundnut and pulses in the co-operative sector

(1) The structural arrangement of cooperative marketing societies at various levels should be as to streamline the whole process of movement of agricultural produce to the consuming markets and of agricultural inputs from the manufacturers to the farmers. For achieving this, Government should recognize a two-tier structure of co-operative marketing societies, with the primary marketing societies at the taluka level and the Apex Marketing Federation at the State level. Supply of all the agricultural inputs and consumer goods would be routed through this system only. Rs. 50 lakhs invested by the Government in the share capital of the District Marketing Federations would be transferred to the share capital of the primary marketing societies. The District Marketing Federations would not open any new branches without the permission of Government.

(2) Marketing and processing operations have to be integrated so that the co-operative marketing societies can provide an effective competition to private traders. This is necessary in the case of cotton which is a major cash crop of the State. The main problem would be of insuring supply of raw cotton to the marketing and processing societies.

(3) As the financial position of the cooperative marketing societies today is not such as to enable them to make huge purchases of cotton and since the capacity for ginning and pressing in the cooperative sector is not enough to process all the surplus cotton, an interim scheme of monopoly purchase of cotton by Government through the Apex Marketing Federation is envisaged. The cotton would be got processed through the cooperative ginning and pressing societies, and hired private ginning and pressing factories.

(4) As the cooperative marketing societies grow stronger and as the ginning and pressing capacity in the co-operative sector increases, and as the

19 cooperative spinning mills go into production, zones would be earmarked for each spinning mill, and each ginning and pressing society on the pattern of cooperative sugar mills. Members supplying cotton will be paid in advance, and the final price would be paid after the yarn is sold. This is the ultimate pattern envisaged.

(5) Under the system of monopoly procurement of cotton, the grower would be assured of a remunerative price.

(6) The average of cotton prices during the last three preceding cotton seasons shall be called the basic price. The grower-supplier would be assured a minimum price to be called "the standard price for the season", which would be 90 per cent of the "basic price". Immediately on supply of raw cotton, the supplier would be paid 90 per cent of the standard price fixed for the season as an advance. When the pressed bales are sold, and when the accounts are finalized, the grower would be paid the final price. As stated above, the grower would be assured of the standard price, if the price realized after sale of the pressed bales is less than the standard price, the short fall will be paid to the cultivator from a Price Fluctuation Fund which would initially be built up by the Government at Rs. 1 crore. If such price realized is more than the basic price, 50 per cent of the surplus would be paid to the cultivator and 50 per cent. would be credited to the "cotton price fluctuation fund".

(7) A pre-requisite for the success of cooperative processing units in cotton is the availability of good quality of cotton. Hence an intensive programme for improving the per acre yield of cotton as well as a programme for increasing the acreage under long staple varieties has to be worked out by the Agriculture Department.

(8) Sixty cotton grading centres have to be opened one each at 60 important regulated markets, dealing in cotton at a cost of Rs. 15 lakhs per year.

(9) The Apex Marketing Federation should be entrusted with the work of importing from abroad the cotton required for the cooperative spinning mills and Government run textile mills.

(10) Sizing units should be created in the cooperative sector at central places, each unit to cater for about 250 powerlooms. Necessary financial assistance is to be provided by the State.

(11) Priority should be given to encourage and promote viable units (50 looms) of powerlooms cooperatives in Vidarbha and Marathwada.

(12) Central Processing houses each with a capacity of minimum one lakh metres should be established on cooperative basis at suitable centres where growth of powerlooms is imperative.

(13) A post of Director of Handlooms and Textiles has to be sanctioned with necessary technical staff on the Madras pattern to coordinate the working of the handlooms, powerlooms and spinning mills in the cooperative sector. He should also be designated as ex-officio Joint Registrar of Cooperatives.

(14) Government should fix remunerative prices for groundnut and pulses, and should purchase these through the Apex Marketing Federation and the primary marketing societies on a monopoly basis. The groundnut and pulses should be processed through cooperative processing societies, and would be supplied to the consumers through the marketing and consumer societies. Government would also arrange for the sale of cotton seed, groundnut oil cake, etc.

(15) The Apex marketing society should be helped to establish a sufficiently large size dal factory in Marathwada. The export of dal from this State should be carried out by Apex Marketing Federation for Government, on a monopoly basis.

(16) For executing the scheme of monopoly procurement of cotton, groundnut and pulses, an amount of Rs. 7 crores has to be contributed to the share capital of the apex federation by the Government. In addition, an amount of Rs. 33 crores has to be given as a long term loan. Government would have also to provide bank guarantee for Rs. 100 crores.

(17) Since the Government started monopoly purchase in rice, the cooperative rice mills have lost their cooperative character and they cannot any more be termed as cooperative processing units. All these cooperatives rice mills should be purchased and operated by the Civil Supplies Department.

(18) The work of manufacture and processing of agriculture inputs not involving heavy investments should be undertaken by the marketing and sale purchase societies. The distribution of fertilizers should be routed through the Apex marketing Federation.

(19) A High Power Committee to coordinate the efforts of the various agencies at secretaries level like marketing societies, agro-industrial corporation, groundnut, etc. which manufacture agricultural inputs has to be formed. This Committee should coordinate the efforts relating to storage, marketing and distribution as well as the inputs.

(20) Agriculturists taking loans from the primary agricultural societies for the purchase of inputs should purchase their requirements only through the cooperative sale purchase unions.

(21) The requirements of fertilizers should be worked out with the greatest possible efforts by the Agriculture Department and the Apex Marketing Federation after mutual discussions, based on past consumption trends and

future production plans. The Agriculture Department and the Apex Federation should share the losses resulting from storage of stocks over two years in the ratio of 60 : 40.

(22) The Indian Oil Company should be asked to give agency for distribution of all petroleum products, except special fuels like aviation fuel, etc. in the Maharashtra State on a monopoly basis to the Apex Marketing Federation.

(23) The sale purchase unions should be encouraged to establish 8 to 10 repair/service/custom service stations, on the pattern of the scheme proposed at Dhulia and Baramati to repair tractors, diesel engines, pumps and other agriculture machinery, to supply spare parts, and to hire out farm machinery. Such centres should be preferably established in areas under the command of major-medium-irrigation projects.

(24) The Apex Marketing Federation and some of the good sale purchase unions should be encouraged to establish workshops for the manufacture of popular modern and simple farm equipment, on the pattern proposed at Arvi, Nasik, Dhulia and Junnar.

(25) No separate consumer cooperative societies be registered in rural areas, the taluka sale purchase unions themselves should carry on activities of distribution of consumer goods. Registration of separate consumer society should be encouraged only in town having population of over one lakh. The Apex Marketing Federation should hand over the consumer articles like dals, groundnut oil etc. for distribution in city areas, through primary consumer societies.

(26) The primary marketing societies should contribute to the share capital of the consumer societies at $\frac{1}{4}$ per cent of the value of goods purchased by the consumer society. A suitable system of price rebate also has to be worked out depending on the turnover of each consumer society.

(27) The Apex Marketing Federation would have to be strengthened financially and for this the Federation should credit 25 per cent of the profits it would make in future to its Reserve Fund and 25 per cent to a Price Fluctuation Fund.

(28) The primary marketing societies should make a provision for a reserve fund and a price fluctuation fund and credit 50 per cent of the profits to these funds annually so that they become financially strong over the period of next 5 years.

(29) The byelaws of the cooperative marketing societies should provide for a contribution of $\frac{1}{4}$ per cent of the value of agricultural produce sold and $\frac{1}{4}$ per cent of the value of agricultural requisites supplied from the members towards the share capital of the society.

(30) A scheme for construction of additional godown capacity of 5 M. Tonnes, preferably in the cooperative sector has to be chalked out and implemented. An amount of Rs. 8.5 crores has to be raised from the Nationalized Banks and Government would have to provide Rs. 2.13 crores as subsidy.

(31) For implementing the above schemes, the Apex Marketing Federation has to build up a cadre of competent experts in cooperative marketing. It has to recruit new people with the financial assistance of Government. A couple of experts in Cooperative Marketing from some of the advanced countries like Japan have to be invited to work on the Apex Federation so that the existing staff would receive necessary training to successfully implement the scheme.

CHAPTER IX

Ameliorating the conditions of the weaker sections of the Community

(A) Labour Contract Societies—

(1) Steps should be taken to liquidate dormant societies and working societies having contractors as members.

(2) Labour contract societies may be registered with an initial capital of Rs. 500 and with a minimum membership of 100. Preference should be given to landless labourers, small holders, harijans and scheduled tribes. Landless labourers should ordinarily form 50 per cent of the total membership.

(3) The maximum membership should not go beyond 500. The present practice of enrolling sympathiser member upto 1/10th of membership should be done away with immediately.

(4) As far as possible, separate labour contract societies should be organised of skilled workers tradewise separately, viz. carpenters, masons, brick-workers, etc.

(5) The area of operation of the society should be kept flexible according to the mobility of labour and availability of work.

(6) District Federation of Labour Contract Societies should be organised in each district and all primary labour contract societies should be affiliated to the Federation.

(7) All works should be awarded to the district federation which in turn should allot the same to the primaries according to their capacity.

(8) Services of 10 Executive Engineers with staff at Government cost should be kept at the disposal of the selected district federation.

(9) One Superintending Engineer with necessary staff should be attached at Government cost to the office of the Commissioner for Co-operation and Registrar of Co-operative Societies.

(10) Each Executive Engineer should be provided with one Jeep and a Station Wagon be placed at the disposal of Superintending Engineer at Government cost.

(11) Primary Labour Contract societies should be given Rs. 5,000 as Government share capital contribution and in deserving cases, this limit should be enhanced to Rs. 10,000. This should be irrespective of own share capital raised by the society.

(12) The loan provision for the purchase of tools and equipment should be raised from Rs. 1,000 to Rs. 4,000.

(13) The members of the labour contract societies should be granted individual loans for the purchase of shares and recovery of such loan should be effected in equated annual instalments spread over 5 years.

(14) The present concessions sanctioned for Vimukta Jatis should be made available to labour contract societies of scheduled castes and scheduled tribes.

(15) The work awarding agencies should advance 20 per cent. of the tender value of the contract to the labour contract society at the time of work award.

(16) Unskilled works without any limit, and skilled works according to their capacity should be reserved for labour contract societies for execution without inviting tenders.

(17) Contracts of works reserved for labour cooperatives should be given to them on negotiated rates based on schedules brought up-to-date.

(18) Payment of bills should be made every fortnight on completion of each stage of work upto specified limit in order to ensure prompt payment.

(19) Costly machines and equipments should be provided to labour co-operatives by the work awarding agencies either on contract or on nominal rent.

(20) Suitable arrangements for expeditious settlement of disputes between the work awarding agencies and labour contract societies in connection with execution of works, settlement of bills, etc. should be evolved.

(21) The programme of development of labour co-operatives should be accepted as an important programme by all Government work Awarding Agencies. Semi-Government institutions, Corporations, Maharashtra State Electricity Board, Maharashtra State Transport Corporation, Maharashtra

Housing Board, Maharashtra Industrial Development Corporation, Municipalities, Zilla Parishads, etc. should as a rule give work only to Labour Contract Societies.

(B) Forest Labourers' Co-operative Societies—

(1) No society in future should be registered unless there are 50 members to start with. The membership of the forest labourers' cooperative societies should be restricted to forest labourers from the scheduled tribes, scheduled castes, other backward classes and landless labourers residing within the area of operation.

(2) The existing District Federations will need to be reorganised into a suitable number of federations, depending upon intensity of forests turnover and communications. Each Federation will be strengthened by providing a Managing Director of the rank of Divisional Forest Officer and allied staff. The expenditure for the staff and vehicles provided to them will be borne by Government.

(3) To ensure that forest labourers' co-operative societies get work all the year around, they should be given collection of Minor Forest Produce and nationalised items like Tendu leaves and also the work of plantations, nursery work, construction of roads and buildings etc. As forest work lasts only for a brief period, they should also work as labour contract societies when not engaged in forest work. Priority in allotting labour contract work should be given to forest labourers' co-operative societies. Labourers should be given training in the use of improved logging tools.

(4) Measures should be taken to pool the profits of all the societies in the State and to distribute them amongst all of them on an equitable basis.

Two per cent of the forest revenue now paid to Zilla Parishads should be pooled at State Level and distributed on equitable basis for the development works in Adiwasi areas through forest labourers' co-operative societies.

Suitable rules for the utilisation of welfare funds may be framed in the interest of the members of the Forest Labourers' Co-operative Societies.

(5) The performance of the forest labourers' co-operative societies should be evaluated by Social Welfare Department periodically.

(6) To enable the District Deputy Registrar of Co-operative Societies to supervise the working of forest labourers' co-operative societies effectively, the post of Cooperative Officer (Forest Labourers' Cooperative Societies) should be created in each of the 13 districts where there is a District Federation of Forest Labourers' Co-operative Societies.

(7) Greater attention should be paid to marketing and processing of Forest Produce and as far as possible, this should be done by the State itself or through the Cooperative Organisations or by both jointly on a progressive basis.

(C) Other Industrial Cooperative Societies—

(1) Uneconomic and non-viable industrial societies should not be registered in future.

(2) Societies which are uneconomic and have no chance of revitalization should be taken into liquidation.

(3) ~~Assistance to these societies should be channelled through one agency only, viz. the District Industrial Co-operative Bank and not through the various agencies as is being done at present.~~

(4) The District Industrial Co-operative Banks should meet all the credit requirements of such societies.

(5) The supply of raw material and the marketing of products of these societies should be undertaken by the consumer societies and their federation.

(6) The District Industrial Co-operative Associations which have failed to function properly and shown no response to the efforts for their revitalization should be liquidated.

(7) No new State Industrial Co-operative Association should be registered as Apex Institution of Industrial Co-operatives.

(8) The Maharashtra Rajya Wholesale Consumer Societies' Federation Ltd., Bombay should cater to the needs of Industrial Co-operatives in respect of supply of raw materials, imported and indigenous, and should also afford marketing facilities to them.

CHAPTER X

Scheme for Conversion of Handlooms into Powerlooms

The scheme envisages the following :—

(1) Installation of 2,800 new powerlooms in the cooperative sector under the Conversion Scheme out of which half of them will be in Vidarbha and the balance in Western Maharashtra.

(2) Providing sizing facilities for the powerloom by establishing 5 sizing units.

(3) To provide post-weaving facilities by establishing two large units.

(4) To arrange for marketing and technical guidance through the two Apex Federations.

CHAPTER XI

Consumers Stores :

(1) The existing structure of the consumer cooperative will be changed so that there will be an Apex Federation which will affiliate existing central stores as well as Primary Stores which have a turnover in non-controlled goods of at least Rs. 2 lakhs.

(2) The Federation will be adequately strengthened to act as an apex organisation and to serve the Primaries affiliated by its following departments :—

(a) *Purchase Department.*—All the purchases will be made by the Primaries only through the Federation. This will be enforced through Legislation. The Federation will obtain all the manufactured goods from the manufacturers directly and from Apex Marketing Federation and other co-operative societies in respect of agricultural and agricultural based commodities.

(b) *Shop Planning Department.*—The Federation will have a long term revolving fund which will be used by it for the purpose of construction, acquisition and furnishing of shopping premises on behalf of its primaries who will repay the cost to the Federation by instalments.

(c) *Personnel and Sales.*—The Federation will maintain a staff cadre for managerial personnel and primaries will be forced to obtain their requirement of managerial personnel only through this cadre by Legislation. The Federation will also prescribe for each primary store its staff requirements and pay-scales which will not be exceeded by the Primaries.

(d) *Inventories and Sales.*—The Federation will prepare for each Primary its annual purchase budget as well as monthly budgets. The Federation will supply goods to the store according to this budget on credit upto 3 months. The goods remaining unsold by the stores will be taken back by the Federation. It will also have experts in sales promotion who will visit the Stores and advise them on sales.

(3) The Federation will be strengthened by the following assistance from the Government :—

(a) Grant of additional share capital to enable it to provide margin money for working capital. The amount required initially for this purpose will be Rs. 25 lakhs.

(b) A revolving fund of Rs. 50 lakhs will be placed in the form of share capital or interest-free loan, for acquisition, construction and furnishing of business premises.

(c) Suitable subsidy will be given for recruitment and training of personnel.

(d) Agricultural commodities losses fund would be created where the Federation will credit 25 per cent of its profits and the Government will also give a matching contribution every year.

(e) The Federation will be exempted from octroi duties in the movement of goods from its depots to the consumers stores.

(4) Since the primary stores will be obtaining goods from the Federation they will not require big amount of share capital. They will, however, require managerial subsidy for initial period. The Primary Stores will, therefore, confine their activities to membership and sales promotion.

(5) *Audit.*—Only the Stores running large sized departmental of Stores and the Federation will be subject to Continuous and Concurrent audit. Other stores would be subject to annual statutory audit. The Federation will keep a watch on the stocks supplied by it to prevent misappropriation etc.

CHAPTER XII

Other Types of Societies

(A) *Milk Production and milk supply*

(1) Finance for the purchase of milch-cattle should be provided by the Taluka Co-operative Banks and this should be the only agency for dispensing of credit for this purpose. The Government loan which is at present being granted for this purpose through the Dairy Development Department should also be routed through these Taluka Co-operative Banks, and a common rate of interest should be charged.

(2) The finance required for heavy capital investment e.g. processing plant, equipment, transport, etc. should be availed of from the Nationalised Banks and the Agricultural Refinance Corporation.

(3) There should be complete linking between the Taluka Co-operative Banks to be organised in future and the Milk Union/Federation in the area covered by it. Similarly, there should be proper co-ordination between the Seva Society and the Primary Dairy Society with a view to ensuring that recovery of milch cattle loan are made. On an undertaking given by a Primary Dairy Society, such loans could also be granted by the Taluka Cooperative Banks through the Seva Societies to the landless persons.

(4) The production side of milk business should be the special responsibility of the Animal Husbandry and the Dairy Development Departments.

(5) The collection and transport of milk should be the exclusive preserve of the milk Unions/Federations, which should operative on all the routes in their area of operation.

(6) The existing dairy societies and their unions/federations should concentrate their attention on increasing the production of milk and take steps to produce milk more efficiently and economically. To achieve this, they may have to—

(a) arrange for cattle breeding locally. Government may have to give special assistance in encouraging local production of improved breeds of cattle.

(b) arrange for production of cattle fodder and cattle feeds ;

(c) rationalise the organisation of dairy societies at the village level and the organisation of Unions/Federations according to reorganised milk sheds areas or milk districts ;

(d) improve their own financial position and share capital base so that ultimately they are in a position to undertake collection, transport, processing and distribution of milk to an increasing extent.

(7) The ultimate object of the dairy co-operative movement will be to become self-contained and all inclusive and to take over the processing and distribution of milk from the Dairy Development Department, which will thus be freed to concentrate its attention on its legitimate work of efficient and increasing production of milk.

(B) Co-operative Housing

(1) Housing societies are, at present, registered where the members consist of purchasers of flats on ownership basis. Since there is very little cooperative character in the organisation of such societies, they should not be registered as co-operative societies.

(2) In the case of housing societies, to be registered in the corporation areas, the conditions prescribed under section 6 of the Maharashtra Co-operative Societies Act, viz., that the member must reside in the area of operation of the society, need not be insisted upon.

(3) Sub-letting should be allowed with the permission of the Managing Committee for short periods only. The byelaws of housing societies should provide that the rent obtained beyond a certain specified amount should be shared by the member with the society.

(4) The number of members in the housing society should not be more or less than the flats to be constructed and all the members should be taken at the time of registration.

(5) House mortgaged societies should be formed in mofussil town where there are a number of persons who do not own houses, but have got individual pieces of land. The Maharashtra Co-operative Housing Finance Society should give loan to such societies also.

(6) Suitable legislation should be undertaken to provide for securing loans for purchase of flats in housing societies on the mortgage of flat.

(7) A scheme of group secretaries for housing societies may be adopted to ensure proper maintenance of Account Books and records of housing societies.

(C) Lift Irrigation

(1) In addition to the present arrangements of finance, advantage of Nationalised Banks be taken to obtain finance for capital investment by the Co-operative Lift Irrigation Societies as these banks can sanction funds expeditiously.

(2) The Nationalised Banks should provide finance to the Cooperative Lift Irrigation Schemes with moratorium for repayment.

(3) The Department should provide necessary background material to these banks such as preparation of preliminary investigation reports, plans and estimates and help these banks in recovery of their dues and clearance of the schemes through the Expert Committee.

(4) The beneficiaries should scrupulously complete all preliminaries such as collection of share capital, obtain guarantee from District Central Co-operative Banks and contribution of share capital from the Zilla Parishad, execute loan bonds etc. in time. No concessions in these respects should be extended.

(5) The Agricultural Refinance Corporation, in genuine case, should consider favourably waiving of the commitment charges.

(6) In order to rule out objections to join the scheme from a small number of beneficiaries coming in the command of a contiguous lift irrigation scheme but who cannot be eliminated except at a very high cost or by dropping the scheme itself may be compelled to join the scheme by enacting suitable legislation. Where 75 per cent. of the total membership bringing in more than 60 per cent. of the total area under the command of the scheme desire to organise a society in a contiguous command the remaining 25 per cent. of the members should be compelled to join the society and share proportion to liabilities.

(D) Transport Societies

(1) Societies which will enable to improve the economic conditions of the weaker sections of the community, viz., actual workers, alone should be given necessary encouragement.

(2) The registration of societies of non-working owners should be stopped forthwith and existing societies of such non-working owners should be cancelled.

(E) Co-operative Hospitals

(1) The Shushrusha Cooperative Hospital, Dadar, Bombay, has set up a good model for the organisation of Co-operative Hospital in the State. This model may be followed elsewhere, with necessary modifications to suit local conditions.

(2) Government should encourage the formation of co-operative hospitals in all towns having a population of 50,000 or above in the State.

(3) To make the working of these hospitals more purposeful and efficient, all their employees such as doctors, nurses, ward-boys, etc. should also be made their members.

(F) Fishery Co-operatives.

(1) The primary fishery societies and their Federations should improve their financial condition and have a firm financial base to enable them to undertake fishing activities on a larger scale. The fish production should also be increased sufficiently so as to add appreciably to the total food resources of the country.

(2) The Apex Federation of Fishery Societies should also be revitalised quickly so that it may be able to carry out its proper functions in fishery co-operative movement.

(3) Greater attention should be paid to co-operative marketing of fish and fish products. The present dominations of dalals over the disposal of the fish catches should be completely done away with as early as possible.

(4) Co-operative fishery should give greater attention to processing of fish products and their export to foreign countries with a view to earning foreign exchange on an increasing scale.

(5) The Fisheries Department should be made completely responsible for the day-to-day supervision over the activities of the fisheries societies and providing them with technical guidance for their successful working.

(G) Poultry and Piggery Co-operative Societies

(1) The successful development and management of the production activities of the poultry and piggery societies require constant technical assistance. This should, therefore, be made the specific responsibility of the Animal Husbandry Department.

(2) Poultry and Piggery societies should in due course form their own federations which should take over the processing and marketing of the products of these societies.

(3) The Government Poultry Dressing Plant at Poona and the Pig Processing Plant at Borivali should in due course be taken over by the respective federations of Poultry and Piggery Societies.

(4) The egg marketing scheme of the Animal Husbandry Department should be taken over in due course by the federation of the co-operative poultry societies.

(5) Poultry and Piggery Societies (or their federations) should sell their products at the existing milk booths of the Government Milk Scheme in the larger cities like Bombay, Poona, etc.

(6) Manufacture of feeding stuffs should be undertaken by the respective federations of these societies.

CHAPTER XIII

Co-operative Farming

(1) The Joint farming societies working at losses and falling under 'C' and 'D' classification of audit and which are defunct should be taken into liquidation and the lands would revert to the member owners along with the liabilities incurred thereon.

(2) The collective farming societies falling under 'C' and 'D' classification of audit are not likely to be revitalised. Similarly those working at losses and defunct should be taken into liquidation and the lands may be distributed to the members with a view to have more agricultural production. In case the members so desire in future to come together for certain common activities, service type co-operatives should be organised of such members.

(3) Other good working societies both joint as well as collective farming should be transferred to the Agricultural Department with a view to get benefits of the schemes of the Agricultural Department and technical guidance. It has to be ensured that the co-operative aspect is not neglected and that these schemes are not transferred to the Zilla Parishad.

(4) The future programme of organising co-operative farming should be restricted to the small, potentially viable farmers and service type co-operative societies should be formed for interfarm cooperations. The area may be restricted to 250 to 500 acres and about 30 to 50 such societies should be federated at Taluka level.

(5) The Tractor Unit with three filled units should be organised by the Taluka Federation and its services made available to the members of the constituent societies. These units should be organised on pilot basis in 4 selected talukas in 4 divisions to start with. Approximately the funds to the extent of Rs. 5 lakhs for capital expenditure and Rs. 3 lakhs for working capital would be required for a Tractor Unit.

(6) The programme for ameliorating the lots of the small farmers implemented by various agencies should be co-ordinated by a High Power Co-ordination Committee which should enjoy all the powers of selecting the projects and executing the programme. The advantage of finance under the Integrated Area Development Block, Small Farmers' Development Agency, the Co-operative Banking Structure, the Co-operative Department's Scheme and the Revenue Department Scheme should be availed off in implementing these projects. The advantage of the Risk fund suggested under the Small Farmers' Development Agency should be taken to persuade the Co-operative Banking Structure to provide adequate finance without any apprehension of the risk and with supervised credit.

(7) As this co-ordinated scheme involves major portion of finance from Co-operative Institutional Structure, the scheme should be administered by the Co-operative Department.

CHAPTER XIV

Co-operativisation of Private Sugar Mills in Maharashtra

The Government will have to undertake speedy legislation to regularise the demand for cooperativisation of private sugar factories.

CHAPTER XV

Uniformity in the bye-laws of similar types of societies

For the purposes of preparing model bye-laws of important co-operative societies and to bring about uniformity in the bye-laws of similar societies, committees should be appointed under the Chairmanship of Joint Registrar concerned with the particular type of societies. Some representative of such type of society should be taken up on the Committees.

CHAPTER XVI

1969 Amendment to the Maharashtra Co-operative Societies Act. Reasons for delay in the implementation of—

Implementation of the amendments to the M. C. S. Act has been delayed on account of the following legal difficulties :—

- (1) Powers are required to be assumed by Government to make rules requiring the societies to bear the cost of their elections.
- (2) Amendment is necessary to enable the Co-operative Tribunal to function as an Original Court to hear election disputes.
- (3) Bye-laws of societies will have to be amended to bring about uniformity in their election rules.

CHAPTER XVII

New Institutions

(a) Maharashtra State Cooperative Reconstruction and Rehabilitation Corporation

(1) The Corporation would be set up to take over the management of sick cooperatives.

(2) The Corporation may be sanctioned a maximum share capital upto Rs. 2 crores by the Government.

(3) Successful cooperatives like sugar factories and banks will be expected to contribute to the share capital of the Corporation.

(4) The Corporation will take over the management of such societies under lease agreement for a period of 3/5 years.

(5) The Corporation will hand over the management of the society at the end of the lease period or earlier as soon as the position of the society is sufficiently improved.

(b) State Federation of Spinning Mills

A State Level Federation of Cooperative Spinning Mills should be organised to give technical guidance to the affiliated mills, to buy indigenous cotton required by the mills, to make arrangements to sell the yarn produced by the mills, etc. The Federation will be chiefly an Advisory Body and will not do any business on its own account.

(c) Directorate of Sugar and Directorate of Marketing

A Directorate of Sugar to coordinate the work relating to sugar which is being done at present at the various departmental level i.e. the Department of Agriculture, Industries, Food and Civil Supplies, Prohibition and especially the Government of India, has to be set up. Such a Directorate manned with adequate staff will deal with all aspects of sugar right from fixation of sugarcane price to the release and export of sugar.

In view of the huge magnitude of business to be handled by the Marketing Cooperatives, a separate establishment called the Directorate of Marketing with sufficient staff and expertise, will have to be formed. Such a Directorate will deal with the administrative, financial and technical problems of marketing.

CHAPTER XVIII

Miscellaneous

(a) Cooperative Relief Fund.

(1) A Cooperative Relief Fund should be created by levying a contribution of 5 paise per Rs. 100 of the turnover (or loaning in the case of credit societies) of every working society.

~~1934-35~~ fund should be utilised for co-operative education and training
100-04 giving relief to deserving societies.

(3) The education fund, which is at present collected should be discontinued.

(b) State Level Committee for Co-ordination

A State Level Co-ordination Committee should be constituted under the Chairmanship of the Minister for Co-operation to bring about co-ordination in the implementation of various policies affecting the co-operative movement.

(c) Liquidators not to vote

It is proposed to take away the right to vote in elections from the nominees on societies and from the liquidators.

(d) Change in Government attitude

The schemes for assistance to the cooperative movement should be treated as social welfare measures and Government should re-orientate its attitude to them accordingly.

CHAPTER XIX

Summary of Proposals

