

REPORT



GOVERNMENT OF INDIA
MINISTRY OF AGRICULTURE
(DEPARTMENT OF COOPERATION)

OCTOBER, 1971.

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CHAPTER I

INTRODUCTORY

Report of The Expert Committee.—The Public Accounts Commission, in their 106th Report presented in April, 1970, observed “have reasons to doubt whether the existence of an official body like the National Cooperative Development Corporation in the cooperative sphere, besides the Department of Cooperation is necessary”, and suggested to the Government “to remit the matter for consideration for detailed expert study and come to a decision on the necessity for the continuance of the National Cooperative Development Corporation”.

In pursuance of the above recommendation of the Public Accounts Commission, the Government of India, in the Ministry of Agriculture (Department of Cooperation) constituted an Expert Committee with the following members:—

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| Shri B. Venkatappiah, Member, Planning Commission* | <i>Chairman</i> |
| Shri G. R. Kamat** | <i>Member</i> |
| Shri P. N. Damry, Deputy Governor, Reserve Bank of India, Bombay. | <i>Member</i> |
| Shri P. S. Rajagopala Naidu, President, National Federation of Cooperative Sugar Factories Ltd. | <i>Member</i> |
| Shri V. N. Puri, *** Chairman, National Agricultural Cooperative Marketing Federation Ltd. | <i>Member</i> |
| Shri S. B. Kazi, Secretary to the Government of Maharashtra, Bombay. | <i>Member</i> |
| Shri L. N. Bongirwar, Vice Chancellor, Punjabrao Deshmukh Agricultural University, Akola (Maharashtra). | <i>Member</i> |
| Shri M. S. Chaudhary, Additional Chief Secretary to the Government of Madhya Pradesh, Bhopal. | <i>Member</i> |
| Shri K. S. Bawa, Joint Secretary to the Government of India, Department of Cooperation, New Delhi. | <i>Member-Secretary</i> |

relinquished charge as Member, Planning Commission.

Formerly Secretary, Planning Commission.

Formerly relinquished charge as Chairman, NAFED.

1.3 *Terms of reference.*—The terms of reference of the Committee are :

- (i) to review the working of the National Cooperative Development Corporation, with a view to assessing to what extent the objectives for which it was established have been achieved;
- (ii) to examine whether there is need for the continuance of the Corporation; if so, to suggest modifications, if any, in the scope of its existing activities as provided under the N.C.D.C. Act, 1962 and to recommend legislative, administrative and financial measures for enabling the Corporation to suitably strengthen its organisation, in order to fulfil effectively its present functions as well as such others as may be recommended by the Committee; and
- (iii) to examine whether the present system of channelising Central assistance to the States through the Corporation is necessary and to suggest any change, modification or improvement therein.

1.4 A copy of the Ministry of Agriculture, Notification No. L. 12015/8/70-Misc. dated the 15th October, 1970, appointing the Committee is at Annexure I.

1.5 *Meetings.*—The Committee has held 10 meetings in all, the last to sign the report. In response to our request S/Shri S. S. Puri, Joint Secretary, Planning Commission, A. Das, Joint Secretary, Union Department of Cooperation and M. M. K. Wali, Secretary, N.C.D.C., participated in the discussions at the second meeting of the Committee held on the 23rd December, 1970

1.6 *Questionnaires.*—The Committee issued questionnaires to Registrars of Cooperative Societies, Chief Secretaries to the State Governments, selected National Cooperative Organisations, State Cooperative Marketing Federations and State Federations of Cooperative Sugar Factories. Copies of the questionnaires issued are at Annexures II to V. List of persons/institutions from whom we received replies is at Annexure VI. At our request, the Secretary, National Cooperative Development Corporation furnished detailed information on various aspects of the functioning of the Corporation.

1.7 *Field studies.*—To help us to assess the role of the N.C.D.C. in promoting and supporting programmes of cooperative processing, storage and marketing of agricultural produce and supply of inputs in the country, we decided to have field studies made in eight

States. The organisations entrusted with these field studies and the general aspects studied by each of them with specific reference to the role of the N.C.D.C. in each individual case, are as follows :

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| (i) Formulation of Fourth Plan and Annual Plans in Madhya Pradesh and Rajasthan. | Union Department of Cooperation. |
| (ii) Formulation and implementation of special programmes in the context of release of central plan assistance through the N.C.D.C. | |
| (a) Promotion of Cooperative Marketing in Tamil Nadu. | Union Department of Cooperation. |
| (b) Promotion of cooperative processing in Maharashtra. | Vaikunth Mehta National Institute of Cooperative Management, Poona. |
| (c) Promotion of cooperative storage in Uttar Pradesh. | Directorate of Evaluation, Uttar Pradesh, Lucknow. |
| (iii) Formulation and implementation of selected projects : | |
| (a) Modern Rice Mill, Mandya (Mysore) | Vaikunth Mehta National Institute of Cooperative Management, Poona. |
| (b) Cold storages in Orissa | Union Department of Cooperation. |
| (c) Oil Processing unit, Khanna, (Punjab) | Do. |

1.8 *Scope of enquiry.*—The scope of our enquiry may be summed up as including an analysis of the performance of the N.C.D.C. as also a re-assessment of its objectives in the context of a fast-changing situation in agriculture and, with such modifications in its charter and structure as may be appropriate, of its ability as an organisation to serve new needs and subserve new aims of policy. Important among such needs and aims would be that of adapting the infrastructure of agriculture—more specifically, so far as the N.C.D.C. is concerned, cooperative marketing, processing and storage—to the two-fold demand of larger production and better distributive justice. The latter in turn implies institutional support, complementary to the efforts of credit and other organisations, for the benefit of the weaker classes of producers in the rural sector. We are also required by our terms of reference to examine the appropriateness of the Centre channelling through the Corporation certain forms of financial assistance available to the States.

1.9 Our enquiry into the performance of the N.C.D.C. was designed to answer the following questions :

- (i) How far has the N.C.D.C. assumed initiative and leadership and provided guidance in the matter of formulation and promotion of cooperative programmes for marketing, processing and storage?
- (ii) To what extent has the N.C.D.C. helped in the coordinated development of cooperative programmes in the States through the integration of cooperative credit, marketing, processing and storage?
- (iii) In the setting up of processing units, how far has the N.C.D.C. adopted the project approach, as reflected e.g. in selection of areas, location of sites, conduct of economic and technical feasibility studies, assessment of availability of raw materials, selection and training of technical personnel etc. What is the mechanism for formulation of schemes for such units?
- (iv) Is the follow up action for the implementation of the projects adequate? What is the technical advice and guidance given by the N.C.D.C.?
- (v) Have the policies and procedures adopted by the N.C.D.C. for financing these programmes through the State Governments been conducive to quick implementation of the various programmes?
- (vi) How far can the release of assistance by the N.C.D.C. to the State Governments for the various programmes be said to be performance oriented?

1.10 *Pattern of the report.*—The ensuing Chapters are patterned as follows :

The historical background of the N.C.D.C. is outlined in Chapter II while Chapter III is devoted to a broad assessment of the performance of the N.C.D.C. The need for the continuance of the N.C.D.C. is examined and a re-definition of its objectives, scope and functions attempted in Chapter IV. The financial and administrative measures necessary for the efficient fulfilment of objectives are dealt with in Chapters V and VI. The question pertaining to Central assistance is considered in Chapter VII. Amendments necessary to the N.C.D.C. Act are suggested in Chapter VIII. Finally, a summary of our main conclusions is given in Chapter IX.

1.11 *Acknowledgements.*—We would express our grateful thanks to all the Governments, institutions and individuals who, as mentioned in the foregoing paragraphs, have sent us replies in response to our questionnaires, conducted case studies in pursuance of our requests,

furnished information which we needed, or in some cases took pains to give us, at our instance, the benefit of their experience in the context of our terms of reference and the issues arising therefrom.

1.12 The Department of Cooperation in the Ministry of Agriculture has been of much help to us. We would thank our Member-Secretary, Shri K. S. Bawa, Joint Secretary of the Department, and put on record our acknowledgement of his contribution. We have derived much benefit from his intimate field experience and wide knowledge of the subject of our enquiry. On Shri K. Sundararajulu, Director, Union Department of Cooperation, has fallen the main brunt of the work of the secretariat including preparation of notes and drafting of the Report. He also supervised the organisation of studies. These tasks he has discharged with great cheerfulness and outstanding competence. We are grateful to him and would record our high appreciation of his work. We would also make special mention of Smt. S. Kumar, Deputy Director, Union Department of Cooperation and Shri Bansi Lal, Assistant, who did a great deal to lighten the Committee's labours by working long hours over a continuous period with efficiency and devotion. To them as well as the entire staff of the Committee we are beholden for much assistance and extremely useful collaboration.

CHAPTER II

HISTORICAL BACKGROUND

Rural Credit Survey Committee's Recommendations.—The genesis of the National Cooperative Development Corporation is to be traced to the Report of the All India Rural Credit Survey Committee (1954). The Report not only advocated, but formulated in great detail, an integrated approach to cooperative development—including credit, processing and storage—in the rural sector. On how ill developed in the past cooperative credit and cooperative marketing were, the Committee observed*:

“Today the agricultural credit that is supplied, falls short of the right quantity, is not of the right type, does not serve the right purpose, and, by the criterion of need (not overlooking the criterion of creditworthiness), often fails to go to the right people... Somewhere near 3 per cent of the total requirement is met by cooperatives, and a like proportion by Governments.... The small fraction of credit supplied by cooperatives tends to follow ownership of land; it could be related to produce, if produce were channelled through cooperatives; but cooperative marketing is weak, undeveloped and in quantitative terms insignificant. Co-operative credit is more developed, but, even so, much the larger part of the cultivating population is still outside its ambit.”

The problem of future policy was summed up by the Committee in the following words : “Cooperation has failed, but Cooperation must succeed.” The Committee diagnosed the deeper causes for the failure of cooperatives as flowing from the internal weaknesses of the rural economy inherent in the socio-economic structure in the villages and also the powerful influences of the urban oriented trade and banking which ignored the interest of the rural producer, particularly the small cultivator.

2.2 *Integrated Scheme.*—The Committee, therefore, emphasised that the problem of cooperative credit should be considered within the overall setting of the rural economy where the small cultivator is rendered powerless against the combination of trade and the banking system. In this context, the problem, according to the Committee, was not of rural minded credit alone, but a rural minded credit in conjunction with rural minded development of agriculture, and rural minded organisation of marketing, processing etc. The Committee observed†

*Page 372 of the General Report.

†Page 377 of the General Report.

that "an effective programme is possible only if the State at one end joins with cooperatives at the other in an effort to bring about the rural mindedness that is needed". The basic principles of what is known as Integrated Scheme of Rural Credit are : Firstly, the State should participate in the share capital of various types of cooperatives at different levels to provide the initial momentum and strength to cooperatives. Secondly, credit alone is not an 'open sesame', but an important instrument of development which should be an integral part of an overall programme of marketing, processing and other allied economic activities. In other words, marketing, processing and other economic activities should be developed in the cooperative sector both for providing the cultivator with a better return for his produce and also to facilitate recovery of loans disbursed by credit societies and, thus, provide support to the expanding volume of cooperative credit for agricultural production. Thirdly, the operational efficiency of the cooperatives should be improved by appointing adequately trained and efficient personnel responsive to the needs of the rural people. For providing support to cooperatives, the Committee also recommended the need for state association with a defined sector of commercial banking and for state initiative and state participation in the creation of suitable institutional means for the promotion of storage and warehousing on an all-India basis. (The State Bank of India and its subsidiaries, the Central Warehousing Corporation and the State Warehousing Corporations thus eventually came into existence.) For implementing the integrated system of rural credit, the Committee suggested division of responsibility, at the all-India level, between the Reserve Bank of India on the one hand for cooperative credit programmes and the Government of India on the other, for marketing, processing, storage and other economic activities. The Government of India was to establish a statutory organisation called the National Cooperative Development and Warehousing Board for planning and promotion of various programmes relating to cooperative marketing, processing, distribution of inputs and also warehousing.

2.3 *Funds for Integrated Scheme.*—To facilitate effective implementation of the integrated scheme, the Rural Credit Survey Committee recommended certain special financial arrangements. It suggested the institution of the following national Funds :

- (i) Under the Reserve Bank of India :
 - (a) The National Agricultural Credit (Long Term Operations) Fund.
 - (b) The National Agricultural Credit (Stabilisation) Fund.
- (ii) Under the Ministry of Food & Agriculture :
 - The National Agricultural Credit (Relief and Guarantee) Fund.
- (iii) Under the National Cooperative Development and Warehousing Board :
 - (a) The National Cooperative Development Fund.
 - (b) The National Warehousing Development Fund.

2.4 The Committee recommended that for five years, after which the position should be reviewed, the Reserve Bank and the Government of India should make to the Funds with which they are respectively concerned, annual allotment of not less than the following amounts :

- (a) Rs. 5 crores by the Reserve Bank, to the National Agricultural Credit (Long Term Operations) Fund;
- (b) Rs. 1 crore by the Reserve Bank to the National Agricultural Credit (Stabilisation) Fund;
- (c) Rs. 1 crore by the Government of India to the National Agricultural Credit (Relief and Guarantee) Fund under the Ministry of Food & Agriculture;
- (d) Rs. 5 crores by the Government of India, to be divided between :
 - (i) The National Cooperative Development Fund, and
 - (ii) The National Warehousing Development Fund.

Further, the Government of India, should make an initial non-recurring contribution of Rs. 5 crores to the National Warehousing Development Fund, and the Reserve Bank, Rs. 5 crores to the National Agricultural Credit (Long Term Operations) Fund.

2.5 *Instruments of Development.*—Regarding the agencies to be utilised for reorganisation and development, the Rural Credit Survey Committee envisaged that, besides the State Governments which would be directly responsible for the implementation of the programmes of cooperative development in their respective areas, the Reserve Bank of India, the Ministry of Food and Agriculture, the State Bank of India and the Central Committee for Cooperative Training should be actively associated with the integrated scheme.

2.6 *Role of the Reserve Bank and the Central Government.*—The two main lines of development basic to the integrated schemes suggested by the Rural Credit Survey Committee, thus, were the extension of cooperative credit and the extension of cooperative economic activities. The Committee recommended that these two lines of activities should, in point of responsibility at the all-India level of planning, coordination and finance be divided between the Reserve Bank of India on the one hand and the Government of India in the Ministry of Food and Agriculture on the other. The Committee observed* :

“It seems to us obvious that the Reserve Bank should take upon itself the task of further extension of cooperative credit on the lines on which it has already been proceeding in the last few years and that the Central Government should assume responsibility for the coordinated progress of the important items of warehousing and distribution (including, but going beyond, the coop-

*Page 419 of the General Report of the Rural Credit Survey Committee.

erative sector in regard to these two) and of other economic activities in rural area, such as processing and marketing (in the co-operative sector alone so far as these are concerned). In this manner, the State, through two of its most powerful instruments will have set in motion those forces of real significance for the rural economy which alone, we believe, can effectively summon the enthusiasm of the cultivator and marshal his awakened effort for the economic development of rural India.”

The Government of India were to establish the N. C. D. & W. Board and all-India Warehousing Corporation by a Statute and, as already stated, set apart an annual sum of not less than Rs. 5 crores to be divided between the National Cooperative Development Fund and the National Warehousing Development Fund, besides making an initial non-recurring allotment of Rs. 5 crores to the National Warehousing Development Fund.

2.7 *Concept of the N.C.D. & W. Board.*—The main functions envisaged for the N.C.D. & W. Board were as follows :

- (a) The planning and coordination (and the financing in part) of a country-wide plan for the development, at and above the rural base of state-cum-cooperative economic activity. The plan would itself consist of individual programmes for different states which will be drawn up in conjunction with the Governments of those States. The State Governments would be responsible for the fulfilment of the programmes, through their cooperative departments and institutions. The responsibilities of the Board will be confined to planning and initiating action, coordinating it and, to the extent necessary, financing it, and otherwise supporting it. The development to be thus promoted would be particularly in respect of cooperative processing and cooperative marketing; but all other cooperative activities of an economic character whether directly related to production or important as stages leading to or following production, were also to fall within the ambit of the functions of the Board.
- (b) The second function of the Board was to be related to the planning, coordination and implementation of a country-wide programme for the development of storage and warehousing of agricultural commodities and also country-wide organisation of a distributive machinery for reaching out to the agriculturists the basic goods he needs as producer and consumer. The Board was to discharge this function through the all-India Warehousing Corporation, State Warehousing Companies and appropriate cooperative organisations. The all-India Warehousing Corporation was to function under the general direction of the Board and in conformity with its plans and policies.

2.8 Agricultural Produce (Development and Warehousing) Corporations Act 1956.—The Government of India, the State Governments, the Reserve Bank and the cooperative leadership, accepted the basic approach, suggested and the major recommendations made by the Rural Credit Survey Committee. In pursuance of the Committee's recommendations, the Government of India acquired a major interest in the then Imperial Bank of India (now the State Bank of India). The Reserve Bank of India Act was amended to enable the Reserve Bank to provide a wider and fuller support to the cooperative credit structure in the country. To give effect to the recommendations of the Committee relating to promotion of economic activities for processing, storage and marketing of agricultural produce in the cooperative sector and distribution of inputs, and warehousing of agricultural produce, a Central Act called the Agricultural Produce (Development and Warehousing) Corporation Act, 1956, was enacted. This Act provided for the establishment of the National Cooperative Development and Warehousing Board which was to be a policy making, promotional and financing body. The Board was to be financed by the Central Government. The Act also provided for the setting up of a Central Warehousing Corporation to implement the warehousing programme laid down by the Board. Further, provision was made in the Act empowering every State Government to establish state warehousing corporation on the lines of the Central Warehousing Corporation.

2.9 Functions of the N.C.D. & W. Board.—The National Cooperative Development and Warehousing Board was established on the 1st September, 1956. In terms of Section 9 of the Agricultural Produce (Development and Warehousing) Corporation Act, 1956, "the functions of the Board shall be to plan and promote programmes for the production, processing, marketing, storage, warehousing, export and import of agriculture produce through a cooperative society or a Warehousing Corporation

In particular and without prejudice to the generality of the foregoing provision, the Board may :

- (a) advance loans or grant subsidies to the State Governments for financing cooperative societies;
- (b) provide funds to a State Government or a Warehousing Corporation for financing cooperative societies for the purchase of agricultural produce on behalf of the Central Government;
- (c) subscribe to the share capital of the Central Warehousing Corporation or advance loans or grant subsidies to that Corporation or any State Warehousing Corporation; and
- (d) plan and promote programmes through cooperative societies for the supply of seeds, manures, fertilizers, agricultural implements and other articles for the development of agricultural produce."

2.10 *Central Warehousing Corporation.*—The Central Warehousing Corporation was established on 2nd March, 1957 under Section 17 of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956. The Corporation was to function as a business organisation subject to such instructions on questions of policy as may be given to it by the N.C.D.&W. Board. The Board had a predominant representation on the Board of Directors of the Central Warehousing Corporation; of the 15 members of the Board of Directors of the Corporation, 9 were from the Board. The Vice-Chairman of the Board was also the Chairman of the Board of Directors of the Corporation. The N.C.D.&W. Board and the Central Warehousing Corporation were thus closely inter-linked and the Board had a predominant role in the overall management of the Warehousing Corporation.

2.11 *Resources for the N.C.D.&W. Board.*—The recommendation of the Rural Credit Survey Committee relating to the financing of the N.C.D.&W. Board was broadly incorporated in the Agricultural Produce (Development and Warehousing) Corporations Act. Under Section 11 of the Act, the Central Government was required, after due appropriation made by Parliament by law in this behalf, to pay to the Board—

- “(a) a non-recurring grant of five crores of rupees and a recurring grant in each year of a sum of five crores of rupees during the period of five years from the commencement of this Act: Provided that the Central Government may increase or reduce the amount of such non-recurring grants or the annual recurring grants in any year having regard to the actual requirements of the Board;
- (b) After the expiration of the said period of 5 years, such sums as the Central Government may, from time to time, deem necessary to enable the Board to perform its functions under this Act.”

2.12 The Board was required to maintain two separate Funds, namely :

- (a) the National Cooperative Development Fund; and
- (b) the National Warehousing Development Fund.

Three-fifths of the annual recurring grants from the Central Government was required to be credited to the National Cooperative Development Fund while the remaining two-fifths of the grants together with the non-recurring grant was required to be credited to the Warehousing Development Fund. The Board could, with the approval of the Central Government, make reappropriations between the two funds. The National Cooperative Development Fund was required to be utilised for advancing loans and granting subsidies to the State Governments, on such terms and conditions as the Board deemed fit,

for the purposes of enabling State Governments to subscribe to the share capital of cooperative societies or for otherwise financing cooperative societies. The Warehousing Development Fund was required to be applied for (a) subscribing to the share capital of the Central Warehousing Corporation, (b) for advancing loans to State Governments on such terms and conditions as the Board deemed fit for the purpose of enabling them to subscribe to the share capital of State Warehousing Corporation; and (c) for advancing loans and granting subsidies to a Warehousing Corporation or to a State Government for the purpose of promoting warehousing and storage of agricultural produce.

2.13 The N.C.D.&W. Board was set up on 1st September, 1956. The Board was succeeded by the present National Cooperative Development Corporation on 14th March, 1963. The total amount made available by the Central Government to the erstwhile N.C.D.&W. Board and allocations made by the Board between the Cooperative Development Fund and the National Warehousing Development Fund were as follows :

*Year	Total grant received		Allocation of the grant between		
	Non-recurring	Recurring	Total	Allocation of the grant between	
				National Coop. Dev. Fund	National Warehousing Dev. Fund
1956-57	2.00	0.50	2.50	1.59	0.91
1957-58	0.40	0.64	1.04	0.43	0.61
1958-59 . . . . .	..	0.85	0.85	0.53	0.32
1959-60	0.40	5.95	6.35	3.71	2.64
1960-61	0.40	6.98	7.38	4.19	3.19
1961-62	0.40	5.84	6.24	3.70	2.54
1962-63 Up to 13-3-68	0.60	4.19	4.79	2.51	2.28
TOTAL	4.20	24.95	29.15	16.66	12.49
				+3.61*	-3.61**
				20.27	8.88

*Source : Annual Reports of NCD & W Board.

**A sum of Rs. 3.612 crores was transferred from the National Warehousing Development Fund to the National Cooperative Development Fund during 1962-63.

Against an annual recurring grant of Rs. 5 crores envisaged, the annual grant provided by the Central Government during the first three years was less than Rs. 1 crore. In 1957-58 and 1958-59, the Central Government directly sanctioned loans to State Governments to the extent of about Rs. 400 lakhs, and provided to the Board the amount required for granting subsidies to State Governments on the basis

that it was the policy of the Central Government that loans to State Governments from out of Central Government funds should be made only by that Government. This policy, however, was revised in 1959-60 when the amounts required towards loan assistance to State Governments were also provided by the Central Government to the Board as grants.

2.14 *Constitution and Administrative Arrangements.*—The Rural Credit Survey Committee conceived of the N.C.D.&W. Board as a high-powered all-India statutory organisation with 14 members. The Union Minister of Food and Agriculture was to be the Chairman of the Board and Secretary to the Ministry, Vice-Chairman. Four representatives of the Economic Ministries, the top executive incharge of rural credit in the Reserve Bank of India, the Chairman of the Forward Markets Commission, a representative of the State Bank of India, one Economist, two cooperators and two other non-officials were to be the other members of the Board. The Committee also recommended constitution of a Standing Committee for the Board which should be “in a position to meet fairly often for formulation of subsidiary policies, for taking executive and financial decisions, for reviewing and supervising the implementation of policy and plans.” This Standing Committee was to consist of five members with the Secretary of the Food and Agriculture Ministry as the Chairman.

2.15 The Government of India broadly accepted the suggestions of the Rural Credit Survey Committee. In terms of section 3 of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, the Board was to consist of 22 members—10 representatives of the Central Government to be nominated by that Government, the Chairman of the Forward Markets Commission, one representative each of the Reserve Bank of India and State Bank of India and 9 non-officials to be nominated by the Central Government. The Rules framed under the Act required the Central Government to nominate the Union Minister of Food and Agriculture, Secretary and Joint Secretary in that Ministry and 7 representatives of the Ministries of Finance, Production, Commerce and Planning Commission as their representatives on the N.C.D.&W. Board. The Rules also empowered the Central Government to nominate the Chairman and the Vice-Chairman of the Board. In exercise of these powers, the Central Government notified the Union Minister of Food and Agriculture as the Chairman and the Secretary of that Ministry as the Vice-Chairman. The 1956 Act also provided for an Executive Committee of the Corporation which was to consist of Vice-Chairman of the Board as the Chairman and six other members of the Board—the representative of the Reserve Bank of India and five other members of the Board—to be nominated by the Central Government. The N.C.D.&W. Board was thus a two-tier organisation consisting of a Board which was in the nature of a General Body with 22 members and an Executive Committee of 7.

2.16 Although the N.C.D.&W. Board was constituted as an all-India high-powered body with a Union Cabinet Minister as its Chairman, there was hardly any administrative set-up for servicing this organisation. As we explain in Chapter VI, for nearly six years from 1957 to 1963, the chief executive of the Corporation was only an officer of the rank of Deputy Director who was assisted by a research officer and a few assistants. The Board was being serviced by the Union Department of Cooperation which itself was not fully equipped. The neglect to provide adequate staff was a serious constraint on the efficient functioning of the organisation.

2.17 *Amendment of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956.*—When the N.C.D.&W. Board was established in 1956, and till the end of 1958, the work relating to co-operation as also warehousing was handled by a single Ministry, that is, the Ministry of Food and Agriculture. A separate Department of Cooperation was set up in December, 1958, and this Department was made a part of the then Ministry of Community Development, which was re-designated as the Ministry of Community Development and Cooperation. When the Department of Cooperation was created, it was decided to allocate the business relating to the N.C.D.&W. Board to that Department, and the business of the Central Warehousing Corporation to the Department of Food in the Ministry of Food and Agriculture. Consequently, the administration of these two organisations came to be vested in two different Ministries. It was, therefore, agreed that the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, should be amended so that the administration of these two bodies would vest in two different Ministries and that the N.C.D.&W. Board should have no power of supervision over the Central Warehousing Corporation.

2.18 *The National Cooperative Development Corporation Act, 1962.*—The National Cooperative Development Corporation Act was passed in August, 1962 enabling the establishment of the present National Cooperative Development Corporation. The Warehousing Corporation Act was passed in December 1962 enabling the setting up of an independent Central Warehousing Corporation. The earlier Agricultural Produce (Development and Warehousing) Corporations Act, 1956 was repealed. The present N.C.D.C. came into being on the 14th March, 1963 as a successor to the erstwhile N.C.D.&W. Board. The salient features of the N.C.D.C. Act as distinct from the earlier Act of 1956 are briefly explained in the following paragraphs.

2.19 *Functions of the N.C.D.C.*—The functions of the present Corporation under the National Cooperative Development Corporation Act are more or less similar to those envisaged for the erstwhile N.C.D. & W. Board under the Act of 1956 excepting for the following major differences :

- (a) The erstwhile N.C.D.&W. Board had also been responsible for warehousing of agricultural produce and had supervisory control over the Central Warehousing Corporation.

Reference to warehousing activities and Warehousing Corporation was omitted in the N.C.D.C. Act.

- (b) A provision was incorporated in the new Act enabling the N.C.D.C. to advance funds to State Governments for employment of staff for implementing programmes of cooperative development.
- (c) The earlier Act had provided for planning and promotion of programmes for production, processing, marketing, storage, export and import of agricultural produce through cooperative societies. The new Act extended these activities to 'notified commodities' also, that is, commodities which the Central Government might, by notification, declare to be a notified commodity for the purposes of the Act in terms of entry 33 in List III in the Seventh Schedule to the Constitution. Some of the important commodities which have been declared as notified commodities by the Central Government for the purposes of the N.C.D.C. Act are : fertilisers, insecticides agricultural machinery, lac, soaps, kerosene oil, textiles, etc.

2.20 *Mode of financing of the N.C.D.C.*—The N.C.D.C. Act introduced a radical change in the mode of financing the Corporation. Under section 11 of the Act of 1956, the Central Government was required to provide the entire assistance required by the erstwhile N.C.D. & W. Board in the form of grants, even though the Board was expected to utilise the money for grant of assistance to State Governments both by way of loans and grants. But, under section 12 of the new Act, the N.C.D.C. receives Central assistance both by way of loans and grants according to its requirements. The 1956 Act incorporated the basic principles suggested by the Rural Credit Survey Committee that this all India organisation should have funds of its own for developing different programmes under its purview, and also the freedom to determine the terms and conditions governing its assistance to State Governments for different cooperative activities. The entire assistance from the Government of India was to be in the nature of non-lapsable grants so that this organisation could build up a revolving fund of its own for promoting different programmes coming under its purview. This basic principle was given up in the new N.C.D.C. Act which provides that the funds required by the Corporation for giving subsidies to the State Governments should be given as subsidy, while the funds required for giving loans should be given as loan. In the absence of funds of its own and (as we explain in subsequent Chapters) with the tying up of central assistance to specific schemes, the N.C.D.C. has tended to become a pay office of the Central Government for disbursing funds to the State Governments.

2.21 *Comparison with the Reserve Bank.*—It would be relevant, in this context, to refer to the arrangements made at the national level for development of cooperative credit in the country for which, as recommended by the Rural Credit Survey Committee, the Reserve

Bank of India is responsible. Earlier, we referred to the two Funds—National Agricultural Credit (Long Term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund—to be set up by the Reserve Bank of India. The Reserve Bank of India Act was amended to provide for the constitution of these two Funds recommended by the Rural Credit Survey Committee. In terms of Section 46(A) of the Reserve Bank of India Act, the Bank was to contribute to the Long Term Operations Fund an initial sum of Rs. 10 crores and such further sums as it might determine every year, subject to the condition that the annual contribution during each of the five years commencing from 1st July, 1955 was not to be less than Rs. 5 crores. Similarly, Section 46(B) required the Bank to make an annual contribution of not less than Rs. 1 crore to the Stabilisation Fund during the 5 years commencing from July, 1955. The total amount to the credit of the Long Term Operations Fund of the Reserve Bank of India in July, 1970, was Rs. 172 crores and of the Stabilisation Fund, Rs. 37 crores. These Funds, particularly the Long Term Operations Fund, has enabled the Reserve Bank to provide substantial support to agricultural cooperative credit programmes in the country and also influence the policies and programmes of the cooperative credit structure. The N.C.D.&W. Board and its successor organisation—the present N.C.D.C.—which was to be a parallel organisation to the Reserve Bank in the field of cooperative marketing, processing, storage, etc., could not, in the absence of adequate resources at its command, exert the necessary impact on the programmes coming under its purview.

2.22 The Central Government made available to the N.C.D.C. a total amount of Rs. 74.27 crores from 14th March, 1963 to 31st March, 1971. Details of year-wise loans and grants sanctioned by the Central Government to the N.C.D.C. are as follows :

(Rs. in crores)

Year	Amount received from Central Government	
	Loans	Grant
1962-63 (14-3-63 to 31-3-63)	1.90	0.98
1963-64	8.34	3.13*
1964-65	2.42	3.84*
1965-66	5.00	4.35
1966-67	9.80	4.60@
1967-68	5.25	1.79
1968-69	4.47	1.63
1969-70	5.51	1.50
1970-71	8.10	1.66
TOTAL	50.79	23.48

*Excludes grants of Rs. 16.44 lakhs received during 1963-65, but later converted as loan.

@Includes Rs. 2.63 crores granted as loan during 1966-67 and converted into subsidy later.

2.23 *Cost of Administration.*—The Central Government are required under Section 12(a) of the N.C.D.C. Act to provide, by way of grant each year, such sum of money as is required by the Corporation for meeting its administrative expenses. In terms of this provision, the Central Government provided the following subsidies to the Corporation during the years 1964-68*

(Rs. in lakhs)

Year	Actual expenditure on administration incurred by the Corpn.	Amount of grant from the Central Government
1964-65	7.50	7.50
1965-66	9.47	7.50
1966-67	11.08	7.27
1967-68	11.49	7.27

Although the administrative expenses of the Corporation rose from Rs. 7.50 lakhs in 1964-65 to Rs. 11.49 lakhs in 1967-68 on account of expansion of its activities in various fields and also owing to increases in the rates of dearness allowance admissible to its employees, the Central Government limited the quantum of its grant for this purpose to Rs. 7.27 lakhs only. The net accretion to the Corporation as a result of this grant was only about Rs. 3 lakhs in a year, after taking into account the income-tax liability. The Corporation has not claimed any assistance towards administrative expenses since 1968-69. The present administrative expenses of the Corporation are of the order of about Rs. 18 lakhs per annum.

2.24 *Report of The Public Accounts Committee.*—The Public Accounts Committee (1969-70) (Fourth Lok Sabha) examined the working of the N.C.D.C. In their Hundred and Sixth Report dated the 4th April, 1970, the Committee made the following observations :

“1.20 The National Cooperative Development Corporation is a successor to the National Cooperative Development and Warehousing Board which was set up as a result of the recommendations of the All-India Rural Credit Survey Committee. At the time the National Cooperative Development and Warehousing Board was set up in 1956, the work relating to cooperation “was

*Page 7 of the Annual Report of the NCDC 1968-69.

handled by a small division in the Ministry of Food and Agriculture". As pointed out by the Expert Committee on 'Financing of Cooperative Processing', one of the considerations of the Rural Credit Survey Committee in recommending establishment of a statutory body with an independent fund of its own "was to insulate the processing, marketing and other cooperative development programmes from the limitations of annual budgetary allocations" as a prelude to their becoming "a non-departmental and non-Government activities". This objective has not been achieved and the National Cooperative Development Corporation functions just like other Government Departments, the funds provided to it by Government being subject to lapse, if not utilised, at the end of financial year. Besides, there is now a full-fledged Department of Cooperation under Government which came into existence in 1958, subsequently to the formation of the Statutory Board. The Committee have reasons to doubt whether the existence of an official organisation like the National Cooperative Development Corporation in the cooperative sphere, besides the Department of Cooperation is at all necessary. Besides the existence of two official agencies will not certainly be conducive to the 'de-officialisation' of the cooperative movement.

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

The appointment of our Committee by the Government is in pursuance of the above suggestion of the Public Accounts Committee.

CHAPTER III

ASSESSMENT OF PERFORMANCE

Introductory.—We deal, in this Chapter, with our first term of reference which requires us “to review the working of the National Co-operative Development Corporation with a view to assessing to what extent the objectives for which it was established have been achieved.” As already pointed out, the N.C.D.C. was conceived as an all India organisation to plan, promote, finance and coordinate certain economic programmes in the cooperative sector. Its activities were to be directed mainly to the promotion of cooperative processing, storage and marketing of agricultural produce and supply of agricultural inputs. An objective analysis of the performance of the Corporation should take into account the dimensions of the overall growth of the programmes with which it is concerned and the role played by it in developing them, the areas of weakness of these programmes and the initiative taken by it in removing them. It would also be necessary in this connection to consider the inhabiting factors, if any, inherent in the constitution and functioning of the N.C.D.C. which have prevented it from playing a more effective role.

3.2 *Basis for Analysis.*—It is important to note that, under the Constitution, ‘cooperative societies’ is a State subject and the implementation of various cooperative programmes including those coming under the purview of the N.C.D.C. is the responsibility of the State Governments and the State Registrars of Cooperative Societies. Further, the main beneficiaries of the activities of the N.C.D.C. are the cooperative organisations themselves. We, therefore, issued questionnaires to the Registrars, the State Governments, national cooperative federations, all state marketing federations and also state federations of cooperative sugar factories to ascertain their views on the role of the N.C.D.C. To help us to assess the contribution of the Corporation to the planning, promoting, financing and implementation of different programmes and also of select individual projects, we had case studies conducted in 8 States, as explained in Chapter I. We also held detailed discussions with the Secretary of the N.C.D.C. who gave us comprehensive notes on various aspects of the working of the Corporation. In formulating our views on the performance of the N.C.D.C., we have taken into consideration the replies received from the State Governments, Registrars of Cooperative Societies, the cooperative organisations, the reports of case studies and the material furnished by the Corporation. In recent years, the functioning of the N.C.D.C. has also been reviewed by various committees. We have taken note of the observations made by these committees.

3.3 *Role under the Charter.*—Section 9 of the N.C.D.C. Act envisages the following role for the Corporation :—

- (1) “the functions of the Corporation shall be to plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through cooperative societies.
- (2) In particular and without prejudice to the generality of the foregoing provision, the Corporation may—
 - (a) advance loans or grant subsidies to State Governments for financing cooperative societies and for employment of staff for implementing programmes of cooperative development;
 - (b) provide funds to State Governments for financing cooperative societies for the purchase of agricultural produce and notified commodities on behalf of the Central Government;
 - (c) plan and promote programmes through cooperative societies for the supply of seed, manures, fertilisers, agricultural implements and other articles for the development of agricultural produce.”

The term ‘agricultural produce’ has been defined in the Act as meaning any of the following classes :—

- (i) foodstuffs, including edible oil seeds;
- (ii) cattle fodder, including oil cakes and other concentrates;
- (iii) raw cotton, whether ginned or unginned and cotton seed;
- (iv) raw jute; and
- (v) vegetable oils.

The term ‘notified commodity’ means any commodity (other than agricultural produce) which the Central Government may, by notification in the Official Gazette, declare to be a notified commodity for the purposes of this Act, being a commodity with respect to which Parliament has power to make laws by virtue of entry 33 in List III in the Seventh Schedule to the Constitution.

3.4 The N.C.D.C. Act is a piece of central legislation and it was in accordance with the requirements of constitutional propriety that the term ‘agricultural produce’ was restricted to entry 33 of the Concurrent List in the Seventh Schedule to the Constitution. In so far as the Act also provides for the category of ‘notified’ commodities, the purpose served is that, when any commodity in respect of which Parliament has power to make laws, is brought within the scope of

entry 33 of the Concurrent List, it is not again necessary for the Government of India to go before the Parliament for including that item for the purpose of the N.C.D.C. Act. One of the functions listed for the N.C.D.C. is to plan and promote programmes for the production of agricultural produce. This provision is on the same lines as Section 9 of the earlier Act, that is, the Agricultural Produce (Development and Warehousing) Corporations Act, 1956. Encouragement of agricultural production on cooperative basis through cooperative farming, minor irrigation, etc., was thought of by the Government as an incidental and minor activity so far as this organisation was concerned. In fact, the Central Government themselves formulated a pilot scheme for promotion of cooperative farming and, for its implementation, provided assistance directly to State Governments. Thus, the basic responsibility entrusted to the N.C.D.C. is to promote planned development of marketing, processing and storage of agricultural produce and distribution of essential requirements of farmers through cooperative societies and to this end, provide financial assistance for these activities through State Governments by way of loans and subsidies. We examine in the succeeding paragraphs how far the N.C.D.C. has succeeded in discharging this basic responsibility.

3.5 To appreciate the record of progress of these programmes we describe in Section I of this Chapter, the stage of development of these programmes prior to the advent of the N.C.D.C. in 1963. In Section II, we trace the trends and developments since 1961-62 and examine, in greater detail, the contribution of the N.C.D.C. to these programmes. The role of the N.C.D.C. in overall planning of programmes is briefly described in Section III. A reference to the inherent weaknesses of the N.C.D.C. is made in Section IV. The salient features emerging from our case studies regarding the N.C.D.C.'s role in the planning, promotion and implementation of different programmes, are indicated in Section V. The views of the various Committees which earlier examined the working of the N.C.D.C., and also of the State Governments, Registrar of Cooperative Societies and cooperative federations, as given in their replies to our questionnaires, are referred to in Section VI, and our assessment of the N.C.D.C. is given in Section VII.

SECTION I—STAGE OF DEVELOPMENT BEFORE THE ADVENT OF THE N.C.D.C.

3.6 *Cooperative Marketing.*—Although 'cooperation' was introduced in India as early as in 1904, the emphasis was, till recently, on the promotion of cooperative credit societies. The First Five Year Plan set targets for the advances to cultivators by cooperative credit societies; no definite programme was attempted for cooperative marketing, processing and storage of agricultural produce or for distribution of agricultural inputs. However, certain isolated attempts

were made for improving the marketing of agricultural produce. But this activity mainly centred round supply of cane by cooperatives to sugar factories in Uttar Pradesh and Bihar. A comprehensive review of the cooperative movement in India was attempted by the Cooperative Planning Committee set up by the Government of India in 1945. Referring to the cooperative marketing programme in Uttar Pradesh, this Committee observed*

“The greatest achievement in cooperative marketing has, however, been with regard to the marketing of sugarcane. There were 86 central cane societies (unions) and 1,117 societies. The work of cane development societies now covers 17,325 villages. Over 80 per cent of the 16 crores maunds of sugar-cane used in sugar factories is supplied by cooperative societies and unions, which provide seed and manure, make advances to their members for cultivation expenses and assist in selling the produce to the factories. The Government have made it an offence for a factory to purchase sugar-cane from a member of a society direct and have fixed the rate of commission to be realised from factories. These Unions have also undertaken projects such as road development and the opening of seed stores. A Cooperative Development and Marketing Federation has been recently organised to coordinate the activities of the various marketing unions.”

The Committee also pointed out that, in the then Bombay Province “there were 142 sale societies at the end of 1942-43 dealing in cotton, fruit, vegetables, chillies, arecanut, paddy, etc. The total value of sales effected by them during 1942-43 amounted to Rs. 281.50 lakhs. In some areas, they acted as agents for purchase of foodgrains for the Civil Supplies Department. Special mention should be made of the cotton sale societies at Gadag and Hubli which sold cotton worth Rs. 24.39 lakhs during 1942-43 and of societies in the Surat District and Broach Sub-Division which sold cotton worth Rs. 35.64 lakhs and cotton seeds worth Rs. 8.38 lakhs. The societies in Surat and Broach supplied pure seeds to their members and pooled the produce, and established ginning factories. They also organised themselves into a sales union for effecting sales in the Surat Market”. According to the Committee, there were 181 primary marketing societies and 5 marketing federations in the erstwhile Madras State in 1943-44. The value of goods handled by them was of the order of Rs. 91 lakhs and Rs. 55 lakhs respectively. These primary societies and federations were also reported to have been recognised as agents for purchase of paddy and rice by the Government. The provincial cooperative marketing society in Madras then was concerned mainly with distribution of consumer goods.**

*Page 62 of the Report of the Cooperative Planning Committee.

**Pages 61—62 of the Report of the Cooperative Planning Committee.

3.7 The Report of the All India Rural Credit Survey Committee (1954) described the performance of cooperative marketing societies as follows :

“A few—very few—fairly successful cooperative marketing societies there do exist in India; some of these may be significant pointers to the lines on which future progress is possible; but, as a present contribution towards bringing about a system in which marketing is by the cultivator and for the cultivator, the part which they occupy in the total picture is wholly insignificant. All the cooperative marketing societies of India put together still fail to catch one’s attention as anything important, lacking in this respect even that purely numerical impressiveness which, on paper, credit societies manage to marshall between themselves. The few fairly successful ones occur here and there in Bombay, Gujarat, Bombay Karnatak and Uttar Pradesh. The total number of all types of marketing societies registered is roughly over 10,000 of which those in Uttar Pradesh, Bihar, Madras and Bombay constitute about 96 per cent. There were 21 State cooperative marketing societies, 1,885 marketing unions and more than 8,000 primary societies in 1951-52. There is little by way of effective coordination of function between the primary credit and marketing societies. Very often, the credit society, when advancing loans to cultivators, does not stipulate that the produce should be sold through the marketing society, if one exists in the village. The financial position of the marketing societies at the district level is, in the majority of cases, poor. Lack of godowns of their own is one of the disadvantages which curtail their ability to compete with the trader. It follows that little is, or can be, attempted by way of pooling, grading and processing of the members’ produce.”*

3.8 The Reserve Bank of India’s Review of the Cooperative Movement in India for the years 1954-56 gives the following overall picture** of the cooperative marketing structure in the country in 1955-56:

	(Rs. in lakhs)		
	State Market- ing So- cieties	Market- ing Uni- ons/bedns.	Primary Market- ing So- cieties
(i) No. of socs.	19	2,354	9,778
(ii) Membership (in '000)			
(a) Individuals	4	1,803	1,014
(b) Societies	8.5	45	6
(iii) Paid up capital	28	220	206
(iv) Value of goods			
(a) Distributed	8.34	4,566	747
(b) Marketed	17	268	1,631
TOTAL of (iv)	8.51	4,834	2,378

*Pages 106-107 of Rural Credit Survey Committee’s General Report.

**Page 82 of RBI’s Review of the Cooperative Movement in India, 1954-56.

The marketing operations of state marketing societies in 1955-56 were practically negligible. Of the 2354 marketing unions/federations, 2153 were located in U. P. comprising mainly of block development and marketing unions whose chief aim was to distribute cloth and kerosene oil, besides running seed stores. The total value of sales of goods effected by the marketing unions/federations was Rs. 48.34 crores; of this, U.P. alone then accounted for Rs. 38.32 crores including Rs. 33.80 crores of cane supplied by cane unions to sugar factories. Of the 9778 marketing societies, 7760 were in Bihar, most of which were cane growers' societies. The Review notes that there was some progress in the marketing of agricultural produce by marketing societies in the erstwhile Andhra, Bombay, Madras and Punjab States. However, the general position was that the cooperative marketing structure was non-existent in many mandi centres. Further, there was hardly any link between cooperative credit and marketing societies; only 3.5% of the primary credit societies were even affiliated to primary marketing societies.

3.9 *Processing*.—While both progress and effort were thus inadequate in respect of cooperative marketing, cooperative processing of agricultural produce received still scantier attention. The Cooperative Planning Committee which set financial and physical targets for various cooperative programmes did not attempt to set any target for processing societies as no data was available with the Committee for estimating the requirements of finance and personnel. The only commodity in which there was some significant development of cooperative processing prior to 1955-56 was cotton. But this activity was confined to a few areas such as Dharwar, Surat and Broach. The Rural Credit Survey Committee made the following reference to this development : "In Gujarat, the societies themselves own 14 ginning and pressing factories; they pool the cotton of their members, gin and press it and sell it on behalf of all the members. In Karnatak, the cotton is sold in individual lots. The societies in Gujarat, of which the one at Surat is the best known, are estimated to have ginned over 6 lakh Bengal maunds of cotton in the year 1951-52."*

3.10 In the sugar industry, to which we shall refer in detail later in this Chapter, some attempts were made between 1933 and 1935 to start cooperative sugar factories. Three cooperative sugar factories in Andhra Pradesh and one in U. P. were set up of which only the one at Etikoppaka in Andhra Pradesh has survived. But this was more in the nature of an isolated experiment than an effective starting point for the expansion of the cooperative sector in the sugar industry. It was the success attending the Pravara Cooperatives Sugar Factory established in Maharashtra in 1950-51 which led the way to a large programme of cooperative sugar factories in the country.

*Page 108 of Rural Credit Survey Committee's General Report.

3.11 *Storage*.—There was practically no programme of cooperative godowns till 1955-56. An enquiry conducted by the Reserve Bank in 1952 brought out that “cooperatively-owned godowns are very few and most of them were reported to be only make-shift structures, hardly fit for conversion into warehouses”.*

3.12 The above brief historical background of the cooperative programme with which the N.C.D.C. is concerned points to the following facts : Many States did not even have a structure of marketing societies which covered all important mandi centres; the overall operations of cooperative marketing societies was un-impressive; the marketing operations of these cooperatives were mainly confined to supply of sugarcane to sugar factories; there was no organic link between cooperative marketing and cooperative credit; the financial resources of the societies were feeble; excepting for cotton ginning and pressing in Gujarat and Mysore, there was practically no modern processing industry in the cooperative sector; and cooperatively owned pucca godowns to facilitate marketing of agricultural produce and distribution of inputs and other requisites were practically non-existent. In evaluating the role of the N.C.D.C. or the performance of the various programmes with which the Corporation is concerned, it is important to keep this background in view.

3.13 *Second Plan*.—As mentioned in Chapter II, a significant feature of the scheme of reorganisation proposed by the Rural Credit Survey Committee was that credit and non-credit cooperatives should be linked with one another so that the farmer could be provided with credit for seeds, manures and farm machinery and also helped to market his produce after processing it. To provide the requisite initial strength and to create a proper climate for the growth of marketing and processing cooperatives, the ‘integrated scheme’ suggested by the Rural Credit Survey Committee envisaged state partnership in the share capital of these societies and active state support to them in terms of policy and organisation. The recommendation of the Rural Credit Survey Committee formed the basis of formulation of a comprehensive cooperative programme in the Second Five Year Plan. Besides setting a target of organisation of 1800 primary marketing societies, the Second Five Year Plan also made provision, for the first time, for developing cooperative processing on a substantial scale, especially for manufacturing sugar, ginning cotton, crushing oil and baling jute. A large number of godowns were also programmed to be constructed by the cooperatives in the Second Five Year Plan—1500 godowns by marketing societies and 4000 by credit societies. Thus, the programme of cooperative marketing, processing and storage can be said to have begun effectively only in 1955-56.

*Page 90 of the RBI's Review of the Cooperative Movement in India, 1954-56.

**SECTION II—DEVELOPMENT SINCE 1961-62 AND NCDC'S
CONTRIBUTION**

3.14 *Overall Trends.*—The following table indicating the broad trends and magnitude of development of various programmes provides a refreshing contrast to the situation we described earlier as obtaining before 1956:—

	1955-56	1961-62	1968-69	1969-70 (Provisional)
1. Value of agricultural produce marketed by cooperatives (Rs. crores).	53.00	174.70	588.50	599.00
2. Value of fertilisers distributed by cooperatives (Rs. crores)	N.A.	32.30	200.80	232.49
3. Value of seeds and inputs distributed by cooperatives (Rs. crores).	N.A.	7.74	30.10	32.81
4. Value of consumer goods distributed in rural areas by cooperatives (Rs. crores).	N.A.	23.00	222.70	225.69
5. No. of cooperative sugar factories in production.	3	34	62	70
6. No. of cooperative processing units organised/assisted (Cumulative).	N.A.	561	1596	1617
7. Storage capacity available with cooperatives. (Cumulative) (lakh tonnes)	N.A.	7.5	25.8	27.0

3.15 The record of growth of activity is indeed striking. There are, however, dark patches in these programmes to which we shall refer later. Before taking up a sectoral analysis of these programmes, we would emphasise that the responsibility for implementing the schemes in respect of cooperative marketing, processing, etc. primarily vests in the State Governments. It would, therefore, not be correct to impute the progress or the lack of it, wholly to the NCDC. The basic role of the NCDC is promotional which involves planning and coordination and initiating action for the expansion of the various programmes. To support its promotional responsibility, it has also the financial role of assisting these cooperative activities through the State Governments. The promotional and the financing role of the NCDC needs, therefore, to be examined while considering the performance of various programmes sector-wise.

3.16 Cooperating Marketing.—Cooperative Marketing represents institutional arrangements for the marketing of agricultural produce to the advantage of the farmers by their own organisation. It also provides a built-in mechanism within the cooperative sector to facilitate recovery of the growing volume of credit extended to farmers by cooperative institutions. The major aspects that are, therefore, relevant to the assessment of the cooperative marketing activity and the NCDC's contribution to it are : building up and streamlining of the structural arrangements; planning of diversification and expansion of operations; operational efficiency; financial and administrative arrangements; and link with cooperative credit.

3.17 Structural Arrangements.—The State marketing society has an extremely important role to play. *The rural Credit Survey Committee made the following observations on the State Marketing societies and the lines on which they should be developed :—

“State cooperative marketing societies should be set up in the several States. Such societies would form the apex of a federal cooperative marketing structure. Where they now exist, state marketing societies are usually weak and ineffectual; they have little organic connexion with the corresponding institutions (if any) below; they, therefore, tend to operate as isolated units along a few unimportant and uncoordinated lines which they find easiest, or for which they develop a predilection unrelated to priority; and, in many cases, they are little more than small profit making agencies for the distribution of certain commodities. The re-organisation of existing state cooperative marketing societies in a suitable manner in certain States is just as necessary as the establishment of new ones at the appropriate stage in other States.

Further, in the State Cooperative marketing societies to be newly established, no individual should be admitted as a member; in other words, the society should function as a pure federation of cooperative marketing societies at the district and primary levels.”

3.18 All States excepting Nagaland, and some of the Union Territories have now state marketing societies. Besides 21 state marketing societies, there are 4 functional state federations for specialised commodities like cotton and fruit and vegetables. The membership of these societies consists of 5642 cooperatives including marketing and other cooperatives and 504 individual members. Of the 25 state federations, there are no individual members in 20 federations. State federations have thus emerged mainly as federal organisations.

*Page 442 of Rural Credit Survey Committee's General Report.

3.19 As we indicated earlier, many mandi centres in several States were not covered by primary marketing societies. 3342 primary marketing societies—2835 multicommodity and 507 single commodity marketing societies—that have been set up as on 30th June, 1969 cover all the important mandi centres in the country. The NCDC has been pursuing with the State Governments the need to ensure that all the mandis in the States are covered by primary marketing societies. In fact, in 1965, the NCDC specifically drew the attention of the State Registrars to the number of wholesale assembling markets in their States and also the number of cooperative marketing societies in each state, and suggested to them to ensure that all the important assembling markets are covered by primary marketing societies. Besides, there are 163 central societies functioning at district or regional level, of which 15 are single commodity marketing societies for cotton, fruit and vegetables, coconut, tobacco, etc. Of these 163, 123 are in Andhra Pradesh, Gujarat, Maharashtra and Uttar Pradesh. Following the recommendations of the Dantwala Committee (1966) on 'Co-operative Marketing' appointed by the Government of India, the policy now is to develop only a two-tire cooperative marketing structure in each state, consisting of primary cooperative marketing societies affiliated to the State cooperative marketing society.

3.20 Another development is the organisation of a National Agricultural Cooperative Marketing Federation in 1958 to facilitate and coordinate the activities of the State marketing societies in the country. All the state cooperative marketing societies are members of this National Federation. The cooperative marketing structure is, thus, now complete consisting of a national federation, 25 state marketing societies, 3342 primary marketing and also 163 district/regional societies. The marketing of agricultural produce in the cooperative sector is undertaken by cooperative marketing societies as also by agricultural processing societies like cooperative cotton gins, sugar factories, and also in some cases, by primary credit societies.

3.21 *Marketing Operations.*—The following table indicates the continuous expansion of marketing activities by various types of cooperatives :—

Marketing Societies	(Rs. in crores)		
	1961-62	1965-66	1968-69
Primary	30	44	213
National/State/Central	7	30	94
Sugarcane supply societies	61	90	120
Cooperative sugar factories	22	57	107
Cotton ginning and pressing Societies	13	19	37
Other processing societies	2	4	5
Primary agricultural credit societies	10	16	12
Total	175	360	588

The crop-wise performance of cooperatives is as follows :

	(Rs. in crores)			
	Foodgrains	Sugarcane	Other crops	Total
1961-62	32	83	60	175
1965-66	137	147	76	360
1968-69	221	227	140	588

3.22 *Inter-State and Export Trade.*—An integrated system of co-operative marketing calls for sale of produce on favourable terms in terminal markets which may be situated in States other than those in which the produce is grown. This necessitates the entry of co-operatives into inter-state trade. The value of inter-state business handled by cooperatives was only Rs. 1.02 crores in 1962-63; in 1968-69, it was about Rs. 56.85 crores. Cooperatives have also entered the export field. The total export of agricultural produce made by cooperatives in 1963-64 was only Rs. 60 lakhs, which has been stepped up to Rs. 4.65 crores in 1968-69. The National Agricultural Cooperative Marketing Federation (NAFED), some of the state federations in Gujarat and Maharashtra and a few specialised commodity processing-cum-marketing societies participated in exports. In 1969-70, NAFED alone exported agricultural produce worth Rs. 5.63 crores.

3.23 *Linking of credit with Marketing.*—To sustain the tempo of expansion of loan operations of primary agricultural credit societies for supporting agricultural production programmes, a built in arrangement for recovery of loans through marketing and processing societies becomes indispensable. In 1955-56, only 6000 primary credit societies representing 3.5% of the then total number were affiliated to co-operative marketing societies. There was, thus, not even an organic link between marketing and credit cooperatives. In 1968-69, 1.49 lakh credit societies or nearly 89% of the total number of credit societies in the country, were affiliated to primary marketing societies. Besides marketing societies, processing cooperatives also, particularly sugar factories and cotton gins and presses, are recovering the dues of cooperative credit societies from the sale proceeds of their members. In 1955-56, in the absence of even an organic link between the co-operative credit and marketing structure, recovery of credit societies' loans effected by the marketing and processing societies was negligible. In 1962-63, such recoveries amounted to Rs. 10.37 crores which accounted for 4.9% of the total recoveries of the credit societies during that year. In 1968-69, according to the estimates of the NCDC, Rs. 86 crores or nearly 20% of the total recoveries made by credit societies, were effected through marketing of agricultural produce of the members. According to the Reserve Bank of India statistics for 1968-69, the total credit recovered by cooperative marketing and

processing societies was Rs. 33.9 crores. Another sum of Rs. 44.80 crores was shown under primary agricultural credit societies as "credit recovered through sale of agricultural produce", while the total value of agricultural produce directly sold by primary credit societies was only Rs. 15.10 crores. There seems to be some duplication in the above figures. However, even if the amount of credit recovered by marketing and processing societies alone is reckoned, it represents about 8% of the total credit recovered.

3.24 *Salient features of overall growth.*—The above description traces the broad contours of development of cooperative marketing in recent years. The salient features of this development are as follows:—the frame work of institutional structure for cooperative marketing of agricultural produce at all important mandi centres in the country has been completed. The super-structure of state and national level federations has also been built. The value of agricultural produce marketed by cooperatives has recorded a substantial increase from Rs. 53 crores in 1955-56 and Rs. 175 crores in 1961-62 to nearly Rs. 600 crores in 1969-70. There has been a significant diversification in the marketing operations of cooperatives, which are now playing an increasingly important role in the marketing of foodgrains. The value of foodgrains handled by them rose from Rs. 32 crores in 1961-62 to Rs. 221 crores in 1968-69. Finally, a growing awareness has emerged of the need to establish an organic and functional link between cooperative credit societies on the one hand and cooperative marketing and processing societies on the other.

3.25 While the overall development is encouraging, a closer look at the various aspects of the functioning of the cooperative marketing structure reveals quite a few lacunae. These areas of weakness could broadly be classified as structural, operational, administrative and financial.

3.26 *Uneven development.*—The following table illustrates the structural weakness of the cooperative marketing societies in the country as on 30th June, 1969* :

	Total No. of Socs.	Socs. not engaged in marketing	Socs. which handled marketing business			
			Less than Rs. 1 lakh	Between Rs. 1 lakh and Rs. 5 lakhs	Between Rs. 5 lakhs & Rs. 10 lakhs	Over Rs. 10 lakhs
Central	163	53	14	29	18	49
Primary	3342	1096	699	614	351	582
	3505	1149	713	643	369	631

*Page (ii) of the RBI's Statistical Statement relating to the year 1968-69.

It may be observed that nearly 33% of the societies did not do any marketing business, and another 20% of the societies did marketing business of less than Rs. 1 lakh each. Statements indicating the value of agricultural produce marketed by cooperatives in each State during 1968-69 and the value of produce marketed by state, central and primary marketing societies are given at Annexure VII and VIII.

3.27 Of the total value of Rs. 588 crores of agricultural produce handled by cooperatives, 75% was accounted for by the four States of Maharashtra, Punjab, Gujarat and U. P. The primary marketing societies handled agricultural produce of the order of Rs. 240 crores; of this, Rs. 100 crores were accounted for by Maharashtra and Punjab alone. Similarly, the marketing operations of Punjab and Maharashtra represented nearly 82% of the operations of all the states marketing societies in the country.

3.28 *Role of State Policy.*—When dealing with the question of operations of marketing societies, note has to be taken of the important element of protection and support extended by the State. The progress of the cooperatives in the foodgrains trade and supply of sugarcane of sugar factories are examples in point. It is obvious that one of the criteria of development must be the degree of effort made to achieve greater self-reliance. This is important if for no other reason than that it is hardly likely that cooperatives will continue to enjoy indefinitely as favoured a position as in the instances quoted. Indeed, as is now well-known, Government have recently adopted a multi-institutional approach in respect of agricultural credit, distribution of fertilisers and certain other sectors. Nevertheless, it seems clear that the State is interested in ensuring that the cooperatives continue to have as ample an opportunity as possible. Thus, the Fourth Plan says* :

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

3.29 It is important to relate Government's policy towards cooperatives to the overall planning and the social objectives informing such planning. The Third Five Year Plan defines the role of cooperatives in our planned economy in the following terms† :

“In a planned economy pledged to the values of socialism and democracy, cooperation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture and minor irrigation, small industries and processing, marketing, distribution, supplies, rural electrification, housing and construction and provision of essential amenities for local communities”.

*Page 216 of the Fourth Five Year Plan.

†Page 200 of the Third Five Year Plan.

In a planned economy with a growing emphasis on social control over many important branches of economic activity, the realm of Government policy has an overwhelming influence on the activities of cooperatives. To quote* Sheila Gorst :

“It is perhaps no exaggeration to say that it is, in the present economic circumstances, practically impossible for a country to develop a strong movement unless whatever statutory regulations are in force governing the sale of main crops are favourable to cooperative development”.

3.30 Recent years have witnessed the emergence of many public sector organisations like the Food Corporation, the Cotton Corporation, the Jute Corporation, etc., with a view to protecting the interests of the producer as also of the consumer. Referring to the relations to be developed between the Food Corporation and the cooperatives, the Foodgrains Policy Committee (1966) appointed by the Government of India made the following observations† :

“In those States where cooperative societies act as monopoly procurement agents, the Food Corporation should work through the agency of cooperative societies. For this purpose, close liaison between the Food Corporation and the cooperative societies should be developed. The Food Corporation can help the cooperatives in procurement operations by providing facilities of finance, storage etc.”

“Even stronger than its link with private trade should be that with the Food Corporation establishes with marketing and other cooperatives in different States. It should appoint the cooperatives, as its agents in certain cases, or in other circumstances, be itself the agent of the cooperatives, according as the procurement arrangements of the particular State render it suitable”.

There is a definite advantage in these public sector organisations working through cooperatives. When they operate through private trade, they cannot ensure that the farmer is paid the price due to him. Cooperatives which are in direct contact with the individual growers could effectively fulfil the objective underlying the operations of these public sector organisations. Further, the operations of cooperatives are an “open book” subject to Government directions and audit. But, the very factors that make cooperatives an effective instrument of state policy render them unable in some ways to compete effectively, in the existing situation, in the markets with private enterprise. For the planned development of cooperative marketing activity, a clear-cut and well defined policy to ensure not only that cooperatives are not placed at a disadvantage, but are given all legitimate encouragement, therefore, becomes indispensable.

*Cooperative Organisations in Tropical Countries.

†Paras 11.3 and 11.6 of the Report of the Foodgrains Policy Committee.

3.31 *Operational Efficiency.*—The operational efficiency of co-operatives is crucial to the consolidation and further expansion of their marketing activities. The factors that determine the efficiency of marketing cooperatives are business practices and procedures, co-ordination between cooperatives at various levels, resource-mobilisation and trained personnel. Finally, the overall impact of the programme is of crucial importance in assessing the performance of cooperatives.

3.32 *Integrated Marketing System.*—Generally, cooperating marketing societies have direct contact with the farmers. However, there have been instances where cooperative marketing societies have also made purchases in the mandis through private trade, which procedure defeats the very objective of cooperative marketing of produce. A reference to such practices where primary cooperative marketing societies buy from traders and also sell to them, has been made in the Survey Report on Development of Cooperative Marketing by the RBI, which relates to the year 1962-63. A recent study undertaken by the officers of the Department of Cooperation and the NCDC on procurement operations of cooperative on behalf of the Food Corporation of India in one State reveals that, in some areas, cooperatives effected purchase from private traders. This is a result of structural weaknesses within the movement pointing to the absence of an effective link between cooperative marketing and cooperative credit societies, and lack of direct contact with producers at the village level to enable the cooperatives to buy the produce direct from the producers, particularly the small farmer, who does not generally bring his produce to the mandi, but sells it at the village level. Dependence of cooperatives on local traders for disposal of their produce is due to the lack of business support to primary societies from higher level organisations. The remedy to this situation is an integrated system of marketing where cooperatives from village level onwards function as inter-related whole; cooperatives at each level should provide support to and benefit from the organisation at the successive level, with a view to ensuring ultimately that the produce is bought at the village and sold at the terminal markets. We understand that even the NAFED resorted, at times, to purchase from traders to fulfil its export commitments as it could not secure the support at state or central level marketing organisations to procure the required commodities in requisite quantities. An integrated system calls for an effective link between credit and marketing societies and also a substantial stepping up of the inter-state trade handled by cooperatives. Although, nearly 90% of the credit societies are now affiliated to the marketing societies, an effective link exists only in respect of about 15,000 societies. Another 3000 societies are effectively linked to processing cooperatives like sugar factories and cotton gins. In other words, only 11% of credit societies are now properly coordinated with marketing and processing societies.

3.33 *Resource Mobilisation.*—Resource-mobilisation is another factor on which expansion of activities of cooperatives will depend. The ability of cooperatives to raise resources from the financing institutions would again be a function of their owned funds which includes risk capital from members and also the reserves they have accumulated out of the profits over the years. In pursuance of the recommendations of the Rural Credit Survey Committee, a policy of state participation in the share capital of cooperative marketing societies at various levels has been adopted. Central assistance to the State Governments for this purpose is provided through the NCDC. On the 30th June, 1969, practically all state level marketing societies were state partnered. The total owned funds of the state marketing societies were of the order of Rs. 12.75 crores comprising Government's share contribution of Rs. 5.86 crores, members' contribution of Rs. 0.98 crores and reserves of Rs. 5.91 crores. In the case of primary marketing societies, 2560 or nearly 77% of the societies were state partnered as on 30th June, 1969. The following table indicates the growth of share capital and owned funds of primary marketing societies as on 30th June 1969.

	(Rs. in crores)		
	Total owned funds	Govt. share capital	Share ca- pital from members and reserves
1957-58	3.82	0.65	3.18
1960-61	11.70	3.56	8.14
1965-66	27.82	12.01	15.81
1968-69	41.86	17.70	24.16

On the 30th June, 1969, the members' share capital was Rs. 8.60 crores and the reserves Rs. 15.57 crores. Of the 25 State federations, 16 were making profit. The total profit earned by them during 1968-69 was Rs. 2.85 crores. Similarly, of the 3342 marketing societies, 1728 were making profit and the total profit earned by them during that year was Rs. 3.24 crores. The All India Rural Credit Review Committee (1969) made the following observations* on the risk capital requirements of cooperative marketing societies :

“We are of the view that in the context of the responsibility entrusted to the cooperative marketing structure for supply as well as marketing activities, their share capital structure will need to be further strengthened very considerably, if they are to borrow from banks on a correspondingly large scale. Ideally,

*Page 910 of the Report of the All-India Rural Credit Review Committee.

such additional share capital should come from members through steps to which we refer in the following paragraphs. This, however, will take time and can only take place in step with the expanding marketing business. Meanwhile, the need for larger owned funds will have to be met by government contribution. We understand that provision has been made for the purpose in the Fourth Plan and generally recommend that state governments should contribute to the share capital of marketing societies on the scale that they may require."

3.34 *Overall Impact of the Programme.*—The overall direct impact of cooperative marketing programmes depends largely on the share of cooperative marketing in the total business of marketing of agricultural produce in the country. The Working Group on Cooperation (1968) set up by the Administrative Reforms Commission estimated that the share of cooperatives in the total agricultural produce marketed in the country in 1965-66 was of the order of 10%. Considering that nearly a third of the primary marketing societies are not undertaking marketing business and the bulk of the marketing business of cooperatives is confined to a few States, the overall impact of Cooperatives on the marketing of agricultural produce as a whole is indeed limited. When considering the overall direct impact of marketing societies, the indirect benefits from the operations of cooperative marketing societies are apt to be ignored. Cooperatives were pressed into service in a big way, for the first time, in U. P., in the massive price support operation in 1971 for the rabi wheat crop. A study conducted of these operation in one district brought out that as soon as the cooperatives entered the market and purchased from growers direct at support prices, the general prices in the market which had plumeted to Rs. 50—60 per quintal immediately firmed upto the support price of Rs. 76 per quintal paid by cooperatives. This potential of cooperatives to radiate benefits beyond the sphere of their own operations needs to be recognised while considering the impact of the programme of cooperative marketing.

3.35 *NCDC's Contribution to cooperative marketing.*—We have referred to the salient features of cooperative marketing programme and its major areas of weakness. We now examine the contribution of the NCDC to the development of this programme and the strategy evolved and the support provided by it to strengthen this programme. The overall planning and financing role of the NCDC, we deal with later in this Chapter.

3.36 The promotional role of the NCDC extended to advising the State Governments from time to time regarding measures to be taken for rationalisation of the marketing structure, expansion of membership and augmentation of share capital, linking of marketing with credit activities in the cooperative sector, selective development of marketing societies in areas where large surpluses of agricultural produce are being generated, schemes for reorganisation and revitalisation of primary marketing societies, development of integrated

system of cooperative marketing and establishment of links between the consumer and the market. Besides advising the State Governments, the NCDC has been reviewing the cooperative marketing programme and identifying the problems in all-India and regional conferences of Chief Executives of marketing societies and representatives of State Governments. It has also set up a Functional Committee on Cooperative Marketing consisting, *inter-alia*, of representatives of cooperative marketing societies and persons with specialised knowledge and experience to review the programmes of cooperative marketing and suggest measures for bringing about improvements in the programmes.

3.37 In view of the risks involved in making outright purchase of agricultural produce, many of the marketing societies have been functioning as commission agents. This inhibits the operations of the marketing societies as farmers, particularly the small farmers, would like to sell their produce outright. To facilitate outright purchase of agricultural produce by cooperatives, the NCDC implemented a scheme of outright purchase under which subsidy is to be provided to cooperative marketing societies at the rate of 2% of the value of produce purchased by them on outright basis. This amount is to be credited to the price fluctuation fund of the marketing societies, to which the societies are themselves to contribute 10% of their profit. Upto the end of 1968-69, State Governments, with assistance received from the NCDC, had contributed Rs. 48.85 lakhs to the price fluctuation funds of various cooperatives. The NCDC has also reviewed this scheme in a series of regional meetings with the Registrars and representatives of marketing societies.

3.38 In the field of marketing of foodgrains, the NCDC has played an active role. It has been keeping itself in close touch with the operations of the Food Corporation *vis-a-vis* cooperatives and identifying the special problems of the cooperatives. At the instance of the Corporation, the Ministry of Agriculture called a meeting of representatives of Food Corporation, State Marketing Societies and Registrars in November, 1970. In this meeting, a decision was taken that, as a matter of policy, the FCI should operate mainly through cooperatives. To implement this policy, administrative arrangements have also been evolved at State and local levels. At the national level, the Secretary of the NCDC is the coordinating officer. The result of this has been that, during 1971, procurement of wheat by cooperatives exceeded 2 million tonnes representing nearly 50% of the total procurement of wheat by the Food Corporation and the State Governments. Further, recognising that availability of processing facilities is a condition precedent to the marketing of paddy, the NCDC provided assistance to the extent of nearly Rs. 11 crores from its own corpus of funds for the establishment of nearly 440 rice mills. 100% of the requirements for these mills was provided by the NCDC to the States outside the State Plan ceilings.

3.39 Another strategic area where the NCDC has taken initiative is management development of cooperative marketing societies. It formulated a scheme in 1965 in terms of which, ultimately, the marketing societies in each State should have a common cadre of key personnel; but in the interim period, the marketing federations should be able to create pools of key personnel for loaning them to affiliated institutions. For this purpose, the State Government are to provide grants to the marketing cooperatives with the assistance received from the NCDC. It is reported that pools of key personnel have already been created in all States excepting Rajasthan, Gujarat and Andhra Pradesh. In Punjab and Haryana, the state marketing federations have created common cadres of managers and accountants of marketing societies at various levels. Such cadres are essential for promoting cooperative marketing as an integrated system. In 1964-65, the NCDC, introduced a scheme for creation of technical and promotional cells in apex marketing societies to enable them to provide requisite guidance and assistance to the lower level organisations. Under this scheme, financial assistance is provided by the NCDC to the apex marketing societies through the State Governments over a period of 5 years on a tapering basis. Practically, all the apex marketing societies have established these cells with the assistance provided by the NCDC. The NCDC reviewed this scheme and extended the scope of the scheme to cover a larger number of experts in various fields of marketing and processing. The replies received by us from various State Governments, Registrars, etc. indicate that the creation of this cell in the apex marketing societies has proved useful in the diversification and expansion of the programmes of marketing and processing.

3.40 Training of personnel is an important element in the overall programme of cooperative development. The training arrangements for cooperative programmes are made by the Central Committee for Cooperative Training through the various institutes in the country. The NCDC has been associating itself with the Central Committee for Cooperative Training in evolving arrangements for training of marketing personnel. Besides, to enable technical staff working in various marketing and processing cooperatives to acquire specialised knowledge in the technical institutions in the country, the NCDC has formulated a scheme according to which the cost of such specialised training will be partly subsidised by it. The case study undertaken at our instance, of the cooperative marketing programme in Tamil Nadu brings out that the response to various suggestions and schemes of the NCDC has been encouraging in that State and that there has been a perceptible improvement in the functioning of the cooperative marketing societies concerned.

3.41 *Cooperative Processing.*—Processing of agricultural produce has a strategic place in the rural economy. It makes the commodity acceptable to the consumer and economic for the

producer. Cooperative processing is often an essential prerequisite for successful cooperative marketing. Cooperative processing units. Such as cooperative sugar mills, also facilitate the recovery of loans given by the primary credit societies. A large programme of cooperative processing greatly increases the pace of rural industrialisation and creates opportunities for building up new industrial and business leadership in rural areas. The Sugar Inquiry Commission (1965) observed : "In Maharashtra, the setting up of a cooperative sugar factory has acted as a nucleus for social and economic development of the area around it and has helped to develop a new class of rural entrepreneur."

3.42 There was no organised attempt to develop cooperative processing in the years preceding the Second Plan. Government's Industrial Policy Resolution, 1956 emphasised that the principle of cooperation should be applied wherever possible. A definite programme of organising agricultural processing units in the cooperative sector was launched in the Second Plan; while 201 agricultural processing units were envisaged, as many as 484 were actually organised. The Third Plan observed : "The development of cooperative processing is essential not only for increasing rural incomes and facilitating credit for production but also for building up of cooperative rural economy. Where cooperative processing units have been successfully established, they have proved invaluable as instruments of development in several allied fields."

3.43 The Third Plan set a target of organising 680 processing units*, the actual achievement was 1021 units. At the end of 1969-70, the total number of processing units organised/assisted was 1617. The following table reflects the plan-wise progress in organising/assisting farmers' cooperative processing units :

Type	2nd Plan	3rd Plan	1967-70	Total
Foodgrains	170	644	21	835
Cotton	128	125	10	263
Oilseeds	114	119	19	252
Sugarcane :				
(a) Sugar factories	20	37	27	84
(b) Other units	20	2	7	29
Jute	12	36	2	50
Fruit & Vegetables	7	25	6	38
Plantation crops	13	33	8	54
Others . . . . .	..	..	12	12
	484	1021	112	1617**

*Page 91 of Third Plan Mid-term Appraisal.

**In addition, 27 sugar factories, 7 oil mills, 1 spinning mills, 1 solvent extraction plant, 2 fruit & vegetable units and 1 cashew processing unit were organised during 1969-70 which were not assisted by the NCDC till 21-2-70. (Source - Annual Report of NCDC, 1969-70).

The Fourth Five Year Plan envisages setting up of 550 processing units.

3.44 Of the 1617 units organised in the cooperative sector, over 200 units could be classified as major industries with block investment exceeding Rs. 50 lakhs each. These units are mainly sugar factories, sugar by-products industries (distilleries, etc.) spinning mills, jute mills, vanaspati industries, solvent extraction plants and cattle feed factories, etc.

3.45 *NCDC's Contribution to Processing Programmes.*—The erstwhile NCD&W Board appointed in 1960 a Committee under the Chairmanship of Shri R. G. Saraiya “to review **Structure and organisation** the existing position and examine the promotional and organisational aspects of cooperative sugar factories and other processing societies with a view to ensuring their sound and speedy development during the Third Five Year Plan”. Besides emphasising the need for meticulous planning of individual processing units and suggesting financial and administrative arrangements for this programme, that Committee’s recommendation regarding the pattern of organisation was that, excepting where outlay and establishment involved where very large, as in the case of cooperative sugar factories, the processing units should be established by cooperative marketing societies themselves as an aid to their marketing activities. Of the 1617 processing units organised upto 1969-70, over 1200 were established by the existing marketing societies. Another development in the last decade has been the emergence of state level and national level federations for coordinating and assisting in the activities of the individual processing units. Eight state level federations of cooperative sugar factories have so far been organised. There is a national level federation for cooperative sugar factories and another for cooperative spinning mills.

3.46 Only those cooperative processing units which are organised by farmers come under the purview of the NCDC. Promotion of cooperative processing industries for consumers like weavers’ cooperative spinning mills or for industrial workers is not the responsibility of the NCDC. The NCDC has, therefore, been keen to promote genuine farmers’ cooperative agricultural processing units. As early as in 1957, the erstwhile NCD&W Board enunciated the following policy :

“As a matter of policy, persons taking shares in cooperative sugar factories purely for financial reasons should be kept out. Where non-growers have been admitted as members, the position should be examined and in the absence of strong justification.

for their retention, a definite programme should be drawn to retire their shares as soon as possible. The set up of every cooperative sugar factory in each State should be carefully examined to ensure that there is no departure from this policy."

The NCDC has been adhering to the above policy ever since. Of the total membership of 4.56 lakhs of the 70 cooperative sugar factories in production at the end of 1969-70, 4.26 lakhs or nearly 94% were sugarcane growers.

3.47 The NCDC directs its efforts towards the promotion of carefully planned and economically viable processing units. The Saraiya Committee (1960) appointed by the erstwhile NCD&W Board emphasised that careful investigation into the technical feasibility, raw-material resources and economic viability of each unit should precede organisation of processing units. That Committee also suggested that model blue-prints indicating specification of machinery, economics of minimum viable units should be prepared and circulated to serve as broad guidelines for organisation of processing units. In pursuance of this, the NCDC has prepared and circulated model blue-prints for various types of processing units of different sizes. To facilitate feasibility studies for setting up of processing units, the NCDC provides subsidy towards cost of preparation of technical feasibility and project reports by consultancy firms and experts. The NCDC has also been sanctioning assistance to national and state level federations for setting up of promotional and technical cells to provide technical support and guidance to cooperative processing programmes. Expenditure on these two schemes is met by the NCDC from its own funds. Recently, the Corporation has set up a technical cell for providing better guidance to cooperative processing programmes.

3.48 In its meeting held on the 25th March, 1966, the National Cooperative Development Corporation endorsed the following statement :—

"It was stressed that cooperative processing would have to be given greater fillip in I.A.D.P. districts in particular and in the other areas in general. For this purpose, it was considered desirable that suitable measures should be formulated with a view to facilitate planning and implementation of processing programme taking into account all relevant factors such as availability of raw-material, viability, size, modern technology, etc. Arrangements would also be necessary for developing expertise among the personnel for manning cooperative agricultural processing units."

The Corporation appointed a Committee under the Chairmanship of the then Union Deputy Minister for Food, Agriculture, C.D. and Cooperation on "Planning of Cooperative Agricultural Processing". One of the major recommendations of this Committee was promotion of integrated complexes of cooperative processing extending to primary, secondary and tertiary stages of processing. According to this Committee* :

"While planning an individual cooperative agricultural processing unit is important, such planning becomes more meaningful if the unit itself is conceived as a part of an integrated complex. In such a situation, the efficiency and the viability of the individual units is considerably enhanced. There is also the added advantage that the development of secondary and tertiary stages of processing facilitates operations of primary processing units. This is partly a reflection of the fact that the end products resulting from the secondary and tertiary stages of processing are usually much more stable in terms of demand and prices than the product of the primary stage of processing. This is particularly exemplified by the behaviour of the demand and prices of oil *vis-a-vis* the derived products such as soap and vanaspati."

3.49 Pursuant to the above recommendations, the NCDC has been promoting solvent extraction plants, vanaspati units, spinning mills, etc. Six solvent extraction plants have been organised, of which 5 are in production. The Punjab Cooperative Marketing Federation has set up a vanaspati factory with a capacity of 50 tonnes per day to render the cooperative solvent extraction plant at Khanna economically more viable. The case study made of this oil mill complex to which we refer later, points to the prominent role of the NCDC in developing this complex. The Uttar Pradesh Cooperative Marketing Federation is establishing an oil processing complex in Badaun district. The NCDC had associated itself with the planning of this unit. 23 cotton growers' spinning mills have been organised, of which 13 have gone into production. The NCDC, in collaboration with the All-India Cooperative Spinning Mills Federation, took an active promotional role in the development of this programme including arranging for finance from the Industrial Finance Corporation. Referring to the NCDC's role, the Registrar, U.P., in his reply to our questionnaire, has observed : "an important case in point is the cooperative textile mill at Bulandshar, which could not have taken the shape that it has taken but for the effective sponsoring and pleading of its cause with institutions which are traditionally cold towards cooperatives."

*Para 5.9 of the Report of the NCDC's Committee on "Planning of Cooperative Agricultural Processing".

3.50 *Central Sector Scheme for Processing.*—In 1967, the NCDC appointed a Committee on “Financing of Cooperative Processing”. A major term of reference to this Committee was “to assess the need and scope for development of agricultural processing industries in the cooperative sector, keeping in view the various agricultural production programmes envisaged in the Fourth Plan period and to estimate the requirements of capital resources for such industries”. This Committee suggested the setting up of 1194 new cooperative processing units during 1966-67 to 1970-71, and estimated the block capital requirements for these units at Rs. 205 crores. The Committee recommended that the Central Government might provide Rs. 35 crores to the NCDC for supporting this programme. The suggestions of this Committee were taken into account while framing the Fourth Five Year Plan. To provide a fillip to small and medium size processing units costing Rs. 10 to Rs. 40 lakhs for which assistance is not readily available from institutional financing agencies, a Central Sector Scheme is being operated by the NCDC for providing assistance to such processing units to the extent of 70 to 75 per cent of the estimated block cost through the State Governments or State Cooperative Banks on the guarantee of the State Government concerned. A provision of Rs. 9 crores is made for this scheme in the Fourth Plan. The NCDC has recently decided to provide assistance on more liberal terms to backward areas for setting up of processing units under this scheme.

3.51 *Progress of individual Programmes.*—The salient features of development of major cooperative processing industries are outlined in the succeeding paragraphs.

3.52 As observed by the Working Group on Cooperation (1968) set up by the Administrative Reforms Commission, the most outstanding development in the cooperative movement in recent years is the extension of cooperative activity to the sugar industry. There were only 3 cooperative sugar factories in production in 1955-56 which accounted for hardly 1.5 per cent of the total production of sugar in the country; in 1961-62, there were 34 sugar factories accounting for 17.7 per cent of the total production of sugar; in 1969-70, 70 cooperative sugar factories in production accounted for a third of the total production of sugar in the country. Upto 31-3-1970, licences were issued to 111 cooperatives for establishing new sugar factories; their licensed capacity constitutes nearly 45% of the total licensed capacity for the sugar industry as a whole, and it is estimated that, by the end of the Fourth Five Year Plan period, the licensed capacity in the cooperative sector may be of the order of 65 per cent of the total capacity of sugar industry in the country. The working and financial results of these cooperative sugar factories are also very encouraging. The highest percentage recovery of sugar from sugarcane, has been recorded by co-operative sugar factories in Maharashtra. Another interesting feature of cooperative sugar factories is the mechanism adopted by them for capital formation. These cooperatives deduct from cane price payable to members at the rate of Rs. 5

to repay large borrowing from Industrial Finance Corporation and other agencies. A summary of the financial position of the 70 factories in production on 31-3-1970 is given in Annexure IX. As against the total loans of Rs. 47.93 crores due by these factories on block account as on 30th June, 1970, their gross value of assets amounted to Rs. 136.58 crores. The total owned funds of these factories, including the non-refundable deposits, were of the order of Rs. 124.65 crores, that is, approximately 91 per cent of the gross value of their assets. Upto the end of December, 1970 the Industrial Finance Corporation and the Life Insurance Corporation had sanctioned loans amounting to Rs. 69.77 crores to these factories of which Rs. 21.56 crores were repaid by them. Excepting the case of two factories, which had defaulted in payment of dues to the Industrial Finance Corporation the repayment performance of sugar factories has been very satisfactory. 17 cooperative cleared their loans to the Industrial Finance Corporation ahead of the time schedule.

3.53 It would be relevant to identify the major factors that contributed to the rapid progress of cooperative sugar factories. Firstly, while planning the programme of expansion in sugar industries with a view to raising the installed capacity of sugar factories from about 15 lakh tonnes in 1954 to 25 lakh tonnes in 1960-61, the Government decided, as a matter of policy, to encourage cooperative sugar mills by according them preference under the Industries (Development and Regulation) Act. It is this preferential licensing policy which still obtains that has made rapid cooperative development possible in the sugar industry. Secondly, for implementing the licensing policy, the Government made arrangements with the financing institutions, particularly the Industrial Finance Corporation, to provide loans to these cooperatives on the guarantee of the Central and the State Governments. A general pattern of financing the sugar factories was thus evolved and the resources from which the finances should be raised were also indentified. The third factor, which is an important one, relates to the efforts of the cooperatives themselves. Cooperative sugar factories, as already stated, have formed themselves into state federations in many States. A national federation has also been organised. These federations, particularly the National Federation, have been providing assistance to the individual cooperatives in the matter of setting up of new factories, planning of expansion of the existing factories, negotiations with manufacturers regarding specification of plant and machinery, etc.

3.54 As already indicated, the NCDC took a leading role in the promotion of the cooperative rice milling industry to facilitate marketing of paddy. By the end of 1969-70, 779 cooperative rice mills were organised, of which 646 units were completed. This included 22 modern rice mills in the States of Andhra Pradesh, Bihar, Kerala and Tamil Nadu and six pilot modern rice mills established in the selected I.A.D.P. districts. The NCDC also provided assistance for modernisation of 30 rice mills.

Cooperative Rice Mills

3.55 The following statements indicates the progress of other important types of processing units organised/assisted by the NCDC :—

Type of Unit	Total No. organised (as on 30-6-70)	Of which	
		No. in-stalled	No. under installation (as on 30-6-71)
1. Dal Mills	32	23	9
2. Cotton ginning & pressing units	217	203	14
3. Growers cotton Spinning mills	23	16	7
4. Jute baling units	44	40	4
5. Jute textile mill	1	1	..
6. Oil Mills	166	136	30
7. Rice Bran oil mills	4	3	1
8. Fruit & Vegetable Processing Units	36	25	11
9. Plantation Crops	55	45	10

3.56 *Cooperative Storage*.—For systematic marketing of agricultural produce and distribution of fertilizers and other inputs, adequate storage is an essential pre-requisite. A programme for assisting co-operatives to enable them to construct godowns, was initiated in the Second Plan. Till 1956, the owned storage capacity available with the cooperatives was very insignificant. Upto 1969-70, financial assistance has been provided under Plan programmes to cooperatives for the construction of 20,553 godowns—4,186 at mandi level to be constructed by marketing societies and 16,367 godowns to be constructed mainly by primary credit societies. Of these, 16,315 godowns—3,322 mandi level and 12,993 godowns have already been constructed and the remaining are at various stages of construction. Some of the cooperative which are financially strong, have also constructed storage accommodation out of their own resources. The total owned storage capacity created in the cooperative sector at the end of 1968-69 is reported to be 2.6 million tonnes. The Fourth Plan envisages that this will be stepped upto 4.6 million tonnes.

3.57 In view of the inadequate owned capacity, cooperatives have also been hiring godowns to meet their storage requirements. The capacity of hired godowns is estimated at about 2 million tonnes. A statement showing the number of godowns assisted in the different

States and the progress of their construction is given in Annexure X. The following table reflects the progress in the construction of godowns*:

Upto the year	No. of godowns assisted	No. of godowns constructed	% of con- struction	Capacity in million tonnes
1964-65	13460	7300	54	1.72
1965-66	16351	8260	50	2.10
1966-67	17306	10376	60	2.24
1967-68	18209	12899	71	2.34
1968-69	19551	14883	76	2.58
1969-70	20553	16315	80	2.70

3.58 The programme of construction of godowns in the co-operative sector was being taken up, till recently, only with the financial provision made in the Plans. Cooperatives are now resorting to institutional finance for this programme. The Agricultural Refinance Corporation has, upto 15th March, 1971, sanctioned 6 cooperative storage schemes in Gujarat, Haryana, Mysore, Punjab, and U.P., with a total outlay of Rs. 8.30 crores, of which A.R.C.'s commitment is Rs. 4.52 crores. In these cases, the provision made in the Plan for storage programmes is being utilised as margin money for availing of assistance from the Agricultural Refinance Corporation.

3.59 Although the Fourth Plan envisages creation of an additional storage capacity of nearly 2 million tonnes in the cooperative sector, the annual progress has been only of the order of 0.1 million tonnes. This is to be imputed mainly to lack of adequate provisions in State plans for this programme and also the inability of the cooperative storage programmes, particularly at the village level, to attract large resources from institutional financing agencies. In view of the increasing requirements of cooperatives for storage in the context of their expanding business in marketing as well as in distribution of inputs, we understand that, as recommended by a Committee on Storage set up by the Planning Commission, there is a proposal for formulating a central sector scheme for creating an additional storage capacity of 1 million tonnes in the cooperative sector in the Fourth Plan.

*Page 130 of the Written Evidence given by the NCDC.

3.60 *Cooperative Cold Storages*.—The Corporation initiated promotional measures for the development of cooperative cold storage for potatoes, fruits, vegetables and similar perishable commodities. The number of cooperative cold storages had risen from 13 in 1955-56 with a capacity of 12000 tonnes to 90 in 1969-70 with a capacity of 1.30 lakh tonnes. Of the 60 cold storages that were in operation in 1970, the NCDC examined the working results of 50 units. It is reported that 30 of these units were making profit and 27 of them utilised over 80 per cent of their installed capacity.

3.61 *Farm Supplies*—Referring to the possible role of cooperatives as an aid to agricultural production, the First Plan observed : “the emphasis of the Plan is on augmenting agricultural production. In this sphere, cooperation has a very significant contribution to make. Cooperatives can help to increase the effectiveness of extension work. Other services which a cultivator needs for efficient utilisation of his land can also be made available through cooperative agencies. Such aids as seeds, fertilizers and implements on which depends the profitable exploitation of the resources and the soil can be effectively placed at the disposal even of the small farmers by cooperative societies. In fact, in the field of agriculture, cooperatives comprise almost every activity that is connoted by the term agricultural organisation. It is the best medium for promoting a progressive agriculture.” In the First Plan, cooperatives in a few States undertook distribution of fertilisers. The total value of fertilizers handled by them in 1955-56 was hardly Rs. 3 crores. One of the first tasks to which the erstwhile N. C. D. & W. Board addressed itself was to associate cooperatives intensely with the distribution of chemical fertilisers. In March, 1957, the Board advised the State Governments to transfer the work of procurement and distribution of fertilisers to cooperatives. In the Second and Third Plan periods, distribution of fertilisers came to be progressively entrusted to cooperatives in most States. Cooperative distribution of improved seeds and agricultural inputs also received some attention. The following table reflects the progress made during the last 10 years :

(Rs. in crores)

Value of inputs distributed by cooperatives.

Year	Fertiliser	Seeds	Agricul- tural im- plements	Pesticides & other inputs
1961-62	32	7	1	0.5
1965-66	80	20	6	17
1967-68	183	24	7	19
1968-69	201	24	7	22
1969-70	232	24	6	21

Cooperatives now account for nearly 60 per cent of the total distribution of fertilisers in the country. While the activities of cooperatives in the distribution of fertilisers has vastly expanded in recent years, their role in the distribution of other inputs is insignificant. Statements indicating state-wise distribution of inputs by cooperatives are at Annexures XI, XII and XIII.

3.62 *Fertilizers*.—Cooperatives have developed a large net-work of distribution points in the country to provide the farmers easy access to fertilisers. Referring to the role of cooperatives in the distribution of fertilisers. The Fertiliser Credit Committee (1968) appointed by the Fertiliser Association of India, observed : "On the whole, in areas where they have been entrusted with distribution, the cooperatives have shown enterprise and have done commendable work from the point of view of taking fertiliser to the consumer in advance of assured demand and long before it had become widely acceptable. The cooperatives have had also to operate under severe handicaps, particularly those arising from the unsold stock transferred to them by the State Agriculture Departments, receipt of supplies late for each season and of supplies much in excess of demand. At the same time, while they were called upon to handle increasing supplies as a matter of State policy, the financial assistance from the Government either for building up of managerial personnel or construction of storage accommodation, purchase of transport vehicles, etc. was not always forthcoming to the required extent. Prolonged delays in adjusting the amounts due to the cooperatives on account of supplies made by them against taccavi permits, on account of transportation costs, etc. had also greatly affected their efficiency of turnover." "Lack of supporting facilities and incentives for undertaking active sales promotion of fertilisers is another deficiency in the working of the cooperative distribution system. The conditions under which the cooperative agencies have been operating in the past have not helped to create a healthy business attitude towards achieving profit—or, conversely, avoiding loss—in selling fertiliser. It is necessary, in the interests of sound business to establish a proper link between the value of supplies made, on the one hand, and the financial and organisational capacity of the agencies on the other, including their ability to effect rapid turnover of the available funds. In this sphere more than in any other, there is need for considerable improvement and thorough overhauling of the procedures followed by the cooperative agencies." Earlier, the Sivaraman Committee on Fertilisers (1965) appointed by the Union Ministry of Food & Agriculture, pointed out the weaknesses of cooperatives in the distribution of fertilisers. These related mainly to the operational efficiency of cooperatives. The Committee observed that cooperative depots did not have fulltime salesmen, and due to a small turnover, their overhead cost was also high. The primary credit and marketing societies undertake retail sale of fertilisers to the farmers. The number of retail selling points of cooperatives increased from 31,790 in 1961-62 to 52,675 in 1965-66. Cooperatives undertook distribution of fertiliser more as a service function than as a business

proposition. A notable contribution of the N.C.D.C. is towards rationalisation of the distribution system. It has been impressing on the co-operatives and the State Governments the need to have economically viable retail points of sale so that they could provide better services to their members. The number of retail units has since been brought down from 52,675 in 1965-66 to nearly 40,000 in 1970-71.

3.63 A significant development in fertiliser distribution in recent years is the introduction of free trade in fertiliser business. Earlier, the cooperatives functioned in a period of relative scarcity in a protected market under monopoly conditions. With the rapid expansion of the fertiliser manufacturing industry in the country and the transition to free trade in fertilisers, cooperatives are now exposed to competitive conditions. This changed environment calls for the streamlining of the cooperatives with a view to ensuring maximum economy and efficiency in procurement, storage, transport and distribution. It is necessary that the cooperatives procure fertilisers direct from manufacturers at competitive prices. This implies that they should be financially equipped for effecting bulk procurement. The primary marketing and village cooperative societies cannot be expected to deal directly with fertiliser manufacturers. The state cooperative marketing federations have, therefore, necessarily to be brought in for coordinating the overall programmes of distribution of fertilisers. At the all-India level, there should be an effective liaison with fertiliser manufacturers for settlement of competitive terms for distribution. The N.C.D.C. has been directing its efforts on these lines.

3.64 The N.C.D.C. has been focussing its attention, in recent years, on developing an integrated cooperative fertiliser distribution system. In some States like West Bengal, Maharashtra, Andhra Pradesh and Tamil Nadu, the State Marketing Federations were not associated with this activity. At the specific instance of N.C.D.C., these federations are reported to have since been entrusted with the responsibility for bulk procurement and distribution of fertilisers and also with coordinating the entire programme of cooperative distribution of fertilisers in their respective States. To equip them with necessary margin money for raising funds from banks for bulk procurement of fertilisers, the N.C.D.C. is now operating a Centrally Sponsored Scheme under which margin money is provided to these federations through the State Governments. The provisions for this scheme in the Fourth Plan is Rs. 14.50 crores.

3.65 The integrated system involves a three-tier structural arrangement—apex marketing society as a wholesaler, district/primary marketing society as a sub-wholesaler and primary service societies as retailers. In such a system, a rational formula has to be evolved for allocation of distribution margins equitably among these various organisations at different levels. The Union Department of Agriculture appointed a Committee under the Chairmanship of an officer of the N.C.D.C.

to suggest rationalisation of distribution margins. The N.C.D.C. is pursuing the suggestions made by this Committee regarding allocation of distribution margins among cooperatives. Another critical area in which assistance is now being provided by the N.C.D.C. to the cooperatives is to sort out their problems with the fertiliser manufacturers. To give a fillip to cooperative fertiliser distribution, the N.C.D.C. is providing assistance from its own funds for the setting up of granular fertiliser mixing plants and also for soil testing laboratories. It has so far provided a loan assistance of Rs. 2.47 crores for 16 granular fertiliser units and Rs. 4 lakhs for 4 soil testing laboratories. The Corporation has also been arranging for the training of the functionaries of cooperatives at various levels to improve their operational efficiency.

3.66 *Other Inputs.*—Excepting in a few States, the role of cooperatives in the distribution of other inputs has not been very significant. In Punjab, cooperatives undertook the entire work of distribution of improved seeds to the agriculturists and the apex marketing federation undertook purchase and sale of seeds on behalf of the State Government. In Madhya Pradesh, the apex marketing society functions as a sole agent of the State Agricultural Department for distribution of improved seeds including high-yielding variety seeds, while the primary marketing societies act as sub-agents of the apex federation. The Corporation formulated a pilot scheme in 1967-68 for organising seed producers' cooperative processing-cum-sale societies and has been financing the scheme from its own funds. Under this scheme, each society is eligible for an assistance of Rs. 1.74 lakhs from the N.C.D.C. through the State Government towards purchase of machinery and equipment, vehicles, construction of work-sheds, etc. Upto the end of 1969-70, the Corporation assisted 12 such seed units. Of these, 5 units are reported to have gone into production. The Corporation has recently taken a decision that assistance to new units should be considered after evaluating the functioning of the existing ones.

3.67 For agricultural machinery, the Corporation has sponsored another pilot scheme which is financed from its own corpus. The Corporation's scheme is for setting up of cooperative-servicing-cum-hiring centres for agricultural machinery. The scheme has two aspects: first, the establishment of servicing and repairing facilities for tractors and other agricultural machinery, and second, the maintenance of 5 to 10 tractors with matching equipment in each centre for the purpose of hiring them out to agriculturists. The N.C.D.C. provides 100 per cent of the expenditure incurred by State Governments on these centres by way of long-term loan and subsidy outside the State Plan ceilings. Each centre is eligible for a total assistance of Rs. 2.89 lakhs—Rs. 2.14 lakhs as loan and Rs. 0.75 lakh as subsidy. The Corporation has so far assisted 29 such units and the target it has set for itself in the Fourth Plan period is 80.

3.68 *Distribution of consumer articles in rural areas.*—In the wake of the national emergency of 1962, the Government of India introduced a Centrally Sponsored Scheme for establishment of consumer stores in urban areas. As a complement to this, a Centrally Sponsored Scheme for distribution of consumer goods in rural areas through marketing and service cooperatives was introduced. The latter scheme was implemented through the N.C.D.C. The main objective of this scheme was to ensure equitable and fair distribution of basic and standardised consumer goods like sugar, salt, kerosene etc. in rural areas. In terms of this scheme marketing cooperatives were to procure supplies for distribution to the village cooperatives on the basis of established demand and undertake retail sales themselves in the mandi towns. Under this scheme, marketing societies were eligible for a grant of Rs. 5000 spread over a period of 3 to 5 years. During 1968-69, the scheme was enlarged to provide additional share-capital to the primary marketing societies to enable them to expand their consumer business. During the period 1968-69, the Corporation provided a total assistance of Rs. 86.82 lakhs—Rs. 22.50 lakhs towards share capital and Rs. 64.32 lakhs for staff subsidies to primary marketing societies. From the commencement of the Fourth Plan (1969-70), the Centrally Sponsored Scheme was discontinued and assistance for this programme is being provided under the normal State Plan schemes.

3.69 The following table indicates the record of progress of marketing and primary credit societies in the distribution of consumer articles in rural areas

Year	Value of consumer goods sold (Rs. in crores)	No. of societies engaged in consumers activity	
		Marketing	Village
1962-63	28.41	689	14709
1965-66	198.07	1715	34485
1967-68	262.52	1891	41454
1968-69	242.75	1681	34803

It may be observed that the value of consumer goods distributed in 1968-69 showed a decline. This is reported to be due to the relaxation of controls on foodgrains and sugar.

SECTION III—ROLE OF THE N.C.D.C. IN OVERALL PLANNING

3.70 *Association with Planning Process.*—Before considering the role played by the N.C.D.C. in the overall planning of marketing, processing storage, etc. it will be useful to recount briefly the procedures adopted for the preparation of the five year plans and the annual plans. As part of the process of preparing the Fourth Plan, the Planning Commission initially prepared a paper on the approach to the Fourth Plan indicating the broad objectives of the Plan and the major policy guidelines to be followed. Thereafter, Working Groups were constituted to consider different sectors of development. One such Working Group was on “Cooperative Development”. It was constituted by the Union Department of Cooperation and included the Secretary, N.C.D.C. This Working Group constituted 3 Sub-Working Groups on: (i) Cooperative Credit, (ii) Cooperative Marketing, Processing, Supplies and Storage, and (iii) Consumer Cooperatives. The Sub-Group on Marketing, Processing, Supplies and Storage had a Joint Secretary in the Department of Cooperation in charge of this work as Chairman, and the Secretary, N.C.D.C. as convener. The comprehensive study made earlier by the Committee set up by the N.C.D.C. in 1967 for the financing of cooperative processing and also the assessment made by N.C.D.C. on the record of progress of various programmes in different States formed the basis for formulation of programmes by this Sub-Group. The officers of the N.C.D.C. were closely associated with it.

3.71 The report of the various Sub-Groups were considered and reviewed by the main Working Group which submitted a consolidated report outlining the approach to cooperative development in the Fourth Plan, and indicating the programmes and schemes to be taken up and the relevant priorities to be assigned to them. This report was later circulated by the Union Department of Cooperation to the various State Governments, Registrars of Cooperative Societies, to facilitate the drawing up of State plans. The N.C.D.C. was also associated with the Working Group set up in the Department of Food for formulation of programmes relating to warehousing and storage, and with the Working Group set up in the Department of Agriculture for Agricultural Marketing. The N.C.D.C. thus associated itself with the formulation of policies and programmes relating to marketing, processing, and storage, for the Fourth Plan.

3.72 *Assistance to States.*—Case studies of the procedure for formulation of State Cooperative plans were, at the instance of our Committee, made in Madhya Pradesh and Rajasthan in order to examine the contribution of the N.C.D.C. to such plans. These studies indicate that the Report of the Central Working Group on Cooperation was adopted by the Registrars in Madhya Pradesh and Rajasthan as guidelines for drawing up the State Cooperative Plans. At this stage, N.C.D.C. issued individual letters to the States indicating detailed guidelines for

the preparation of the Fourth Plan of the respective State regarding co-operative marketing, processing, supplies and storage. In respect of the two States studied, the main contribution of the N.C.D.C. took the form of assisting in the formulation of the types and number of new processing units to be included in the Fourth Plan and in the preparation of cooperative processing programmes.

SECTION IV—INHERENT WEAKNESSES

3.73 While assessing the performance of the N.C.D.C., the inhibiting factors, if any, inherent in the N.C.D.C., need also to be kept in view. In the subsequent chapters, we discuss in detail the constitution, administration and finances of the N.C.D.C. In this Section, we refer, in brief, to the major factors which tended to dilute the effective functioning of the N.C.D.C.

3.74 *Separation of Warehousing Functions.*—Since the genesis of the present N.C.D.C. is to be traced to the recommendations of the All India Rural Credit Survey Committee it would be relevant to examine how far the constitution, functions and finances of the N.C.D.C. conform to the basic recommendations of that Committee. As we explained in Chapter II, the Rural Credit Survey Committee conceived of the erstwhile N.C.D.&W. Board as an all-India organisation for the promotion of certain economic activities in the cooperative sector on the one hand, and for planning and implementation of a country-wide programme of storage and warehousing on the other. But the Warehousing functions were deleted from the purview of the N.C.D.C. Thus, the prospects of centralised direction and mutual coordination between the programmes of cooperative development and warehousing development envisaged by the Rural Credit Survey Committee were affected. The Rural Credit Survey Committee envisaged a system under which the N.C.D.&W. Board would be equipped with its own funds and be able to implement effectively the various cooperative programmes with which it was concerned. The Agricultural Produce (Development & Warehousing) Corporation Act, 1956, under which the erstwhile N.C.D.&W. Board was set up, provided for non-lapsable grants from the Central Government to enable the Corporation to build up its own funds ; but, in actual practice, the Board was not provided with funds as envisaged. The Act, as suggested by the Rural Credit Survey Committee, contemplated an annual grant of Rs. 5 crores by the Central Government to the Board for cooperative activities; during the first three years, the Board got from Government recurring grants of less than Rs. 1 crore per year as indicated in Chapter II. The basic principle incorporated in the 1956 Act that this Corporation should be enabled to build up its own funds was also given up in the 1962 Act. In terms of the old arrangements applicable to the erstwhile N.C.D.&W. Board, the entire assistance by the Government of India was being given as non-lapsable grants to the Board under the existing arrangements for the N.C.D.C., the Central Government provide

funds required by the Corporation for giving subsidies to State Governments as subsidy, while the funds required for giving loans to State Governments are provided as loan to the N.C.D.C. In terms of the present arrangements, the N.C.D.C. cannot build up any fund of its own. This has severely limited the capacity of the N.C.D.C. to sponsor bold programmes of cooperative development and support them with adequate finances. Funds are now provided by the Central Government to the N.C.D.C. under various schemes like the Centrally Aided Plan Schemes, Central Sector Schemes and Centrally Sponsored Schemes. The N.C.D.C. has, however, no discretion to divert funds, from one scheme to the other. In respect of the Centrally aided Plan Schemes, under which Central assistance is routed to State Governments for certain cooperative programmes through the N.C.D.C., the ceiling of assistance for each State as also the pattern of assistance to be provided are determined by the Central Government. In such a situation, the N.C.D.C. becomes only a channel for routing Central assistance for those schemes. The N.C.D.C. is thus neither equipped with funds of its own adequate to meet the requirements of the programmes nor does it enjoy financial autonomy in respect of the funds received from the Central Government.

Lack of Autonomy

3.75 *Lack of Staff.*—The erstwhile N.C.D.&W. Board was organised as a high powered body with a Cabinet Minister as Chairman, Deputy Governor of the Reserve Bank of India, Secretaries to the Government of India and prominent cooperators as members. But there was hardly any administrative set up to service this high powered organisation. An officer of the rank of a Deputy Director in the Government of India was the chief executive of the organisation for nearly six years from August, 1957 till 1963. Even after the setting up of the present N.C.D.C. in 1963, the work relating to planning and promotion of programmes of cooperative marketing processing, etc., continued to be done mostly in the Union Department of Cooperation. It was only in September, 1964, that the entire work relating to planning and promotion of these programmes was transferred to the Corporation. It was in 1969 that the Corporation opened its two regional offices, which are now being gradually expanded. Technical experts were appointed by the N.C.D.C. for the first time in 1970. Our case studies, as also the comments of various State Governments and Registrars, point to the inadequacy of technical guidance to, and close supervision over, the different programmes sponsored by the N.C.D.C. This is to be imputed mainly to the absence of adequate staff.

SECTION V—RESULTS OF CASE STUDIES

3.76 In this section, we refer to the salient features emerging from the case studies made, at our instance, of the planning and implementation of various cooperative programmes in different States. The basic objective of these case studies is to focus attention on the contribution of the N.C.D.C. to these programmes and also the major shortcomings in their planning, financing and implementation.

3.77 *Cooperative processing programmes in Maharashtra.*—A detailed study of the promotional and financing role of the N.C.D.C. in the cooperative processing programmes in Maharashtra was made. This study indicates that the promotional role of the N.C.D.C. in Maharashtra has been confined to circulation of model blue-prints, advice, suggestions and guidelines regarding locational planning, structural and financial arrangements, etc. To quote from the Report of the study :

“We do not find N.C.D.C. actively collaborating in or initiating efforts at area planning or development of local resources in a given district or area, though of course, it has attempted to render necessary financial support to ventures organised in pursuance of such planning. There was no instance of any study undertaken by the N.C.D.C. itself or initiated at its instance, of the local resources which could be developed in a district, the potentialities for processing of agricultural produce on cooperative lines and preparation of project reports of feasibility studies in specific area like groundnut processing, cotton ginning, and pressing and so on. In Maharashtra, this aspect of the promotional role was well taken care of by the Cooperative Industries Commission established by the State Cooperative Bank in the year 1961.”

3.78 In Maharashtra the commodity-wise as also area-wise-detailed planning of cooperative processing industries is done by the Cooperative Industries Commission which has a panel of technical experts drawn from Universities, Government and the Industry to advise on the techno-economic feasibility of setting up various types of agro-industries in that State.

3.79 A significant feature has emerged from this study in Maharashtra. The financial assistance provided by the N.C.D.C. has not been adequate to meet the requirements of progressively expanding cooperative sector in Maharashtra. For example, during the years 1966-67 to 1970-71, the State Government sanctioned share-capital assistance of Rs. 706.93 lakhs to cooperative sugar factories in the State while the assistance they got from the N.C.D.C. during those years was only Rs. 93.55 lakhs. Similarly, in the case of spinning mills, the State Government sanctioned an assistance of Rs. 509.76 lakhs, but the assistance they obtained from the N.C.D.C. was only Rs. 71.06 lakhs. This is due to an inherent difficulty of the N.C.D.C. Assistance for these programmes has been provided under centrally aided state plan schemes. While the N.C.D.C. obtains funds from the Central Government, the ceilings of assistance that could be released for states by the N.C.D.C. is determined by the Planning Commission/Finance Ministry with the result that the N.C.D.C. cannot provide assistance to a State Government according to the requirements of the programme. In Maharashtra, a large programme of cooperative sugar factories, spinning mills, etc., has been taken up because the State Government could find the necessary resources for it. In other States, where the State Governments

could not find the necessary resources, the programme has necessarily to suffer. The present procedure does not enable "the N.C.D.C. to operate the financial tool in such a manner as to ensure the desired direction of development or shift to particular activities."*

3.80 *Oil Mills complex in Punjab.*—At Khanna in Punjab, a modern oil milling industry with solvent extraction and vanaspati plants has been established in the cooperative sector at a cost of over Rs. 70 lakhs. A case study made of this project brings out the catalytic role played by the N.C.D.C. in setting up this project. The N.C.D.C. took the initiative in its organisation. It had obtained the services of an American expert from the Cooperative League of U.S.A. The services of this foreign expert were utilised by the Corporation for doing the prospecting for this unit. Once the preliminary investigations showed the potentiality for and the possibility of, establishing an oil processing complex in the area, the N.C.D.C. sold the idea to the State Government and impressed upon them the need for setting up of this industry in the cooperative sector. It also arranged for the preparation of the project report by a leading machinery manufacturer. A loan assistance of Rs. 8 lakhs was also extended by the N.C.D.C. for this project through the State Government. It associated itself with every stage of this project and also influenced the choice of machinery for this unit. At the stage of licensing under the Industries (Development and Regulation) Act, the N.C.D.C. pursued the matter with the appropriate authorities in the Government of India. To provide technical expertise at the local level, the N.C.D.C. sanctioned assistance for appointment of a technical expert in the State Marketing Federation. The solvent extraction plant went into production on 30th November, 1967. Due to various factors, the working and financial results of the solvent extraction plant were not satisfactory. As the product of solvent extraction plant is to be utilised by a vanaspati factory, at the instance of the N.C.D.C. the Punjab State Marketing Federation agreed to take over the solvent extraction unit and add a vanaspati plant to it at a cost of about Rs. 32 lakhs. The oil mill complex in Punjab, thus, is largely the result of the persistent efforts made by the N.C.D.C.

3.81. *Modern Rice Mill at Mandya.*—A modern rice mill at a cost of Rs. 26.23 lakhs has been established by the marketing cooperative at Mandya in Mysore State. The capacity of the mill is 1.2 tonnes per hour. A case study was made of the role of the N.C.D.C. in the establishment of this mill. This study brought out that the N.C.D.C. was closely associated with the promotion of this modern rice mill programme at every stage. To quote from the Study Report : "In fact, the modern rice mills in Mandya and other places would not have come but for the assistance, initiative, guidance and interest taken by the N.C.D.C. It is true that the modern rice mills were set up as an experimental pilot measure and the Department of Food, Government

*Source : Report of the Case Study on Cooperative Processing programme in Maharashtra.

of India and Ford Foundation took great initiative and leadership along with the N.D.C.C., but the overall responsibility of financing the organisation was largely placed on the N.C.D.C.”

3.82 *Processing Programme in Madhya Pradesh and Rajasthan.*—The case studies made of the cooperative processing programmes in Madhya Pradesh and Rajasthan have brought out the following areas of weakness :

- (i) The model blue prints which were prepared by the N.C.D.C. as guidelines were followed by the States without undertaking separate feasibility studies based on local conditions. The corporation also did not have requisite technical staff to assist the State Governments in the preparation of feasibility and project reports for individual units.
- (ii) In respect of smaller processing units like rice mills, the N.C.D.C. did not make a detailed study of the economic viability of individual units, and released financial assistance on the basis of proposals received from State Government.
- (iii) Adoption of model blue prints circulated by the N.C.D.C. in toto without attempting any modifications to suit the local situations, and the absence of adequate arrangements for ensuring that each unit would be able to muster requisite funds for the prompt completion of the project, led to a longer gestation period for many units. Follow up action to ensure quick implementation and economic working of the units was also inadequate. The N.C.D.C. did not have adequate technical staff to undertake any systematic developmental inspections or evaluation of various processing units.
- (iv) In Madhya Pradesh, all the 75 cooperative rice mills were reported to be functioning at a loss for the year 1969-70. A major factor that contributed to this is the levy system prescribed by the State Government in terms of which the rice mills had to surrender to State Governments a certain percentage of rice milled by them at a fixed price which was about Rs. 8 lower than the open market price. The study conducted in respect of Mandya rice mills also brought out that the Government policy of procurement of paddy seriously inhibited the functioning of the rice mill to capacity as the cooperatives who were procurement agents for the Government were not allowed to purchase paddy on their own.
- (v) The model blue prints circulated by the N.C.D.C. did not provide for working capital. But the N.C.D.C. has since remedied this lacuna and it has evolved a scheme for providing margin money to the rice mills from out of its won corpus.

3.83 *Storage Programme in U.P.*—A case study made of the cooperative storage programme in Uttar Pradesh has brought out the following salient features

- (i) The N.C.D.C. has been following a progressively liberal policy in respect of financing the construction of godowns and cold storages in the cooperative sector. Till 1967-68, financial assistance from the N.C.D.C. to the State Governments for cooperative godowns programme was limited to 62½ per cent of the cost as loan and 12½ per cent, as subsidy. The State Governments, in turn, were required to give to cooperatives 75 per cent of the cost as loan and 25 per cent, as subsidy. During 1967-68 and 1968-69, the N.C.D.C., on the basis of studies conducted by it regarding the economic viability of godowns, provided 50 per cent of the cost as loan and 25 per cent as subsidy, and the State Governments were required to provide to cooperatives 62½ per cent of the cost as loan and 37½ per cent, as subsidy. In the Fourth Plan, the Central assistance for all the schemes is 70 per cent loan and 30 per cent subsidy. But the N.C.D.C. has suggested to the State Governments to continue to provide assistance to cooperatives on the pattern in vogue in 1967-68 and 1968-69.
- (ii) In respect of cold storages, the overall capacity generated in Uttar Pradesh till 1970-71 exceeded the target of 40,000 tonnes by 30 per cent. This was to be imputed to special supplementary programmes sponsored by the N.C.D.C. under which it provided 100 per cent assistance to State Governments over and above the plan ceilings
- (iii) There has been a gradual improvement in the mechanism of planning for cooperative godowns. In the second plan, the targets for construction of godowns were fixed on an ad-hoc basis. In the Third and subsequent Plans, targets were fixed in relation to overall performance in the previous Plan, felt need of the areas, volume of business handled by cooperatives, etc. The N.C.D.C. reviewed the targets fixed by the State Governments in the annual State Plan discussions and invariably raised them. "The planning for storage programme in the State actually started with the initiative and financial assistance of the Corporation".
- (iv) The cold storages and marketing godowns were located mostly near the mandies. However, some rural godowns were not constructed at suitable places which led to under-utilisation of the capacity.
- (v) A basic weakness of this programme is the absence of technical guidance to it which led to defective construction of godowns in some cases. There is also no systematic follow up of the programme by field visits of officers from the N.C.D.C.

- (vi) The most discouraging feature of this programme is gross under-utilisation of the storage capacity. Detailed study was made of 15 rural godowns, 4 marketing godowns and 2 cold storages. "The sample data revealed that only 9 rural godowns, 3 marketing godowns, and 2 cold storages were utilised for storage purposes. Further, of the 9 rural godowns which were utilised for storage purposes, 2 were rented out to Department of Agriculture and one to a private agency. The rest were utilised by the societies or unions for their own business. It was also observed that at least one room or a half in all the sample rural godowns was used for residential purposes". The main reasons identified for the poor utilisation were : poor working of societies, lack of adequate efforts and funds to expand business, absence of godown keepers and unsuitable sites. The existing level of utilisation of the godowns would render them uneconomic and the cooperatives may not be able to pay back their loans with the income accruing from storage.

3.84 *Cooperative Cold Storages in Orissa.*—We have had a case study made of the functioning of cooperative cold storages in Orissa where 14 such units were organised upto 1969-70. Of these, 10 were commissioned. All these cold storages were organised on the initiative of the State Government. A detailed study was made of two cooperative cold storages. These were installed under the supervision of the Rural Engineering Organisation of the State Government. But the building construction of one of the units was defective and led to spoilage of produce stored in the cold storage. The Study Report has observed : "Want of technical know-how with cooperatives in the line to man the cold storage unit is the main bottleneck observed in the working of the cold storage units in Orissa..... The N.C.D.C. thought of a scheme for creation of a cadre of technical personnel to man the cold storage units in the State. In the apex cooperative marketing society, the N.C.D.C. created a technical cell for providing assistance on a tapering scale..... The N.C.D.C. also suggested creation of a cadre of personnel for manning the cold storage units, and a training programme for persons already employed in the units is also envisaged."

SECTION VI—ASSESSMENT BY OTHERS

3.85 Several Committees have examined the working of the N.C.D.C. We have also, in reply to our questionnaires, received the views of State Governments, State Registrars, national and state level federations. Their views and comments would be relevant to the overall assessment of the performance of the N.C.D.C.

3.86 *Dantwala Committee.*—The Dantwala Committee on Cooperative Marketing (1966) observed* :

"We are glad to observe that recently, even within the limited resources available with it, the Corporation has embarked on several

*Report of the Committee on Cooperative Marketing (1966) Paras 16, 12 and 13.

new schemes from out of its own funds outside the State Plan Schemes. These measures have given an impetus to the State Governments to hasten the pace of development of cooperative marketing/processing. Thus, whereas during about a decade, State Governments were able to assist the setting up of only 320 rice mills (including hullers), within a year of the Corporation's decision to finance the entire scheme, as many as about 470 rice mills have been assisted. Again the Corporation's decision to subsidise the entire cost has led to the establishment of promotional and assessment cells in most of the apex marketing federations within a short period.... These instances prove that the Corporation, given suitable assistance, can play a useful role in promoting the development of cooperative marketing/processing.... We consider that the Corporation should be a counterpart of the Agricultural Credit Department of the Reserve Bank of India is so far as development of cooperative marketing, processing, storage and supplies is concerned. For this purpose, it is necessary, that the National Development Fund is sufficiently strengthened to enable it to play its role fully”.

3.87 *Study Group of Administrative Reforms Commission.*—The Study Group of Centre-State Relationships of the Administrative Reforms Commission (1967), which had occasion to study the working of the N.C.D.C. some time back, had observed that* :

“To the extent the N.C.D.C. prepares model blue prints and guidelines in respect of plan schemes, provides technical guidance to the States, sponsors and finances schemes of crucial importance out of its corpus, provides liaison with other central ministries, and arranges for meetings of key officers at the state level, it may be concluded that it discharges properly the function of providing initiative and leadership. A good beginning has been made by the N.C.D.C. in arousing the interest of the states in cooperative development”.

3.88 The Working Group of Cooperation (1968) of the Administrative Reforms Commission commented** :

“In fact, it has been able to get a minimum organisational set up only in recent years. In spite of these limitations, the Corporation has initiated many measures which have contributed to the progress of cooperatives in the field of marketing and processing of agriculture produce. The efforts made by the Corporation towards establishment of State level boards to attend to planning and installation of processing plants, formation of technical cells at the levels of national and state marketing societies for giving technical guidance to the processing units, formulation of model

*Report of the Study Group on Centre-State Relationships of ARC, Vol. III page 53.

**Para 14.32 of the Report of the Working Group on Cooperation.

blue-prints, introduction of central arrangements in certain States for procurement of plant and machinery and construction materials and continuous review of the pattern of financial assistance for the processing units and the procedure for release of such assistance have made positive contribution to accelerate the implementation of the cooperative processing programmes. The percentage of processing units installed to those assisted was only 33 at the end of Second Plan. It rose to 49% at the end of 1962-63, 52% at the end of 1963-64 and 60% at the end of 1966-67. The Corporation has also initiated some schemes in the nature of 'pace setting' schemes. Among these, schemes for setting up four solvent extraction plants, three rice-bran oil mills, six modern rice mills, fabrication of agricultural implements by selected cooperative marketing societies, establishment of formulation units for pesticides/insecticides by apex marketing societies and establishing fertiliser mixing plant in five selected apex marketing societies are worth mentioning. Many of these schemes were initiated by the Corporation and financed out of its own funds. In the field of marketing, the Corporation has functioned as the chief spokesman in respect of the problems of the marketing cooperatives before the Reserve Bank, the State Bank and the Food Corporation. It has also initiated studies concerning important aspects of marketing of jute, paddy, etc. in selected areas.

3.89 *All India Rural Credit Review Committee*.—More recently, the All India Rural Credit Review Committee (1969) observed that "considerable amount of creditable work of a promotional nature has been done by the N.C.D.C. in the last few years" though it could not be said that the total achievement in this field had come up to the earlier expectations based on the Rural Credit Survey Committee's recommendations due to certain administrative limitations. The Committee suggested further examination of the question of how best the N.C.D.C. could be strengthened and reorganised to enable it to pay a more effective role.

3.90 *State Governments*.—The general tenor of replies received from State Governments is that the N.C.D.C. has done useful work and its continuance is necessary for promotion of cooperative programmes for marketing, processing and storage of agricultural produce and supply of agricultural inputs. Some State Governments are not satisfied with the arrangements in the N.C.D.C. for providing technical help and guidance and follow-up action on the various programmes. Some of the State Governments have emphasised the need for building up of expertise in the N.C.D.C. The Madhya Pradesh Government have observed that the performance of the N.C.D.C. qualitatively and quantitatively is satisfactory and that the procedure followed by the Corporation has been flexible and responsive. The Kerala Government have pointed out that the effective guidance and assistance of the N.C.D.C. have contributed to the building up of cooperative marketing and processing structure, better arrangements for finances, training of marketing

personnel, marketing practices and diversification of the activities of marketing societies. The Haryana Government, while commenting on the useful role of the N.C.D.C., have also pointed out that when the N.C.D.C. was set up, it was perhaps envisaged that it would play the same role in cooperative marketing as the Reserve Bank of India and the Agricultural Refinance Corporation in cooperative credit; but the N.C.D.C. has not been able to fulfil these roles effectively. The N.C.D.C., according to Haryana Government, has functioned as an attached or subordinate office of the Ministry of Agriculture and is more concerned with ensuring utilisation of funds than providing guidance. That Government also suggested that the N.C.D.C. should be adequately strengthened with competent technical staff for closer supervision of the projects financed by it and that it should open more regional offices.

3.91 *Registrars.*—The replies of Registrars follow the trend of the respective State Governments. The Madhya Pradesh Registrar has expressed the view that “the Corporation has succeeded in achieving its objective to a satisfactory extent”. The Registrar of West Bengal has commented that no particular attention is paid by the N.C.D.C. to local problems and bottle-necks which stand in the way of successful implementation of schemes in West Bengal and that expert opinion and technical assistance from N.C.D.C. were not always available. The Registrar, Haryana has remarked “ever since its inception in 1963, it (N.C.D.C.) has been initiating various schemes and helping the State Governments in executing them. It has, in a sense, been initiating various ideas and guiding the State Governments to formulate projects and schemes..... The N.C.D.C. has played a significant role in the achievement of whatever progress has been recorded in the cooperative marketing sector”. The views of the Registrar, Uttar Pradesh are : “The contribution of the N.C.D.C. in whatever has so far been achieved have been substantial. Much work of pioneering and even persuasive nature done by the Corporation has gone behind whatever has been achieved so far..... The Corporation has, by now, developed an expertise which a Government agency can hardly achieve for obvious reasons. It has become a clearing house for technical and commercial information for the cooperative sector which cannot fall back upon any other agency..... The Corporation’s involvement in the filed activities, its happy association with non-official cooperators, its touch with private and othe sectors, its somewhat flexible policies and programmes to meet new demands and new challenges, and its forward looking vision make it an ideal institution to promote and champion the cause of cooperatives. Its place can hardly be taken by an institution the character and composition of which does not permit dynamism”.

3.92 *National and State Level Federations.*—The salient points contained in the replies received from the national and state level federations may now be summarised :

The N.C.D.C. has helped the various cooperative programmes.
The existence of the N.C.D.C. has helped to promote non-official

participation in the movement. The functions of the N.C.D.C. do not overlap with those of national federations. The pattern of assistance and procedure followed by the N.C.D.C., have been, by and large, conducive to the growth of cooperative programmes. The cooperative movement in various sectors would, however, need larger assistance from the N.C.D.C.

3.93 The Tamil Nadu State Cooperative Marketing Federation has observed : "The Federation owes its development in the past three years entirely to the generous assistance provided by the N.C.D.C. The N.C.D.C. has been taking a lot of initiative in the matter of implementation of various schemes by the apex federations and furnishing useful information, advice, data and guidance besides financial assistance".

SECTION VII—OUR ASSESSMENT

3.94 We are required to assess the extent to which the objectives for which the N.C.D.C. was established, have been achieved. In terms of its charter as indicated earlier in this Chapter, the principal responsibility of the N.C.D.C. is to promote planned development of marketing, processing and storage of agricultural produce and distribution of essential requirements of farmers through cooperative societies, and to this end, provide financial assistance for these activities through the State Governments. To assess the N.C.D.C.'s performance, we have broadly analysed the record of progress of various programmes with which it is concerned and examined the contribution made by the Corporation to influence the expansion and diversification of cooperative activities as also its technical guidance to and supervision over, the implementation of various programmes. The conclusions emerging from the field studies we organised in eight States on different aspects of the functions of the N.C.D.C., the replies we received to the questionnaires issued to the State Governments, Registrars and national and state level federations. The statistical data available in the publications of the Reserve Bank, the Government of India and the N.C.D.C., and the detailed information furnished by the N.C.D.C, form the basis for evaluating the overall role of the N.C.D.C.

3.95 The present N.C.D.C., set up in 1963, is the successor to the erstwhile N.C.D.&W. Board established in 1956. Since the inception of the N.C.D.&W. Board and more so since 1963, the different programmes with which the N.C.D.C. is concerned, have registered striking progress as may be observed from the data furnished in para 3.14. The value of agricultural produce handled by cooperatives increased from about Rs. 175 crores in 1961-62 to nearly Rs. 600 crores in 1969-70; during the same period, fertilisers distributed by cooperatives registered a sharp increase from Rs. 32 crores to Rs. 232 crores; the share of cooperatives in the total production of sugar in the country rose from 1.5% in 1955-56 to 33.4% in 1969-70; the owned storage capacity available with cooperatives to facilitate marketing and distribution

functions, expanded from 7.5 lakh tonnes in 1961-62 to 2.7 million tonnes in 1969-70. The principal targets fixed for cooperative marketing and processing in the Third Plan were either fulfilled or exceeded. The Third Plan envisaged that cooperatives would handle agricultural produce worth Rs. 360 crores in 1965-66.* The cooperatives fulfilled this target. The Third Plan envisaged organisation of 680 processing units; the achievement was 1021. While reviewing these programmes, it is important to note that cooperative marketing, processing and storage programmes constitute a relatively new field in the cooperative sector compared to cooperative credit. Conscious efforts to develop these programmes on a planned basis was taken up only since 1955-56 when the erstwhile N.C.D.&W. Board was also established.

3.96 The last few years have witnessed significant diversification of the activities of the cooperatives. Cooperative marketing was till recently, confined to marketing of commercial crops, particularly sugarcane and cotton. Cooperatives have now entered the foodgrains trade in a big way. The value of foodgrains handled by cooperatives in 1961-62 was Rs. 32 crores ; in 1968-69 it was Rs. 222 crores. The indications are that cooperatives will progressively improve on their past performance. To illustrate, the total quantum of wheat procured by cooperatives in 1970 season was only 7.80 lakh tonnes ; it has exceeded 2 million tonnes in 1971. Another encouraging development is the expanding inter-state trade for the sale of produce in terminal markets to secure better prices. The value of inter-state business was only of the order of Rs. 1 crore in 1962-63; in 1968-69 it exceeded Rs. 56 crores. In the field of processing, cooperatives are entering secondary and tertiary stages of processing of agricultural produce and agro-industrial complexes are coming up in the cooperative sector. As an aid to agriculture, cooperatives have a commendable record to their credit in providing farmer's access to fertilisers through a vast network of retail depots. This activity, they initially undertook more as a service function than as a business proposition. Cooperatives are now equipping themselves to streamline their distribution system to cope with the keen competitive conditions to which they have now been exposed.

3.97 In assessing the contribution made by the N.C.D.C. to the implementation of various programmes, it has to be noted that the direct responsibility for implementation of programmes vests in the State Governments; the Corporation is to operate through and in collaboration with the State Governments. The N.C.D.C.'s role, therefore, is to be assessed by its contribution to the overall planning and financing of these programmes, shaping the policies of the Central Government, public sector financial institutions and business organisations at the all-India level in respect of the support extended to cooperative activities, provision of expert guidance and assistance in the formulation of different programmes, and constructive supervision over and periodical review of the programmes.

*Page 40 of NCDC's Review for the year 1965-66.

3.98 Our study of the various aspects mentioned above, points to the useful role played by the N.C.D.C. in planning and developing a strategy for expansion and diversification of cooperative activities. In the field of cooperative marketing, the emphasis of the N.C.D.C. has been on the structural improvement of cooperative marketing societies, forging an effective link between cooperative marketing and credit on the one hand, and also among different levels of marketing societies on the other, so that an integrated system of cooperative marketing is developed for the benefit of the farmer. To improve the operational efficiency of the cooperative marketing structure, the N.C.D.C. has been pursuing the creation of common cadres of key personnel with the state marketing federations and State Governments and it has also been evolving arrangements for the training of personnel at different levels. The scheme formulated and financed by the N.C.D.C. from its own funds for the creation of promotional and technical cells in all state cooperative marketing societies and national federations has considerably facilitated diversification and expansion of the activities of cooperative marketing and processing societies. As already pointed out, the very considerable expansion which has taken place in recent years in the marketing of foodgrains by cooperatives can, to a significant extent be related to the special efforts of the N.C.D.C. as a contributory cause.

3.99 Moreover, it is doubtful whether the expansion and modernisation of rice milling industry in the cooperative sector and the growth, generally, of cooperative agro-industrial complexes in the country would have taken place on the scale actually witnessed but for the initiative and support of the N.C.D.C., The Annual Report of the N.C.D.C. for 1964-65 says* :

“In the context of a large programme of cooperative marketing of foodgrains and in view of the existing small capacity of rice-milling in the cooperative sector, the Corporation, in its meeting, held in October 1964, decided that an expanded programme of cooperative processing of paddy should be taken up and that the funds for this programme should be provided by the Corporation to the extent of 100% of the requirements. This assistance would be provided to the State Governments out of the accumulated funds of the Corporation by way of loans to enable them to aid the concerned cooperatives in the form of share capital, etc.”

The Corporation provided assistance to the extent of Rs. 11 crores from its own corpus for rice-milling programme. Further, as mentioned at paras 3.81 and 3.82, the modern rice mills in Mandya and other places would not have come up but for the guidance and assistance provided by the N.C.D.C.

*Pages 8-9 of the Annual Report of the N.C.D.C. for 1964-65.

3.100 The case study made of the cooperative oil mill complex at Khanna in Punjab, to which a reference has been made in para 3.80, brings out the active role of the N.C.D.C. at different stages in the formulation and implementation of this project including arrangements for feasibility studies, preparation of project report, choice of machinery, obtaining of licence for the unit and ensuring availability of funds for the financing of the project. The Registrar, Uttar Pradesh, has indicated in his reply to our questionnaire that the cooperative textile mill at Bulandshar would not have taken shape but for N.C.D.C.'s effective "sponsoring and pleading of its cause with institutions which are traditionally cold towards cooperatives". Our enquiries show that a similar catalytic role was played by the N.C.D.C. in the setting up of large-sized fruit and vegetable units in recent years. Examples may be cited from the Coorg district in Mysore State and Vellore in Tamil Nadu. It may be added that, with the assistance provided by the N.C.D.C., the National Agricultural Cooperative Marketing Federation is installing a large-sized multi-commodity, fruit and vegetable processing unit at Delhi.

3.101 To encourage development and diversification of large-sized processing units in the cooperative sector, the Corporation decided in 1964 to provide long term loans to State Governments upto 100% of the share capital contributed by them to cooperative processing units with a block cost exceeding Rs.* 20 lakhs. On the basis of the Report of the Committee on "Financing of Cooperative Processing" set up by the N.C.D.C., a central sector scheme for financing small and medium size processing units is being operated by the N.C.D.C., as already mentioned in para 3.50.

3.102 In the field of fertiliser distribution, the N.C.D.C. has been directing its efforts to the streamlining of the cooperative distribution arrangements so that the apex marketing federation, the primary marketing societies and the primary credit societies function as an integrated system for providing efficient service to the farmers in the new context of free trade in fertilisers. The Corporation is assisting the cooperatives in sorting out their problems with fertiliser manufacturers. The Corporation is providing assistance from its own funds for the setting up of granular fertiliser mixing plants and also for soil testing laboratories.

3.103 The case study of the cooperative storage in U.P. shows that "the planning for storage programme in the State actually started with the initiative and financial assistance of the Corporation. During 1966-67, the Corporation sponsored a supplementary programme for the setting up of cooperative cold storage under which assistance was provided by the N.C.D.C. from its own corpus to State Governments outside the state plans.

3.104. With the increasing social control over trade in foodgrains and other commodities and the emergence of public sector business and manufacturing organisations like the Food Corporation, the Cotton Corporation and the Fertiliser Corporation, there has arisen the need for an effective link between cooperatives on the one hand and these public sector organisations on the other. At the all-India level, the N.C.D.C. maintains contacts with the Corporation and seeks the help of the Central Government in order that due weight is given to the cooperative sector, and due consideration to its problems, in the formulation of policies and procedures. The N.C.D.C. also serves a useful purpose in planning the financial requirements of marketing and processing cooperatives before institutions like the Industrial Finance Corporation and the Reserve Bank.

3.105 While the N.C.D.C.'s role in terms of initiative, promotion and coordination has thus been of considerable importance, the same cannot be said of the part played by this institution in certain other spheres. The data before us, including case studies and replies, indicate that the N.C.D.C. has not been in a position, except in a few contexts, to provide the range of expertise necessary for the technical formulation of plans and projects. It is now trying to make good, to the extent practicable, this hiatus in its organisation. Similar lack of staff has prevented its follow-up action on the implementation of various programmes being as effective as it could otherwise have been. The financial support extended by the N.C.D.C. was significant and very often crucial; but here again, it fell far short of the expanded requirements. Another aspect may be mentioned. While the overall progress is striking, it is unevenly distributed between different States and between different areas within the same State. This of course is a common feature of practically all development programmes in the country, and not merely those with which the N.C.D.C. happens to be associated. Even so, no concerted effort has till recently been made by the N.C.D.C. to promote programmes for backward areas on a priority basis. We note, however, that the N.C.D.C. has now taken a decision to pay special attention to the development of certain cooperative programmes in backward areas and also to strengthen its administrative machinery for this purpose.

3.106 To sum up, the striking progress recorded by various cooperative programmes, the planning and promotion of which is the responsibility of the N.C.D.C. under its Charter, does credit to the N.C.D.C. The influence of the N.C.D.C. on these programmes is more significantly over the overall planning and strategy of development than over the technical content or the mechanism of implementation. Excepting for some pilot schemes, the N.C.D.C. could not attempt bold programmes of development, particularly in underdeveloped areas, from its own funds. The assistance provided by the N.C.D.C. also did not match the requirement of fast expanding programmes in certain States. The N.C.D.C. was financially 'straight-jacketed' and its autonomy limited. It could not also develop adequate staff to provide

support to the programmes sponsored by it. These factors have tended to restrict the N.C.D.C.'s impact on various programmes, both in terms of magnitude and of quality. Our assessment of the performance of the N.C.D.C. is that it has made a significant contribution towards developing the potentialities of the programmes entrusted to it. If its achievement is satisfactory in relation to resources and restraints, the promise it holds out for the future is even better in the context of what can be done by way of reorganisation and what needs to be done by way of development. But for the restrictions which came to be imposed on it in a manner inconsistent with the original concept—the three-fold lack of autonomy, funds and staff—, its impact on the implementation of the programmes would have been far more effective than it has been, and its contribution to integrated cooperative development much more in consonance with Parliament's intention when first in 1956, and thereafter in 1962, it helped establish this important institution at the national level.

CHAPTER IV

SCOPE, OBJECTS AND FUNCTIONS

Introduction—The preceding Chapters have been devoted to a study in retrospect of the N.D.C. A major term of our reference is “to examine whether there is need for the continuance of the Corporation ; if so, to suggest modifications, if any, in the scope of its existing activities as provided under the N.C.D.C. Act, 1962.....” Some of the questions which need to be answered are—

- (i) Do the emerging needs of agricultural progress and policy—including marketing and other support on the one hand for larger production and on the other, for the weaker producer—give added or new justification for an all-India institution like the N.C.D.C.?
- (ii) Does such an institution unjustifiably encroach on the functions of the State Governments or un-necessarily duplicate the efforts of the Central Government or prejudicially affect the prospects of de-officialisation of the co-operative movement ?
- (iii) If, in the light of the answers to the foregoing questions, the continuance of the N.C.D.C. is adjudged necessary, in what manner should its objects and functions be enlarged or modified in their scope and how should the institution itself be equipped for the new tasks it is required to undertake ?

We deal with these issues in the paragraphs which follow.

4.2 The new Context.—The basic objective of the N.C.D.C. is to plan and promote programmes for processing, storage and marketing of agricultural produce and for supply of modern inputs for agriculture. The need for these supporting services for agriculture has acquired an altogether new dimension in the context of the break-through in agriculture. When the N.C.D. & W. Board, the predecessor to the present N.C.D.C., was established in 1956, Indian agriculture was substantially deficit in terms of overall production and almost static in terms of overall productivity. The situation has since changed and is fast changing further. The introduction of high-yielding varieties of seeds, combined with exploitation of underground water resources and intensive use of fertilizers, has begun to pay rich dividends to the country. The wheat revolution is an accomplished fact in north India. Hopefully, we are on the threshold of a major technological break-through in rice production and, though perhaps less hopefully, in dry farming techniques. The traditional deficit in food seems about to be replaced by self-sufficiency. The total food production is reported to have reached 108 million tonnes during 1970-71 and is expected to be around 113 million tonnes during the current year.

4.3 *Supporting facilities for agriculture.*—The new levels of production have brought with them a new set of problems. To illustrate this, it may be mentioned that the procurement operations of the Central and State Governments were earlier directed to mopping up foodgrains for equitable public distribution through fair price shops and the rationing system. The mechanism of procurement was more in the nature of a civil supplies operation inducing or requiring the farmer to part with his produce for the public distribution system. In contrast, the current year witnessed massive market arrivals of wheat in Punjab, Haryana and Uttar Pradesh. Procurement acquired a new dimension. The Operations of the Food Corporation of India were directed to providing minimum support price to the farmer so that his incentive for larger production might remain unimpaired. The Food Corporation or the State Government cannot, however, reach the villages and establish direct contacts with the farmers to ensure the minimum price to them. It is here that the need for an institutional structure like co-operatives which have a direct link with their farmer-members assumes crucial importance.

4.4 Credit is vital to the modernising of agriculture. Cooperative credit has recorded substantial expansion in recent years. Short and medium term credit advanced by primary agricultural credit societies to the farmers was stepped up from Rs. 340 crores in 1965-66 to nearly Rs. 600 crores in 1970-71; during the same period, developmental finance provided by land development banks increased from Rs. 58 crores to Rs. 170 crores. Even so, the quantum of agricultural credit disbursed by cooperatives is inadequate in relation to the much larger credit now needed on account of the break-through in agriculture. Further expansion of cooperative credit activity has necessarily to be accompanied by proportionate marketing activities to serve as a built-in mechanism within the co-operative structure for the prompt recovery of an expanding volume of co-operative agricultural credit.

4.5 Large scale expansion of marketing activities of co-operatives has necessarily to be accompanied by intensive development of facilities for processing and storage of agricultural produce in the co-operative sector. Innovations in agricultural technology which have triggered off the process of modernisation of agriculture, call for a massive development of supporting institutional infra-structural facilities for processing, storage and marketing of agricultural produce. In fact, planned promotion of these facilities constitutes an integral part of the overall national policy of agricultural development. As observed by *Carl Thomsen : "Some of the most spectacular periods of expansion have in fact coincided with times of important technical and economic change as farmers came to appreciate that the co-operatives would make them better able to meet the new conditions". Technological progress has already begun to outgrow institutional facilities for supporting agriculture. There is the great risk of these facilities lagging behind and inhibiting rapid agricultural growth unless conscious efforts are made

to develop and infrastructure consisting of a vast net-work of institutional facilities. The need for, and the utility of, an organisation like the N.C.D.C. for planning and promoting these facilities within a co-operative framework assumes special significance in this context.

4.6 *Trends in agricultural finance.*—There are other major trends in recent years which point to the need for a planning and promotional organisation for co-operatives at the national level. Institutional credit is being increasingly utilised as an instrument of agricultural development. New financing institutions like the Agricultural Refinance Corporation and the Rural Electrification Corporation have been established. A significant feature of the mechanism of operation of these institutions is to finance development of selected compact areas or specific projects. The project approach envisages the financing of a project for, e.g., agro-industries on the basis of a survey of raw-material availability, technical feasibility and economic viability. The area development approach implies, among other things, a pre-investment survey of natural resources for the overall developments of the area together with an assessment of the financial resources required for investment on land, or, for acquiring productive assets, or for establishing facilities for processing, storage, transport and marketing. The area development approach is essentially the co-ordination of all the factors necessary for the development of a given area. In such an approach, the strengthening of the infrastructure is no less important than the supply of inputs. The World Bank, it may be noted, has begun to take a keen interest in the financing of agricultural projects on the basis of area development. **“An interesting feature of the Bank’s lending to the agricultural sector is the emphasis now being put on the provision of funds for general agricultural development projects, designed to stimulate the output of cash crops or to diversify production into new crops having export or domestic sales potential. Such projects which generally aim at assisting small holders to increase their output and earnings, often require measures of institutional reform or changes in credit, marketing, price or fiscal policies. As a result, the preparatory work may be lengthy, but this is justified by the large impact which such projects may have on the economies of the countries concerned, both in terms of the growth in income and in promoting the shift towards a market oriented agriculture.....From 1972-73 onward it is planned to put forward annually for I.B.R.D./I.D.A. approval some 60 purely agricultural projects. This is expected to result in a volume of lending by the Bank over the next 5 years equal to the cumulative total bank loans to the agricultural sector in the entire period before 1969”.* An important recommendations of Sir Robert Jackson’s Report (1969) on ‘A Study of the Capacity of the United Nations Development System’ is also the introduction of the ‘Country Programming’ of technical assistance and pre-investment activities,

*‘State of Food and Agriculture 1970’—page 27.

State of Food and Agriculture 1970’—page 153.

integrating as far as possible all the inputs from the various components of the United Nations Development System, and gearing them closely with the development plans and objectives of each country. The World Bank's assistance will of course be routed through the Government of India and the appropriate financing institutions in the country.

4.7 Financing institutions like the A.R.C., R.E.C., I.F.C., commercial banks, etc. operate on a nation-wide scale. To sponsor and promote area development programmes which are project based in their formulation and co-operative in their orientation and, further, to ensure that such programmes obtain adequate institutional finance are tasks which are best performed by a high-powered technically-equipped central co-ordinating agency. The N.C.D.C., we consider, is well suited to undertake this role.

4.8 *Weaker Sections.*—Growth with social justice is the key-note of our economic planning. “The new agricultural strategy has tended to accentuate the disparities inherent in this situation of a highly skewed land distribution and the large proportion of cultivated areas dependent on dry farming. Although in certain areas, the new technology has resulted in an increase in the demand for agricultural labour and a rise in agricultural wages, the new strategy, by and large, has tended to by-pass the marginal cultivator and the landless labourer*”

4.9 *S.F.D.A. & M.F.A.L. Projects.*—A major emphasis in the Fourth Plan is on the formulation and implementation of special programmes to benefit the weaker and more vulnerable sections of the rural population besides re-orientation of programmes for agricultural credit, minor irrigation, animal husbandry, etc., to benefit the small farmers and the agricultural labourers. Two central sector schemes—Small Farmers Development Agency (S.F.D.A.) and Agency for Development of Marginal Farmers and Agricultural Labourers (M.F.A.L.)—are under implementation in the Fourth Plan to help exclusively the weaker sections in the rural areas. The 46 S.F.D.As. in the country will each cover approximately 50,000 small but potentially viable farmers with land holdings between 1–2 hectares, and the 40 M.F.A.L. will each cover 20,000 marginal farmers with land holding of 1 hectare, and agricultural labourers. The total Government outlay on these projects in the Fourth Plan is expected to be of the order of Rs. 115 crores—about Rs. 1.5 crores on each S.F.D.A. and Rs. 1 crore on each M.F.A.L. project. This large Government outlay is expected to stimulate flow of institutional finance to the extent of Rs. 300 crores to the participants in these programmes.

4.10 While the focus in the S.F.D.A. projects will be on intensive agriculture to render the small farmers viable by providing them access to modern technology, credit and other inputs, for the large class of

*‘Towards Growth with Social Justice’—An outline of some programmes included in the Budget for 1970-71.

marginal farmers and agricultural labourers, the emphasis is mainly on employment and market oriented programmes. The M.F.A.L. projects are to be centred round areas of consumer demand so that there will be scope for development of employment oriented activities such as poultry and dairy farming. Each S.F.D.A. and M.F.A.L. project will have a separate Agency registered under the Societies Registration Act. In some areas, the same Agency will serve small farmers as also marginal farmers and agricultural labourers. The functions of the Agency will be to identify those eligible to be covered under the scheme, assess their problems, and formulate specific programmes for various types of economic activities with a view to increasing productivity and providing employment and income opportunities. The role of the Agency is that of a catalyst which will ensure that credit, inputs and services for processing, storage and marketing required by the participants in the programme are provided by institutional agencies.

4.11 Much of the emphasis in these programmes is, therefore on the development of an institutional framework, particularly co-operatives, for implementation of various economic programmes for small farmers, marginal farmers and agricultural labourers. One of the basic criteria for the selection of areas for these projects is the presence of an infra-structure of co-operatives which should provide credit and other supporting services. The Agencies which are being set up to administer these schemes are temporary in nature and, in this context, the co-operatives which are to provide the necessary infra-structural facilities, will continue the efforts of the Agencies.

4.12 Provision of credit has a central place in these projects and one of the principal functions of the Agencies is to stimulate flow of credit from co-operatives and other banks to the participants in these programmes. To encourage co-operatives to give progressively increasing loans to the weaker sections, the Agency provides grants to co-operatives towards a risk fund. Another major area where co-operative activities are to be intensified is processing, storage and marketing of agricultural commodities and dairy and animal husbandry projects. Integrated schemes need, therefore, to be evolved in these areas for linking provision of credit to participants with extension services, distribution of inputs and creation of common facilities for processing, storage and marketing of products. The scheme envisages that the Agencies will help in strengthening the existing co-operatives and in the organisation and development of functional co-operatives for dairy, poultry, etc. These co-operatives will receive subsidy from the Agencies for strengthening their staff. For co-operatives which set up godowns, processing units, etc., the Agencies will provide subsidy, the extent of subsidy being determined on the basis of economics of each type of activity.

4.13 Thus, in the implementation of these special programmes designed to assist the weaker sections of the rural community, co-

operatives have a crucial role to play. Continuous study and evaluation of these programmes in so far as they relate to co-operative processing, storage and marketing and distribution of inputs, is necessary. Only on the basis of such evaluation it will be possible to adapt co-operative programmes to the needs of the weaker sections, to design special economic programmes suited to small farmers, artisans, labourers and tribals to evolve appropriate structural, administrative and financial arrangements for the purpose in view. In such an effort, it would not only be advantageous but essential to ensure that requisite attention and coordination are available at the all-India level through an organisation like the N.C.D.C.

4.14 *Backward Areas.*—As we indicated in an earlier Chapter, the co-operative economic activities relating to processing, marketing and storage are still at a low ebb in the eastern region of the country, in Rajasthan and also in large pockets elsewhere like the eastern U.P., Telangana area in Andhra Pradesh and the Marathwada region in Maharashtra. Similarly, there is considerable scope for development of cooperative activities in tribal areas like Bastar in Madhya Pradesh and Srikakulam in Andhra Pradesh. Tribal co-operative corporations have come up in some States like Andhra Pradesh, Madhya Pradesh and Bihar. But the impact of these corporations on the tribal economy remains, by and large, marginal. Development of cooperatives in the backward as well as tribal areas is a field where the N.C.D.C. could substantially assist the State Governments in developing special co-operative programmes based on systematic surveys and studies. The N.C.D.C. could sponsor experimental schemes in these areas, and if necessary, finance such schemes from its own funds so that institutional funds could be attracted later for large scale development of such programmes.

4.15 *Co-operatives vis-a-vis Public Sector Organisations.*—Recent years have witnessed the emergence of a number of public sector organisations for production of key inputs for agriculture like fertilisers and seeds, and also commodity corporations like the Food Corporation, the Cotton Corporation and the Jute Corporation. The underlying objective of these organisations is that they will function with responsibility to the community and, from the commanding position they enjoy, exert a salubrious influence on the market, in general, in their respective spheres of activity. As co-operative institutions are informed by social purpose, they could help these organisations fulfil their social and economic objectives through the net work primary co-operatives which have direct contact with the farmers. A closer business link between co-operatives and these public sector undertakings would be to their mutual advantage, and to the ultimate benefit of the farmer. The overall policy of the public sector organisations towards co-operatives will, of course, be determined by the Government. In the co-operative sector also, functional federations have been established at the national level. It would be the primary responsibility of these federations like the National Agricultural Co-operative Marketing Federation, all-India Federation of Co-operative Spinning Mills, etc.,

to deal directly with these public sector organisations. Even so, a statutory organisation like the N.C.D.C. has a positive role to play both in the matter of helping national and state level federations to establish closer association, including operational links, with the public sector institutions, and of advising the Government on the directives to be given or other steps needed from time to time in order to render such coordination effective and fruitful.

4.16 The new agricultural situation emerging in the country, the use of institutional credit for agricultural development, the accent on special co-operative programmes for weaker sections as also for backward areas, the closer coordination between public sector institutions and co-operatives—all these are developments which re-inforce the need for continuance of the N.C.D.C. The general tenor of replies we have received in response to the questionnaires which we issued to State Registrars, co-operative institutions, etc., are : continuance of the N.C.D.C. is necessary for promotion of co-operative programmes for processing, storage and marketing of agricultural produce and distribution of agricultural inputs : activities of the N.C.D.C. may be extended to cover dairy, poultry, fishery, etc., the N.C.D.C. should be strengthened with adequate resources and it should equip itself with competent technical expertise. The working Group on Co-operation set up by the Administrative Reforms Commission has urged the continuance of the N.C.D.C. and also recommended the expansion of its activities to cover industrial co-operatives, consumer co-operatives, etc. The Dantwala Committee on 'Co-operative Marketing' suggested widening the scope of the activities and strengthening of the finances of the N.C.D.C. The All India Rural Credit Review Committee (1969) observed : 'The problem of how best the N.C.D.C. could be strengthened to play an active role originally envisaged for it, therefore, needs to be examined.'

4.17 *Does N.C.D.C. encroach on the activities of State Governments.*— In terms of the Seventh Schedule to the Constitution 'Co-operative Societies' is a State Subject and the legislative and executive responsibility for the promotion of co-operatives rest with the State Governments. The State Governments have enacted Co-operative Societies Acts for the incorporation, regulation and winding up of co-operative societies in their respective States. As the N. C. D. C. is concerned with the promotion of certain economic activities through co-operatives, a view has been expressed that the N.C.D.C.'s activities might tend to be an encroachment on the functions of the State Governments. It is important to note that, both in concept and in practice, the functions of the N.C.D.C. do not by-pass State Governments; on the other hand, the Corporation has been functioning only through State Governments. While defining the functions of the erstwhile N.C.D. & W. Board, the predecessor to the present N.C.D.C., the Rural Credit Survey Committee observed : "The first of these functions may be

described as the planning and coordination (and the financing in part) of a country-wide plan for the development, atand above the rural base of state-cum-co-operative economic activity. The plan itself will consist of individual programmes for different States which will be drawn up in conjunction with the Governments of those States. It is of course the State Governments, to whose sphere this directly pertains, that will be responsible for the fulfilment of the programmes through the co-operative departments and institutions. The responsibilities of the Board will therefore be confined to planning and initiating action, coordinating it and, to the extent necessary, financing it and otherwise supporting it.*”

4.18 Within the present political and administrative set up in the country, it is inconceivable that cooperative development can be promoted in a State irrespective of the policy, priority or actual participation of the State Governments concerned. The N.C.D.C. is to be a central agency whose role is that of a promoter, innovator, coordinator and, to the extent necessary, financier. It has to function in conjunction with, and through, the State Governments so that the Co-operative projects it promotes in defined sectors form an integral part of the overall development of the co-operative programmes for the implementation of which the respective State Governments are responsible. The basic objective of the N.C.D.C. should be to help State Governments stimulate the process of the co-operative development in the States.

4.19 An aspect which is generally overlooked while discussing the constitutional responsibility for co-operatives, relates to national co-operative organisations and other inter-state co-operatives whose objects extend beyond one State. Although ‘Co-operative Societies’ is a State Subject, “incorporation, regulation and winding up of Corporations, whether trading or not, with objects not confined to one State, but not including Universities.” is enumerated as a subject under Entry 44 in the Union List in the Seventh Schedule to the Constitution. Thus, constitutionally, co-operative societies with objects extending beyond one State come under the legislative and executive jurisdiction of the Central Government. Such co-operatives are governed by the Multi-Unit Co-operative Societies Act, 1942 which is a Central Act. We referred in the earlier Chapter to the emergence of functional federations at national level for co-operative marketing, co-operative sugar factories, etc. The N.C.D.C. has a special responsibility in promoting and assisting such federations directly, for, no single State Government could be expected to provide direct assistance to such organisations whose objects extend beyond one State.

4.20 *N.C.D.C. and Department of Co-operation.*—It may be recalled that the Public Accounts Committee (1969-70), remarked that they “have reasons to doubt whether the existence of an official organisation like the National Co-operative Development Corporation in the co-operative sphere, besides the Department of Co-operation is at all

*‘General Report’—page 419.

necessary". The two main issues that arise for consideration in this connection are : Is there any duplication of functions between the N.C.D.C. and the Union Department of Co-operation? What should be the relative role of the N.C.D.C. and the Union Department of Co-operation ? Until December 1958, the work relating to co-operation was handled by a small division in the then Ministry of Food and Agriculture. By a Presidential Order dated the 31st December, 1958, the Union Department of Co-operation came into existence and was made a part of the then Ministry of Community Development, which was re-designated as Ministry of Community Development and Co-operation. Later, in January 1966, the Ministry of Community Development and Co-operation was merged with the Ministry of Food and Agriculture to form the Ministry of Food, Agriculture, C.D. and Co-operation, which is now called the Ministry of Agriculture. The Union Department of Co-operation now forms part of the bigger complex of the Ministry of Agriculture which deals with Food, Agriculture, Community Development and Co-operation. The subjects that have been allotted to the Union Department of Co-operation are :

- (i) Agricultural credit and indebtedness in the co-operative sector.
- (ii) Co-operation in agricultural sector.
- (iii) Matters relating to National Co-operative Organisations.
- (iv) Incorporation, regulation and winding up of co-operative societies with objects not confined to one State.
- (v) National Co-operative Development Corporation.
- (vi) Training of personnel of co-operative departments and co-operative institutions (including education of members, office bearers and non-officials).

The Department of Co-operation has also been made responsible for basic co-operative policies and for co-ordinating co-operative activities in all sectors. The functional Ministries are responsible for the formulation and implementation of programmes within their respective spheres. The subjects mentioned in the allocation of business rules listed above do not, however, include the following matters which are also dealt with by the Department of Co-operation : consumer, labour, and non-agricultural co-operatives such as urban banks, thrift and credit societies etc.

4.21 The Department of Co-operation comprises the following Divisions :

- (i) Credit and Plan.
- (ii) Consumer Co-operatives.
- (iii) Co-operatives for Weaker Sections, co-operative farming and also work relating to co-operative marketing, processing, storage and supply.

- (iv) Co-operative Training.
- (v) Administration and publicity.
- (vi) Administrative Intelligence.

An Additional Secretary is in overall charge of the Department of Co-operation besides looking to some of the items of work in the Department of Agriculture like minor irrigation, fishery, etc. The Administration and Publicity Divisions in the Department cater to both the Departments of Community Development and Co-operation. One Joint Secretary is in charge of the divisions of credit, planning, training and administration. Another Joint Secretary is in charge of consumer co-operatives, matters relating to co-operative marketing, processing, storage and supplies, co-operatives for weaker sections and administrative intelligence. There is no whole-time officer at any level in the Department of Co-operation exclusively for work relating to co-operative marketing, processing, storage and supply.

4.22 The Union Department of Co-operation thus deals with agricultural credit and indebtedness in the co-operative sector, co-operation in the agricultural sector, matters relating to national co-operative organisations, administration of the Multi-Unit Co-operative Societies Act, training of personnel of co-operative departments and co-operative institutions, and consumer, labour and non-agricultural co-operatives. Besides, the Department is also responsible for basic co-operative policies and for co-ordinating co-operative activities in all sectors. In so far as the N.C.D.C. is concerned, the Union Department of co-operation concerns itself mainly with policy matters and policy directives as well as with Parliament work in relation to the Corporation and its activities. The complexion of the functions of the N.C.D.C. is also different from that of the Department. The Corporation is in the nature of a promotional and financing agency. The major responsibility of the N.C.D.C.—particularly so in the context of the role we envisage for it—is to formulate, in conjunction with the appropriate Departments of State Governments and co-operative institutions, programmes of co-operative processing, storage, marketing, etc., assist in the assessment of technical feasibility and economic viability of the schemes, assume the role of a co-ordinator for financing the programmes from various sources including its own funds, help in obtaining, wherever necessary, requisite and prompt policy and other support from the concerned Ministries of the Government of India and all-India public sector organisations, provide constructive supervision over the implementation of the programmes and undertake their periodical evaluation. The N.C.D.C. is thus an executive organisation whose activities are field-oriented and programme-based. The Department's activities belong more appropriately to the realm of policy making. The N.C.D.C. could help the Department in shaping policies relating to the programmes with which it is concerned. The Government could issue policy directives to the N.C.D.C. in relation to its activities, and lay down priorities for implementation of the

programmes. Thus, a clear demarcation of functions emerges between the N.C.D.C. and the Union Department of Co-operation. While the Union Department of Co-operation is responsible for enunciation of policies in relation to the Corporation and its activities, the Corporation's responsibilities mainly relate to the formulation, execution and financing of the programmes.

4.23 When the N.C.D. & W. Board was established in 1956, and till the end of 1958, the work relating to co-operation as also warehousing was handled by a single Ministry, that is, the Ministry of Food and Agriculture. Co-operation including work pertaining to the N.C.D. & W. Board, was dealt with by a small division in the Department of Agriculture. When a separate Department of Co-operation was set up in December, 1958 and was made a part of the then Ministry of Community Development, it was decided to allocate the business relating to N.C.D. & W. Board to the Department of Co-operation in the Ministry of Community Development and Co-operation, and the business of Central Warehousing Corporation to the Department of Food in the Ministry of Food and Agriculture. Consequently, the administration of these two organisations came to be vested in two different Ministries. At the time of allocation of business, we understand, it was agreed that the Agricultural Produce (Development & Warehousing) Corporation Act, 1956, would be amended so that the administration of these two bodies would vest in two different Ministries and that the N.C.D. & W. Board should have no power of supervision over the Central Warehousing Corporation.

4.24 *Report of the Estimates Committee (1960-61).*—When the question of de-linking the Central Warehousing Corporation from the N.C.D.&W. Board was under the consideration of the Government, the Estimates Committee of the Parliament (Second Lok Sabha) examined the working of the National Co-operative Development and Warehousing Board. In their Hundred and Thirty-third Report presented to the Lok Sabha on the 6th April, 1961, the Estimates Committee made the following observations

“The Committee are not sure if the separation of the functions of warehousing from the National Co-operative Development and Warehousing Board would achieve that degree of integrated approach and planning as is necessary for the successful implementation of the objectives and if the same measure of co-ordination as exists at present will obtain between the Co-operative Development Board and the Central Warehousing Corporation merely by giving representation as proposed, to each body on the other. If, however, the functions relating to warehousing are to be taken away from the Board it may be a moot point whether there should be a separate Co-operative Development Board and whether the same work could not be done by the Ministry of

Community Development and Co-operation itself. The Committee feel that even if for the sake of some administrative advantage the integrated set up is to be disturbed there may not be sufficient justification for the continued existence of a separate Board merely for disbursing funds to the State Governments since it is done on the basis of programmes and policies already approved by Government and for which financial ceilings are fixed by the Planning Commission. In their view, the extent of coordination with the Central Warehousing Corporation that will be achieved in the changed set up by representing each of the bodies on the other, can be obtained in the absence of the Board equally at the official level or by means of an Advisory Committee composed of officials and non-officials representing banking and other connected interests and other persons experienced in the co-operative field."

4.25 The Estimates Committee was thus not in favour of the proposal to de-link the Central Warehousing Corporation from the N.C.D. & W. Board. If the Warehousing functions were to be taken away from the N.C.D. & W. Board, the Estimates Committee felt that there may not be need for a separate Board for disbursing funds to the State Governments.

4.26 *Government's reply to Estimates Committee.*—After a careful examination of the above recommendation of the Estimates Committee, the Government considered that it was not necessary that the N.C.D. & W. Board should deal with warehousing also and that there was still need for a separate Board for co-operative development. The main arguments adduced by the Government could broadly be summarised as follows : Firstly, co-operative development is to be fostered through co-operative societies and financial assistance for the purpose was given by the Board through State Governments, whereas warehousing was to be done through Warehousing Corporations which are commercial and not co-operative organisations. Warehousing function is not, therefore, closely connected with the overall policy or allocation of funds for co-operative development. Secondly, a variety of economic activities come under the purview of the N.C.D. & W. Board of which warehousing is only one and therefore, the need for a separate organisation of a statutory character would continue even though warehousing might be outside its purview. Thirdly, as decentralisation of power and authority particularly in the field of Co-operation, constitutes the declared policy of Government, it is necessary that the Government of India should function to as large an extent as possible through a statutory body on which the Government of India, the State Governments and the non-official co-operative opinion is adequately represented. A purely advisory committee will not serve this objective as the main administrative and executive functions will continue to be the responsibility of the Ministry. Fourthly, from the point of view of ensuring proper utilisation of funds, and prompt recovery of instalments of loan and unutilised amounts, it would be

an advantage to route funds through a statutory organisation. Fifthly, leading non-official co-operators are more likely to associate themselves with an organisation having its own funds and enjoying a statutory authority rather than on a purely advisory body. Finally, it would be ensured that the total complement of staff of the Ministry and the Board would be such as would be necessary for carrying out the functions of the Ministry with regard to framing of policy and the functions of the Board with regard to their implementation, and duplication of staff between the Ministry and the Board would be carefully avoided.

4.27 The Government informed the Estimates Committee that, in view of the above considerations, it was not possible for them to accept the recommendations of the Committee in this regard and that they proposed to constitute two separate statutory organisations, namely, the Co-operative Development Board and the Central Warehousing Corporation by amending the Agricultural Produce (Development and Warehousing) Corporations Act, 1956. A copy of the detailed note furnished by the Government to the Estimates Committee is given in Annexure XIV. The Estimates Committee (1962-63), in its Twenty Third Report (Third Lok Sabha), accepted the above views of the Government.

4.28 The N.C.D.C. Act was passed in 1962 enabling the establishment of the present N.C.D.C. The Corporation was set up subsequent to the establishment of the present Union Department of Co-operation. The need for the N.C.D.C. besides a separate Department of Co-operation, and also the question of any duplication of functions between the N.C.D.C. and the Union Department of Co-operation, were thus, carefully examined before the present N.C.D.C. was set up. As we indicated earlier, the new developments in agriculture as also the other trends to which we have referred in the earlier paragraphs, re-inforce the need for the N.C.D.C.

4.29 The N.C.D.C. should, however, function subject to such policy directives as may be issued from time to time by the Central Government. Subject to these policy directives, the N.C.D.C. will function as an autonomous organisation and will be responsible for planning, promotion and financing of co-operative development programmes in the sectors allotted to it. It will also help the Central Government, wherever necessary, in re-shaping policies which influence the development of co-operative economic activities.

4.30 *De-officialisation.*—Another aspect to which the Public Accounts Committee have drawn attention in their Report is the de-officialisation of the co-operative movement. The Committee have observed :

“The Committee also consider it important that steps should be taken to ‘de-officialise’ the co-operative movement, which is essentially a voluntary activity. There is at present a full-fledged Department of Co-operation under Government, apart from another

official organisation like National Co-operative Development Corporation. The proliferation of official agencies is not in the Committee's opinion conducive to the 'de-officialisation' of the co-operative movement. Many of the functions of the Central Warehousing Corporation, State Warehousing Corporations and the National Co-operative Development Corporation are common, e.g., setting up of godowns, cold storages, purchase, sale, storage and distribution of agricultural produce, seeds, fertilisers etc. There are also Primary Credit Societies, Central Co-operative Banks etc. some of which seem to be working at cross purpose. It is in this context that the Committee have suggested a reconsideration of the need for an organisation like the National Cooperative Development Corporation, which, as an institution, has not to any considerable extent succeeded in securing the objectives for which it was set up."*

4.31 The term 'de-officialisation' has a wider import. In 1967, the Administrative Reforms Commission appointed a Working Group on Co-operation. A major term of reference of this four-member Committee including three Members of Parliament was to examine "the implementation of the policy of de-officialisation of the co-operative movement and the extent to which co-operative institutions are able to run on a self-governing basis and recommend steps to be taken to expedite full achievement of those objectives." The Committee defined the concept of de-officialisation as follows :

"The basic objective of de-officialisation is to ensure the functioning of co-operatives as free, voluntary and democratic institutions. Restrictions imposed by Government under legal provisions which are not in keeping with the basic principles of co-operation, exploitation of co-operative institutions by vested interests, undue interference in the working of the primary societies by untrained junior officials employed by the federal organisations and major dependence of co-operatives on the services of Government officials for managing co-operative institutions are among the important features which have been observed in the co-operative movement today and which affect the genuine autonomous character of the co-operative institutions. De-officialisation, therefore, involves removal of the restrictive features of the co-operative legislation, preventing domination of co-operatives by small groups of influential persons, devolution of supervisory and developmental functions currently discharged by Government on co-operative federal organisations in a progressive manner, and providing for good and efficient management of co-operatives by building up regular cadres and making arrangements for proper training."**

The same Committee suggested that the activities of the N.C.D.C. should be expanded to cover major activities like consumer co-operatives, industrial co-operatives and others which could be legally brought within its purview. According to that Committee, the reorgani-

*Para 10.4 of PAC's Report (1969-70).

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sation of the National Co-operative Development Corporation to provide closer involvement of co-operative leadership "will be a significant step towards the ultimate devolution of the promotional functions on the national level organisations."*

4.32 We endorse the above views of the Working Group on Co-operation. The N.C.D.C. is a promotional and developmental organisation. It has no supervisory or controlling power over the co-operatives in the States; its assistance to co-operatives is only through the State Governments who have the legislative and executive jurisdiction over these societies. The basic objective of the N.C.D.C. is to provide, at the national level, a forum for non-official leadership, State and Central Governments and public sector financing and commercial organisations, and be the focal point for the planning, initiating, developing and financing of a nation-wide co-operative programme for processing, marketing, etc. The replies we have received to a specific question addressed to national and state level co-operative federations are also to the effect that the existence of the N.C.D.C. has never been a dis-incentive to non-official participation in the co-operative movement; many federations have in fact emphasised that the existence of the N.C.D.C. has helped in non-official participation in the movement.

4.33 *Co-ordination with Warehousing Corporation.*—As observed by the P.A.C., storage constitutes a common function of Warehousing Corporations and also the N.C.D.C. The N.C.D.C. promotes storage through co-operative at village, mandi and terminal markets as an aid to their marketing and distribution functions. The warehousing corporations acquire storage capacity for use by all including private trade, commercial organisations and also co-operatives. This points to the need for a closer co-ordination of the activities of the N.C.D.C. and Warehousing Corporations; but this does not obviate the need for the N.C.D.C. which covers a wide range of economic activities in the co-operative sector.

4.34 *Reference to Co-operative Credit Structure in the P.A.C. Report.*—The reference in the Public Accounts Committee Report to primary credit societies and central co-operative banks working at cross purposes, seems to stem from a mis-understanding of the structural pattern and functions of co-operative credit. Individual farmers are members of primary credit societies and obtain credit and other services from these societies. Primary credit societies in a district are all members of the central co-operative bank for the district, the basic function of which is to raise resources to finance the primary credit societies as also other types of co-operatives like consumer co-operatives, industrial co-operatives, etc., in the district, and to provide guidance and leadership to the primary societies. The central co-operative bank does not deal directly with members of primary credit societies. The primaries and

*Report of the Working Group on Cooperation page 325.

the central co-operative banks, along with state co-operative banks at the state level, constitute a three-tier federal co-operative credit structure for provision of short and medium term co-operative credit. The primary and central banks are to strengthen each other mutually, but their sphere of operations is different. The question of these societies working at cross purposes, does not, therefore, arise.

4.35 *Scope, Objects and Functions Approach.*—The above analysis leads us to the conclusion that the N.C.D.C. should continue to exist and that, in addition to the spheres of work already allotted to it, it should perform certain new tasks. In discharging these functions, the N.C.D.C. should operate in close conjunction with the State Governments, and at no stage attempt to initiate or assist co-operative programmes in a State over the head of the State Government concerned. The next step is to define the scope, objects and functions of the N.C.D.C. and the measures to be taken to equip the Corporation for the new tasks. While seeking to make recommendations for the future, we must inevitably pay attention to things that went wrong in the past. Here, we have in view our observations in the Chapter on 'Assessment' that lack of funds, lack of autonomy and lack of staff tended to dilute the impact of the N.C.D.C. on various programmes. In equipping the N.C.D.C. for the new tasks which we envisage, it is crucial that these three vital elements—funds, autonomy and staff—are taken into account and adequate provisions made therefor. A major weakness of the present N.C.D.C. is that, in the absence of funds of its own, it has begun to operate like a Ministry dispensing Central assistance to the State Governments. An important pre-requisite for the reconstitution of the N.C.D.C. is that it should be equipped with adequate funds and its assistance to the State Governments should not be at the expense of the normal Central Plan assistance to the States. In other words, the Corporation's assistance should be additive to the State Plans.

4.36 *Core activities.*—It would be useful to distinguish between the functions which the N.C.D.C. must in any case discharge and on which it should concentrate, from those other functions which may be made permissible on its part. The principal basis of our recommendation for the continuance of the N.C.D.C. is the creation of facilities through co-operatives for supporting the rising tempo of agricultural production. The N.C.D.C. should, therefore, continue to concentrate on agriculture and, within the sphere of agriculture, focus its attention primarily on co-operative marketing, processing and storage of agricultural produce and supply of agricultural inputs.

4.37 *Dairying, animal husbandry and fishery.*—We have received suggestions that the charter of the Corporation and its activities should embrace the entire field of agricultural co-operation including dairying, poultry, fishery, etc. to enable the Corporation to play an effective role in promoting integrated agricultural co-operative development. Dairy, poultry, and fishery are indeed important activities which provide

income and employment opportunities to the weaker sections of the rural community and call for large co-operative programmes for these activities. The promotion of each of these activities, however, requires technical know-how and expertise. Specialised institutions like the National Dairy Development Board have been established in the public sector for these activities. In this connection, the Agricultural Refinance Corporation has also begun to finance dairy, poultry and fishery projects formulated on an integrated basis and linking the provision of credit to individuals with extension services, processing, storage, transport and marketing of products. In areas specially suited for these activities and also in areas covered by special programmes like S.F.D.A. and M.F.A.L. designed for assisting vulnerable sections of the rural community, the N.C.D.C. should help promote these programmes in the co-operative sector. In formulating such programmes, the N.C.D.C. might draw upon the expertise available with specialised institutions like the National Dairy Development Board.

4.38 *Forestry.*—We understand that the whole question of forest development has been examined by the Government in the recent past in relation to the demand for timber on the one hand and forest based industrial projects on the other and the conclusion reached that a project based on the development of the forest wealth of a country would need large and long-term investment which would perhaps have to draw upon sources such as the World Bank. This, in turn, might mean a specialised financing or investment corporation which deals with individual projects in different States. As far as forestry is concerned, we would suggest that the activities of the N.C.D.C. might be restricted to helping the tribal people in collecting, processing and marketing of minor forest produce through appropriate co-operatives specially organised for them.

4.39 *Notified commodities.*—In terms of the existing charter of the N.C.D.C. its activities extend to notified commodities also. The term 'notified commodities' was inserted in the N.C.D.C. Act, as we indicated in Chapter III, to obviate legislative difficulties. The scope of the present N.C.D.C. Act is relatable to Entry 33 of List III of the Seventh Schedule to the Constitution. The term 'notified commodities' in the N.C.D.C. Act relates to commodities coming under the purview of Entry 33 of the Concurrent List. The activities of the N.C.D.C. may continue to extend to such commodities as may be notified by the Government from time to time.

4.40 *Co-operative Credit.*—Co-operative credit is dealt with by the Ministry of Agriculture in the Department of Co-operation. There is a separate division in that Department for this work relating to co-operative credit. The broad policies governing co-operative credit are to be evolved by that Department in close association with the Reserve Bank of India. Loan assistance to State Governments for participating in the share capital of co-operative credit institutions is given

by the Reserve Bank of the India from its L.T.O. Fund. The Department of cooperation is operating a centrally sponsored scheme for giving loans and grants to State Governments for strengthening the agricultural credit stabilisation funds of state co-operative banks for tiding over difficult situations created by failure of crops leading to mounting overdues in the co-operative credit structure. The Department of Co-operation is also directly investing in the debentures floated by different State co-operative land development banks in the country. The N.C.D.C. is not directly associated with the co-operative credit programmes. Its present role is merely to route Central assistance to State Governments to enable them, in turn, to extend managerial assistance to co-operative credit institutions. As the N.C.D.C. is not directly dealing with this programme, we would suggest that the Corporation give up the function of routing Central assistance to State Governments in this particular context.

4.41 *Rural consumers.*—The Corporation is now dealing with rural consumer activities. The urban co-operative consumer movement is dealt with in the Department of Co-operation. The N.C.D.C. has no special role in developing consumer movement in rural areas through primary credit or marketing co-operatives. As a functional activity, it would be an advantage if both urban and rural consumer programmes are dealt with in a single organisation. We suggest that the Department of Co-operation may deal with rural consumer programme also.

4.42 *Promotional and developmental role of N.C.D.C.*—The N.C.D.C. is essentially a promotional and developmental organisation. The main ingredients of this role, as we explained in this Chapter, are : development of marketing, supply, processing and storage in the co-operative sector, to back up programmes for increasing agricultural production; promotion of area and project approach entailing pre-investment surveys, assessment of cost-benefit and investment-return ratio, integration and proper phasing of all factors including credit, marketing, etc. relevant to co-operative programmes in compact areas; stimulating flow of institutional finance to co-operative projects both from indigenous institutions like the Agricultural Refinance Corporation, Rural Electrification Corporation, etc. and also from foreign agencies ; and evolving special programmes for tribals and other weaker sections as also for backward areas.

4.43 The promotional and developmental role of the N.C.D.C. would also cover the following aspects relating to initiation, co-ordination, and evaluation of programmes :

- (i) Co-ordination of activities of various agencies for implementing area development programmes through co-operatives.

- (ii) Liaison with various Ministries and organisations like the F.C.I., the Central Warehousing Corporation, the State Trading Corporation, the Fertiliser Corporation, the Cotton Corporation, the Jute Corporation and the commodity organisations with a view to creating favourable conditions for strengthening and expansion of business activities of co-operatives in the rural sector.
- (iii) Initiating co-operative pilot projects in strategic areas of agricultural development and providing technical and financial support for such projects.
- (iv) Provision of technical guidance, consultancy services and arrangements for training and research.
- (v) Periodical evaluation of various co-operative programmes.

4.44 *Financial Role.*—It is important to recognise that the financial role of the N.C.D.C. emanates from its promotional and developmental functions. The financial role of the N.C.D.C. will mainly be to equip co-operatives with the requisite risk capital and margin money and thus enable them to have access to funds from institutional agencies for expanding their business operations and for investment on plant, machinery and buildings for processing and storage programmes. The financial role of the N.C.D.C. will include :

- (a) provision of loans and grants to State Governments for co-operative programmes ;
- (b) contribution to share capital of, and provision of loans and grants to, national/regional co-operative federations; and
- (c) provision of finance/refinance to other co-operatives on the guarantee of State Governments.

4.45 *Policy directives by Government.*—Autonomy in its operations is vital to render the N.C.D.C. effective. At the same time, being a public sector organisation in which public funds are involved, the Corporation should be accountable to the Government and through the Government to the Parliament. The autonomy of the Corporation should, therefore, be subject to the overall policy directives and priorities laid down by the Government from time to time. We suggest that the policy directives to be issued by the Government may be broadly on the following lines :

- (a) The main responsibility of the Corporation shall be to promote and develop a countrywide programme of co-operative activities for processing, storage, and marketing of agricultural produce for the benefit of the farmers and in support of agricultural programmes, as also the supply of inputs for such programmes. The Corporation shall endeavour to concentrate its attention on the priorities that may be laid down by the Government from time to time in the overall context of agricultural development.

- (b) In performing its functions, the Corporation shall operate in consultation and close association with the State Governments.
- (c) In assisting programmes for co-operatives development, the Corporation shall establish sound financing policies and procedures and, generally, take such measures as facilitate the flow of institutional finance for these programmes.
- (d) In formulating its financing policies and procedures, the Corporation shall lay down and apply criteria for, and establish priorities regarding, the choice of programmes and schemes mainly on the basis of consideration of economic viability of the schemes. The Corporation shall also lay down appropriate stipulations in regard to the technical, economic, financial and managerial aspects of each programme as a condition for providing financial assistance.
- (e) The Corporation shall direct its efforts to promote, as far as possible, 'project' and 'area development.' approach to co-operative programmes.
- (f) The terms and conditions of loans to be advanced by the Corporation and the subsidies to be granted by it shall be related to the economics of the scheme financed.
- (g) The corporation shall pay special attention to evolving suitable economic programmes for assisting tribals, small farmers and other weaker sections of the rural community as also for relatively backward areas in the country.
- (h) For assisting special programmes for weaker sections and backward areas, the Corporation may, with the prior approval of the Central Government, adopt patterns of assistance different from those applicable to other programmes.
- (i) The Corporation shall, for the efficient discharge of its functions, equip itself with adequate expert staff.

4.46 In summary, our considered view is that, for performing, at the all-India level, new tasks which are of strategic importance in the new emerging situation in agriculture, and also for directing agricultural co-operative economic activities to benefit weaker sections of the rural community and backward areas, the continuance of the National Co-operative Development Corporation, with its objects modified in their scope and its finances and administrative arrangements adequately strengthened to match its new responsibilities, is necessary. The measures to be taken to equip the Corporation administratively and financially for the new tasks are elaborated in the succeeding Chapters.

CHAPTER V

FINANCIAL ARRANGEMENTS

Basic Approach.—In essence, the financial role of the N. C. D. C. emerges from its promotional functions. This does not imply that the Corporation should attempt to finance the entire requirements of co-operatives. The approach should, as far as possible, be to encourage co-operatives to avail themselves of institutional credit from agencies like the Industrial Finance Corporation, commercial banks etc., for developing various programmes. These financing institutions will not however, finance the entire requirements of a co-operative or, for that matter, any organisation ; they would require a borrower to muster adequate risk capital, share capital and other funds on their own to provide the requisite margin of security for their funds. The major financial role of the N. C. D. C. would be to enable the co-operatives to have the requisite risk capital and margin money to be able to have access to funds from institutional agencies for expanding the business operations and for investment on plant, machinery and buildings for processing and storage programmes. Besides providing funds, the N.C.D.C. should also assume the role of a financial co-ordinator *vis-a-vis* the various institutional agencies from which funds are obtained for different programmes. The pre-requisites of the role thus envisaged for it are that the N. C. D. C. should be enabled to have its own funds, and should be free to evolve its own policies and procedures for financing the programmes, particularly those intended to benefit small farmers, and also for co-operatively backward areas, subject, however, to the overall policy directives issued and priorities laid down by, the Central Government. An important feature to be recognised is that the N.C. D.C. will function in close collaboration with the State Governments. The Corporation's assistance to co-operatives in the states will be routed mainly through the State Governments and when it assists a co-operative project direct, such assistance should be subject to the concerned State Government's guarantee. The N. C. D. C.'s assistance to States, if it is to be effective, has to be additive to the states' resources, that is, over and above the normal central assistance available to State Governments under the Plan. These different aspects are discussed in detail in this Chapter.

5.2 *Owned resources for the NCDC.*—As we explained in Chapter II, one of the principal suggestions of the Rural Credit Survey Committee was that, at the all-India level, the Central Government should assume responsibility for promotion of cooperative programmes for marketing, processing, storage and other economic activities. For this purpose, the National Cooperative Development and Warehousing Board was recommended to be set up, and equipped with

funds. The basic principles underlying the Committee's recommendations were that this all-India organisation should have funds of its own for developing different programmes under its purview, and also the freedom to determine the terms and conditions governing its assistance to State Governments for different cooperative activities. The entire assistance from the Government of India was to be in the nature of non-lapsable outright grants. Although the Central Government accepted the principle that the NCDC should be enabled to have its own funds, and this was incorporated in the Agricultural Produce (Development & Warehousing) Corporations Act, 1956, requisite funds, as indicated in Chapter II, were not released to the Board.

5.3 When the NCD&W Board was succeeded by the NCDC, the basic principle incorporated in the 1956 Act that this organisations should be enabled to build up its own funds was given up in the present NCDC Act of 1962. Section 12 of the NCDC Act provides that :

“The Central Government shall, after due appropriation made by Parliament by law in this behalf, pay to the Corporation—

- (a) by way of grant each year, such sum of money as is required by the Corporation for giving subsidies to State Governments and for meeting its administrative expenses; and
- (b) by way of loan, such sum of money on such terms and conditions as the Central Government may determine.”

In terms of Section 13 of the Act, the NCDC is expected to maintain the National Cooperative Development Fund to which are to be credited :

- (a) all moneys and other securities transferred to it from the erstwhile National Cooperative Development and Warehousing Board from its National Cooperative Development Fund;
- (b) the grants and other sums of money by way of loans paid to the Corporation by the Central Government;
- (c) such additional grants, if any, as the Central Government may make to the Corporation for purpose of the Act; and
- (d) such sums of money as may, from time to time, be realised out of repayment of loans made from the Fund or from interest on loans or dividends on investments made from the Fund.

The moneys in the Fund are required to be applied for :

- (a) advancing loans and granting subsidies to State Governments on such terms and conditions as the Corporation may deem fit, for the purpose of enabling State Governments to subscribe to the share capital of cooperative societies or for otherwise financing cooperative societies.

- (b) meeting the pay and allowances of the officers and other employees of the Corporation and other administrative expenses of the Corporation; and
- (c) carrying out the purposes of the NCDC Act.

5.4 A major departure was thus made in the mode of financing of the present NCDC. In terms of the old arrangements applicable to the erstwhile NCD&W Board, the entire assistance by the Government of India was being given as non lapsable grant to the Corporation with reference to its actual requirements for providing loans and subsidies to States for various programmes. When the NCDC was set up in 1963, it inherited a sum of Rs. 19.45 crores from the erstwhile NCD&W Board. The sources of accrual to its own corpus now is the interest received from the State Governments in respect of loans advanced to the State Governments from this inherited fund, interest on debentures, dividend on share capital, etc. The net annual receipts to the corpus is only about Rs. 2 crores. The corpus of the Corporation stood at Rs. 24.50 crores as on 31-3-1971.

5.5 The present N.C.D.C. Act provides that the funds required by the Corporation for giving subsidies to State Governments should be given as subsidy while the funds required for giving loans should be given as loans to the Corporation. The amounts sanctioned by the Government are also required to be utilised within the same financial year and unutilised amounts are to be refunded to the Central Government. The present Act, therefore, does not contemplate the possibility of the Corporation building up its own corpus of funds. Although the principle of the Corporation building up its own funds was not incorporated in the Act, an administrative decision was taken by the Government that, in practice, no interest will be charged on the amounts given to the Corporation for giving loans to the State Governments and if interest were charged, Government would subsidise the Corporation by suitable grants to the requisite extent. This arrangement was intended to augment the owned funds of the Corporation. In terms of this arrangement, interest subsidy to the extent of Rs. 135.88 lakhs was given by the Central Government to the Corporation during the years 1964-65 and 1965-66. This arrangement was also discontinued from 1st April, 1966, that is, from the end of the Third Plan period. The Public Accounts Committee, (1966-67), in their 59th Report (Third Lok Sabha), suggested that, for augmenting the owned resources of the Corporation, the Central Government might give additional grants to the Corporation instead of indirectly subsidising the interest charged. The Central Government provided an *ad-hoc* grant of Rs. 40 lakhs to the N.C.D.C. during 1966-67 in terms of Section 13(i)(c) of the N.C.D.C. Act, which provides for *ad-hoc* grants by Government to the Corporation. Such additional grants from Government were also discontinued since 1967-68. Thus, the present Act does not envisage any accrual to the corpus of funds of the N.C.D.C. in actual practice also no such accrual in the form of assistance from the Central Government, has taken place since 1967-68.

5.6 Another feature of the financial arrangements relates to flexibility on the part of the N.C.D.C. in operating its funds. Till 1967-68, the funds from the Central Government were provided to the Corporation by way of loans and grants for financing the Centrally aided Plan as well as Centrally sponsored schemes of co-operative development with discretion to the N.C.D.C. that the funds so provided could be utilised by the Corporation for any of the other purposes of the N.C.D.C. Act. From 1968-69, this discretion was withdrawn from the Corporation. Besides, while the assistance provided by the Central Government to the erstwhile N.C.D.&W. Board was non-lapsable, now the assistance provided to the Corporation is lapsable at the end of the financial year, that is, the amounts unutilised within the same financial year—either loans or grants—should be refunded to the Central Government by the Corporation soon after the close of the year. These measures have tended to fetter the financial autonomy of the N.C.D.C. Referring to these developments, the All India Rural Credit Review Committee (1969) observed that the N.C.D.C. operates like a Central Ministry dispensing assistance to the States.

5.7 *Financing of Programmes by the N.C.D.C.*—The main functions of the N.C.D.C., under its charter, are to plan and promote programmes for production, processing, marketing, storage, export and import of agricultural produce and other 'notified' commodities through co-operative societies. To enable the Corporation to undertake these functions, the charter empowers the Corporation to provide loans and subsidies to State Governments for financing credit, marketing processing storage and supply activities of the cooperatives and also for employment of staff for different co-operative programmes. The Corporation is also empowered to provide funds to State Governments for financing co-operative societies for the purchase of agricultural produce and 'notified' commodities on behalf of the Central Government ; this provision, however, has not been invoked by the Corporation so far.

5.8 *Loans to State Governments.*—The N. C. D. C. provides loan assistance to the State Governments for the following purposes :

- (i) to subscribe to the share capital of marketing and processing co-operatives;
- (ii) to grant loans to credit, marketing and processing co-operatives for construction of godowns ; and
- (iii) to grant loans to co-operatives for installing processing plants, cold storages, etc., purchase of transport vehicles, for manufacture of agricultural inputs and for setting up agricultural machinery service centres.

5.9 *Grants to State Governments.*—While the loans given by the N. C. D. C. to State Governments are confined mainly to marketing, processing, storage and supply activities, the grants given by it extend to co-operative credit activities also.

Loan assistance to State Governments for participating in the share capital of co-operative credit institutions is provided by the Reserve Bank of India from its Long Term Operations Fund. As the Reserve Bank cannot provide subsidies to State Governments, the Central Government is providing such subsidies for co-operative credit activities through the N.C.D.C. The N.C.D.C. provides subsidies to the State Governments for the following purposes :

- (i) to grant staff subsidies to co-operative credit marketing and processing societies at different levels;
- (ii) to make out-right grants towards special bad debt reserves of Central Co-operative banks and primary agricultural societies;
- (iii) to grant subsidies to primary marketing and processing societies for construction and also for hiring of godowns;
- (iv) to grant subsidies to marketing and processing societies for establishing grading units ;
- (v) to grant subsidies towards installation of machinery and construction of workshops by co-operatives for production of agricultural inputs and servicing of agricultural machinery ; and
- (vi) for employment of additional staff in the State Co-operative Departments.

5.10 As the N.C.D.C. is not directly involved in co-operative credit programmes and as the Ministry of Agriculture in the Department of Co-operation is co-ordinating the co-operative credit programmes, we suggest that the Corporation may be divested of the responsibility for providing assistance to State Governments for co-operative credit programmes.

5.11 *Scheme-wise Funds from Government.*—The Central Government are providing funds to the N.C.D.C. under the following plan schemes :

- (i) Centrally Sponsored schemes.
- (ii) Central Sector Schemes.
- (iii) Centrally aided Plan schemes.

The N. C. D. C. has no discretion to divert funds from one scheme to another.

5.12 *Centrally Sponsored and Central Sector Schemes.*—“The concept of ‘Centrally sponsored sector’ has evolved gradually during the plans. In the First Plan, practically every scheme was sponsored by the Central and there were no distinct categories like ‘Centrally sponsored’ and ‘Centrally aided’.* Special schemes formulated and sponsored by

*Page 121 of the Report of the Study Team set up by the Administrative Reforms Commission on Centre-State Relationships.

the Central Government from the Second Plan period onwards, partially or wholly financed by them and executed by the State Governments, came to be known as "Centrally sponsored schemes". The assistance given by the Centre for these schemes is over and above the total assistance earmarked for the State in the State Plan and provision for it is, therefore, made in the Budget of the Central Ministries. Besides the "Centrally sponsored" scheme there is another sector called the "Central Sector schemes" which are also sponsored and financed by the Central Government; but such assistance can be made direct by the Central Government to institutions/organisations concerned. For instance, the Fourth Plan envisages direct assistance under Central Sector schemes to certain institutions like the Agricultural Refinance Corporation, Central land development banks, etc.

5.13 Till the 31st March, 1969, the N. C. D. C. was operating the following Centrally sponsored schemes :

- (i) Additional assistance to Eastern States and Rajasthan for co-operative development.
- (ii) Additional managerial subsidy to primary marketing societies for undertaking distribution of consumer articles in rural areas.
- (iii) Establishment of export-oriented co-operative agricultural processing units and modern rice mills, and
- (iv) Special development programmes for construction of godowns by co-operative societies (*ad-hoc* schemes sponsored by the Union Department of Agriculture).

In pursuance of the decision of the Committee of the National Development Council to reduce the number of Centrally sponsored schemes to the absolute minimum, these schemes were discontinued from 1st April, 1969. During 1966-67, assistance under the Centrally sponsored schemes of strengthening of Agricultural Credit Stabilisation Funds of State co-operative banks was provided to State Governments through the Corporation. From 1967-68, assistance under this scheme is being provided by the Union Department of Co-operation directly.

5.14 The N.C.D.C. is now operating one Centrally sponsored scheme for providing margin money to State or district co-operative marketing federations. The objective of the scheme is to enable these federations to raise adequate working capital from banking institutions for purchase, stocking and distribution of fertilisers and other inputs for agriculture. The outlay on this scheme for the Fourth Plan is Rs. 14.50 crores ; of this, Rs. 5 crores were spent during the first two years of the Plan and a provision of Rs. 3 crores is made in the budget for 1971-72. Under this scheme, the N.C.D.C. provides loans to State Governments which either invest in the share capital of the concerned co-operatives or give loans to them. Release of N.C.D.C's assistance

is related to the actual requirements of the concerned co-operatives, keeping in view their turnover in fertilisers and other inputs. No matching contribution either from the State Governments or from the co-operatives is required for release of assistance by the N.C.D.C.

5.15 The N. C. D. C. is now operating one Central Sector scheme for establishing small and medium-sized processing units for which assistance is normally not available from institutional financing agencies. Under this scheme, the Corporation provides loan assistance through the State Co-operative banks for the State Governments upto the extent of 75% of the block cost in the case of projects costing upto Rs. 10 lakhs, and upto 70% of the block cost in the case of schemes costing between Rs. 10—40 lakhs. The balance of the amount of 25—30% of the block cost is to be raised by the concerned society by way of equity capital from its members and from the State Government concerned. The outlay in the Fourth Plan for this scheme, which was introduced late in 1969-70, is Rs. 9 crores. The scheme is project-based. The N.C.D.C. examines the technical feasibility and economic viability of each scheme and approves of the schemes for its assistance. The release of assistance is in the nature of refinance to the State Government/Co-operative banks, who approach the N.C.D.C. for reimbursement of assistance provided by them to the co-operative project. The release of funds by the N.C.D.C. under the scheme is, thus, progress-oriented. With a view to stimulating agro-based co-operative industries in backward areas, the Corporation proposes to liberalise the terms of its assistance by way of reducing the margin on share capital to be raised by members, reducing the rate of interest, increasing the term of the loan from 14 to 20 years and also providing moratorium for the first three to five years.

5.16 *Centrally aided Plan Schemes.*—The Central assistance to State Governments for State Plan Schemes coming under the purview of the N. C. D. C. is also routed through the Corporation. The third term of reference given to us requires us to examine the need for such routing of this Central assistance. We examine this aspect in detail in Chapter VII. Meanwhile a brief reference to the nature and quantum of assistance received by the N.C.D.C. under this scheme is made in the following paragraphs in the context of the overall financial arrangement to be envisaged for the N.C.D.C. Funds received by the N.C. D.C. from the Central Government under the Centrally aided Plan schemes constitute a substantial part of the total funds received by it from the Central Government. To illustrate, of the total budget provision of Rs. 11 crores made by Central Government of N.C.D.C. during 1971-72, Rs. 6 crores are for Centrally aided State Plan schemes, Rs. 3 crores for Centrally sponsored scheme and Rs. 2 crores for Central sector scheme.

5.17 Prior to the Fourth Plan, as we explain in Chapter VII, each scheme relating to marketing, processing, storage, etc., had a different pattern of assistance attached to it. The State Governments were, therefore, required to report to the N.C.D.C., the expenditure

on each such scheme for claiming Central assistance from the N.C.D.C. according to the different patterns of assistance applicable to them. Under the new system introduced since the inception of the Fourth Plan, the assistance provided by the N.C.D.C. to the State Governments under the Centrally aided State Plan schemes continue to be treated as 'earmarked' assistance. But release of assistance by the N.C.D.C. is not related to schematic patterns. The general formula that 70% of Central Assistance to States should be provided as loan and the remaining 30% as subsidy, applies to N. C. D. C.'s assistance to State Governments also. The total Central assistance to be made available by N.C.D.C. to different States is also determined by the Ministry of Finance/Planning Commission. In terms of this new procedure, the N.C.D.C. could ensure that the Central assistance actually flows to the groups of schemes covering co-operative marketing, processing, supplies, storage and inputs; but the release of assistance cannot be related to individual schemes for marketing, processing, etc.

5.18 Another feature of reliance on Centrally aided State Plan schemes for implementing programmes of co-operative marketing, processing, storage, etc. which are of crucial importance to agricultural development in general, is that the State Governments do not make adequate provision for these schemes and the N.C.D.C. is not also in a position to influence the direction of progress of these programmes. The case studies undertaken in Maharashtra showed that the financial assistance provided by the N.C.D.C. has not been adequate to meet the requirements of progressively expending co-operative sector in that State. For example, during the years 1966-67 to 1970-71, the State Government contributed to the share capital of co-operative sugar and spinning mills to the extent of Rs. 7.07 crores and Rs. 5.10 crores, respectively, while the assistance provided by the N.C.D.C. for this purpose was only of the order of Rs. 94 lakhs and Rs. 71 lakhs, respectively. We understand there have been similar instances where the Corporation could not provide adequate assistance to the State Governments due to limitations of ceilings of Central Assistance in spite of the needs approved programmes. In Maharashtra, despite inadequate assistance from the N.C.D.C., the State Government could take up a larger programme of co-operative sugar factories and spinning mills on its own because it could find the necessary resources. In many other States, where the State Governments cannot find the necessary resources, the programmes have necessarily to suffer.

5.19 *Schemes financed from NCDC's own funds.*—Besides providing assistance to State Governments under Centrally sponsored, Central sector and Centrally aided Plan schemes the Corporation has also been sponsoring and financing schemes from its own corpus which stood at Rs. 24.50 crores as on 31st March, 1971. The Corporation has been utilising this amount for expanding cooperative rice milling programme and for sponsoring pilot programmes like agricultural machinery servicing-cum-hiring units, granular fertiliser manufacture and seed processing units. Assistance to national federations is also

provided from this fund. The N.C.D.C. scheme of assisting national and State co-operative marketing federations for establishing promotional and technical cells for co-ordinating and providing guidance to important programmes of marketing and processing is also supported by this fund.

5.20 *Terms and conditions of N. C. D. C's assistance.*—Assistance for Centrally aided State Plan schemes and Centrally sponsored schemes is given by the corporation to the State Governments at the same rate of interest and on the same terms of repayment as stipulated by the Central Government in terms of its assistance to the Corporation. In respect of the Central sector schemes of loans towards block investment of processing units, the Corporation has been allowed to keep a margin of 1% in the rate of interest. The Corporation charges an interest of 6½% for loans given to State Governments from out of its own corpus, if the loan is intended for investment by the State Government in the share capital of co-operative institutions, and 7½% if it is intended to be passed on as loan to a co-operative.

5.21 The N.C.D.C. has also laid down broad guidelines regarding the pattern of assistance to be provided by the State Governments to co-operatives for different types of activities. A copy of the patterns suggested by the N.C.D.C. is given in Annexure XV. The State Governments could, however, modify these patterns in consultation with the N.C.D.C. These patterns were in vogue during the Third Plan period and the N.C.D.C. adopted these patterns after approval by the Ministry of Finance/Planning Commission.

5.22 The total assistance provided by the erstwhile N.C.D. & W. Board and the N.C.D.C. for different co-operative programmes since 1956 upto the 31st March, 1971 was Rs. 118.30 crores, consisting of loans of Rs. 88.40 crores and subsidy of Rs. 29.90 crores. A statement indicating year-wise and State-wise assistance provided is given in Annexure XVI.

5.23 *Suggested Financial Role for the N.C.D.C.*—As we indicated in the Chapter on Scope, Objects and Functions, the N.C.D.C. has, in the new context of the developments in agriculture, a vital role in the designing and development of co-operative economic activities directed towards providing support to the increasing tempo of agricultural production. The programmes of co-operative processing, storage and marketing and supply of inputs need to be substantially stepped up to cope with the increasing production. Co-operatives will have to be financially equipped for intensifying their activities. Increasingly greater reliance has to be placed by them on institutional finance for various programmes. To enable co-operatives to have access to institutional sources of finance they should be equipped with equity capital and margin money.

5.24 While co-operatives themselves should direct their efforts to the mobilisation of additional resources from their members, their efforts cannot be commensurate with the rapidly increasing requirements. A large programme of planned participation in the share-capital of marketing and processing co-operatives through the state governments therefore, becomes a necessity, and the N.C.D.C. should be equipped to provide the requisite assistance to the state governments. Implicit in the function of providing margin money for different co-operative economic activities is the N.C.D.C.'s role as a financial coordinator. It will help in arranging for funds from institutional agencies like the Industrial Finance Corporation, I.D.B.I., etc.

5.25 A suggestion has been made to us that the N.C.D.C. should be reconstituted as a financing institution, requiring it to finance all the co-operative processing industries like sugar mills, spinning mills etc. In other words, according to this suggestion, the N.C.D.C. should take over the functions of a central financing institutions like the Industrial Finance Corporation, Industrial Development Bank of India, etc., in so far as they relate to industries organised by co-operatives. In the overall setting of the institutional arrangements for financing of industries in the country, it would be a duplication of efforts to develop the N.C.D.C. as a financing institution supplanting the existing specialised organisations like the I.F.C. A co-operative would need risk capital, residual block capital and secured loans. While the N.C.D.C. should assist in risk capital and also, if necessary, part of residual capital, a co-operative should normally resort to secured loans from institutional agencies for financing a major part of its block capital. In other words, the objective of the N.C.D.C.'s assistance should be to help co-operatives to raise resources from institutional agencies. However, there may be certain programmes of pilot nature for which institutional finance might not be readily available. In such situations, a substantial part of the block capital requirements of these programmes may have to be met by the N.C.D.C.

5.26 *Weaker Sections and Backward Areas.*—Another major area of responsibility we envisage for the N.C.D.C. is the sponsoring of special programmes designed to benefit small farmers and other weaker sections of the rural community, and also stimulating the growth of co-operative activities in the agricultural sector in the relatively under-developed areas. These would call for provision of funds by the N.C.D.C. on more liberal terms, and also imply a large element of subsidy to render the schemes economically viable. The Corporation should, therefore, have the necessary degree of autonomy and flexibility in its financial operations to ensure effective implementation of such special programmes. The autonomy of the N.C.D.C. should, however, be subject to the overall policy directives that might be given by the Central Government.

5.27 *Project and Area Development.*—There are two important lines of approach to planned cooperative development. The first is to promote co-operative marketing, processing and storage as package activities for developing agricultural resources in a given area, and linking these activities to agricultural production programmes including supply of credit and other inputs. The second is to promote specific agro-industrial projects based on survey of potentialities of various areas. The N.C.D.C. should assume special responsibility for promoting area development and project programmes and also arrange for their financing by institutional agencies.

5.28 *Utilisation of N.C.D.C.'s Funds-Purposes.*—The N. C. D. C. should be enabled to have funds :

- (i) to advance loans to state governments for giving loans to or investing in the share-capital of cooperative institutions ;
- (ii) to participate in the share-capital of, and provide loans and grants to, the national and regional cooperative institutions;
- (iii) to provide finance/re-finance to other types of cooperatives on the guarantee of the State Governments concerned ; and
- (iv) to provide grants to State Governments for co-operative programmes.

5.29 *State Governments to be involved.*—The N.C.D.C.'s assistance will be only for those programmes which come under its purview. In other words, the N.C.D.C. should be divested of its present responsibility of providing assistance for cooperative credit programmes. Its assistance should be confined to programmes which come under its purview, that is, cooperative marketing, processing, storage and supply of inputs. It is not envisaged that the N.C.D.C. would deal direct with individual cooperatives, with the sole exception of national and regional co-operative institutions. It should operate only through, or in close association with, the State Governments who are, under the Constitution, primarily responsible for "Cooperative Societies" registered under the respective State Cooperative Societies' Act.

5.30 *Direct Assistance to National Federations.*—There is no specific provision in the present N.C.D.C. Act for the N.C.D.C. to provide direct assistance to cooperatives. There are national and regional level cooperative institutions whose constituents are spread over more than one State and no one State Government could be expected to provide assistance to these all-India/regional organisations. In fact, even under the Constitution, the legislative and executive responsibility in respect of such cooperative societies, whose object extends beyond one State, vests in the Central Government in terms of Entry 44 in the Union List. These cooperatives are also governed by the Multi-unit Cooperative Societies Act, 1942 which is a Central Act. The N.C.D.C. has been providing assistance direct to these institutions;

but such assistance is mainly from its own corpus of funds, as no assistance is provided by the Central Government to the N.C.D.C. for providing direct assistance to cooperatives. Specific provision needs, therefore, to be made in the N.C.D.C. Act itself to enable the Corporation to give assistance direct to such cooperatives.

5.31 *Resources for The N.C.D.C.*—Finance is an important catalyst; but the N.C.D.C. is now straight-jacketed as far as resources are concerned. A constant suggestion we come across in the replies to our questionnaires issued to the State Governments, Registrars and co-operative organisations is that the Corporation should be financially well equipped to be able to provide larger and effective support to expanding programmes of cooperative marketing, processing, etc. The Working Group on Cooperation (1968) set up by the Administrative Reforms Commission, described the change in the procedure whereby Central Government gave up non-lapsable grants to the N.C.D.C. as “a retrograde step and is not in consonance with the original concept of having a semiautonomous organisation”. That Working Group also suggested that the “Corporation should be enabled to have its own funds in addition to loans and grants routed through it to the State Governments. This will enable the Corporation to initiate new programmes of pioneering nature”. The Dantwala Committee on Co-operative Marketing (1966) observed that the National Cooperative Development Funds of the N.C.D.C. should be strengthened to enable the Corporation to play its role fully. The Committee recommended that the entire assistance to the Corporation for financing schemes included in the Plan should be given by the Central Government by way of grants each year for five years and if this is not possible, the Central Government might make adequate recurring grants each year to the N.C.D.C. for 10 years.

5.32 *Mechanism for Provision of Assistance.*—As we mentioned earlier, to enable the Corporation to perform the new tasks we envisage for it, it is crucial that it should be financially well equipped. The assistance it provides to the State Governments should be on the analogy of that provided by the Reserve Bank of India from the Long Term Operations Fund to the State Governments for investing in the share capital of the cooperative banking structure. In the Fourth Plan, expenditure on identifiable schemes of a developmental nature financed from the resources provided by the Reserve Bank out of the Long Term Operations Fund has been included in the public sector plan. Correspondingly, credit has been taken in the Fourth Plan for a sum of Rs. 202 crores likely to be made available by the Reserve Bank for the Fourth Plan period for these purposes in Plan resources; of this amount, Rs. 37 crores represents loans to State Governments for participation in the share capital of cooperatives and the balance of Rs. 165 crores is for other programmes. The amount of Rs. 37 crores representing loan assistance to State Governments has been treated as state plan resources and not as part of central assistance for state plans. Thus, while the state plan outlays will include estimated drawals from the

Long Term Operations Fund, it has been agreed that if the states are able to obtain assistance from the Long Term Operations Fund exceeding the limits indicated in the relative State plans, Plan outlays should be correspondingly increased. We suggest that the N.C.D.C.'s assistance to the states for the programmes coming under its purview should also be on the same lines as that of the Reserve Banks assistance from its Long-Term Operations Fund. In other words, the assistance from the N.C.D.C. would form part of the overall state plan outlays, but not part of the central assistance for state plans. The N.C.D.C. should be free to provide assistance, as in the case of Long Term Operations Fund, to State Governments in terms of the actual requirements for various programmes.

5.33 Another procedural matter relates to assistance from the Central Government to the N.C.D.C. At present, as we had explained earlier, the N.C.D.C. receives assistance from the Central Government under different schemes like Centrally Aided State Plan Schemes, Central Sector Schemes and Centrally Sponsored Schemes. The Corporation, in turn, provides assistance to State Governments separately under the different schemes and it has no discretion to re-allocate funds from one scheme to the other. Now that we envisage discretion to the N.C.D.C. in its financial operations, the Central Government might provide lump-sum assistance to the Corporation under single Central Sector scheme on the analogy of the assistance provided by them to other financing institutions. For example, the Central Plan in the Fourth Five Year Plan includes a provision to the extent of Rs. 545 crores by way of support to such programmes through institutions like the Agricultural Refinance Corporation, Land Development Banks, Rural Electrification Corporation and Indian Dairy Corporation.*

5.34 That the N.C.D.C. should be enabled to have its own funds is basic to the financial arrangements we envisage for it. We have not estimated—nor is it possible to do so at this stage—the total requirements of funds for the N.C.D.C. upto the end of the Fifth Plan period. However, we envisage an intensive development of cooperative activities relating to marketing, processing, storage etc., and the demand on the N.C.D.C. for supporting these programmes financially would be large. The resources of the N.C.D.C. need, therefore, to be augmented substantially. At present, the Central Government is the only source of finance for the N.C.D.C. The areas from which the Corporation could raise funds will have to be widened to enable it to muster resources to match its requirements. We examine in the succeeding paragraphs various sources from which the N.C.D.C. could raise funds for its programmes.

*Page 59 of Fourth Five Year Plan.

5.35 *Non lapsable Grants from the Central Government.*—The corpus of the N.C.D.C. as on the 31st March, 1971 was of the order of Rs. 24.50 crores, most of which has already been invested by way of loans to State Governments and share capital contribution to national federations as also in the debentures of central land development banks. The annual receipt by way of repayment of loans and interest is of the order of Rs. 5 crores only. The N.C.D.C. is utilising these receipts for promoting pilot schemes of importance to agricultural development like seed processing units and agricultural machinery service centres. We recommended that for promotion of cooperative marketing, processing, storage and similar programmes of cooperative development, the Central Government should provide a non-lapsable annual grant of not less than Rs. 10 crores upto the end of the Fifth Plan (1978-79) and the position reviewed thereafter. The N.C.D.C. should utilise these funds for giving grants or loans or both, as appropriate, for different programmes.

5.36 As already explained, the N.C.D.C. is now operating a Centrally Sponsored Scheme of providing margin money to marketing cooperatives for fertiliser distribution. The outlay on this scheme during the Fourth Plan is Rs. 14.50 crores, of which Rs. 8 crores will have been spent by the end of 1971-72. The Corporation is also operating another central sector scheme for providing block capital assistance to small and medium sized cooperative processing units. The outlay on this scheme during the Fourth Plan is Rs. 9 crores; of this an amount of Rs. 2.50 crores will have been spent by the end of 1971-72. Besides the minimum annual non-lapsable grant of Rs. 10 crores suggested above, the Central Government may continue to provide funds for these schemes during the remaining period of the Fourth Plan, after which the need for raising the minimum grant might be considered in the context of the requirements of the N.C.D.C. for various programmes sponsored by it.

5.37 In this context, it would be relevant to refer to the arrangements made at the national level for the development of cooperative credit. In terms of section 46-A of the R.B.I. Act, the Reserve Bank is required to contribute to the National Agricultural Credit (Long Term Operations) Fund an initial sum of Rs. 10 crores and such further sums of money as the Bank may decide from year to year provided that the annual contribution during each of the five years commencing from 1st July, 1955 should not be less than Rs. 5 crores. In actual fact, the average annual contribution was much higher. The total amount to the credit of this Fund in 1970, was of the order of Rs. 172 crores; the amount contributed by the Reserve Bank in 1970 was Rs. 17 crores. A Statement indicating the annual contribution of the Reserve Bank to the Long Term Operations Fund is given at Annexure XVII.

5.38 A net-work of facilities for processing, storage and marketing in the cooperative sector is of vital importance for agricultural development. It is as necessary to find adequate funds for these schemes as for comparable programmes for the development of agricultural credit in the cooperative sphere. It is in this context that we suggest a minimum contribution of Rs. 10 crores by the Central Government to the N.C.D.C. for the different programmes entrusted to it.

5.39 *Re-scheduling of existing Loans to Central Government.*—On 31-3-1971, the Corporation owned to the Central Government a sum of Rs. 40.45 crores under various loans received for different plan schemes in different years. These loans are normally repayable to the Central Government over a period of 14 years. The annual repayments to the Central Government in respect of these loans are of the order of Rs. 2.4 crores as principal and Rs. 2 crores as interest. A suggestion has been made to us that this entire amount of outstanding loans may be converted as an outright grant to the N.C.D.C. so that, together with the existing corpus of Rs. 24.50 crores, the Corporation could have a revolving fund of about Rs. 65 crores to begin with. We have suggested a recurring non-lapsable grant of not less than Rs. 10 crores annual to the N.C.D.C. It would not be necessary to provide a further grant of nearly Rs. 40 crores by way of conversion of the existing loans. However, we would suggest that all these loans be consolidated into, a single interest-free loan as on 31st March, 1971 along with a re-scheduling of repayment. In this connection, we would refer to the provision in the Agricultural Refinance Corporation Act relating to the Central Government's assistnace to that Corporation. Section 19 of the Agricultural Refinance Corporation Act provides :

“The Central Government shall, after the appropriation made by Parliament by law in this behalf, make to the Corporation an interest-free loan of Rs. 5 crores, repayable in 15 equal annual instalments commencing on the expiry of a period of 15 years from the date of receipt of the loan: Provided that the Central Government, may on a request being made to it by the Corporation, increase the number of instalments or alter the amount of any instalment or vary the date on which any instalment is payable.”

The A.R.C. Act thus envisages a 30 year loan from the Central Government to the Corporation with a moratorium for 15 years. We suggest a similar arrangements for the N.C.D.C. also in respect of the outstanding loans of the Corporation as on 31-3-1971 to the Central Government. In other words, our suggestion is that the outstanding amount of Rs. 40.45 crores may be consolidated into a single interest-free loan repayable in 15 annual instalments; the first instalment commencing after the expiry of 15 years. The N.C.D.C. has already disbursed this amount to the State Governments and the repayments in respect of these are of the order of Rs. 2.4 crores by way of principal and Rs. 2 crores by way of interest.

5.40 *National Industrial Credit (Long Term Operations) Fund of the R. B. I.*—Another source of funds for the N.C.D.C. should be the

National Industrial Credit (Long Term Operations) Fund of the Reserve Bank of India. This fund has been constituted under Section 46-C of the Reserve Bank of India Act, in terms of which the Reserve Bank is required to credit an initial amount of Rs. 10 crores to this fund and also to make an annual recurring contribution of not less than Rs. 5 crores during each of the years commencing from 1964-65, and thereafter such sums as the Bank may determine. The total amount to the credit of this fund as at the end of June, 1970 was Rs. 95 crores against which the investments in the form of loans and advances amounted to Rs. 26.27 crores. This fund is to be utilised for :

- (a) "the making to the Development Bank of loans and advances for the purpose of purchase of, or subscription to stocks, shares, bonds or debentures issued by the Industrial Finance Corporation of India established under the Industrial Finance Corporations Act, 1948, a State Financial Corporation established under the State Financial Corporation Act, 1951, or any other financial institution which may be notified by the Central Government in this behalf, or for the purposes of any other business of the Development Bank ;
- (b) the purchasing of bonds and debentures issued by the Development Bank."

As the objective of this fund is to provide support to industrial development in the country, and as one of the major functions of the N.C.D.C. will be to promote the agricultural processing industry in the co-operative sector, we suggest that N.C.D.C. should be enabled to obtain assistance from this fund. To render this possible, the Central Government might notify the N.C.D.C. as a financing institution for the purpose of drawing assistance from the I. D. S. I. under Section 46-C of the R.B.I. Act. As we indicated earlier, the N.C.D.C. would require funds primarily for providing equity capital and residual block capital to cooperative processing units and, for this purpose, it would need soft loans to enable it to provide assistance on liberal terms to co-operatives. The Central Government might, therefore, examine whether the N.C.D.C. should not be allowed to have direct access to the Long Term Operations Fund instead of borrowing through the I.D.B.I., and also consider the need for amending the R.B.I. Act.

5.41 *Assistance from International Financing Agencies.*—Recently, as we mentioned in Chapter IV, the World Bank and other international financing agencies have begun to take a keen interest in financing agricultural development programmes. Such assistance could be availed of for cooperative development programmes also. We have in view programmes for the construction of a net-work of godowns, establishment of cold storages for preservation of fruits and vegetables, setting up of agro-industrial complexes and modernisation of rice-mills in the cooperative sector. The N.C.D.C. should formulate suitable programmes on the basis of which it may avail itself of international assistance.

5.42 *Market Borrowings.*—In view of the increasing demands for funds to finance programmes of cooperative marketing, processing etc., the Central Government may also consider the possibility of enabling the N.C.D.C. to resort to market borrowing through debentures which may be guaranteed by them. Besides commercial banks and other financing institutions, cooperative societies themselves might be an important source in this connection. The working of institutions like cooperative sugar factories has resulted in sizeable surpluses and the N.C.D.C. should be able to attract funds from these sources.

5.43 *Exemption from Income-Tax.*—As matter stand, the Corporation is liable to pay income-tax on its income from interest on loans and other investments, dividends, etc. The income-tax payable by the Corporation is now of the order of Rs. 70 to 80 lakhs per year. We understand that institutions like the Industrial Development Bank of India and the Unit Trust of India have been exempted from payment of income-tax and other taxes on the income, profits or gains derived by them*. As the N.C.D.C. is a non-profit making, developmental and promotional statutory organisation, a similar exemption from income-tax other taxes may be extended to it.

5.44 *Funds.*—Today, the Corporation maintains a single fund called the 'National Co-operative Development Fund', from which all assistance given by the Corporation as well as administrative and other expenses incurred by it are met. It is, however, important to distinguish between different aspects of the financing role of the N.C.D.C. The first is the financing of specific projects involving the creation of assets such as co-operative processing units, cold storages and co-operative godowns. This involves careful planning of individual units, detailed pre-investment surveys, and the insistence on certain standards and criteria, including a minimum net return on the estimated investment. The second is the provision of finance for co-operative institutions which undertake commercial operations of which the main items are the marketing of produce and distribution of inputs. The third is the provision of subsidy for various programmes as a promotional measure. The Corporation may be required to maintain different accounts or even different funds for these different purposes. It may not be necessary to provide in the Statute itself for the creation of these funds. The Statute may merely provide for the creation of such funds as may be notified by the Central Government. The allocation of resources for the funds and the utilisation of the amounts from them may be left to the determination of the Central Government in consultation with the Corporation.

5.45 *Conclusions and Suggestions.*—Our conclusion is that, in order to render the N.C.D.C. effective in the performance of its functions, it should be equipped with adequate funds and endowed with autonomy in its operations subject, however, to certain broad policy directives that may be given by the Central Government from time to time. We

*Reserve Bank of India—Functions and Working (1970) Pages 159 and 166.

have elsewhere indicated what these directives might be. Our principal recommendations for strengthening the resources of the N.C.D.C. may now be set out. They are as follows :

- (i) The Central Government should give an annual non-lapsable grant of not less than Rs. 10 crores upto the end of the Fifth Plan period, after which the position may be reviewed.
- (ii) The Central Government are making available funds to the N.C.D.C. for certain centrally sponsored and central Sector schemes. Besides the minimum non-lapsable grant of Rs. 10 crores suggested above, the Central Government may continue to provide funds for these schemes during the remaining period of the Fourth Plan, after which the need for raising the minimum grant might be considered in the context of the requirements of the N.C.D.C. *vis-a-vis* the programmes sponsored by it.
- (iii) The outstanding loans of the N.C.D.C. to the Central Government which stood at Rs. 40.45 crores as on 31st March, 1971 may be consolidated into a single interest-free loan and the repayment re-scheduled so that the N.C.D.C. repays this amount in 15 annual instalments, the first instalment commencing after 15 years.
- (iv) The National Industrial Credit (Long Term Operations) Fund of the Reserve Bank of India should be utilised for financing the N.C.D.C.
- (v) The N.C.D.C. should attempt to obtain loans from international agencies for implementing programmes drawn up on an 'area' or 'project' basis.
- (vi) As it is a non-profit making, promotional and developmental organisation, the N.C.D.C. should be exempted from payment of income tax and other taxes on income.
- (vii) The N.C.D.C. should be enabled to have access to market borrowing on the guarantee of the Central Government. The Corporation should also muster resources from institutions like cooperative sugar factories.

5.46 The financing role of the N.C.D.C. should be that of catalyst. The N.C.D.C.'s assistance should generally provide a base for attracting institutional finance for the various schemes assisted by it. As the responsibility for implementing cooperative programmes rests with the State Governments, the Corporation should provide assistance to State Governments to enable them to finance cooperatives or provide assistance to cooperatives on the guarantee of the State Governments concerned. The N.C.D.C.'s assistance to State Governments, though part of the total Plan, should be additive to State Plan resources including normal Central assistance. The Corporation may, however, provide direct assistance to the national federations.

CHAPTER VI

FUTURE SET UP

Introduction.—We have redefined, in Chapter IV, the scope, objectives and functions of the NCDC. We envisage for it the two-fold role of a promotional and financing institution. In the spheres allotted to it and more especially in those of cooperative marketing, processing, storage and input supply, envisaged as complementary to cooperative credit, it should, throughout the country, assist State Governments and the appropriate federal and other organisations to bring the cooperative structure more in line with the fast-growing requirements, quantitative and qualitative, of the country's agriculture progress. In doing so, both its own approach and that which it helps Governments and institutions to adopt should be increasingly aligned with modern developmental and managerial techniques including area development and project appraisal and evaluation. Subject to this overall responsibility, it should pay special attention to programmes for small farmers and the other weaker sections of the rural community as well as to those States, regions and territories which have lagged behind in cooperative development. In the preceding Chapter, we considered the financial measures necessary to support this enlargement and diversification of the activities of the NCDC. Equally important is the need to equip the NCDC adequately for the discharge of the administrative, managerial and technical aspects of the new task.

6.2. *Essential Features.*—The future set-up of the NCDC should reflect the nature of functions of the organisation, the type of activities it sponsors and the institutions and authorities it has to deal with. The NCDC is to be an autonomous, all-India planning, promotional co-ordinating and financing agency for certain economic activities to be undertaken by the cooperatives which are voluntary organisations and which have organised themselves as a federal structure culminating in national federations for different activities. The basic responsibility for cooperative programmes vests in the State Governments. However, policy support from the Government of India in the various Ministries, financial support from central agencies like the Reserve Bank of India, Industrial Finance Corporation, nationalised banks and business support from public sector undertakings like the Food Corporation are vital to a planned and progressive development of different cooperative programmes.

6.3. *Aspects of Future Set up.*—In examining the future set up of the NCDC, the main aspects which have to be considered are composition of the membership of the Corporation, its management, appointment of chief executive officer, staff development with field orientation, building up of expertise for the various programmes and relations with the Government. An important feature to be recognised in considering the administration of the NCDC is its autonomy. The NCDC should be allowed to function as an independent and autonomous organisation

and act as a mere 'wing' or 'an attached office' of the Ministry of Agriculture. This is not, however, to ignore the responsibility of the Ministry which provides funds to the NCDC and is responsible to the Parliament. The Ministry should have a right to give policy directives to, and lay down the priorities of, development of programmes sponsored by the Corporation.

6.4. *Present constitution of the NCDC.*—The present NCDC, like its predecessor the NCD & W Board, is a two tier organisation consisting of a Corporation which is in the nature of General Body with 20 members and an Executive Committee of seven. Section 3 of the NCDC Act provides that the Corporation shall consist of the following members

- (i) nine members representing the Central Government to be nominated by that Government in such manner as may be prescribed;
- (ii) one representative of the Reserve Bank of India to be nominated by the Reserve Bank;
- (iii) one representative of the State Bank, to be nominated by the State Bank;
- (iv) one representative of the Central Warehousing Corporation to be nominated by that Corporation;
- (v) eight non-officials nominated by the Central Government of whom—
 - (a) one shall be a representative of the National Cooperative Union of India;
 - (b) two shall be persons who have special knowledge of rural economics and cooperation; and
 - (c) five shall be persons recommended by the State Government on a zonal basis in consultation with non-official cooperative organisations in the States in accordance with the Rules made under this Act.

There shall be a Chairman and a Vice-Chairman of the Corporation who shall be chosen from among the members in such manner as may be prescribed.

For nominating 5 persons on a zonal basis, the Central Government have, under the Rules, notified the following zones:—

- (1) Andhra Pradesh, Kerala, Madras, Laccadive, Minicoy and Amindive Islands and Pondicherry.
- (2) Gujarat, Maharashtra and Mysore.
- (3) Assam, Bihar, Orissa, West Bengal, Andaman and Nicobar Islands, Manipur, Nagaland, Arunachal Pradesh and Tripura.

- (4) Madhya Pradesh and Uttar Pradesh.
- (5) Punjab Rajasthan, Delhi and Himachal Pradesh.

6.5 The Executive Committee of the Corporation, according to Section 10 of the NCDC Act, is to consist of the following:—

- (a) the Vice-Chairman of the Corporation;
- (b) three members nominated by the Central Government in such manner as may be prescribed, from among the members of the Corporation referred to in item (i) of para 6.4;
- (c) the representative of the Reserve Bank nominated under item (ii) of para 6.4;
- (d) two members nominated by the Central Government from among the members of the Corporation referred to in item (v) of para 6.4.

6.6 The Rules framed under the NCDC Act require the Central Government to nominate the following as their representatives on the Corporation:—

1. Minister of Agriculture.
2. Minister of State in the Ministry of Agriculture.
3. Deputy Minister (Cooperation) in the Ministry of Agriculture.
4. Additional Secretary in the Department of Cooperation.
5. Representative of the Ministry of Finance.
6. Representative of the Ministry of Foreign Trade and Supply.
7. Representative of the Department of Food.
8. Representative of the Planning Commission.
9. Managing Director, Food Corporation of India.

Rule 5 of the Rules framed under the NCDC Act empowers the Central Government to nominate the Chairman and the Vice-Chairman of the Corporation from among the members of the Corporation. Accordingly, the Central Government have nominated the Union Minister of Agriculture as the Chairman of the Corporation and the Minister of State in the Ministry of Agriculture as Vice-Chairman of the Corporation.

6.7 In terms of Rule 13, the Government is required to nominate the following three members to the Executive Committee of the Corporation :

1. Additional Secretary (Cooperation), Department of Cooperation, Ministry of Agriculture.

2. Representative of the Ministry of Finance on the Corporation.
3. Representative of the Planning Commission on the Corporation.

The Vice-Chairman of the Corporation is the Chairman of the Executive Committee. The Additional Secretary (Cooperation) has been nominated by the Central Government as the Vice-Chairman of the Executive Committee in terms of Rule 14.

6.8. Of the 20 members constituting the Corporation, 9 are representatives of the Central Government and 3 represent the Reserve Bank of India, the State Bank of India and the Central Warehousing Corporation. The number of non-officials on the Corporation is only 8. The State Governments, which have a direct responsibility for the implementation of various programmes of cooperative development are not, at present, represented on the Corporation. Similarly, the national level cooperative federations whose activities are linked to various programmes under the purview of the NCDG, are not also represented on the Corporation. The Working Group on Cooperation set up by the Administrative Reforms Commission, recommended that adequate representation should be given to the national level cooperative organisations. In their replies to questionnaires issued by us the State Governments and the Registrars have also suggested the broad-basing of the membership of the Corporation to give adequate representation to the State Governments.

6.9 *Suggested Broad Set-up.*—We recommend a two-tier organisational set up for the NCDG. There should be a General Council in which supreme authority will be vested. Its membership should be broad-based to give representation to various related organisations. The second tier will be a Board of Management consisting of a small group representing a cross-section of the members of the General Council, which will function under the general direction, control and superintendence of the General Council. Day-to-Day administration of the Corporation should be the responsibility of the chief executives. To build into its organisation requisite expertise for various types of programmes, the NCDG should have Advisory Committees that would include experts drawn from academic and research organisations, industry and cooperatives. The General Council, the Board of Management, the staff of the Corporation and the Advisory Committees together should render the Corporation an expert and representative body. Our detailed recommendations on each of these aspects follow.

6.10 *General Council.*—The supreme authority in the Corporation should vest in a General Council. The Council will function subject to the overall directives of policy issued and priorities laid down by, the Central Government in the Ministry of Agriculture. The Council should normally meet twice a year. The main functions of the General Council will be :

- (i) to lay down broad guidelines for achieving the objectives of the Corporation;

- (ii) to ensure that the policy directives issued by the Central Governments and priorities laid down by them are implemented;
- (iii) to review periodically the implementation of various programmes sponsored by the Corporation; and
- (iv) to approve the annual budget of the Corporation.

6.11 *Composition of General Council.*—The main area of responsibility of the NCDC is planning, promotion and coordination including financial coordination. As the cooperative programmes sponsored by the Corporation are to be implemented by the State Governments, it is necessary that they should have representation on the General Council. The views of the State Governments would also help the NCDC in the formulation of its policies and programmes. To broad-base the membership of the Corporation and to make available to it the practical knowledge, experience and views of cooperative leadership in the States—representation may be given to State level cooperative federations also on the Corporation. It will not, however, be possible to accommodate all State Governments or all the state level federations on the General Council. We would, therefore, suggest that representation may be given in a manner to ensure that most of the States are represented on the Corporation either by a representative of the State Government or of a state level federation. At the all-India level we suggest that the National Cooperative Union of India which is the spokesman of the cooperative movement and four other national cooperative federations (which we shall presently specify) may be represented on the General Council by their Chairmen. For providing support to the policy, financial and business aspects of various programmes of the NCDC, representatives of various Economic Ministries in the Government of India, Reserve Bank of India, State Bank of India, other commercial banks, Central Warehousing Corporation, Food Corporation of India and the Industrial Finance Corporation need to be associated with the General Council.

6.12 Accordingly we suggest that the NCDC Act may be amended to provide for the following constitution of the General Council;

- (1) President to be nominated by the Central Government.
- (2) Vice-President to be nominated by the Central Government.
- (3) Chairman of the Board of Management to be nominated by the Central Government.
- (4) to (11) Eight representatives of Economic Ministries to be nominated by the Central Government by virtue of their office.
- (12) The Deputy Governor of the Reserve Bank of India in charge of Rural Credit.

- (13) to (15) Managing Directors of the, State Bank of India, Food Corporation of India and Central Warehousing Corporation.
- (16) Chairman of the Industrial Finance Corporation.
- (17) A representative of commercial banks to be nominated by the Central Government.
- (18) to (22) Chairmen of the National Cooperative Union of India, the National Agricultural Cooperative Marketing Federation, the National Federation Cooperative Sugar Factories, the All-India Cooperative Spinning Mills, and the All-India State Cooperative Banks Federation.
- (23) to (31) Nine representatives of State Governments (Development Commissioner or Agricultural Production Commissioner or Secretary to Government in charge of Cooperation), to be nominated by the Central Government.
- (32) to (40) Nine Chairmen of State level cooperative federations to be nominated by the Central Government from States other than those represented under items(23) to (31) above. Chairmen of State level federations in Union Territories will also be eligible for nominations.
- (41) to (44) Four persons having special knowledge of, or practical experience in, agricultural cooperative development, to be nominated by the Central Government.
- (45) Managing Director of the NCDC.

Of the 45 members of the General Council, 19 will thus be permanently represented by virtue of their office—8 representatives of the Central Government, representatives of the Reserve Bank of India, State Bank of India, Central Warehousing Corporation, Food Corporation of India, Industrial Finance Corporation and five Chairmen of national level federations and the Managing Director of the NCDC. The term of office of the other 26 could be fixed in the Rules to be framed under the Act, as at present, at three years. The Rules may also provide for the different Economic Ministries to be represented on the General Council, nomination of representatives of State Governments and Chairmen of State level federations, and for the nomination of the President and the Vice-President of the Corporation.

6.13 *President of the Corporation.*—To provide flexibility in the choice of the President and the Vice President for the Corporation by the Central Government, and to facilitate changes, when considered necessary, we have, in the preceding paragraph, suggested that provision for their nomination should be made in the Rules. The policy, as suggested by the Rural Credit Survey Committee and followed since the inception of the erstwhile NCD&W Board, has been to nominate a Minister of Government as the head of the Corporation. Since 1956,

when the erstwhile NCD&W Board was set up, the cooperative movement in the country has witnessed radical changes in terms of structure as well as diversification and expansion of activities. A number of cooperative federations at all-India level for different specialised activities have come up in recent years. The emphasis in the Government policy towards cooperatives is also on de-officialisation of the cooperative movement. In this context, the existing policy of nominating a Minister as the Head of the Corporation may, it has been suggested to us, require reconsideration. But, in the existing situation, and in the light of our suggestions for extending the scope of activities of the NCDC to new and difficult fields which call for closer coordination of the policies and programmes of the NCDC with those of the State Governments, financial, business and policy support from different Economic Ministries of the Government of India, Central financing institutions and public sector undertakings, we consider that, as a practical measure, and also in order to give the necessary commanding stature to the NCDC, the Union Minister of Agriculture, should be the President of the General Council and of the Corporation.

6.14 *Vice-President of the Corporation.*—The present NCDC Act provides for a Vice-Chairman of the Corporation to be nominated by the Central Government, who should also be the Chairman of the Executive Committee of the Corporation. A similar position also obtained under the earlier 1956 Act governing the NCD&W Board. The Secretary, Ministry of Food & Agriculture, was the Vice-Chairman of the erstwhile NCD&W Board and Chairman of the Executive Committee of the Board. The position now obtaining is that the Minister of State in the Ministry of Agriculture dealing with the NCDC is the Vice-Chairman of the Corporation and also Chairman of the Executive Committee of the Corporation. In other words, the Union Minister of Agriculture as well as the State Minister in that Ministry are now members of the Corporation; the former is the Chairman of the Corporation and the latter, the Vice-Chairman of the Corporation and also the Chairman of the Executive Committee. In this connection, we would like to refer to the recommendation of the Working Group on Cooperation (1968) set up by the Administrative Reforms Commission that the Executive Committee of the NCDC corresponding to the Board of Management we are now recommending “should be presided over by a non-official Chairman” and that “he should also be the Vice-Chairman of the Corporation”. We would suggest that the Minister of State in the Ministry of Agriculture might be the Vice-President of the General Council. But the Chairman of the Board of Management of the Corporation should be a non-official to be nominated by the Central Government and, in this, capacity, he should be a member of the General Council of the Corporation.

6.15. *Representatives of Central and State Governments.*—Representation on the General Council may be given to the Union Departments of Agriculture, Cooperation and Food, Planning Commission, Ministries of Foreign Trade and Supply, Finance and Industrial Development

and Internal Trade. As the NCDG is a high powered organisation, we expect that Secretaries in charge to different Ministries/Departments would be nominated to the General Council so that they could provide positive direction and support to the policies and programmes of the Corporation. As regards State Governments, we envisage that, normally, the Development Commissioner or the Agricultural Production Commissioner of the State Governments will be nominated or the General Council. Where, if for any reason, this is not possible, Secretaries to the State Governments in charge of Cooperation may be nominated on the General Council.

5.16 *Board of Management.*—The second tier in the proposed organisational set up of the NCDG is the Board of Management. The Board would consist of a Chairman to be nominated by the Central Government and selected members of the General Council. The Board should meet fairly of ten and not less than six times a year. The functions of the Board will be :

- (a) to implement the guidelines laid down by the General Council;
- (b) to lay down subsidiary policies ;
- (c) to prescribe criteria, conditions and patterns in respect of financial assistance for various programmes;
- (d) to sanction specific projects involving larger assistance from the NCDG;
- (e) to undertake review and supervise implementation of various programmes;
- (f) to deal with general matters relating to staff and general administration of the corporation;
- (g) to determine the lines of investment of the funds of the Corporation; and
- (h) to frame detailed regulations for the conduct of business of the Corporation.

6.17. We suggest that the NCDG Act may be amended to provide for a Board of Management consisting of the following eleven members;

- (i) Chairman to be nominated by the Central Government.
- (ii) to (iv) Three representatives of the Central Government on the General Council, to be nominated by the Central Government.
- (v) Deputy Governor of the Reserve Bank of India.
- (vi) One Chairman of a national level cooperative institution to be nominated by the Central Government from among those in the General Council.

- (vii) and (viii) Two representatives of State Governments to be nominated by the Central Government from among those in the General Council.
- (ix) and (x) Two representatives of the State Level Cooperative Federations to be nominated by the Central Government from among those in the General Council.
- (xi) Managing Director.

As indicated at para 6.14, the Central Government will nominate the Chairman of the Board of Management. Among the three representatives of the Central Government on the Board of Management, one should be from the Union Department of Cooperation.

6.18 In order to obtain expert guidance on matters falling within its different spheres of activity, the NCDC should set up the requisite number of Advisory Committees. Under Section 11 of the NCDC Act, the Corporation is empowered to constitute such Committees for general or special purposes as it deems necessary for the efficient performance of its functions. Under Rule 16 of the NCDC Rules, the Corporation is required to constitute Functional Committees specifically on cooperative (i) agricultural credit, (ii) marketing (iii) processing, and such other committees as it deems necessary to advise it, from time to time, on various problems relating to these subjects. The Corporation has constituted six Functional Committees on (i) Cooperative Agricultural Credit (ii) Cooperative agricultural marketing, (iii) Cooperative processing of commercial crops, (iv) Cooperative processing of foodgrains, (v) Cooperative storage, including cold storages, and (vi) Agricultural Inputs and Consumer Supplies. These Committees include members of the Corporation, specialists, experts and experienced cooperators. In addition, the Corporation has been appointing, from time to time, special committees, study groups/teams for specific purposes.

6.19 Although it was envisaged in 1964 that the Corporation should deal with matters relating to agricultural credit also, in practice, this has not been implemented. The Union Department of Cooperation is at present handling the subject of cooperative credit. The Corporation has been entrusted only with the function of release of financial assistance for agricultural credit schemes as part of overall central assistance for State plan schemes of cooperative development. In Chapter VII, we recommend that the release of central assistance for agricultural credit schemes may be handled by the Central Government themselves. There is, therefore, no need for the NCDC to have any Advisory Committee on Agricultural Credit.

6.20 As the subjects of cooperative marketing and storage are closely inter-linked, we consider that the NCDC might set up an Advisory Committee for Cooperative Marketing and Storage (including cold storages). There may be another Advisory committee for Agricultural Inputs and Supplies. The non-official members of the Corporation who have experience in the respective fields may be appointed as

Chairman of these Committees. The emphasis should, however, be on association of experts with these committees. Technical Officers belonging to the organisation of the Agricultural Marketing Adviser to the Government of India should be associated with the appropriate advisory committees. This would also ensure a closer coordination between the NCDC and the AMA's organisation.

6.21 We have, earlier, recommended that the Corporation should take an increasingly active role in the promoting and financing of co-operative agricultural processing industries as well as units for production of agricultural inputs, etc. The Corporation would need technical and other guidance from experts, from time to time, for this purpose. Further, the projects to be financed by the Corporation would require to be carefully scrutinized from the point of view of technical feasibility and economic viability. The NCDC should constitute an Advisory Committee on Agricultural Processing Industries. This Committee should consist essentially of technical and financial experts. The Committee should also advise the Board of Management on the technical feasibility and economic viability of large schemes for which financial assistance is to be given by the NCDC.

6.22 *Staff.*—Competent and adequate staff is crucial to the efficient functioning of the Corporation. This important aspect of the over all administrative arrangements did not, however, receive due attention although there has been some improvement in recent years. The erstwhile National Cooperative Development and Warehousing Board was constituted as a high powered organisation with a Cabinet Minister as Chairman, Secretaries to Government of India and Deputy Governor of the Reserve Bank of India and prominent economists and cooperators as members; but it lacked adequate supporting staff. When the Board was established in September, 1956, an officer of the Indian Administrative Service was appointed as the Chief Executive designated as Secretary. On the transfer of this officer, an officer of the rank of a Deputy Director in the Union Department of Cooperation functioned as Secretary to the Board from August, 1957 till 1963. During this period, the Board had only a small nucleus staff which, apart from the Secretary and some secretarial and accounts staff, consisted of two Research officers and a few technical assistants. The Board was being serviced for the most part by the Marketing Division of the Union Department of Cooperation, which itself was not adequately staffed. It was inadequate staffing that reduced the impact of the erstwhile Board on the cooperative programmes of different States.

6.23 Even after the setting up of the NCDC in 1963, the work relating to planning and promotion of programmes of cooperative marketing, processing, etc., continued to be done mostly in the Union Department of Cooperation. It was only in September, 1964, that the entire work relating to planning and promotion of these programmes was transferred to the Corporation. Since then, the Corporation has

been attempting to build up an adequate staff component for closer supervision of various programmes. Initially, the Corporation had followed the practice of obtaining the services of officers of the Union and State Cooperation Departments on deputation to man the various posts in the Corporation. In recent years, the Corporation has taken steps to build up a separate cadre of officers of its own.

6.24 *Existing Arrangements.*—The day-to-day administration of the Corporation is looked after by the Secretary, who is the Chief Executive Officer of the Corporation. Under Section 8(1) of the National Cooperative Development Corporation Act, 1962, the Secretary is appointed by the Central Government in consultation with the Corporation. The present incumbent of the post is an Officer of the Indian Administrative service of a status just below that of Joint Secretary to the Government of India. There is a Financial Adviser who is appointed with the approval of the Central Government as required under Rule 12 of the National Cooperative Development Corporation Rules, 1963. Usually, Officers of the Ministry of Finance are appointed to this post. Besides the Financial Adviser, the Secretary is assisted by a Joint Secretary and three Directors with supporting technical and ministerial staff. The present incumbent of the post of Joint Secretary is an officer of the Indian Administrative Service. Of the three Directors, two are on deputation one from the union Department of Cooperation and the other from a State Cooperative Department, while the third was recruited by the Corporation.

6.25 The work in the Corporation has been allocated among the following Divisions under the charge of the Joint Secretary, Financial Adviser and the Directors:—

Name of Division	Officer Incharge
1. Administration Section	} <i>Joint Secretary</i>
2. Plan. Coordination, Statistics and Publicity Division	
3. Sugarcane Division	} <i>Financial Adviser</i>
4. Finance Division (Budget & Accounts)	
5. Marketing Division (including Agricultural Credit and Co-operative Departmental staff)	} <i>Director (Marketing and Fertilisers)</i>
6. Fertiliser Division	
7. Commercial Crops and Horticulture Division (including General Policy on Processing)	} <i>Director (Processing)</i>
8. Foodgrains Division	
9. Supplies and Storage Division	} <i>Director (Foodgrains, Supplies and Storage)</i>

A chart showing the present administrative set up of the Corporation is at Annexure XVIII. Recently, a Technical Cell has been established in the Corporation consisting of a Management Consultant, Cost Accountant, Paddy Technologist, Oil Seeds Technologist, Fruit Technologist and a Refrigeration Engineering, to provide necessary technical guidance to the cooperatives and also to assist the Corporation in the scrutiny of various proposals for the establishment of processing units, cold storages, etc. All these technical consultants are in position now except the Cost Accountant who is yet to join.

6.26 To keep itself in close touch with the actual conditions in the field and also to establish an effective liaison with State Governments, apex federations, public sector organisations etc., the Corporation opened, during 1969, two Regional Offices, one in the Southern region with headquarters at Bangalore to serve the States of Andhra Pradesh, Mysore, Tamil Nadu and Kerala and the other in the Eastern Region with headquarters at Calcutta to serve the States of Assam, West Bengal, Bihar and Orissa. One more Regional Office was opened during 1970 at Bhopal for the central region, viz. Uttar Pradesh, Madhya Pradesh and Rajasthan. The Corporation has recently decided to open another Regional Office to serve the needs of the Western Region (Maharashtra and Gujarat). These Regional Offices have a nucleus staff of one Joint Director, one Senior Technical Assistant and one Stenographer (Grade III). We understand that the Corporation has since decided to open three more Regional Offices in the Eastern Region—one for Assam, Meghalaya and Nagaland States and Manipur and Tripura Union Territories, another for West Bengal and Orissa States and the third for Bihar and Eastern Uttar Pradesh with a view to accelerating the pace of development of cooperative marketing and processing in these areas.

6.27 It has, however, to be admitted that, even now, the Corporation is not adequately equipped for its tasks with the result that it has not been able to provide adequate technical support to, or to closely associate itself with, the implementation of the various programmes. The Dantwala Committee on Cooperative Marketing (1966)* stressed the need for systematic inspection of the working of the marketing and processing societies in the same way as the Reserve Bank undertakes in respect of cooperative banks and other credit institutions. The Committee envisaged that such inspection should be so designed as to be both constructive and, in broad detail complementary to and not in duplication of the inspection conducted by the State Cooperative departments. The Committee also recommended the setting up of a separate Research and Development Cell in the Corporation for undertaking (i) continuous research in the methods and trends of cooperative marketing/processing and other agricultural marketing practices, as well as specific problems arising from time to time, and (ii) evaluation of the working of marketing and processing cooperatives at various

*Report of the Committee on Cooperative Marketing (1966), para 16.30.

levels by obtaining periodical statements and through visits by the officers of the Corporation to selected societies, as also (iii) to plan and promote programmes for the development of cooperative marketing/processing by undertaking area-wise surveys, etc.

6.28 *Chief Executive.*—The Secretary is the Chief Executive of the Corporation. He is responsible for the day-to-day administration of the Corporation, including sanction of financial assistance to State Governments according to prescribed patterns, approval of projects, etc. The office of Secretary, the appointment to which is made by the Central Government, in consultation with the Corporation is equated more or less with that of a Deputy Secretary in the Central Government. For some time, the post was held by an officer of the rank of Joint Secretary to the Government of India, but this, we understand, was purely a temporary arrangement personal to the officer concerned. It is needless to emphasize that the Chief Executive of the NCDC has a pivotal role. The office entails large responsibilities—both administrative and financial—and involves close association with various Ministries and all-India organisations at the policy making level. It is our view that the Chief Executive of the Corporation should be an officer equal in status to that of an Additional Secretary to the Government of India. He should be chosen for outstanding competence, wide knowledge and experience of cooperation. The choice need not be confined to any one service. The present designation ‘Secretary’ does not reflect correctly the duties and responsibilities of this important functionary. The post of the Chief Executive of the Corporation may, we suggest, be redesignated as ‘Managing Director’. As we have already indicated, the Chief Executive should be a member both of the General Council and of the Board of Management of the Corporation.

6.29 Till recently, the Corporation did not have any technical staff to assist the State Governments and cooperatives to undertake feasibility studies and prepare project reports for the setting up of cooperative processing and other units or even to scrutinise the project reports received by the Corporation. It is only recently that the Corporation has set up a nucleus technical cell in its head-office. Absence of technical guidance has been one of the factors which have contributed to the slow progress of these projects. In their replies to our questionnaires, many of the State Governments, Registrars of Cooperative Societies and Cooperative Federations have suggested that, apart from providing adequate financial assistance, the Corporation should have competent technical expertise to assist the State Governments and cooperatives to undertake feasibility studies and preparation of project reports for establishment of processing and other units in the cooperative sphere. To enable the Corporation to perform its functions effectively, we recommend that the head-office of the Corporation should be strengthened by the addition of adequate staff with the requisite technical knowledge and experience. It may not be practicable nor it is desirable for the Corporation to employ technical staff for all the fields in which it is interested and participates. But the-

Corporation should certainly have its own experts for dealing with the major cooperative activities with which it is concerned. Besides having a nucleus of technical staff, the Corporation should maintain panels of qualified technical and consultancy personnel to undertake feasibility studies, to prepare project reports and also to provide technical know-how to the cooperatives, whenever needed.

6.30 Research and Development Cell.—The Dantwala Committee on Cooperative Marketing recommended the establishment of a Research and Development Cell in the Corporation with expert staff. Statistics and evaluation constitute another weak link in the administrative set up of the NCDC to which we have made a reference in Chapter III. We endorse the recommendation of the Dantwala Committee that the NCDC should set up a Research and Development Cell, the functions of which will be as indicated in para 6.27.

6.31 Strengthening of Regional Offices.—We have in para 6.26, referred to the regional offices already set up or proposed to be established by the NCDC. The present staffing pattern of these offices is one Regional Officer assisted by one assistant and a Stenographer. This is inadequate for the discharge of the functions we envisage for the Corporation. Regional Offices should be equipped with the requisite field and technical staff. These offices should function in close coordination with the Regional Offices of the Reserve Bank of India in the State.

6.32 Cadres and Panels for Cooperatives.—In recent years, there has rightly been considerable emphasis on the need to build up common cadres of key personnel for the cooperatives. The NCDC has initiated certain measures in this regard. In view of the vital importance of staff development for the operational efficiency of the cooperatives, the Corporation should assist the State Governments and cooperatives in building up cadres of key personnel for marketing, processing, supply and storage activities. As the cooperatives find it difficult to locate suitable technical and managerial personnel, it would be of considerable assistance to such societies, if the Corporation maintains panels of suitable personnel for employment in cooperatives.

6.33 Summary of Suggestions.—Our suggestions, which aim at broad-basing the composition of the Corporation, rendering it an effective high-powered representative body and building into it the necessary administrative, financial and technical expertise may be summarised as follows :—

- (i) The Corporation should be a two-tier organisation consisting of a General Council and a Board of Management. The General Council will consist of 45 members representing Government of India, State Governments, national and state level cooperative institutions, Reserve Bank of India, Food Corporation of India, State of India, Central Warehousing Corporation, Industrial Finance Corporation, commercial banks and some experts.

- (ii) The Union Minister of Agriculture should be the President of the General Council and of the Corporation. The State Minister in the Ministry of Agriculture might be the Vice-President.
- (iii) A non-official to be nominated by the Central Government should be the Chairman of the Board of management of the Corporation and, in this capacity, he should be a member of the General Council.
- (iv) To build into its organisation the requisite expertise for various types of programmes. The NCDC should have Advisory Committees which include experts drawn from academic and research organisations, industry, cooperatives and also Government.
- (v) The Chief Executive of the Corporation should be redesignated as Managing Director. He should be an officer equal in status to that of Additional Secretary to the Government of India. He should be chosen for his outstanding competence, wide knowledge and experience. The choice need not be confined to any one service. As Chief Executive, he should be a member both of the General Council and of the Board of Management of the Corporation.
- (vi) The Corporation should equip itself with adequate technical staff. It should also maintain panels of qualified technical and consultancy personnel to undertake feasibility studies and to prepare project reports and also to provide technical know-how to the cooperatives.
- (vii) The Corporation should set up a research and development cell.
- (viii) The regional offices of the Corporation need to be strengthened. They should work in coordination with the regional offices of the Reserve Bank.
- (ix) The Corporation should assist cooperatives in building up cadres of key personnel for marketing, processing, supply and storage activities. It should maintain panels of suitable personnel for employment by cooperatives.

CHAPTER VII

ROUTING OF CENTRAL ASSISTANCE FOR STATE PLAN SCHEMES THROUGH THE NCDC

Introduction.—Our third term of reference requires us “to examine whether the present system of channelling Central assistance to the States through the Corporation is necessary and to suggest any change, modification or improvement therein.” The Public Accounts Committee, in their Hundred and Sixth Report, observed

“For other Plan Schemes, Central assistance is now released to States under a system of block loans and grants, without relating them to specific sub-heads. In respect of these releases, States enjoy flexibility in utilisation of funds, subject to the need to conform to certain priorities arising out of the Plan. There is no reason why funds released by National Cooperative Development Corporation for certain cooperative schemes should be made an exception to this arrangement which covers other fields of Central assistance, involving substantial outlay. What makes the arrangement inconsistent is the fact that there are cooperative schemes themselves outside the purview of the National Cooperative Development Corporation in respect of which release of assistance to the State Governments is made under the system of block loans and grants.”

“In any case, even if there is justification for the organisation (NCDC), the present system of channelising Central assistance to the States through the Corporation does not appear to be necessary.”

7.2 In the earlier Chapters, we discussed the financial arrangements for the NCDC. One of our principal recommendations is that the NCDC's assistance should be additive to the State Plan and, for this purpose, we have suggested that the Corporation should be equipped with funds from the Central Government. In the context of the above recommendation, we examine, in this Chapter, whether Central assistance to State Governments for State plan schemes relating to cooperative programmes needs to be routed through the NCDC as at present. Before we consider this main issue, it would be relevant to describe briefly the evolution of the mechanism of Central assistance for State Plan Schemes, and the procedures adopted by the NCDC.

*Paragraphs 1.19 and 1.20 of the Report.

7.3 Mechanism of Central Assistance.—While the quantum of Central assistance to each State for implementing its Five Year Plan was arrived at for the Plan as a whole, it was the practice at one time for **Prior to Fourth Plan** the State Plan itself to be composed of a number of individual schemes which embodied varying patterns of Central assistance. The loan and grant portions of the total Central assistance for a state plan were arrived at by adding up the loan and grant components in the patterns of schemes included in the Plan. If the sum total fell short of the total assistance assured to a State, the balance was generally made up through a 'miscellaneous development loan'. The patterns of, and procedures for, assistance to State Governments for centrally added schemes under-went a number of changes during the first three Plan periods. The procedure obtaining before the commencement of the Fourth Plan was that the Plan Schemes under different heads of development had their own patterns of assistance and the States could draw their grants and loans accordingly. Outlays under certain heads of development as also some of the specified schemes were, however, earmarked and could not be diverted to other heads of development or schemes. In the case of programmes for agriculture and cooperation the Central assistance was earmarked, and was not available for diversion to any other head. If there was a shortfall in expenditure in respect of the earmarked programmes, the amount of Central assistance was correspondingly reduced, and reappropriation to any other head did not qualify even for a miscellaneous development loan. In other words in respect of these earmarked schemes, the State Governments forfeited their share of Central assistance if such assistance was not utilised on the specific schemes.

7.4 Modified procedure during the IV Plan.—The principles of allocation and pattern of Central assistance to the States have undergone a change in the Fourth Plan. Many States expressed the view that the Central assistance for state plans should be distributed in accordance with certain objective criteria. The question was, therefore, placed before the Committee of Chief Ministers of the National Development Council. It was decided that, after providing for the requirements of the States of Assam, Nagaland and Jammu & Kashmir, the Central assistance to the remaining States for the Fourth Plan should be distributed to the extent of 60% on the basis of their population, 10% on their per capita income if below the national average, and 10% on the basis of tax efforts in relation to per capita income and that another 10% should be allotted in proportion to the commitments in respect of major continuing irrigation and power projects. The remaining 10%, it was decided, should be distributed among the States so as to assist them in tackling certain special problems.* Further, in order to simplify the procedure for release of Central assistance, it was decided that there would, in future, be no schematic patterns of assistance. Central assistance would not be related to any specific scheme or programme under the State Plans, but would be given to the States through block grants and block loans. Under the revised procedure in vogue in the Fourth Plan, each State

*Pages 54 and 55 of the Fourth Five Year Plan,

gets a fixed proportion of Central assistance in the form of grant (30%) and the balance (70%) by way of loans. However, in order to ensure that the overall priorities of the Plan are adhered to, outlays under certain heads or sub-heads of development and specified schemes continue to be earmarked and are not to be diverted to other heads of development. In terms of the existing procedure, 'Agricultural Sector' including 'Cooperation' is treated as 'earmarked outlay' and hence diversion of outlays from this sector to other sectors or programmes is not permissible.

7.5 The Fourth Five Year Plan assumes a total Central assistance of Rs. 3500 crores to the States for state Plan Schemes over the 5 year period. The negotiated loans from the Reserve Bank's LTO Funds and the LIC by the State Governments for specific proposals are treated as States' own resources and not as Central Plan assistance. The amount of Rs. 3500 crores is exclusive of such loans. Adopting the criteria based on population etc., the Planning Commission has fixed the total Central plan assistance for the five year period for each State. The assistance admissible in each year is fixed by the Ministry of Finance/Planning Commission and distributed to the States. Central assistance will be payable in a particular year in full to a State provided the following two conditions are fulfilled :

- (a) The actual expenditure on an earmarked item does not fall short of the approved outlay of the same; and
- (b) The total expenditure of all programmes not covered by (a) above does not fall short of the total approved outlay in respect of the same

In other words, in calculating the Central assistance payable to each State, the expenditure on items falling under categories (a) and (b) above will be reckoned separately in relation to the approved outlays. All Central assistance to State Governments excepting in respect of schemes coming under the purview of the NCDC, is released by way of block loans and grants by the Ministry of Finance and not by individual Ministries as hitherto.

7.6 The Central assistance for State Plan Schemes in the sector of 'Cooperation', falls under two broad categories :

- (a) Schemes assisted by the Central Government through the NCDC, that is, cooperative credit, marketing, processing, supplies, storage and additional departmental staff; and
- b) Schemes which receive direct assistance from the Central Government, that is, cooperative farming, urban consumers, cooperative training and education and other miscellaneous schemes.

In terms of Planning Commission's letter No. PC(P)₄/7/68, dated 22/5/69, and also of Union Department of Cooperation's letter No. K 11013/3-70 P&B dated the 2nd April, 1971 the Central assistance to States for the Fourth Five Year Plan (1969-74) with the exception of funds to be provided by the NCDC is to be given as block loans and grants each year. In terms of these instructions, the outlay and Central plan assistance in respect of NCDC schemes referred to at (a) above are separately earmarked and released through the NCDC. The outlay on non-NCDC scheme referred to at (b) above will continue to be earmarked under the larger group "Agriculture and allied Sectors" for which assistance will be released by the Union Ministry of Finance.

7.7 *NCDC's procedure for a release of assistance.*—Till 1964-65, the erstwhile NCD & W Board and also the present NCDC were releasing Central assistance in four quarterly instalments. The first three instalments were released as ways and means advances on the basis of allocation made for various schemes. The fourth and final instalment was released on the basis of actual expenditure incurred by the State Governments on various schemes in the first three quarters and the anticipated expenditure for the last quarter. Assistance towards schemes for establishment of cold storage, sugar factories and other processing units costing Rs. 1 lakh and above were, however, released in lump sum after scrutiny of specific proposals received from the State Governments. The Central assistance was calculated with reference to schematic patterns of assistance available to various individual schemes. After the close of the year, statements of actual expenditure on various schemes were obtained from the State Governments and the un-utilised amounts of assistance, if any, were recovered.

7.8 The NCDC noted that the State Governments generally incurred very little expenditure during the first three quarters and disproportionately large expenditure was anticipated during the last quarter of the year. The Corporation, therefore, revised the procedure for release of assistance from the year 1965-66, linking its release of fund to the progress in the implementation of schemes. In terms of this procedure, the assistance in respect of works programmes like construction of godowns, establishment of processing units, cold storage etc. was released in suitable instalments with reference to the progress of the godown/processing units concerned after obtaining the details of the assistance, stage of construction/installation etc. Similarly, assistance for share capital contribution, managerial subsidy etc. was released after obtaining relevant information from the State Governments.

7.9 The pattern of assistance from the Corporation was usually as follows : 80% of the total expenditure incurred by the State Governments concerned in respect of share capital on marketing and processing societies, and block loans to processing societies; 75% (50% as loan and 25% as subsidy) in respect of assistance for construction of godowns and cold storages; 50% in respect of managerial and other subsidies.

In the case of share capital contribution for cooperative sugar factories however, 100% of the expenditure incurred by States was reimbursed by the Corporation. At the end of the financial year, the Corporation used to obtain detailed utilisation accounts giving particulars of expenditure on each of the scheme. The NCDC had, thus, attempted to ensure prompt and proper utilisation of funds by the State Governments by linking release of funds to the progress of expenditure.

7.10. *Present Procedure.*—As indicated earlier, under the revised procedure for the Fourth Plan, Central assistance routed through the NCDC is exempted from the general procedure relating to release of Central assistance to States. However, in consultation with the Planning Commission and the Union Ministries of Agriculture and Finance, the NCDC has adopted the following procedure from 1969-70 onwards for release of Central assistance to State Governments for State Plan Schemes of cooperative development coming under its purview

- (i) The Corporation will, from time to time, be issuing guidelines regarding the formulation of schemes under its purview, the total outlay for all such schemes being within the outlay approved for Cooperation (NCDC Schemes) by the Planning Commission in the State Annual Plan.
- (ii) The scheme-wise outlays having been thus fixed, any diversion of outlay from Cooperation (NCDC Schemes) to other sectors will not be permissible. However, adjustments among the schemes within Cooperation (NCDC Schemes) can be made in consultation with the Corporation.
- (iii) Assistance released by the Corporation is to be utilised by the State Government only for the schemes of cooperative development falling within the purview of the NCDC. If, however, the State Government undertakes new schemes in consultation with the Corporation which broadly falls within the purview of the NCDC, the same will be treated as Plan Schemes under Corporation (NCDC Schemes).
- (iv) In case of short-fall in actual expenditure in relation to approved outlays, the assistance of the Corporation will be reduced proportionately.
- (v) Release of assistance will be made in instalments with reference to expenditure statement to be furnished by the State Governments.
- (vi) The assistance of the Corporation will be in the ratio of 70% loan and 30% grant.

7.11. *Pattern of assistance to cooperatives.*—In regard to the patterns of assistance as from the State Governments to the cooperative societies concerned, the Corporation has advised the State Governments to continue the earlier scheme-wise patterns of assistance prescribed during

the Third Plan period. The State Governments have, however, been permitted to make suitable modification in the patterns to suit local conditions in consultation with the Corporation. Under the new procedure adopted by the NCDC, the State Governments are required to utilise assistance from the Corporation only for schemes of cooperative credit, marketing, processing, supplies, storage and additional cooperative departmental staff, which fall within the purview of the Corporation. Central assistance is released to the State Governments by the Corporation in four quarterly instalments. These instalments are to be released after obtaining details of budgeted outlays and actual/anticipated expenditure and physical programmes in respect of each of the schemes. After the close of the year, the Corporation obtains detailed utilisation accounts from the State Governments indicating the scheme-wise expenditure etc. If there are short-falls in the expenditure with reference to the outlay approved by the Planning Commission, Central assistance from the Corporation is reduced proportionately and excess loans and grants, if any, recovered.

7.12. *Arrangements against routing Central assistance through NCDC.*—We have, in the preceding paragraphs, described the procedure for release of Central assistance to States for State Plan schemes coming under the purview of the NCDC. This question has been studied by the Study Team on 'Centre-State Relationships' of the Administrative Reforms Commission, as also by the Public Accounts Committee. The Study Team of the Administrative Reforms Commission recommended that Central assistance for State Plan schemes of cooperative development, which is now being channelled through the NCDC, might be released by the Central Government themselves in the same manner as for other schemes. According to the Team : (a) within the cooperative sector, two different methods of release are followed, one by the NCDC and the other by the Central Government; and (b) the scrutiny of proposal is "squarely the responsibility of State Registrar and not of the Centre which incidentally does the scrutiny on the basis of arranged information supplied by the Registrars"; and "there is no reason why the State Governments should not be relied upon for releasing assistance to societies themselves, obtain utilisation statements from societies and having on the spot investigations if lump sum assistance for plan schemes is placed at their disposal. This will obviate the necessity of the Registrars of Cooperative Societies having to send the details and of the NCDC having to scrutinise them. An avoidable load of work and unnecessary centralisation of functions at the headquarters can be done away with. *The Team, therefore, recommended that the NCDC should send the work relating to release of Central assistance for Centrally aided schemes to the States.

7.13. The Public Accounts Committee, in its Hundred and Sixth Report on the NCDC, observed that routing of Central assistance through the NCDC does not ensure flow of funds for

*Page 50, Volume III of the Report of the Study Team on 'Centre-State Relationships'.

earmarked programmes as the Corporation is not in a position to stop diversion of funds by the States and there was no reason why funds released by the NCDC for certain cooperative schemes should be made an exception to the general system of block loans and grants, while in fact, there are other cooperative schemes for which assistance is given and which are outside the purview of the NCDC.

7.14. *Issues for Consideration.*—The main points that arise for consideration are :

- (a) Is there any special advantage in routing Central assistance for state plan schemes through the NCDC?
- (b) Should the schemes coming under the purview of the NCDC continue to be treated as an 'earmarked sector', and what should be the mechanism for release of Central assistance for these schemes?

We examine these issues in the paragraphs that follow.

7.15. *Should Central assistance be routed through the NCDC?*—The efficiency of the existing procedure of routing Central assistance to State Governments for schemes coming under the purview of the NCDC may be examined in relation to the programmes for 1971-72. The Central Government have made a budget provision of Rs. 6 crores—Rs. 4.2 crores as loans, and Rs. 1.80 crores as subsidy—in their budgets for 1971-72 for Central assistance to State Governments to be routed through the NCDC. The assistance to be released by the NCDC bears the same ratio to outlays provided by the State Governments on NCDC schemes as the total Central Plan assistance bears to the total State Plans. The amount of Central assistance to be released by the NCDC to each State Government is to be fixed by the Planning Commission with reference to the information obtained from the State Governments regarding the outlays finally retained by them. Upto September, 1971, the Planning Commission, in the absence of information from the State Governments about the provisions for NCDC schemes, could not indicate to the NCDC the exact quantum of assistance it was to release to various State Governments. Meanwhile, the NCDC began to release assistance to State Governments in instalments on the basis of last year's releases and also on the basis of information supplied by the State Governments regarding the expenditure incurred and likely to be incurred in the succeeding quarter. Upto September, 1971, the NCDC released Rs. 150 lakhs—Rs. 105 lakhs as loans and Rs. 45 lakhs as subsidy—to State Governments (70% of the total amount as loan and 30% as subsidy in accordance with the general formula applicable to all Central assistance to State Governments for state plan schemes). The amount released by the NCDC to the State Governments is not meant for any specific programme or scheme but for the entire group of programmes of cooperative credit, marketing, processing, storage etc., which fall under its purview. In this situation, no scrutiny of individual schemes by the Corporation is possible before release of funds to the State Governments

In other words, the NCDC has, during the current financial year 1971-72, began to release to State Governments assistance without information about the total assistance it has to give to the State Governments during the year as also without details of individual schemes for which assistance is to be given. The Corporation's assistance is merely related to the expenditure incurred or likely to be incurred by the State Governments on the whole range of schemes coming under the Corporation's purview and is not related to the progress or performance of the schemes. The NCDC has thus become a mere channel for routing Central assistance to State Governments.

7.16. The main theme of our recommendations on the financing role of the NCDC is that the Corporation should sponsor, plan and promote cooperative programmes in conjunction with the State Governments and, in active pursuance of this promotional role, provide financial assistance to the State Governments for these programmes. As a corollary, the NCDC is to be actively associated with the programmes it finances. But, in terms of the existing scheme of release of Central assistance to State Governments, the NCDC, as we explained earlier, has merely to disburse certain amounts to which State Governments are entitled according to a pre-determined formula. Secondly, a basic principle underlying our recommendation is the autonomy of the NCDC subject only to the overall policy directives to be issued by the Central Government. This implies that the NCDC should have the freedom to relate the quantum and pattern of assistance to individual programmes. But the existing formula for release of Central assistance leaves no discretion to the NCDC to alter the amounts or vary the pattern of assistance or determine the individual programmes to which its assistance should flow. Thirdly, in regard to the nature of assistance from the NCDC to the State Governments, we have recommended in Chapter V, that this should be additive to the normal Central assistance available to them. In this case, the NCDC merely disburses certain amounts of Central assistance to which the State Governments are already entitled under a general formula. The above analysis shows that, in terms of the revised procedure followed in the Fourth Plan for release of Central assistance to State Governments for state plan schemes, the NCDC's role is more in the nature of a pay office of the Central Government for disbursement of Central assistance to State Governments than that of an agency for financing programmes sponsored and promoted by it. There is, therefore, no purpose in routing Central assistance for state plan schemes through the NCDC. As in the case of other important programmes relating to various other Ministries, assistance may be released by way of block loans and grants by the Ministry of Finance.

7.17. *Earmarking of funds for Cooperation.*—Our suggestion that Central assistance for state plan schemes need not be routed through the NCDC, does not, however, mean that the outlay on NCDC's schemes should be taken out of the 'earmarked sector'. The State Governments and the Registrars, in their replies to the questionnaires issued to them,

have expressed themselves in favour of routing Central assistance through the NCDC. The main reason adduced by them is that such routing helps to earmark funds for these programmes. The objective of earmarked outlays is that the State Governments pay due attention to those schemes which are accorded a high priority in the national plan. As the schemes relating to the NCDC have a special significance for overall agricultural development, these may continue to be treated as earmarked schemes as hitherto. At present, schemes coming within the purview of the NCDC are specially earmarked and other 'Cooperation Schemes' relating to the Union Department of Cooperation are earmarked under the larger group 'agriculture and allied sectors'. We suggest that the NCDC's schemes as well as cooperative schemes relating to the Union Department of Cooperation may be grouped together as one unit of 'earmarked' schemes so that the outlays for the inter-related and important programmes of cooperative credit, marketing, processing etc., are earmarked as a group. We envisage that the NCDC would, through its administrative machinery, keep itself in close touch with the preparation of State Plans and also assist State Governments in the formulation of programmes relating to cooperative marketing, processing, storage etc., and advise on the outlays to be provided in the State Plans for these schemes. While considering the overall resources for financing these programmes and determining its share of assistance to them, the NCDC should take into account the provisions made in the State Plans for these schemes.

7.18. *Conclusions.*—In summary, under the revised procedure followed in the Fourth Plan, the release of Central assistance to State Governments by the NCDC for the schemes coming under its purview, is not related to implementation of specific programmes. Nor has the NCDC the freedom to relate the quantum and pattern of assistance to individual programmes. The NCDC is merely a channel for disbursing certain Central assistance to the State Governments which are entitled to such assistance on the basis of a predetermined formula. In these circumstances, there is no advantage in routing Central assistance for state plan schemes through the NCDC, and the present practice may, therefore, be discontinued. The outlays on NCDC's schemes should not, however, be taken out of the 'earmarked sector'. The schemes coming under the purview of the NCDC as also those relating to the Union Department of Cooperation may be grouped together as one unit of 'earmarked' schemes.

CHAPTER VIII

LEGISLATIVE MEASURES

Introduction.—As required by one of our terms of reference, we suggest, in this Chapter, the legislative measures necessary to give effect to the recommendations made in the earlier Chapters on the scope and functions of the NCDC and the arrangements to be made to equip the Corporation administratively and financially for discharging its functions effectively.

8.2. *Scope of the Present Act and provisions of the Constitution.*—In terms of the preamble to the NCDC Act, the objective of the Act is “to provide for the incorporation and regulation of a corporation for the purpose of development of agricultural produce and certain other commodities on cooperative principles and for matters connected therewith.” The functions of the Corporation, according to section 9 of the NCDC Act, “shall be to plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through cooperative societies.” The scope of the objects of the Corporation, thus, extends to agricultural produce and certain other commodities, and its activities are to be confined to cooperatives in relation to these commodities. In Chapter II, we have indicated that the Rural Credit Survey Committee envisaged for the NCD&W Board, the predecessor to the present NCDC, planning and coordination of a country-wide plan for development of cooperative economic activities in the rural sector. At the time of drafting of the Agricultural Produce (Development and Warehousing) Corporations Bill, the Ministry of Agriculture suggested that the scope of the Bill should include, besides all agricultural commodities, fisheries, forest produce and live-stock also. But, we understand that, on the advice tendered by Attorney-General of India, the scope of the Act was confined to those activities which were relatable to the following Entry 33 of the Concurrent List :

“Trade and commerce in, and the production, supply and distribution of :

- (a) the products of any industry where the control of such industry by the Union is declared by Parliament by law to be expedient in the public interest, and imported goods of the same kind as such products;
- (b) foodstuffs, including edible oil seeds; and oils;
- (c) cattle fodder including oil cakes and other concentrates;
- (d) raw-cotton, whether ginned or unginned and cotton seeds; and
- (e) raw-jute.

8.3. The scope of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 was, therefore, confined to "incorporation and regulation of corporations for the purpose of development and warehousing of agricultural produce on cooperative principles." The term 'agricultural produce' was defined to mean "any of the following classes of commodities; mainly :

- (i) foodstuffs, including edible oilseeds;
- (ii) cattle fodder, including oilcakes and other concentrates;
- (iii) raw cotton, whether ginned or unginned, and cotton seed;
- (iv) raw jute; and
- (v) vegetable oils."

8.4. The present NCDC Act, 1962 extends to 'agricultural produce, as also 'notified commodities'. The definition of 'agricultural produce in the present Act is the same as that in the 1956 Act, quoted above. The term 'notified commodity' has been defined as "any commodity (other than agricultural produce) which the Central Government may, by notification in the official Gazette, declare to be a notified commodity for the purposes of this Act, being a commodity with respect to which Parliament has power to make laws by virtue of Entry 33 in List III in the Seventh Schedule to the Constitution."

8.5. The scope of the present NCDC Act is co-terminus with the scope of Entry 33 in the Concurrent List. The intention of introducing the term 'notified commodity' in the Act was that, when any commodity in respect of which Parliament has power to make laws, is brought within the scope of Entry 33 of the Concurrent List, it may not again be necessary for the Government to go before the Parliament for including that item for the purposes of this Act. The Government of India has notified the following as 'notified commodities' for the purposes of the NCDC Act :—

Lac, soaps, kerosene oil, textiles, cement, tea, fertilisers (organic, inorganic and mixed), insecticides, fungicides, agricultural machinery, earth moving machinery etc., paper and pulp including paper products; products of fermentation industries, timber products, and rubber.

8.6. Another important aspect of the legislation on the NCDC relates to the incorporation of the NCDC and development of agricultural produce and notified commodities on 'cooperative principles' and through 'cooperative societies'. Entries 43 and 44 in the Central List empower the Central Government to legislate on matters relating to :

"43. Incorporation, regulation and winding up of trading corporations, including banking, insurance and financial corporations but not including cooperative societies."

"44. Incorporation, regulation and winding up of corporations, whether trading or not, with objects not confined to one State, but not including universities."

Although the functions thus enumerated are wide-ranging, the scope of the NCDC's activities has been confined to those mentioned in Entry 33 of the Concurrent List. The reason for this, we understand, was that "legislative powers conferred by Entries 43 and 44 (relating to incorporation, regulation and winding up of corporations) of the Central List could not be so exercised as to effect the legislative powers conferred on state legislatures unless the Centre was prepared to go to individual state legislatures and get them to pass resolutions authorising the Central Government to undertake legislation in respect of other commodities also. Were it otherwise, Parliament by resorting to the device of constituting a corporate body could successfully invade the state fields."

8.7. *Extension of the Scope of NCDC Act.*—In Chapter IV, we have recommended that the core activities of the NCDC should continue to be cooperative processing, storage and marketing of agricultural produce and supply of agricultural inputs. For this purpose, the existing provisions of the NCDC Act extending to agricultural produce and notified commodities, are adequate. We have also suggested that other functions of the NCDC should include fisheries, dairying, animal husbandry and minor forest produce. The Government may examine whether within the frame work of the Constitution, it is possible to extend the activities of the NCDC to these items also. The following considerations, we suggest, might be kept in view while examining this issue.

8.8. In terms of Entries 43 and 44 of the Central List in the Seventh Schedule to the Constitution, the Parliament is competent to enact a legislation for incorporation and regulation of a Corporation with objects extending beyond one State and with functions which may relate to State subjects also. But the reason for relating the scope of activities of the NCDC to Entry 33 in the Concurrent List was to avoid central encroachment on the responsibilities of the State Governments. The possibility of Central interference with State Subjects relates, in the case of the NCDC, to 'cooperative societies' and activities like dairying, forestry, animal husbandry and fishery which, under the Constitution, are the responsibilities of the State Governments. The crucial question on which the desirability of extending the scope of NCDC's activities depends is: Do the functions of the NCDC constitute an encroachment on the activities of the State Government? Our considered view is that they do not for the reasons explained below.

8.9. As we have emphasised in Chapter IV, the basic objective of the NCDC is to help State Governments stimulate the process of cooperative development in the States, and, for this purpose, it should function in conjunction with and through the State Governments.

We have also suggested in that Chapter that one of the policy directives to be issued by the Central Government to the NCDC should be that, in performing its functions, the Corporation shall operate in consultation and close association with the State Governments. The question of the NCDC invading the sphere of States' responsibilities should not, therefore, arise.

8.10. A point has been made that the NCDC is to promote certain economic activities through 'cooperative societies'; But the subject 'cooperative societies' belongs to the State List in the Seventh Schedule to the Constitution. It is important to note that, as we explained in Chapter IV, the legislative and executive jurisdiction over cooperative societies in the States will vest entirely in the State Governments and the NCDC will have no statutory power or authority whatsoever over the management and functioning of individual cooperatives. The Corporation will deal with cooperatives only through the State Governments. The activities of the NCDC will not, therefore, constitute an encroachment on the responsibility of the State Governments relating to cooperative societies. The NCDC's role at the all-India level is mainly that of a promoter, innovator, coordinator and financier of cooperative programmes.

8.11. *Views of State Governments.*—One of the specific questions we addressed to the State Governments was: In particular, do you recommend the extension of the scope of NCDC to salt, forest produce, tobacco, dairy, poultry, fishery and minor irrigation? The State Governments of Haryana, Mysore, Madhya Pradesh, Orissa and Maharashtra have suggested that the activities of the NCDC may be extended to the above items mentioned in the questionnaire. The West Bengal Government has suggested that the activities of the NCDC may be extended to all items mentioned in the questionnaire excepting minor irrigation. The Gujarat Government have suggested that the activities of the NCDC may be extended to salt and tobacco. The Tamil Nadu Government has not recommended the extension of the activities of the NCDC to any of these items.

8.12. The question of extending the activities of the NCDC to cover items like tobacco and salt was considered by the Union Department of Cooperation. As the power to legislate in respect of tobacco and salt vests in the States under Entries 26 and 27 of the State List, it was considered necessary that the state legislatures should pass appropriate resolutions in the manner prescribed in the Article 252 of the Constitution. Article 252 of the Constitution says :

- (1) If it appears to the Legislatures of two or more States to be desirable that any of the matters with respect to which Parliament has no power to make laws for the States except as provided in articles 249 and 250 should be regulated in such States by Parliament by law, and if resolutions to that effect are passed by all the Houses of the Legislatures of those States,

it shall be lawful for Parliament to pass an Act for regulating that matter accordingly, and any Act so passed shall apply to such States and to any other State by which it is adopted afterwards by resolution passed in that behalf by the House or, where there are two Houses, by each of the Houses of the Legislature of that State.

- (2) Any Act so passed by Parliament may be amended or repealed by an Act of Parliament passed or adopted in like manner but shall not, as respects any State to which it applies, be amended or repealed by an Act of the Legislature of that State."

8.13. The advice of the State Governments was sought as to whether they would be willing to pass necessary resolution in terms of Article 252 for extending the activities of the NCDC to tobacco and salt. Replies were received from 8 states; of these, 7 States expressed themselves in favour of including tobacco and salt within the purview of the NCDC; only one State Government was not in favour of the proposal.

8.14. *Provisions relating to financing of NCDC.*—As indicated in Chapter V, section 13 of the NCDC Act provides that the funds required by the Corporation for giving subsidies to State Governments should be given as subsidy while the funds required for giving loans should be given as loan. The present Act does not, therefore contemplate **Resources for NCDC** the possibility of the NCDC building up its own corpus of funds. A basic recommendation of ours is that the NCDC should be enabled to have its own funds for financing different programmes through the State Governments. To enable the Corporation to build up its own funds to widen the area of its resources, the NCDC Act may be amended to provide for the following:—

- (i) The Central Government may provide annual non-lapsable grants of not less than Rs. 10 crores up to the end of 1978-79.
- (ii) After 1978-79, the Central Government may provide from time to time such sums of money as it deems necessary to enable the Corporation to perform its functions under the Act.
- (iii) The outstanding loans of the NCDC to the Central Government which stood at Rs. 40.45 crores as on 31st March, 1971 may be consolidated into a single interest free loan and repayment re-scheduled so that the NCDC repays this amount in 15 annual instalments, the first instalment commencing after 15 years.
- (iv) Besides the above, the Central Government may also provide, from time to time, by way of loans and grants, such sums of money to the NCDC on such terms and conditions as it may determine.

- (v) The NCDC may be enabled to resort to market borrowings on the guarantee of the Central Government.
- (vi) The Corporation should also be made eligible to avail itself of assistance from international financing agencies.
- (vii) As it is a promotional and non-profit making organisation, the NCDC may be exempted from the payment of Income Tax and other taxes on income.

8.15. *Borrowing from Reserve Bank's National Industrial Credit (L.T.O.) Fund.*—We have suggested in para 5.40 that the NCDC should be enabled to obtain funds from the Reserve Bank's National Industrial Credit (Long Term Operations) Fund. For this purpose, the Central Government may notify the NCDC as a financing institution for obtaining assistance from the IDBI, under section 46-C of the Reserve Bank of India Act. The need for amending the RBI Act to provide NCDC direct access to this Fund may also be considered.

8.16. *Utilisation of NCDC's Fund.*—Provision on the following lines may be made in the Act for the NCDC to give assistance to various cooperative programmes coming under its purview :

- (i) to advance loans to State Governments for giving loans to or investing in the share capital of cooperative institutions;
- (ii) to participate in the share capital of, and provide loans and grants to, the national and regional cooperative institutions;
- (iii) to provide finance/re-finance to other types of cooperatives on the guarantee of the State Governments concerned; and
- (iv) to provide grants to State Governments for cooperative programmes.

8.17. *Funds to be maintained by the NCDC.*—Under Section 13, the Corporation is required to maintain a single fund called the 'National Cooperative Development Fund' from which all assistance from the Corporation as well as administrative and other expenses of the corporation are met. We have suggested in para 5.44 that the NCDC may maintain different funds. The Act may provide that the NCDC should maintain such Funds as may be prescribed by the Central Government in consultation with the Corporation.

8.18. *Provisions relating to the constitution of the NCDC.*—We have recommended in Chapter VI that the Corporation should be a two-tier organisation consisting of a General Council of 45 members and a Board of Management of 11 members. Provision may be made in the Act for the constitution of a General Council and a Board of Management on the lines indicated at paragraphs 6.12 and 6.17. The functions of the General Council and the Board of Management may be defined in the Act as at Paragraphs 6.10 and 6.16 respectively.

8.19. *President, Vice-President and Chairman of the Board of Management.*—We have suggested that the Union Minister of Agriculture may be nominated by the Central Government as President of the Corporation, the Union Minister of State in the Ministry of Agriculture, as Vice-President, and a non-official, as Chairman of the Board of Management. Nominations to these key offices in the NCDC may be left to be determined by the Rules to be framed under the Act.

8.20. *Managing Director.*—In terms of section 8 of the NCDC Act, the chief executive is called 'Secretary'. He may be redesignated as Managing Director. The method of appointment, conditions of service etc. of the Managing Director may be determined by the Rules.

8.21. *Advisory Committees.*—In paragraphs 6.20 and 6.21, we have recommended the setting up of Advisory Committees for—(a) Marketing and Storage, (b) Agricultural Inputs and Supplies, and (c) Agricultural Processing Industries. The Act may merely provide for an enabling provision for the setting up of such Committees as the Corporation considers necessary for the efficient performance of its functions.

8.22. *Extension of NCDC Act to Jammu & Kashmir.*—The NCDC Act, 1962 extends to the whole of India except the State of Jammu and Kashmir. The Act could not be extended, in 1962, to the State of Jammu & Kashmir as the relevant Entry 44 in the Central List and Entry 33 in the Concurrent List of the Seventh Schedule to the Constitution, which are relatable to the NCDC Act, were not applicable to that State. Now that these Entries in the Constitution have been made applicable to the State of Jammu & Kashmir, we suggest that the NCDC Act should be made applicable to the State of Jammu & Kashmir also.

8.23. To conclude, the legislative measures we have suggested for enlarging the scope, objects and functions of the NCDC, broad-basing the composition of the Corporation so that it operates as a representative and expert body, and for equipping the Corporation financially for its tasks, are :

- (i) Besides 'agricultural produce' and 'notified commodities' the scope of the NCDC Act may be extended to cover dairy, fishery, poultry, forest produce, salt, tobacco, etc. The Central Government may examine whether, within the framework of the Constitution, it is possible to extend the functions of the NCDC to these activities also. In this connection, the Central Government may also examine the need for relating the functions of the NCDC to Entry 33 in the Concurrent List, particularly in the light of the considerations we have mentioned in paragraphs 8.8 to 8.13.
- (ii) The principle that the NCDC should have its own funds may be incorporated in the Act. For this purpose, provision should be made for annual non-lapsable recurring grants from the Central Government.

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CHAPTER IX

CONCLUSION

We may now recall the principal considerations which have weighed with us and briefly recapitulate our conclusions. Rural India needs for its economic growth a rural infra-structure of which the components have to be many and varied. One such element, of which the importance can be far-reaching, is an inter-related system of cooperative credit, marketing, processing and storage. Such a system was sought to be established in the middle Fifties, with the Reserve Bank as the institutional promoter, at the national level, of cooperative credit, and the NCDC (or its equivalent at that time in the form of a Board) of cooperative marketing, processing, storage and allied aspects of economic activity. If the main object which underlay the establishment of the NCDC was important when that institution was conceived, it is even more important today when agricultural growth is much larger in dimension and much more diversified in composition.

9.2. Moreover, the significance of such an institution is all the greater at the present time when concerted national endeavour, in the shape of organisation, finance and effort, is sought to be directed to the redressal of disparities and rectification of imbalances. In such a context the rural infra-structure of cooperation has to be built up, not only as an integrated system, but as one specially sensitive to the needs of the small farmer and the backward area, whether it be in the sphere of marketing, or in the supply of inputs such as seed and fertiliser, or in the promotion of an economic activity like processing which may give a fillip to the growth of the particular area.

9.3. India-wide rural development of this kind, both comprehensive and selective, needs coordinated effort at all levels including the national level. It is here that, in a role complementary to that of the Reserve Bank, the NCDC was needed in the past and is more than even needed now. One lesson stands out from past experience. The NCDC has done as well as it could, but not as well as it might have, had its charter and its resources matched its objectives in the manner contemplated when it first came into being fifteen years ago. For it to be effective in future, its autonomy needs to be made real, its finances assured, and its technical services rendered adequate in both range and competence.

9.4. In our view, then, the NCDC should remain; but it must do so as an effective promoter, innovator, coordinator and, to the extent necessary, financier. The Corporation has to function in conjunction

**SUMMARY OF CONCLUSIONS AND
RECOMMENDATIONS**

4. *Recent Trends.*—The last few years have witnessed significant diversification of the activities of the co-operatives. Co-operative marketing was, till recently, confined to marketing of commercial crops, particularly sugarcane and cotton. Co-operatives have now entered the foodgrains trade in a big way. The value of foodgrains handled by cooperatives in 1961-62 was Rs. 32 crores; in 1968-69 it was Rs. 222 crores. The indications are that cooperatives will progressively improve on their past performance. To illustrate, the total quantum of wheat procured by cooperatives in 1970 season was about 7.00 lakh tonnes; it has exceeded 2 million tonnes in 1971. Another encouraging development is the expanding inter-state trade for the sale of produce in terminal markets so as to secure better prices. The value of inter-state business was only of the order of Rs. 1 crore in 1962-63; in 1968-69 it exceeded Rs. 56 crores. Cooperatives are taking up the secondary and tertiary stages of the processing of agricultural produce. Agro-industrial complexes are coming up in the cooperative sector. There is a large network of cooperative retail depots for the sale of fertilisers. Cooperatives are now equipping themselves to streamline their distribution system to cope with keen competition.

(Para 3.96),

N.C.D.C.'s Contribution

5. *N.C.D.C.'s Role.*—In assessing the contribution made by the N.C.D.C. to the implementation of various programmes, it has to be noted that the direct responsibility for implementation of programmes vests in the State Governments; the Corporation is to operate through, and in collaboration with the State Governments. The N.C.D.C.'s role, therefore, is to be assessed with reference to the planning, financing and overall strategy connected with the development of these programmes, as also by the contribution it has made or impact it has had in various contexts such as policy formulation of Central Government and public corporations *vis-a-vis* cooperatives; provision of expert guidance and assistance in the formulation of different programmes, and constructive supervision over and periodical review of the programmes.

(Para 3.97)

6. *Contribution to different programmes.*—A study of the various aspects mentioned above, points to the useful role played by the N.C.D.C. in planning and developing a strategy for expansion and diversification of cooperative activities. In the field of cooperative marketing the emphasis of the N.C.D.C. has been on the structural improvement of cooperative marketing societies, forging an effective link between cooperative marketing and credit on the one hand, and also among different levels of marketing societies on the other, so that an integrated system of cooperative marketing is developed for the benefit of the farmer. To improve the operational efficiency of the cooperative marketing structure, the N.C.D.C. has been pursuing with state marketing federations

the entire assistance required by the erstwhile N.C.D.&W. Board in the form of grants, even though the Board was expected to utilise the money for grant of assistance to State Governments both by way of loans and grants. But, under Section 12 of the new Act, the N.C.D.C. receives Central assistance both by way of loans and grants according to its requirements. The 1956 Act incorporated the basic principles suggested by the Rural Credit Survey Committee that this all-India organisation should have funds of its own for developing different programmes under its purview, and also the freedom to determine the terms and conditions governing its assistance to State Governments for different cooperative activities. The entire assistance from the Government of India was to be in the nature of non-lapsable grants so that this organisation could build up a revolving fund of its own for promoting different programmes coming under its purview. This basic principle has been given up in the new N.C.D.C. Act which provides that funds required by the Corporation for giving subsidies to the State Governments should be given as subsidy, while the funds required for giving loans should be given as loan. A significant feature emerging from the case studies of the cooperative processing programmes in Maharashtra is that the financial assistance provided by the N.C.D.C. has not been adequate to meet the requirement of the progressively expanding cooperative sector in that State. Some of the State Governments, in reply to the questionnaire, have also indicated that the financial assistance received from the N.C.D.C. has not been adequate.

(Paras 3.73 to 3.74 & 3.79)

10. *Lack of Autonomy.*—Funds are now provided by the Central Government to the N.C.D.C. under various schemes like the centrally aided plan schemes, central sector schemes and centrally sponsored schemes. The N.C.D.C. has, however, no discretion to divert funds from one scheme to the other. In respect of the centrally aided plan schemes under which Central assistance is routed to State Governments for certain cooperative programmes through the N.C.D.C., the ceilings of assistance for each State as also the pattern of assistance to be provided are determined by the Central Government. In such a situation, the N.C.D.C. becomes only a channel for routing Central assistance for those schemes. The N.C.D.C. is neither equipped with funds of its own adequate to meet the requirements of the various programmes nor does it enjoy financial autonomy in respect of the funds received from the Central Government.

(Para 3.74)

11. *Lack of Staff.*—The erstwhile N.C.D.&W. Board was organised as a high-powered body with a Cabinet Minister as Chairman, Deputy Governor of the RBI, Secretaries to the Government of India and prominent cooperators as members. But there was hardly any administrative set up to service this high-powered organisation. An officer of the rank of a Deputy Director in the Government of India officiated as the

chief executive of the organisation for nearly 6 years, from August, 1957 till 1963. Even after the setting up of the present N.C.D.C. in 1963, the work relating to the planning and promotion of programmes of cooperative marketing, processing, etc., continued to be done mostly in the Union Department of Cooperation. It was only in September, 1964, that the entire work relating to the planning and promotion of these programmes was transferred to this Corporation. It was as recently as in 1969 that the Corporation opened two regional offices. Technical experts were appointed by the N.C.D.C. for the first time in 1970. The case studies as also the comments of the various State Governments and Registrars point to the inadequacy of the technical guidance and overall supervision available from the N.C.D.C. This is to be imputed mainly to the absence of adequate staff.

(Para 3.75)

12. *Areas of Weakness.*—While the N.C.D.C.'s role in terms of initiative, promotion and coordination has been of considerable importance, the same cannot be said of the part played by this institution in certain other spheres. The data before the Committee including case studies and replies indicate that the N.C.D.C. has not been in a position except in a few contexts, to provide the range of expertise necessary for the technical formulation of plans and projects. It is now trying to make good to the extent practicable this hiatus in its organisation. Similar lack of staff has prevented its follow-up action on the implementation of various programmes being as effective as it could otherwise have been. The financial support extended by the N.C.D.C. was significant and very often crucial; but here again, it fell far short of the expanded requirements. Further, while the overall progress is striking, it is unevenly distributed between different States and between different areas within the same State. This of course is a common feature of practically all development programmes in the country and not merely those with which the N.C.D.C. happens to be associated. Even so, no concerted effort has till recently been made by the N.C.D.C. to promote programmes for backward areas on a priority basis. The N.C.D.C. has, however, now taken a decision to pay special attention to the development of certain cooperative programmes in backward areas and also strengthen its administrative machinery for this purpose.

(Para 3.105)

13. *Assessment by Others.*—The Dantwala Committee on Cooperative Marketing (1966), the Study Group of the ARC on Centre-State Relationships (1967), the Working Group on Cooperation set up by the Administrative Reforms Commission (1968) and the All India Rural Credit Review Committee (1969) have all appreciated the contribution made by the N.C.D.C. to different programmes with which it is concerned.

(Paras 3.15 to 3.89)

14. The State Governments, Registrars, the state and national level federations to whom questionnaires were issued have all referred to the useful role played by the N.C.D.C. in promoting programmes of cooperative marketing and storage. A major criticism made by Registrars and State Governments is that the arrangements made by the N.C.D.C. for providing technical help and guidance and its follow-up action on various programmes are inadequate.

(Paras 3.90 to 3.92)

15. *To sum up.*—The striking progress recorded by various cooperative programmes, the planning and the promotion of which is the responsibility of the N.C.D.C. under its Charter, does credit to the N.C.D.C. The influence of the N.C.D.C. on these programmes is more significantly over the overall planning and strategy of development than over the technical content or the mechanism of implementation. Excepting for some pilot schemes, the N.C.D.C. could not attempt bold programmes of development, particularly in under-developed areas, from its own funds. The assistance provided by the N.C.D.C. also did not match the requirement of fast expanding programmes in certain States. The N.C.D.C. was financially 'straight-jacketed' and its autonomy limited. It could not also develop adequate staff to provide support to the programmes sponsored by it. These factors have tended to restrict the N.C.D.C.'s impact on various programmes, both in terms of magnitude and of quality. The Committee's assessment of the performance of the N.C.D.C. is that it has made a significant contribution towards developing the potentialities of the programmes entrusted to it. If its achievement is satisfactory in relation to resources and restraints, the promise it holds out for the future is even better in the context of what can be done by way of reorganisation and what needs to be done by way of development. But for the restrictions which came to be imposed on it in a manner inconsistent with the original concept the three-fold lack of autonomy, funds and staff—, its impact on the implementation of the programmes would have been far more effective than it has been, and its contribution to integrated cooperative development much more in consonance with Parliament's intention when first in 1956, and thereafter in 1962, it helped establish this important institution at the national level.

(Para 3.106)

CHAPTER IV—SCOPE, OBJECTS AND FUNCTIONS

Need for Continuance of the N.C.D.C.—The considered view of the Committee is that the emerging needs of agricultural progress and policy—including marketing and other support on the one hand for larger production and on the other, for the weaker producer—give added and new justification for an all-India institution like the N.C.D.C. for development, on a country-wide basis, of facilities of processing, storage and marketing of agricultural produce and supply of agricultural inputs through cooperatives, and also for so directing cooperative economic activities as to benefit the weaker sections of the rural community and the backward areas of the rural sector. For performing these tasks of national importance, the objectives and scope of the Corporation may be modified and its finances and administration adequately strengthened. It is important that the limitations identified—lack of funds, lack of autonomy and lack of staff—which have tended to undermine the effectiveness of the present N.C.D.C. as also its predecessor, the N.C.D.&W. Board, are not allowed to persist when the N.C.D.C. is geared for the new tasks.

2. *Does the N.C.D.C. Unjustifiably encroach on the Activities of the State Governments?*—In terms of the Seventh Schedule to the Constitution, 'cooperative societies' is a State subject. The legislative and executive responsibility for the promotion of cooperatives wholly rests with the State Governments. Neither in concept nor in practice do the functions of the N.C.D.C. bypass the State Governments; on the other hand, the Corporation has been functioning only through the State Governments. Further, within the present political and administrative set up in the country, it is inconceivable that cooperative development can be promoted in a State irrespective of the policy, priority or actual participation of the State Governments concerned. The N.C.D.C. is to be a central agency whose role is that of a promoter, innovator, coordinator and, to the extent necessary, financier. It has to function in conjunction with, and through, the State Governments so that the Cooperative projects it promotes in defined sectors form an integral part of the overall development of the cooperative programmes for the implementation of which the respective State Governments are responsible. The basic objective of the N.C.D.C. should be to help State Governments stimulate the process of cooperative development in the States.

(Paras 4.17-4.18)

3. *Does the N.C.D.C. Unnecessarily Duplicate the functions of the Union Department of Cooperation?*—The N.C.D.C. Act was passed in 1962 enabling the establishment of the present N.C.D.C. The Corporation was set up subsequent to the establishment of the present Union Department

of Cooperation. The need for the N.C.D.C. besides a separate Department of Cooperation as also the question of duplication of functions between the N.C.D.C. and the Union Department of Cooperation were carefully examined by the Government before the present N.C.D.C. was set up. This examination was undertaken by the Government in pursuance of the recommendations of the Estimates Committee (1960-61). The Estimates Committee also agreed with the views of the Government that there is need for the N.C.D.C. besides the Union Department of Cooperation.

(Paras 4.23 to 4.28)

4. The Union Department of Cooperation deals with agricultural credit and indebtedness in the cooperative sector, cooperation in the agricultural sector, matters relating to national cooperative organisations, administration of the Multi-Unit Cooperative Societies Act, training of personnel of cooperative departments and cooperative institutions and consumer, labour and non-agricultural cooperatives. Besides, the Department is also responsible for basic cooperative policies and for coordinating cooperative activities in all sectors. In so far as the N.C.D.C. is concerned, the Union Department of Cooperation concerns itself mainly with policy matters and policy directives as well as with Parliament work in relation to the Corporation and its activities. The nature of the functions of the N.C.D.C. is also different from that of the Department. The Corporation is a promotional and financing agency. The major responsibility of the N.C.D.C.—particularly in the context of the role now envisaged for it—is to formulate, in conjunction with the appropriate Departments of State Governments and cooperative institutions, programmes of cooperative processing, storage, marketing, etc., assist in the assessment of technical feasibility and economic viability of the schemes, assume the role of a coordinator for financing the programmes from various sources including its own funds, help in obtaining, wherever necessary, requisite and prompt policy and other support from the concerned Ministries of the Government of India and all-India public sector organisations, provide constructive supervision over the implementation of the programmes and undertake their periodical evaluation. The N.C.D.C. is thus an executive organisation whose activities are field-oriented and programme-based. The Department's activities belong more appropriately to the realm of policy making. The N.C.D.C. could help the Department in shaping policies relating to the programmes with which it is concerned. The Government could issue policy directives to the N.C.D.C. in relation to its activities, and lay down priorities for implementation of the programmes. Thus a clear demarcation of functions emerges between the N.C.D.C. and the Union Department of Cooperation. While the Union Department of Cooperation is responsible for enunciation of policies in relation to the Corporation and its activities, the Corporations' responsibilities mainly relate to the formulation,

execution and financing of the programmes. The N.C.D.C. is thus not rendered redundant by the existence of the Union Department of Cooperation.

(Para 4.22)

5. *Does the N.C.D.C. Prejudicially Affect the Prospects of De-officialisation?*—The basic objective of the N.C.D.C. is to provide, at the national level, a forum for non-official leadership, State and Central Governments, public sector financing and commercial organisations, and be the focal point for the planning, initiating, developing and financing of a nationwide cooperative programme for processing, marketing etc. The national and State level cooperative federations which were consulted have expressed the view that the existence of the N.C.D.C. has never been a dis-incentive to non-official participation in the cooperative movement; many federations have in fact emphasised that the existence of the N.C.D.C. has helped in non-official participation in the movement.

(Para 4.32)

Scope, Objects and Functions

6. *Core Activities.*—One of the principal grounds on which the Committee recommends the continuance of the N.C.D.C. is the promise it holds out of being able to create increasingly effective facilities in the cooperative sphere for supporting the rising tempo of agricultural production. The N.C.D.C. should continue to concentrate on agricultural and, within the sphere of agriculture, focus its attention on cooperative marketing, processing and storage of agricultural produce and supply of agricultural inputs.

(Para 4.36)

7. *Other Functions.*—Dairy, poultry and fishery are important activities which provide income and employment opportunities to the vulnerable sections of the rural community, and, therefore, call for large cooperative programmes for these activities. Their promotion, however, require technical know-how and expertise. Specialised institutions like the National Dairy Development Board have been established in the public sector for these activities. In this connection, the Agricultural Refinance Corporation has also begun to finance dairy, poultry and fishery projects formulated on an integrated basis and linking the provision of credit to individuals with extension services, processing, storage, transport and marketing of products. In areas specially suited for these activities and also in areas covered by special programmes like S.F.D.A./M.F.A.L. designed for assisting weaker sections, the N.C.D.C. should help promote these programmes in the cooperative sector. In formulating such programmes, the N.C.D.C. might draw upon the expertise available with specialised institutions.

(Para 4.37)

8. As far as forestry is concerned, the activities of the N.C.D.C. might be restricted to helping the tribal people in collection, processing and marketing of minor forest produce through appropriate cooperatives, specially organised for them.

(Para 4.38)

9. *Notified Commodities.*—In terms of the existing charter of the N.C.D.C., its activities extend to notified commodities, that is, commodities coming under the purview of Entry 33 of the Concurrent List. The activities of the N.C.D.C. may continue to extend to such commodities as may be notified by the Government from time to time.

(Para 4.39)

10. *N.C.D.C. to give up work relating to Cooperative Credit and Rural Consumers.*—The N.C.D.C. is not directly associated with cooperative credit programmes. Its present role is merely to route Central assistance to State Governments to enable them, in turn, to extend managerial assistance to cooperative credit institutions. The Corporation may give up this functions.

(Para 4.40)

11. The Corporation is now dealing with rural consumer activities. The urban cooperative consumer movement is dealt with in the Department of Cooperation. The N.C.D.C. has no special role in developing the consumer movement in rural areas through primary credit or marketing cooperatives. As a functional activity, it would be an advantage if both urban and rural consumer programmes are dealt with in a single organisation. The Department of Cooperation may deal with rural consumer programmes also.

(Para 4.41)

12. *Promotional and Developmental Role of N.C.D.C.*—The N.C.D.C. is mainly a promotional and developmental organisation. The main features of this role are : development of processing, storage, marketing and supplies in the cooperative sector to back up programmes for increasing agricultural production; promotion of area and project approach entailing pre-investment surveys, assessment of cost-benefit and investment-return ratios, integration and proper phasing of all factors including credit, marketing etc. relevant to cooperative programmes in compact areas; stimulating flow of institutional finance to cooperative projects from institutional agencies; and evolving special programmes for tribals and other weaker sections as also for backward areas.

(Para 4.42)

13. The promotional and developmental role of the N.C.D.C. would also cover the following aspects relating to initiation, coordination, and evaluation of programmes:

- (i) Coordination of activities of various agencies for implementing area development programmes through cooperatives.
- (ii) Liaison with various Ministries and organisations like the FCI, The Central Warehousing Corporation, the State Trading Corporation, the Fertiliser Corporation, the Cotton Corporation, the Jute Corporation and other commodity organisations with a view to creating favourable conditions for strengthening and expansion of business activities of cooperatives in the rural sector.
- (iii) Initiating cooperative pilot projects in strategic areas of agricultural development and providing technical and financial support for such projects.
- (iv) Provision of technical guidance, consultancy service and arrangements for training and research.
- (v) Periodical evaluation of various cooperative programmes.

(Para 4.43)

14. *Financial Role.*—The financial role of the N.C.D.C. emerges from its promotional role. The efforts of the N.C.D.C. will be mainly to equip cooperatives with the requisite risk capital and margin money and thus enable them to have access to funds from institutional agencies for expanding their business operations and for investment on plant, machinery and buildings for processing and storage programmes. The N.C.D.C. should provide assistance to cooperatives in the States only through, or on the guarantee of, the State Governments. Its direct assistance will be restricted to national and regional level federations.

(Para 4.44)

15. *Autonomy of the Corporation Policy—Directives by Government.*—Autonomy in its operations is vital to the effective functioning of the N.C.D.C. At the same time, being a public sector organisation in which public funds are involved, the Corporation should be accountable to the Government and through the Government to the Parliament. The autonomy of the Corporation should, therefore, be subject to the overall policy directives and priorities laid down by the Government from time to time. The policy directives may be as follows :—

- (a) The main responsibility of the Corporation shall be to promote and develop a country-wide programme of cooperative activities for processing, storage, and marketing of agricultural produce for the benefit of the farmers and in support of agricultural programmes, as also the supply of inputs for such

programmes. The Corporation shall endeavour to concentrate its attention on the priorities that may be laid down by the Government from time to time in the overall context of agricultural development.

- (b) In performing its functions, the Corporation shall operate in consultation and close association with the State Governments.
- (c) In assisting programmes for cooperative development, the Corporation shall establish sound financing policies and procedures and, generally, take such measures as facilitate the flow of institutional finance for these programmes.
- (d) In formulating its financing policies and procedures, the Corporation shall lay down and apply criteria for, and establish priorities regarding, the choice of programmes and schemes mainly on the basis of consideration of economic viability of the schemes. The Corporation shall also lay down appropriate stipulations in regard to the technical, economic, financial and managerial aspects of each programme, as a condition for providing financial assistance.
- (e) The Corporation shall direct its efforts to promote as far as possible, 'project' and 'area development' approach to cooperative programmes.
- (f) The terms and conditions of loans to be advanced by the Corporation and the subsidies to be granted by it shall be related to the economic of the scheme financed.
- (g) The Corporation shall pay special attention to evolving suitable economic programmes for assisting tribals, small farmers and other weaker sections of the rural community as also for relatively backward areas in the country.
- (h) For assisting special programmes for weaker sections and backward areas, the Corporation may, with the prior approval of the Central Government adopt patterns of assistance different from those applicable to other programmes.
- (i) The Corporation shall, for the efficient discharge of its functions equip itself with adequate expert staff.

CHAPTER V—FINANCIAL ARRANGEMENTS

The main conclusion is that, in order to render the N.C.D.C. effective in the performance of its functions which include the high priority objectives of helping the weaker sections and stimulating economic growth in the more backward areas, it should be equipped with adequate funds and endowed with autonomy in its operations subject, however, to the broad policy directives that may be given by the Central Government from time to time. The financing role of the N.C.D.C. emerges essentially from its promotional and developmental role. The N.C.D.C.'s assistance should generally provide a base for attracting institutional finance for various schemes assisted by it. As the responsibility for implementing cooperative programmes rests with the State Governments, the Corporation should route assistance to cooperatives through the State Governments or provide assistance to cooperatives only on the guarantee of the State Governments concerned. The N.C.D.C.'s assistance to State Governments should be additive to State Plan resources and should not be at the cost of normal Central assistance to which the State Governments are eligible for their plan schemes. The Corporation will, however, provide direct assistance to the national federations.

(Paras 5.45 to 5.46)

Suggested Financial Role of the N.C.D.C.

2. *Equipping cooperatives with margin money.*—The programmes of cooperative processing, storage and marketing and supply of inputs need to be substantially stepped up to cope with the increasing agricultural production. Cooperatives will have to be financially equipped for intensifying their activities. Increasingly greater reliance has to be placed by them on institutional finance for various programmes. To enable cooperatives to have access to institutional sources of finance, they should be equipped with equity capital and margin money. While cooperatives themselves should direct their efforts to the mobilisation of additional resources from their members, their efforts cannot be commensurate with the rapidly increasing requirements. A large programme of planned participation in the share capital of marketing and processing cooperatives through the State Governments, therefore, becomes a necessity, and the N.C.D.C. should be equipped to provide the necessary assistance to the State Governments. Implicit in the function of providing margin money for different cooperative economic activities is the N.C.D.C.'s role as financial coordinator. It will help in arranging for funds from institutional agencies like the Industrial Finance Corporation, I.D.B.I., etc.

(Paras 5.23 and 5.24)

3. *Weaker Sections and Backward Areas.*—The N.C.D.C. should sponsor special programmes designed to benefit small farmers and other weaker sections of the rural community, and also stimulate the growth of cooperative activities in the agricultural sector in the relatively under-developed areas. These would call for provision of funds by the N.C.D.C. on more liberal terms and also imply a larger element of subsidy to render the schemes economically viable. The Corporation should, therefore, have the necessary degree of autonomy and flexibility in its financial operations to ensure effective implementation of such special programmes. The autonomy of the N.C.D.C. should, however, be subject to the overall policy directives that might be given by the Central Government.

(Para 5.26)

important lines of approach to planned cooperative development. The first is to promote cooperative marketing, processing and storage as package activities for developing agricultural resources in a given area and linking these activities to agricultural production programmes including supply of credit and other inputs. The second is to promote specific agro-industrial projects based on survey of potentialities of various areas. The N.C.D.C. should assume special responsibility for promoting area development and project programmes and also arrange for their financing by institutional agencies.

(Para 5.27)

Utilisation of N.C.D.C.'s Funds

5. *Purposes.*—The N.C.D.C.'s funds should be utilised :
- (a) for advancing loans to State Governments for giving loans to, or investing in, the share capital of cooperative institutions;
 - (b) for participating in the share capital of and providing loans and grants to the national and regional cooperative institutions;
 - (c) for providing finance/refinance to other types of cooperatives on the guarantee of the State Governments concerned; and
 - (d) for providing grants to State Governments for cooperative programmes.

(Para 5.28)

6. *State Governments to be involved.*—The N.C.D.C. will not deal direct with individual cooperatives, with the sole exception of national and regional cooperative institutions. The Corporation should operate only through, or in close association with, the State Governments who are, under the Constitution, primarily responsible for 'Cooperative Societies' registered under the respective State Cooperative Societies Acts.

(Para 5.29)

Resources for the N.C.D.C.

7. *Non-lapsable Grants from Central Government.*—To enable the N.C.D.C. to finance programmes of cooperative marketing, processing, storage, etc., the Central Government should provide a non-lapsable annual grant of Rs. 10 crores upto the end of the Fifth Plan (1978-79) and the position reviewed thereafter. The N.C.D.C. should utilise these funds for giving grants or loans or both, appropriate for different programmes.

(Para 5.35)

8. The Central Government are now making available funds to the N.C.D.C. for certain centrally sponsored and central sector schemes. Besides the minimum non-lapsable grant of Rs. 10 crores suggested above, the Central Government may continue to provide funds for these schemes during the remaining period of the Fourth Plan after which the need for raising the minimum grant might be considered in the context of the requirements of the N.C.D.C. for various programmes sponsored by it.

(Para 5.36)

9. *Re-scheduling of existing Loans to Central Government.*—On 31-3-1971, the Corporation owed to the Central Government a sum of Rs. 40.45 crores under various loans received for different plan schemes in different years. These loans are normally repayable to the Central Government over a period of 14 years. The loans may be consolidated into a single loan as on 31st March, 1971 and their repayment by the N.C.D.C. to the Central Government rescheduled. They may be made interest-free and repayable in 15 annual instalments, the first annual instalment commencing after the expiry of 15 years. Section 19 of the Agricultural Refinance Corporation Act provides for loan assistance for 30 years by the Central Government to the Agricultural Refinance Corporation.

(Para 5.39)

10. *National Industrial Credit (LTO) Fund of the Reserve Bank of India.*—As the objectives of the National Industrial Credit (LTO) Funds of the R.B.I. is to provide support to industrial development in the country and as one of the major functions of the N.C.D.C. will be to promote the agricultural processing industries in the cooperative sector, the N.C.D.C. should be able to obtain assistance from this Fund. To make this possible, the Central Government may notify the N.C.D.C. as a financing institution for the purpose of drawing assistance from the I.D.B.I. under Section 46-C of the RBI Act. The N.C.D.C. would require soft loans to enable it to provide assistance on liberal terms to cooperatives towards risk capital and residual block capital. The Central Government may, therefore, examine whether the N.C.D.C. should not be allowed to have direct access to the Long Term Operations Fund and also consider the need for amending the RBI Act.

(Para 5.40)

11. *Assistance from International Financing Agencies.*—The N.C.D.C. should formulate suitable programmes on the basis of which it may avail itself of assistance from the World Bank and other international financing agencies. The programmes for construction of godowns, establishment of cold storages and setting up of agro-industrial complexes and modernisation of rice mills in the cooperative sector are suitable for attracting assistance from international financing agencies.

(Para 5.41)

12. *Market Borrowings.*—The N.C.D.C. may be enabled to resort to market borrowings through debentures which may be guaranteed by the Central Government. The N.C.D.C. should also endeavour to muster resources from cooperative institutions like cooperative sugar factories.

(Para 5.42)

13. *Exemption from Income Tax.*—As the N.C.D.C. is a non-profit making, developmental and promotional statutory organisation, it may be exempted from payment of Income Tax and other taxes on income.

(Para 5.43)

14. *Funds.*—Today, the Corporation maintains a single fund called the 'National Cooperative Development Fund', from which all assistance given by the Corporation as well as administrative and other expenses incurred by it are met. It is, however, important to distinguish between different aspects of the financing role of the N.C.D.C. The first is the financing of specific projects involving the creation of assets such as cooperative processing units, cold storages and cooperative godowns. This involves careful planning of individual units, detailed preinvestment surveys and the insistence on certain standards and criteria, including a minimum net return on the estimated investment. The second is the provision of finance for cooperative institutions which undertake commercial operations of which the main items are the marketing of produce and the distribution of inputs. The third is the provision of subsidy for various programmes as a promotional measure. The Corporation may be required to maintain different accounts or even different funds for these different purposes. It may not be necessary to provide in the Statute itself for the creation of these funds. The Statute may merely provide for creation of such funds by the Corporation as may be notified by the Central Government. The allocation of resources for the funds and the utilisation of the amounts from them may be left to the determination of the Central Government in consultation with the Corporation.

(Para 5.44)

CHAPTER VI—FUTURE SET UP

Essential Features.—In examining the future set up of the N.C.D.C. the main aspects to be considered are the composition of the membership of the Corporation, its management, appointment of chief executive officer, staff development with field orientation, building up of expertise for the various programmes and relations with the Government. An important feature to be recognised in considering the administration of the N.C.D.C. is its autonomy. The N.C.D.C. should be allowed to function as an independent and autonomous organisation and not as a mere 'wing' or an 'attached office' of the Ministry of Agriculture. This is not, however, to ignore the responsibility of the Ministry which provides funds to the N.C.D.C. and is responsible to the Parliament. The Ministry should have the right to give policy directives to the Corporation.

(Paras 6.2 and 6.3)

2. A two-tier organisational set-up is recommended for the N.C.D.C. There should be a General Council in which the supreme authority will be vested. Its membership should be broad-based in order to give representation to various related organisations. The second tier will be a Board of Management consisting of a small group representing a cross-section of the members of the General Council. The Board will function under the general direction, control and superintendence of the General Council. The day-to-day administration of the Corporation should be the responsibility of the chief executive. To build into its organisation requisite expertise for various types of programmes, the N.C.D.C. should have Advisory Committees which would include experts drawn from academic and research organisations, industry, government and cooperatives. The General Council, the Board of Management, the staff of the Corporation and the Advisory Committees together should make the Corporation an expert and representative body.

(Para 6.9)

3. *General Council.*—The supreme authority in the Corporation should vest in a General Council. The Council will function subject to the overall directives of policy issued, and priorities laid down by the Central Government in the Ministry of Agriculture. The Council should normally meet twice a year. The main functions of the General Council will be :

- (i) to lay down broad guidelines for achieving the objectives of the Corporation;
- (ii) to ensure that the policy directives issued by the Central Government and priorities laid down by them are implemented;

- (iii) to review periodically the implementation of various programmes sponsored by the Corporation; and
- (iv) to approve the annual budget of the Corporation.

(Para 6.10)

4. The General Council may be composed of the following :

- (1) President to be nominated by the Central Government.
- (2) Vice-President to be nominated by the Central Government.
- (3) Chairman of the Board of Management to be nominated by the Central Government.
- (4) Eight representatives of Economic Ministries to be nominated to by the Central Government, by virtue of their office.
- (11)
- (12) The Deputy Governor of the Reserve Bank of India in charge of Rural Credit.
- (13) Managing Directors of the State Bank of India, the Food Corporation of India and the Central Warehousing Corporation.
- (15)
- (16) Chairman of the Industrial Finance Corporation.
- (17) A representative of commercial banks to be nominated by the Central Government.
- (18) Chairmen of the National Cooperative Union of India, the to National Agricultural Cooperative Marketing Federation,
- (22) the National Federation of Cooperative Sugar Factories, the All-India Cooperative Spinning Mills and the All-India State Cooperative Banks Federation.
- (23) Nine representatives of State Governments (Development to Commissioner or Agricultural Production Commissioner
- (31) or Secretary to Government in charge of Cooperation), to be nominated by the Central Government.
- (32) Nine Chairmen of State level cooperative federations to be to nominated by the Central Government from States other
- (40) than those represented under items (23) to (31) above. Chairmen of State level federations in Union Territories will also be eligible for nomination.
- (41) Four persons having special knowledge of, or practical ex- to. perience in, agricultural cooperative development, to be no-
- (44) minated by the Central Government.
- (45) Managing Director of the N.C.D.C.

Of the 45 members of the General Council, 19 will thus be permanently represented by virtue of their office—8 representatives of the Central Government, representatives of the Reserve Bank of India, State Bank

of India, Central Warehousing Corporation, Food Corporation of India, Industrial Finance Corporation and five Chairmen of national level federations and the Managing Director of the N.C.D.C. The term of office of the other 26 could be fixed in the Rules to be framed under the Act, as at present, at three years. The Rules may also provide for the different Economic Ministries to be represented on the General Council, nomination of representatives of State Governments and Chairmen of State level federations, and for the nomination of the President and the Vice-President of the Corporation.

(Paras 6.11 and 6.12)

5. *President.*—In the light of the suggestions for extending the scope of activities of the N.C.D.C. to new and difficult fields which call for closer coordination of the policies and programmes of the N.C.D.C. with those of the State Governments, financial, business and policy support from different Economic Ministries of the Government of India, central financing institutions and public sector undertakings, the N.C.D.C. should have the necessary commanding stature and, for this reason among others, it is recommended that the Union Minister of Agriculture should be the President of the General Council and of the Corporation.

(Para 6.13)

6. *Vice-President.*—The Minister of State in the Ministry of Agriculture might be the Vice-President of the General Council.

(Para 6.14)

7. *Chairman of the Board of Management.*—The Chairman of the Board of Management of the Corporation should be a non-official to be nominated by the Central Government and, in this capacity, he should be a member of the General Council of the Corporation.

(Para 6.14)

8. *Representatives of Central & State Governments.*—Representation on the General Council may be given to the Union Departments of Agriculture, Cooperation and Food, Planning Commission, Ministries of Foreign Trade and Supply, Finance, Industrial Development and Internal Trade. As the N.C.D.C. is a high-powered organisation, it is expected that Secretaries in charge of different Ministries/Departments would be nominated to the General Council so that they could provide positive direction and support to the policies and programmes of the Corporation. Regarding State Governments, normally, the Development Commissioner or the Agricultural Production Commissioner of the State Governments may be nominated on the General Council ; if, for any reason, this is not possible, Secretaries to the State Governments in charge of Cooperation may be nominated.

(Para 6.15)

9. *Board of Management.*—The Board of Management will consist of a Chairman to be nominated by the Central Government and selected members of the General Council. The functions of the Board will be:—

- (a) to implement the guidelines laid down by the General Council;
- (b) to lay down subsidiary policies ;
- (c) to prescribe criteria, conditions and patterns in respect of financial assistance for various programmes ;
- (d) to sanction specific projects involving larger assistance from the N.C.D.C. ;
- (e) to undertake review and supervise implementation of various programmes ;
- (f) to deal with general matters relating to staff and general administration of the corporation ;
- (g) to determine the lines of investment of the funds of the Corporation ; and
- (h) to frame detailed regulations for the conduct of business of the Corporation.

(Para 6.16)

10. The Board of Management of the Corporation may consist of the following 11 members :

- (i) Chairman to be nominated by the Central Government.
- (ii) Three representatives of the Central Government on the (iv) General Council to be nominated by the Central Government.
- (v) Deputy Governor of the Reserve Bank of India.
- (vi) One Chairman of a national level cooperative institution to be nominated by the Central Government from among those in the General Council.
- (vii) Two representatives of State Governments to be nominated & (viii) by the Central Government from among those in the General Council.
- (ix) Two representatives of State Level Cooperative Federation & (x) to be nominated by the Central Government from among those in the General Council.
- (xi) Managing Director.

(Para 6.17)

11. *Advisory Committees.*—The Corporation may set up the requisite number of Advisory Committees. It is suggested that it may have Advisory Committees on (i) Cooperative Marketing and Storage

including Cold Storages, (ii) Agricultural Inputs and Supplies, and (iii) Agricultural Processing Industries. The non-official members of the Corporation who have experience in the respective fields may be appointed as Chairmen of these Committees. The emphasis should, however, be on association of experts with these Committees. Technical officers belonging to the organisation of the Agricultural Marketing Adviser to the Government of India should be associated with the appropriate Advisory Committees. This would also ensure a closer coordination between the N.C.D.C. and the A.M.A.'s organisation.

(Paras 6.18 to 6.21)

12. *Chief Executive.*—The chief executive of this high-powered Corporation has a pivotal role. At present, the chief executive is called 'Secretary'. He may be redesignated as 'Managing Director'. The Office of Managing Director would involve large responsibilities—both administrative and financial—and also close association with various Ministries and all-India organisations at the policy making level. The chief executive should be an officer equal in status to that of an Additional Secretary to the Government of India. He should be chosen for outstanding competence, wide knowledge and experience of cooperation. The choice need not be confined to any one 'service'. He should be a member both of the General Council and of the Board of Management of the Corporation.

(Para 6.28)

13. *Technical and other Staff.*—The Corporation should strengthen itself with adequate staff with the requisite technical knowledge. Besides, it should also maintain panels of qualified technical and consultancy personnel to undertake feasibility studies, to prepare project reports and also to provide technical know-how to the cooperatives.

(Para 6.29)

14. *Research and Development Cell.*—Statistics and evaluation constitute a weak link in the administrative set-up of the N.C.D.C. The Corporation should set up a Research and Development Cell, the functions of which will be as indicated in para 6.27.

(Para 6.30)

15. *Regional Offices.*—The present staffing pattern of the regional offices of the N.C.D.C. is inadequate for the discharge of the functions envisaged for the Corporation. Regional Offices should be equipped with the requisite field and technical staff. These offices should function in close coordination with the regional offices of the Reserve Bank of India in the States.

(Para 6.31)

16. *Cadres and Panels for Cooperatives.*—In view of the vital importance of staff development for the operational efficiency of the cooperatives, the Corporation should assist the State Governments and cooperatives in building up cadres of key personnel for marketing, processing, supply and storage activities. As the cooperatives find it difficult to locate suitable technical and managerial personnel, it would be of considerable assistance to them, if the Corporation maintains panels of suitable qualified personnel for employment in cooperatives.

(Para 6.32)

CHAPTER VII—ROUTING OF CENTRAL ASSISTANCE FOR STATE PLAN SCHEMES THROUGH THE N.C.D.C.

11. *Should Central assistance be routed through the N.C.D.C. ?* In terms of the existing scheme of release of central assistance to State Governments for State Plan schemes, the N.C.D.C. merely disburses certain amounts to which the State Governments are entitled according to a pre-determined formula. The existing procedure leaves no discretion to the N.C.D.C. to alter the amounts of such assistance or vary the pattern of assistance or determine the individual programmes to which this assistance should flow. In this situation, the N.C.D.C.'s role is more in the nature of a pay office of the Central Government for disbursement of central assistance to State Government than that of an agency for financing programmes sponsored and promoted by it. No purpose is, therefore, served by routing Central assistance for State Plan scheme through the N.C.D.C. As in the case of other important programmes relating to different Ministries, assistance may be released by way of block loans/grants by the Ministry of Finance for the N.C.D.C.'s schemes also.

(Paras 7.15 & 7.16)

2. *Ear-marking of funds for cooperation.*—The outlays on N.C.D.C.'s schemes should not, however, be taken out of the purview of the 'ear-marked' sector. The schemes coming under the purview of the N.C.D.C. as also those relating to the Union Department of Cooperation may be grouped together as one unit of the 'ear-marked' sector so that the outlays on the inter-related and important programmes of cooperative credit, marketing, processing, etc., are earmarked as a group. The N.C.D.C., through its administrative machinery, should keep itself closely in touch with the preparation of State Plans and also assist the State Governments in the formulation of programmes relating to cooperative marketing, processing, storage, etc., and advise on the outlays to be provided in the State Plans for these schemes. While considering the overall resources for financing these programmes and determining its share of assistance to them, the N.C.D.C. should take into account the provisions made in the State Plans for these schemes.

(Para 7.17)

CHAPTER VIII—LEGISLATIVE MEASURES

The legislative measures suggested for enlarging the scope of objects and functions of the N.C.D.C., broad-basing the composition of the Corporation so that it functions as a representative and expert body, and for equipping the Corporation financially for its tasks, are :

- (i) Besides 'agriculture produce' and 'notified commodities' the scope of the N.C.D.C. Act may be extended to cover dairy, fishery, poultry, forest produce, salt, tobacco, etc. The Central Government may examine whether, within the framework of the Constitution, it is possible to extend the functions of the N.C.D.C. to these activities mentioned above. In this connection, the Central Government may also examine the need for relating the functions of the N.C.D.C. to Entry 33 in the Concurrent List, particularly in the light of the considerations mentioned in paragraphs 8.8 to 8.13.
- (ii) The principle that the N.C.D.C. should have its own funds may be incorporated in the Act. For this purpose, provision should be made for annual non-lapsable recurring grants from the Central Government.

(Para 8.14)

- (iii) To strengthen the resources of the Corporation, provision may also be made for consolidation of existing loans due from the Corporation to the Central Government and re-scheduling of its repayment; ad-hoc loans and grants from Central Government; borrowings on the guarantee of Central Government; and availing of assistance from the international financing agencies.

(Para 8.23)

- (iv) The N.C.D.C. may be exempted from payment of Income Tax and other taxes on income.

(Para 8.14)

- (v) The N.C.D.C. may be notified as a financing institution for obtaining assistance from the IDBI under section 46-C of the RBI Act relating to National Industrial Credit (L.T.O.) Fund. The need for amending the RBI Act to allow N.C.D.C. direct access to this Fund may also be considered.

(Para 8.15)

- (vi) Provision may be made on the lines indicated in para 8.16 regarding utilisation of funds by the N.C.D.C.

- (vii) The N.C.D.C. may be required to maintain such funds as may be prescribed by the Central Government in consultation with the N.C.D.C.

(Para 8.17)

- (viii) Suggestions regarding constitution of a General Council with 45 members, a Board of Management with 11 members and also appointment of President, Vice-President and Chairman of the Board of Management, Managing Director and constitution of Advisory Committee may be incorporated in the Act on the lines suggested in paragraphs 8.18 to 8.21.

- (ix) The N.C.D.C. Act may be extended to the State of Jammu & Kashmir.

(Para 8.22)

ANNEXURE I

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

GOVERNMENT OF INDIA

MINISTRY OF FOOD, AGRICULTURE, COMMUNITY DEVELOPMENT
AND COOPERATION]

(Department of Cooperation)

Krishi Bhavan

New Delhi.

Dated the 15th Oct. 1970

NOTIFICATION

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

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

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

2. In pursuance of the above recommendation of the Public Accounts Committee, Government have decided to set up an Expert Committee to examine this and other connected matters in all their aspects. The composition of the Expert Committee will be as follows :—

Chairman

1. Shri B. Venkatappiah, Member, Planning Commission
New Delhi.

Members

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

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

- (1) To review the working of the National Cooperative Development Corporation, with a view to assessing to what extent the objectives for which it was established have been achieved ;
- (2) to examine whether there is need for the continuance of the Corporation; if so, to suggest modifications, if any, in the scope of its existing activities as provided under the N.C.D.C. Act, 1962 and to recommend legislative, administrative and financial measures for enabling the Corporation to suitably strengthen its organisation in order to fulfil effectively its present functions as well as such others as may be recommended by the Committee;
- (3) to examine whether the present system of channelising Central assistance to the States through the Corporation is necessary and to suggest any change, modification or improvement therein.
- (4) The Committee may undertake such tours within the country as may be considered necessary.
- (5) The Committee will submit its report by the 30th April, 1971*.
- (6) The Headquarters of the Committee will be at Delhi.

Sd/- M. A. QUARAISHI
Addl. Secretary to the Govt. of India

*Since extended upto the 31st October, 1971.

ORDER

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

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

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

Sd/- M. A. QUARAISHI
Addl. Secretary to the Govt. of India

The Manager,
Government of India Press,
Faridabad.

Copy forwarded to :

1. All State Governments/Union Territories (Department of Cooperation).
2. All Ministries and Departments of the Govt. of India.
3. Lok Sabha Secretariat/Rajya Sabha Sectt./Department of Parliamentary Affairs.
4. Planning Commission, New Delhi.
5. Reserve Bank of India (Agricultural Credit Deptt.), Bombay.
6. State Bank of India, Bombay.
7. All members of the Committee.
8. All Officers in the Deptt. of Cooperation.
9. National Cooperative Development Corporation.
10. Prime Minister's Secretariat.
11. Parliament Library.
12. National Cooperative Union of India, 72 Jorbagh, New Delhi-3.
13. Asstt. Financial Adviser, Ministry of Finance, Deptt. of Expenditure (CD & C), New Delhi.
14. Internal Finance Section.
15. P. S. to MFA.
16. P. S. to Minister of State.
17. P. S. to Deputy Minister.

ANNEXURE II

Questionnaire addressed to the chief Secretaries of all the State Governments

1. The National Cooperative Development Corporation was set up in 1963 under the NCDC Act, 1962 with the object of planning and promoting the programmes for the production, processing, storage and marketing of agricultural produce and notified commodities through cooperative societies. It is a successor organisation to the NCD & W Board which was set up on the recommendation of the All India Rural Credit Survey Committee.

- Q. 1. Please give a factual account and your assessment of the contribution of the NCDC to the development of programmes of cooperative processing, storage and marketing of agricultural produce and distribution of agricultural inputs and consumer articles in rural areas in your State.
- Q. 2. (a) Which are the specific fields wherein the NCDC has particularly helped in the planning and promotion of these cooperative programmes in your State
- (b) With reference to the NCDC's role in this context, please indicate the assistance sought and/or obtained from the NCDC in drawing up an integrated programme for development of cooperative marketing, storage and processing of agricultural produce in your State. Please list out such schemes and give a brief description of them indicating specifically the assistance provided by the NCDC.
- Q. 3. How have the cooperatives in your State benefited from the technical advice and guidance including financial management, provided by the NCDC.

2. The functions of the NCDC have been laid down in section 9 of the NCDC Act as follows :

“9(1) Subject to the provisions of this Act, the functions of the Corporation shall be to plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through cooperative societies.

(2) In particular and without prejudice to the generality of the foregoing provision, the Corporation may—

- (a) advance loans or grant subsidies to State Governments for financing cooperative societies and for employment of staff for implementing programmes of cooperative development;
- (b) provide funds to State Governments for financing cooperative societies for the purchase of agricultural produce and notified commodities on behalf of the Central Government;
- (c) plan and promote programmes through cooperative societies for the supply of seeds, manures, fertilisers, agricultural implements and other articles for the development of agricultural produce.”

- Q. 4. Have you any comments regarding the role of the NCDC vis-a-vis the cooperative movement in your State? Has the existence of the NCDC been an incentive/dis-incentive to non-official participation in the movement?
- Q. 5. Do you suggest any modifications in the scope and functions of the NCDC?

3. The scope of the NCDC extends to "agricultural produce" which has been defined to include the following :

- (i) food stuffs including oil seeds;
- (ii) cattle fodder including oil cakes and other concentrates;
- (iii) raw-cotton whether ginned or unginned and cotton seed;
- (iv) raw-jute; and
- (v) vegetable oils.

The definition conforms to the items specified in the entry 33 of the concurrent list in the Constitution. The scope of the NCDC Act also extends to certain notified commodities. In terms of section 2(e) of the NCDC Act, notified commodity refers to such of those commodities (other than agricultural produce) which the Central Government may, by notification in the official Gazette, declare to be a notified commodity for the purpose of this Act, being a commodity in respect of which Parliament has power to make laws by virtue of entry 33, List III in the 7th Schedule to the Constitution. Entry 33 in the Concurrent List refers to items/commodities covered by Industrial (Development and Regulation) Act. For the purpose of NCDC Act, the following have been notified as notified commodities :

- (i) Lac;
- (ii) Soaps;
- (iii) Kerosene oil;
- (iv) Textiles;
- (v) Cement;
- (vi) Tea;
- (vii) Fertilisers (organic, inorganic and mixed);
- (viii) Insecticides, fungicides, wicidides etc.;
- (ix) Agricultural machinery, earth moving machinery etc.;
- (x) Paper and pulp including paper products;
- (xi) Products of fermentation industries (alcohol) etc. ;
- (xii) Timber products (plywood, hardboard, matches etc.); and
- (xiii) Rubber.

Q. 6. Do you suggest any extension or diminution of the scope of the NCDC

Q. 7. In particular, do you recommend the extension of the scope of NCDC to Salt, Forest produce, tobacco, dairy, poultry, fishery and minor irrigation?

4. The organisational set up of the NCDC consist of two tiers. Corporation and an Executive Committee. The Corporation consists of 20 members, 9 representatives of the Central Government, 11 representative of RBI, 1 of CWC and 8 non-officials to be nominated by the Central Government of which one is to be representative of NCUI, 2 shall be from among people having special knowledge of rural economics and cooperation and 5 to be recommended by the State Governments on a zonal basis in consultation with non-officials cooperative organisations.

According to section 10 of the NCDC Act, the Executive Committee of Corporation consists of Vice-Chairman, three nominees of the Central Government from among its representatives on the Corporation, representative of the Reserve Bank and two members to be nominated by the Central Government from among 8 non-officials of the Corporation. The Vice-Chairman of the Corporation is Chairman of the Executive Committee.

A list of members of the Corporation and of the Executive Committee as at present constituted is attached.

Q. 8. Do you suggest any change in the organisational set up of the NCDC ?

5. A detailed note on the principles and procedures for release of central assistance to the State Governments for state plan schemes in the Fourth Plan is enclosed.

Q. 9. Does the State Government consider that routing of central plan assistance through the NCDC is necessary for facilitating implementation of cooperative programme in the field of cooperative credit marketing, processing, storage and distribution ?

Q. 10(a) Have the pattern of assistance and procedure for release of funds followed by the NCDC been helpful in the promotion of cooperative programmes ?

(b) Has the procedure followed by the NCDC helped in earmarking funds for the development of cooperative programmes and prevented diversion of funds to other programmes ?

Q. 11. There are a number of cooperative programmes like dairy, fishery, poultry, industrial cooperatives etc. for which central assistance is given as part of block loans and grants and assistance for these programmes is not routed through the NCDC. Has the routing of the central plan assistance through NCDC for certain programmes made any special impact on those programmes as distinct from other cooperative programmes for which assistance is released directly by the Government of India ?

Q. 12. What modifications and changes would you suggest in the present procedure of release of Central plan assistance through the NCDC keeping in view the effective implementation of cooperative programme for marketing, processing, storage etc.

6. The Corporation has its own corpus of funds to the extent of nearly Rs. 20 crores. It has been sponsoring, from time to time, certain schemes of pilot and supplementary nature from its corpus of funds, to accelerate the pace of development of cooperative marketing, processing, supplies and storage. During the period 1963 to 1970, the Corporation provided an assistance of Rs. 16.34 crores to the State Governments and National Federations in the form of Share capital, loans and subsidies. Recently, the Corporation has agreed to provide block loans from its own corpus for processing units through the State Cooperative Banks on the guarantee of the State Government.

Q. 13. Should the NCDC assist, from out of its corpus of funds, cooperative societies at State or lower levels by way of share capital participation, loans and subsidies ? Should loan assistance be provided against State Governments guarantee ?

Q. 14. Give your general remarks, if any, on the various aspects of the terms of reference of the Expert Committee.

Enclosure to Annexure II

List of members of the National Cooperative Development Corporation as on 14-10-1970

1. Shri Fakhruddin Ali Ahmed, Minister for Food, Agriculture, Community Development & Cooperation, Krishi Bhavan, New Delhi. *Chairman*
2. Shri A. P. Shinde, Minister of State in the Ministry of Food, Agriculture, Community Development & Cooperation, Krishi Bhavan, New Delhi. *Vice-Chairman*
3. Shri Jagannath Pahadia, Deputy Minister (Coop), Ministry of Food, Agriculture, Community Development & Cooperation, Krishi Bhavan, New Delhi. *Member*
4. Shri M. A. Quraishi, Additional Secretary (Coop), Department of Cooperation, Ministry of Food, Agriculture, Community Development & Cooperation, Krishi Bhavan, New Delhi. *Member*
5. Shri J. A. Dave, Managing Director, Food Corporation of India, Dr. Sen's Nursing House, No. 1 Bahadurshah Zafar Marg, New Delhi-1. *Member*
6. Shri B. N. Maheshwari, Financial Adviser, Ministry of Food, Agriculture, Community Development & Cooperation, Krishi Bhavan, New Delhi. *Member*
7. Joint Secretary to the Government of India, Ministry of Foreign Trade & Supply, Udyog Bhavan, New Delhi. *Member*
8. Joint Secretary to the Govt. of India, Department of Food, Ministry of Food, Agriculture, Community Development & Cooperation, Krishi Bhavan, New Delhi. *Member*
9. Shri S. S. Puri, Joint Secretary, Planning Commission, Yojana Bhavan, Parliament Street, New Delhi. *Member*
10. Shri P. N. Damry, Deputy Governor, Incharge of Agricultural Credit Deptt., Reserve Bank of India, Post Box No. 1037, Bombay 1. *Member*
11. Shri T. R. Varadachary, Managing Director, State Bank of India, (Central Office), Post Box No. 12, Bombay-1. *Member*
12. Shri M. G. Sharma, Managing Director, Central Warehousing Corporation, G-10, South Extension II, New Delhi-49. *Member*
13. Shri Yuvraj Udaybhan Sinhji, Chairman, National Cooperative, Union of India, 72, Jorbagh, New Delhi. *Member*
14. Prof. V. S. Vyas, Head of the Economics Department, Sardar Patel University, Vallabh Vidyanagar, District Kaira, Gujarat. *Member*

15. Dr. B. Natarajan, Executive Chairman, Institute of Techno *Member*
Economic Studies, 42-A/1, Harrington Road, Madras-31.
16. Shri P. Narsa Reddy, President, Andhra Pradesh State *Member*
Cooperative Marketing Federation, Hyderabad.
17. Shri Mathura Prasad Singh, Chairman, Bihar State Co- *Member*
operative Bank Ltd., Patna.
18. Shri R. C. Gupta, Advocate, Hospital Road, Lakhimpur *Member*
(Kheri), Uttar Pradesh.
19. Shri A. S. Patil, President, Mysore State Cooperative *Member*
Union Ltd., 32 Shanti Kutir, Race Course Road, Bangalore.
20. Shri Basheshwar Nath Bhargava, M. P., Hathi Bhata, Ajmer *Member*
(Rajasthan).

Enclosure to Annexure

List of Members of Executive Committee of N.C.D.C. as on 14-10-1970

1. Shri A. P. Shinde, Minister of State in the Ministry of Food, Agriculture, Community Development & Cooperation, Krishi Bhavan, New Delhi. *Chairman*
2. Shri M. A. Quraishi, Additional Secretary (W), Department of Cooperation, Ministry of F.A.C.D. & C., Krishi Bhavan, New Delhi. *Vice-Chairman*
3. Shri B. N. Maheshwari, Financial Adviser, Ministry of F.A.C.D. & C., Krishi Bhavan, New Delhi. *Member*
4. Shri S. S. Puri, Joint Secretary (Agri.), Planning Commission, New Delhi. *Member*
5. Shri P. N. Damry, Deputy Governor, Incharge of Agricultural Credit Department, Reserve Bank of India, Post Box No. 1037, Bombay-1. *Member*
6. Shri R. C. Gupta, Advocate, Hospital Road, Lakhimpur (Kheri), Uttar Pradesh. *Member*
7. Shri A. S. Patil, President, Mysore State Cooperative Union Ltd., 32, Shanti Kutir, Race Course Road, Bangalore. *Member*

Enclosure to Annexure II

Principles and Procedures for Release of Central Assistance to State Governments for State Plan Schemes in the Fourth Plan

Upto the end of 1968-69, State Plan Schemes were divided into two categories viz. :

- (a) Centrally aided State Plan schemes; and
- (b) Other State Plan Schemes.

For centrally aided state plan schemes, Central assistance used to be provided on the basis of separate patterns of assistance adopted for each scheme or a group of schemes. These schemes were required to conform to certain model schemes prepared in consultation with the State Governments and the assistance was calculated on the basis of the actual expenditure incurred and the pattern adopted for each scheme. This subject was considered by the Committee of the National Development Council at a meeting held on 11th and 12th July, 1968 and it was decided that the distribution of Central assistance between the different States should be made on the following criteria :

1. Population	60%
2. Per capita income	10%
3. Per capita taxation in relation to per capita income	10%
4. Spillover on account of major continuing schemes; and	10%
5. Special problems of the States	10%

It was also decided that :

- (a) The Central assistance should be fixed for the five year Plan for each State Plan;
- (b) As far as possible the annual Plan assistance would be on the basis of the five year proportion for each state, but variations may be made to meet a special situation that may arise. Such variations will, however, be made on the condition that adjustments will be made within the Plan period so as to ensure correspondence with the pre-determined amount of assistance for the whole plan;
- (c) The requirements of Nagaland, Assam and Jammu and Kashmir be first met within the pool of Central assistance.

2. The Committee of the NDC also decided to discontinue the schematic pattern of assistance in vogue so far and to substitute it by a system of block loans and grants as recommended by the ARC. Details were left to be worked out by the Planning Commission and the Ministry of Finance. Later, the Ministry of Finance and the Planning Commission decided that the Central Assistance for State Plan Schemes should be related to the total Plan outlay of the State (and not to different components of the Plan) and should be given in the proportion of 70 per cent loan and 30 per cent grant. A copy of the Planning Commission's letter No. PC(P)4-68 dated 22nd May, 1969, communicating these decisions to the State Governments etc. is attached for ready reference. In accordance with para 2 of that letter, in order to ensure that the priorities for the Plan are generally maintained in the course of implementation,

the outlay in the Agriculture sector including cooperation is treated as "earmarked outlay" and hence diversion of outlay from this sector to other sectors of programmes will not be permissible. In exceptional cases, for reasons beyond the control of the State Government if an adjustment becomes necessary, specific proposals have to be sent to the Planning Commission and their approval obtained for such diversion.

3. The Fourth Five Year Plan assumes a total Central assistance of Rs. 3500 crores to the States for plan schemes over the 5 year period. The negotiated loans from the Reserve Bank of India's LTO funds and the LIC by the State Governments for specific proposals are treated as States' own resources and not as central plan assistance. Rs. 3500 crores is exclusive of such loans. Adopting the criteria indicated in para 1 above, the Planning Commission has fixed the total Central plan assistance for the 5 year period for each state. The assistance admissible in each year is fixed by Ministry of Finance/Planning Commission and distributed to the States.

4. Central assistance will be payable in a particular year in full to a state provided the following two conditions are fulfilled :

- (a) The actual expenditure on any earmarked item does not fall short of the approved outlay for the same; and
- (b) The total expenditure of all programmes not covered by (a) above does not fall short of the total approved outlay in respect of the same.

In other words, in calculating the Central assistance payable to each State, the expenditure on items falling under category (a) and (b) above will be reckoned separately in relation to the approved outlays. Figures of approved outlay, actual expenditure and central assistance admissible have to be worked out separately for schemes falling in each category. In case there are short falls in expenditure under any of these categories, in relation to the approved outlay, central assistance will be reduced proportionately. The Central assistance to which a state government will be entitled, will be the total of the assistance which is worked out for each of the two categories separately. The central assistance relatable to an earmarked item shall bear the same ratio to the total central assistance as the approved outlay of the earmarked item, bears to the total approved annual plan outlay. Thus the assistance to be routed through NCDC to a particular state government shall bear the same ratio to the central plan assistance as the approved outlay on NCDC schemes bears to the total approved annual plan outlay. The reduction in respect of central assistance relatable to an earmarked item shall be in the same proportion as the shortfall in actual expenditure on such item compared to the approved outlay for such item. In case of NCDC, therefore, the reduction in respect of the central assistance routed through the NCDC shall be in the same proportion as the shortfall in actual expenditure on NCDC schemes compared to the approved outlay for NCDC schemes. The reduction will be borne under loan and grant pro-rata.

5. During the Fourth Plan, State Plan schemes in the cooperation sector fall under two broad categories viz.;

- (a) Schemes assisted by the Central Government through the NCDC; and
- (b) Schemes which receive direct aid in the form of block loans and grants from the Ministry of Finance.

Assistance admissible for both categories of schemes is calculated separately with reference to the approved outlays and actual expenditure incurred on schemes falling in each category. The funds provided through the National Cooperative Development Corporation have been exempted from the general instructions. The National Cooperative Development Corporation has separately intimated to the State Governments in their letter No. NCDC/4-2/69-PCP dated the 4th December, 1970., the procedure prescribed for the release of assistance for schemes assisted by the NCDC.

The principles adopted by the NCDC for determining the assistance admissible to each State are basically the same as those intimated by the Planning Commission. While the assistance from NCDC will be in the ratio of 70% loan and 30% grant the state governments have been advised to provide assistance to the societies in accordance with the schematic pattern already in vogue which could also be modified in consultation with the NCDC. The schemes which will receive assistance through the NCDC have also been listed individually. All other schemes are treated as those assisted directly by the Central Government through the Ministry of Finance.

6. Certain clarifications regarding the State Plan schemes that would be eligible for Central assistance routed through the NCDC have been sought for from the Ministry of Finance/Planning Commission. The list of schemes appended to the NCDC circular letter referred to would be revised on receipt of the clarifications.

7. For 1969-70, and 1970-71 the approved outlay on NCDC schemes was fixed by the Planning Commission at 80% of the total approved plan outlay on "Cooperation" without reference to actual provision made by the State Governments on NCDC schemes and non-NCDC schemes. Several States had provided for NCDC schemes less than 80% of the total outlay on "Cooperation" particularly when the share capital contribution by the State Governments to Cooperative institutions out of LTO funds of Reserve Bank of India were included in the outlay on cooperation but not treated by NCDC as a scheme within its purview. This led to loss in central assistance routed through NCDC.

Enclosure to Annexure II

Copy of Planning Commissions letter No. PC(P)4/7/68 dated the 22nd May, 1969.

SUBJECT : *Channeling of Central Assistance to the State for their Annual Plans.*

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

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

- (i) Agriculture and allied sectors* (excluding Community Development and Panchayats);
- (ii) Specified continuing major irrigation schemes;
- (iii) Specified schemes for generation and transmission of power ;
- (iv) Specified projects not covered under (ii) and (iii) above, involving foreign contractual obligations and inter-State payments;
- (v) Elementary education (Classes I to VIII);
- (vi) Rural Water supply programmes.

Outlays for certain additional specified items of special importance may also be earmarked from time to time in individual State. A list of specified projects under the categories (ii) to (iv) above for which outlays will be earmarked will be communicated separately.

3. The outlays approved for any of the programmes/schemes mentioned in paragraph 2 above will not be divertible to any other programme/scheme. In exceptional cases, for reasons beyond the control of the State Government, if any adjustments become necessary, proposals will be sent to the Planning Commission so as to reach the Commission not later than 31st October of the financial year to which they relate. It will not be possible for the Planning Commission to consider any proposal received after that date.

*Agricultural Production, Minor Irrigation, Soil Conservation; Area Development, Animal husbandry, Dairyng & Milk Supply, Forests, Fisheries, Warehousing and Marketing and Cooperation.

In respect of other heads of development where the outlays are not earmarked, the State Governments will be free to make *inter-se* adjustment within a head or sub-head of development. However, the reports of such adjustments should be made to the Commission not later than 15th February of the financial year to which these relate.

4. Central assistance will be payable in full to a State, provided the following two conditions are fulfilled.

- (a) The actual expenditure on any individual earmarked item does not fall short of the approved outlay for the same.
- (b) The total expenditure on all programmes not covered by (a) above, does not fall short of the total approved outlay in respect of the same.

In calculating the Central assistance payable to each State, the expenditure on items under category (a) and (b) above will be reckoned separately in relation to approved outlays. In case there are short falls in expenditure under these categories in relation to the approved outlays, Central assistance will be reduced proportionately. The Central assistance to which a State Government will be entitled, will be the total of the assistance thus worked out for each of the two categories separately. The reduction will be both under loan and grant, and in the same proportion which the total Central assistance bears to the total approved Plan outlay.

5. The procedure described above comes into effect from April 1, 1969 and will be valid for the five year period 1969-70 to 1973-74.

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

Questionnaire addressed to National Federations

1. The National Cooperative Development Corporation was set up in 1963 under the NCDC Act 1962 with the object of planning and promoting the programmes for the production, processing, storage and marketing of agricultural produce and notified commodities through cooperative societies. It is a successor organisation to the NCD & W Board which was set up on the recommendation of the All India Rural Credit Survey Committee.

- Q. 1. Please give a factual account and your assessment of the contribution of the NCDC to the development of programmes of cooperative processing, storage, and marketing of agricultural produce and distribution of agricultural inputs and consumer articles in rural areas.
- Q. 2. Which are the specific fields where in the NCDC has particularly helped in the planning and promotion of these cooperative programmes ?
- Q. 3. How have the cooperatives in the field with which you are concerned benefited from the technical advice and guidance including financial management guidance provided by the NCDC ?
2. The functions of the NCDC have been laid down in Section 9 of the NCDC Act as follows :
- “9(1) subject to the provisions of this Act, the functions of the Corporation shall be to plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through cooperative societies.
- (2) In particular and without prejudice to the generality of the foregoing provision, the Corporation may—
- (a) advance loans or grant subsidies to State Governments for financing cooperative societies and for employment of staff for implementing programmes of cooperative development;
- (b) provide funds to State Governments for financing cooperative societies for the purchase of agricultural produce and notified commodities on behalf of the Central Government;
- (c) Plan and promote programmes through cooperative societies for the supply of seeds, manures, fertiliser, agricultural implements and other articles for the development of agricultural produce.”
- Q. 4. Have you any comments on the role of the NCDC vis-a-vis the cooperative movement ? Has the existence of NCDC been an incentive/dis-incentive to non-official participation in the movement ?
- Q. 5. How far the activities of NCDC helped/inhibited the growth of the activities of your Federation/Union.
- Q. 6. Do you suggest any modifications in the scope and functions of the NCDC ?
- Q. 7. Should the NCDC directly assist by way of share capital, loans, subsidy the cooperative societies at
- (a) National level, and
- (b) State and lower level.

3. The scope of the NCDC extends to "agricultural produce" which has been defined to include the following :

- (i) food stuffs including oil seeds;
- (ii) cattle fodder including oil cakes and other concentrates;
- (iii) raw-cotton whether ginned or unginned and cotton seed;
- (iv) raw jute; and
- (v) vegetable oils.

The definition conforms to the items specified in the entry 33 of the concurrent list in the Constitution. The scope of the NCDC Act also extends to certain notified commodities. In terms of section 2(e) of the NCDC Act, notified commodity refers to such of those commodities (other than agricultural produce) which the Central Government may, by notification in the official Gazette, declare to be a notified commodity for the purpose of this Act, being a commodity in respect of which Parliament has power to make laws by virtue of entry 33 in List III in the 7th Schedule to the Constitution. Entry 33 in the Concurrent List refers to items/commodities covered by Industrial (Development and Regulation) Act. For the purpose of NCDC Act, the following have been notified as notified commodities :

- (i) Lac;
- (ii) Soaps;
- (iii) Kerosene oil;
- (iv) Textiles;
- (v) Cement;
- (vi) Tea;
- (vii) Fertiliser (organic, inorganic and mixed);
- (viii) Insecticides, fungicides, widicides etc.;
- (ix) Agricultural machine y, earth moving machinery etc.;
- (x) Paper and pulp including paper products;
- (xi) Products of fermentation industries (alcohol etc.);
- (xii) Timber products (plywood, hardboard, matches etc.); and
- (xiii) Rubber.

Q. 8. Do you suggest any extension or diminution of the scope of the NCDC ?

Q. 9. In particular, do you recommend the extension of the scope of NCDC to Salt, Forest-produce, tobacco, dairy, poultry, fishery and minor irrigation ?

4. The organisational set up of the NCDC consists of two-tiers-Corporation and an Executive Committee. The Corporation consists of 20 members, 9 representatives of Central Government, 1 representative of RBI, 1 of CWC and 8 non-officials to be nominated by the Central Government, one is to be representative of NGUI, 2 shall be from among people having special knowledge of rural, economics and cooperation and 5 to be recommended by the State Governments on a zonal basis in consultation with non-official cooperative organisations.

According to the section 10 of the NCDC Act, the Executive Committee of Corporation consists of Vice-Chairman, three nominees of the Central Government from among its representatives on the Corporation, representatives of the Reserve

Bank and two members to be nominated by the Central Government from among 8 non-officials of the Corporation. The Vice-Chairman of the Corporation is Chairman of the Executive Committee.

A list of members of the Corporation and of the Executive Committee as at present constituted is attached as enclosure to Annexure II.

- Q. 10. Do you suggest any change in the organisational set up ?
- Q. 11. What are the promotional activities undertaken by your federation/ Union ?
- Q. 12. What is the technical staff you have for providing consultancy service and guidance to your constituents and their members ? (Enclose an organisational chart of your institution indicating the strength of the staff, their scales of pay, functions allotted to them. Qualifications of the key personnel in position may also be indicated).
- Q. 13. What is the role played by your federation/union in respect of the following in so far as they relate to your field of activity :
- (i) Formulation of national cooperative policies;
 - (ii) Formulation of Five Year Plans for cooperative development;
 - (iii) Drawing up and review of annual plans for cooperative development;
 - (iv) Evaluation of the programmes.
- Q. 14. Indicate briefly financial, technical and other assistance your federation/ union has received from the NCDC and how far has such assistance been helpful ?
- Q. 15. Have the pattern of and procedures for financial assistance adopted by the NCDC facilitated the implementation of the cooperative programmes? What are your suggestions in this regard ?
- Q. 16. Do you consider there is overlapping of functions between your federation/ union and the NCDC ? If so, in what respects ?
- Q. 17. What should be the demarcation of functions between your federation/ union and the NCDC in so far as they relate to your field of activity ?
- Q. 18. Give your general remarks, if any, on the various aspects of the term of reference of the Expert Committee.

*Questionnaire Addressed to all the State Cooperative Marketing Federations and all
the State Cooperative Sugar Factories Federations*

1. The National Cooperative Development Corporation was set up in 1963 under the NCDC Act 1962 with the object of planning and promoting the programmes for the production, processing, storage and marketing of agricultural produce and notified commodities through cooperative societies. It is a successor organisation to the NCD & W Board which was set up on the recommendation of the All India Rural Credit Survey Committee.

- Q. 1. Please give a factual account and your assessment of the contribution of the NCDC to the development of programmes of cooperative processing, storage and marketing of agricultural produce and distribution of agricultural inputs and consumer articles in rural areas.
- Q. 2. Which are the specific fields wherein the NCDC has particularly helped in the planning and promotion of these cooperative programmes ?
- Q. 3. How have the cooperatives in the field with which you are concerned benefited from the technical advice and guidance including guidance on financial management, provided by the NCDC ?

2. The functions of the NCDC have been laid down in section 9 of the NCDC Act as follows :

“9(1) subject to the provisions of this Act, the functions of the Corporation shall be to plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through cooperative societies.

- (2) In particular and without prejudice to the generality of the foregoing provision, the Corporation may—
- (a) advance loans or grant subsidies to State Governments for financing cooperative societies and for employment of staff for implementing programmes of cooperative development;
- (b) provide funds to State Governments for financing cooperative societies for the purchase of agricultural produce and notified commodities on behalf of the Central Government;
- (c) plan and promote programmes through cooperative societies for the supply of seeds, manures fertilisers, agricultural implements and other articles for the development of agricultural produce.”

- Q. 4. Have you any comments on the role of NCDC vis-a-vis the cooperative movement in your State ? Has the existence of NCDC been an incentive/dis-incentive to non-official participation in the movement ?
- Q. 5. How far have the activities of the NCDC helped in inhibited the growth of the activities of your Federation ?
- Q. 6. Do you suggest any modifications in the scope and functions of the NCDC ?
- Q. 7. Should the NCDC directly assist by way of share capital participation, loans or subsidy, the cooperative societies at the State and lower level ?

3. The scope of the NCDC extends to "agricultural produce" which has been defined to include the following :

- (i) food stuffs including oil seeds;
- (ii) cattle fodder including oil cakes and other concentrates;
- (iii) raw-cotton whether ginned or unginned and cotton seed;
- (iv) raw-jute; and
- (v) vegetable oils.

The definition conforms to the items specified in the entry 33 of the concurrent list in the Constitution. The scope of the NCDC Act also extends to certain notified commodities. In terms of section 2(e) of the NCDC Act, notified commodity refers to such of those commodities (other than agriculture produce) which the Central Government may, by notification in the official Gazette, declare to be a notified commodity for the purpose of this Act, being a commodity in respect of which Parliament has power to make laws by virtue of entry 33 in List III in the 7th Schedule to the Constitution. Entry 33 in the Concurrent List refers to items/commodities covered by Industrial (Development and Regulation) Act. For the purpose of NCDC Act, the following have been notified as notified commodities :

- (i) Lac;
- (ii) Soaps;
- (iii) Kerosene Oil;
- (iv) Textiles;
- (v) Cement;
- (vi) Tea;
- (vii) Fertiliser (organic, inorganic and mixed);
- (viii) Insecticides, fungicides, widicides etc.;
- (ix) Agricultural machinery, earth moving machinery etc.;
- (x) Paper and pulp including paper products;
- (xi) Products of fermentation industries (alcohol etc.);
- (xii) Timber products (plywood, hardboard, matches, etc.); and
- (xiii) Rubber.

Q. 8. Do you suggest any extension or diminution of the scope of the NCDC ?

Q. 9. In particular, do you recommend the extension of the scope of the NCDC activities to Salt, Forest produce, tobacco, dairy, poultry, fishery and minor irrigation ?

Q. 10. What are the promotional activities undertaken by your federation ?

Q. 11. What is the technical staff you have for providing consultancy services and guidance to your constituents and their members ? (Enclose an organisational chart of your institution indicating the strength of the staff, their scales of pay and functions allotted to them. Qualifications of the key personnel in position may also be indicated).

Q. 12. What is the role played by your federation in respect of the following in so far as they relate to your field of activity;

- (i) Formulation of state cooperative policies;

- (ii) Formulation of Five Year Plans for Cooperative development;
- (iii) Drawing up and review of annual plans for cooperative development;
- (iv) Evaluation of the programmes.

- Q. 13. Give a brief review of the progress of the programme with which you are concerned in your State.
- Q. 14. Indicate briefly the financial, technical and other assistance your federation has received from the State Government and how far has such assistance been helpful and adequate. Do you suggest any further measures?
- Q. 15. Which is the national cooperative organisation in your field of activity?
- Q. 16. Give your assessment of the support and assistance given by the national cooperative organisation to you?
- Q. 17. What are your suggestions to make the national organisation more effective and useful?
- Q. 18. Give your assessment of the initiative leadership and consultancy services provided by the NCDC and indicate how far the NCDC has contributed to the development of cooperative programmes with which you are concerned.
- Q. 19. With reference to the NCDC's role in this context, please indicate the assistance sought and/or obtained from the NCDC in drawing up an integrated programme for development of cooperative marketing, storage and processing, in your State. Please list out such schemes and give a brief description of them indicating specifically the assistance provided by the NCDC.
- Q. 20. Please indicate the financial assistance your federation has received from the NCDC through your State Government, and purposes for which such assistance has been received.
- Q. 21. Have the patterns of and procedures for financial assistance adopted by the NCDC facilitated the implementation of your programmes? What are your suggestions in this regard?
- Q. 22. Do you consider that the functional national federation to which you are affiliated could provide all the necessary leadership and technical and other guidance to your programme?
- Q. 23. What are your suggestions for demarcating the functions of the NCDC and the national federations to which you are affiliated?
- Q. 24. Give your general remarks, if any, on the various aspects of the terms of reference of the Expert Committee on NCDC.

ANNEXURE V

Copy of D.O. letter No. L. 12011/15/70. Misc : dated the 2nd December, 1970 from Shri K. S. Bawa, Joint Secretary to the Govt. of India, Department of Cooperation, New Delhi, addressed to all Registrars of Cooperative Societies.

As you may be aware, the Government of India have appointed an expert Committee on NCDC under the Chairmanship of Shri B. Venketappiah, Member, Planning Commission. A copy of the notification appointing the Committee is inclosed for your information.

2. In its first meeting, the Committee considered that, to review the programmes of cooperative marketing, processing, storage and supplies and to assess the role of the National Cooperative Development Corporation in supporting and promoting these programmes. It would be necessary and useful to have detailed comments of the Registrars of Cooperative Societies. May I, therefore, request you to send an analytical review of the progress of cooperative movement in your State in each of the sectors of processing, storage and marketing of agricultural produce and consumer goods in rural areas? In this review, you may inter-alia indicate how far NCDC has contributed to the development of these programmes in your State and to what extent the policy, approach and pattern of assistance of the NCDC have helped in/inhibited the expansion of these programmes.

3. As the next meeting of the Committee is to be held on 22nd December, 1970, I shall appreciate if you could send us your comments before 18th December, 1970.

ANNEXURE VI

List of Persons/Institutions from whom replies to various Questionnaires have been received.

Sl. No.	Questionnaire addressed to	Replies received from
1.	Chief Secretaries to State Governments.	Andhra Pradesh, Gujarat, Harayana, Madhya Pradesh, Maharashtra, Mysore, Kerala, Orissa, Tamil Nadu, and West Bengal.
2.	Registrars of Co-operative Societies.	Andhra Pradesh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Mysore, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.
3.	National Federations	(i) National Agricultural Coop. Marketing Federation Ltd. (ii) The All India State Coop. Banks Federation Ltd. (iii) The All India Central Land Development Banks Cooperative Union Ltd.
4.	Cooperative Marketing Federations.	(i) Assam Coop. Apex Marketing Society. (ii) Bihar State Coop. Marketing Union. (iii) Gujarat State Coop. Marketing Society. (iv) M. P. State Coop. Marketing Federation. (v) Rajasthan Rajya Sahakari Kraya Vikraya Sangh Ltd. (vi) Punjab Cooperative Marketing Federation. (vii) Kerala State Coop. Marketing Federation. (viii) Andhra Pradesh State Coop. Marketing Federation. (ix) Himachal Pradesh Marketing Federation. (x) Mysore State Coop. Marketing Federation Ltd. (xi) Tamil Nadu Coop. Marketing Federation.
5.	State Cooperative Sugar Factories Federations.	(i) Gujarat Rajya Sahakari Khand Udyog Sangh Ltd. (ii) Madras State Federation of Cooperative Sugar Factories. (iii) Mysore State Coop. Sugar Factories Federation Ltd. (iv) Punjab State Coop. Sugar Mills Federation Ltd., (v) Uttar Pradesh Coop. Sugar Factories Federation Ltd.

ANNEXURE VII

*Value of Agricultural Produce Marketed by Cooperative Marketing Societies during
1968-69*

(Rs. in lakhs)

State/Union Territory	Primary	State	Central
Andhra Pradesh	205.06	95.05	291.26
Assam	1,105.23	268.69	0.31
Bihar	100.64	0.43	..
Gujarat	1,321.13	234.25	317.35
Haryana	625.82	242.58	..
Jammu & Kashmir	101.55	..	..
Kerala	588.91	14.62	116.15
Madhya Pradesh	958.46	340.10	..
Maharashtra	4,521.49	3,897.06	300.23
Mysore	1,456.54	..	105.91
Nagaland . . . . .	..	..	..
Orissa	183.32	1.47	..
Punjab	6,449.42	5,607.27	..
Rajasthan	340.60	19.49	..
Tamil Nadu	1,186.13	..	641.32
Uttar Pradesh	897.25	729.20	136.13
West Bengal	274.89	1.81	..
Andaman & Nicobar Islands	20.44	..	..
Chandigarh	15.45	..	..
Delhi	3.31	..	..
Goa, Daman & Diu	8.96	..	..
Himachal Pradesh	13.13	0.72	..
Laccadives	41.40	..	..
Manipur	0.39	0.38	..
Pondicherry	12.35	..	..
Tripura	7.65	0.65	..
TOTAL	20,439.52	11,453.77	1,908.66

SOURCE : Reserve Bank of India's Statistical Statements for the year 1968-69.

ANNEXURE VIII

Value of Agricultural produce marketed by cooperatives during 1968-69 State-wise and by types of societies

(Rs. in lakhs)

Sl. No.	State	Marketing Societies			Sugarcane Supply societies	Coop. Sugar factories	Cotton ginning pressing societies	Other Agri. processing societies	Primary Agri. credit societies	Total
		Primary	Central	State						
1	2	3			4	5	6	7	8	9
1	Andhra Pradesh	451.70	423.37	191.37	..	1,134.00*	..	98.91	49.69	2,348.94
2	Assam	490.37	10.00	355.76	...	30.46	0.02	..	78.00	964.61
3	Bihar	260.00	..	..	400.00	..	..	6.50	70.00	736.50
4	Gujarat	1,525.55	350.95	250.32	..	546.11	2,590.77	30.95	425.40	5,720.25
5	Haryana	625.82	..	221.13	338.42	243.68	..	12.21	..	1,441.26
6	Jammu & Kashmir	0.70	0.02	4.12	..	..	..	..	..	4.84
7	Kerala	489.60	155.00	55.00	..	123.58*	..	..	NA	823.18
8	Madhya Pradesh	1,054.52	..	22.92	..	..	27.04	..	67.43	1,171.91
9	Tamil Nadu	1,169.27	658.60	..	2.03	694.21	0.18	..	1.17	2,525.46
10	Mysore	1,706.39	..	..	..	872.87	22.35	26.96	8.35	2,636.92*
11	Maharashtra	5,060.38	678.77	4,011.37	..	6,111.08	652.35	32.31	300.03	16,846.29
12	Orissa	160.86	..	..	..	..	..	..	0.83	161.69
13	Punjab	6,449.42	..	..	119.63	347.77	398.09	276.66	20.14	7,611.71

14. Rajasthan	346.61	..	NA	..	..	..	..	0.02	346.63
15. Uttar Pradesh	1,030.79	204.01	1,600.00	11,163.00	556.00	..	10.00	..	14,563.80
16. West Bengal	390.20	..	98.26	..	..	..	17.80	185.23	691.49
17. Union Territories	132.27	96.15	9.67	..	..	..	0.06	12.68	250.83
TOTAL	21,344.45	2,576.87	6,819.82	12,023.08	10,659.76	3,690.80	512.36	1,218.97	58,846.31

*Estimated.

NOTE.—The difference between Annexures VII and VIII in respect of primary, central and state marketing Societies is due to adjustments made to avoid duplication.

SOURCE : N.C.D.C.

ANNEXURE IX

Statewise financial position of cooperative sugar factories in production for the year ending 30th June, 1970

(Rs. in lakhs)

Sl. No.	Name of State	No. of Coop. factories	Gross value of fixed assets	Total loan outstanding on block capital account	Investment	Total share capital including State Govt. contribution	Non-refundable deposits	Reserve and other funds			Total	Total own funds (Col. 7+8+12)
								Depreciation reserve	Development rebate	Other reserves		
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Andhra Pradesh	8	956.50	400.26	38.11	303.67	89.49	376.48	17.61	51.67	445.76	838.92
2	Assam*	1	128.38	28.50	0.20	59.55	5.47	52.17	NC	0.14	52.31	117.33
3	Bihar	1	254.53	125.00	Nil	58.21	N.S.	N.S.	N.S.	N.S.	N.S.	58.21
4	Gujarat	5	988.60	390.71	5.68	396.22	210.14	390.01	79.75	42.90	512.66	1,119.02
5	Maharashtra	30	7,097.78	2,197.76	147.58	1,871.26	1,427.25	2,007.28	631.09	200.49	2,838.86	6,137.37
6	Kerala	2	238.25	258.96	8.75	84.80	4.71	51.75	14.75	1.33	67.83	157.34
7	Tamil Nadu	6	1,090.64	525.34	7.71	458.08	43.98	469.08	102.14	13.87	585.09	1,087.15
8	Mysore	5	995.13	345.05	15.39	315.48	179.92	450.32	118.81	55.63	624.76	1,120.16
9	Orissa	1	173.31	85.85	1.91	55.29	N.C.	V.R.	0.23	0.91	1.14	56.43

10	Haryana	.	2	316.89	11.00	4.33	110.71	3.47	201.77	49.81	23.81	255.39	300	
11	Punjab	.	4	527.83	289.27	1.16	229.31	18.81	241.99	51.03	3.62	296.69	544.61	
12	Rajasthan	.	1	207.75	110.00	2.21	51.30	0.90	NS	NS	0.15	0.15	52.35	
13	Uttar Pradesh	.	4	682.40	24.68	19.73	261.64	34.69	390.71	70.81	48.39	509.91	806.24	
TOTAL				70	13,657.75	4,792.62	252.77	4,255.52	2,018.83	4,631.56	1,116.03	442.91	6,190.55	12,464.90

N.S.—Newly started.

N.C.—Not collected.

V.R.—Value of assets reduced to the extent of depreciation

*For the year ending 30th June, 1968.

SOURCE : Union Department of Cooperation Agenda notes for Annual Conference of Registrars of Cooperative Societies—September 1971.

ANNEXURE X

Statement showing godowns assisted, constructed and approximate capacity in Cooperative Sector (1969-70)

Sl. No.	Name of State	No. of godowns assisted		No. of godowns constructed		Approximate capacity assisted (lakh tonnes)		Remarks
		Marketing	Rural	Marketing	Rural	Marketing	Rural	
1	Andhra Pradesh	345	782	239	631	0.86	0.78	
2	Assam	178	288	153	206	0.45	0.29	
3	Bihar	286	1,030	252	700	0.72	1.03	
4	Gujarat	308	1,359	241	1,106	0.77	1.36	
5	Haryana	70	460	58	381	0.18	0.46	
6	Jammu & Kashmir	60	154	51	136	0.15	0.15	
7	Kerala	69	648	61	546	0.17	0.65	
8	Madhya Pradesh	290	1,244	240	1,015	0.73	1.24	
9	Maharashtra	796	2,878	556	2,321	1.99	2.88	
10	Mysore	688	1,903	570	1,447	1.72	1.90	
11	Orissa	48	404	40	289	0.12	0.40	
12	Punjab	139	965	102	759	0.35	0.97	

13	Rajasthan	118	538	104	409	0.30	0.54
14	Tamil Nadu	246	1,626	238	1,509	0.62	1.63
15	Uttar Pradesh	240	1,209	163	879	0.65	1.21
16	West Bengal	196	468	160	325	0.49	0.47
17	Union Territories	109	411	94	334	0.27	0.41
TOTAL		4,186	16,367	3,822	12,993	10.54	16.37

Total Number of godowns assisted 20,553
 Total Number of godowns constructed 16,315
 Total capacity assisted 26.91 lakh tonnes.

SOURCE : Department of Cooperation—Agenda notes for Annual Conference of Registrars of Cooperative Societies—September 71.

ANNEXURE XI

Value of Chemical Fertilisers distributed by Cooperatives Trend of Progress(State-wise)

Name of State	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
1. Andhra Pradesh	416.42	368.36	699.78	741.91	1,053.38	994.05	1,880.00	1,362.00	1,082.00
2. Assam	1.05	1.05	0.51	0.55	1.52	1.05	..	..	..
3. Bihar	65.84	79.42	119.97	150.45	561.95	596.50	1,345.00	1,323.00	1,100.00
4. Gujarat	294.61	318.20	581.11	593.64	953.98	1,154.83	1,722.00	1,603.00	1,671.00
5. Haryana	..	..	..	..	..	..	630.00	801.00	1,000.00
6. Jammu & Kashmir	12.99	13.84	17.00	27.64	27.64	27.64	390.00	400.00	500.00
7. Kerala	57.13	73.85	171.46	165.00	210.78	235.00	415.00	427.00	600.00
8. Madhya Pradesh	167.44	173.82	270.61	355.09	223.21	402.20	531.00	615.00	1,000.00
9. Maharashtra	475.00	923.51	724.00	1,000.00	892.22	2,683.32	3,997.00	5,000.00	5,000.00
10. Mysore	600.00	600.00	1,049.50	929.76	949.26	1,654.00	945.00	1,058.00	1,110.00
11. Orissa	3.76	52.90	128.61	165.72	233.58	406.45	555.00	308.00	300.00
12. Punjab	207.00	391.60	637.57	1,352.42	1,047.45	1,075.17	1,980.00	3,546.00	4,630.00
13. Rajasthan	13.45	25.79	47.78	70.00	130.09	176.38	410.00	332.00	400.00
14. Tamil Nadu	507.52	458.89	564.34	896.07	924.86	65.59	1,475.00	1,171.00	1,628.00
15. Uttar Pradesh	334.00	400.00	580.59	640.00	600.00	800.00	1,560.00	1,929.00	2,928.00
16. West Bengal	45.65	46.32	90.06	145.48	175.68	185.51	168.00	97.00	200.00
17. Union Territories	20.18	24.54	47.98	47.98	25.67	148.05	320.00	108.00	150.00
TOTAL	3,227.04	3,952.04	5,730.87	7,284.01	8,010.94	11,436.65	18,323.00	20,080.00	23,249.00

SOURCE : Union Department of Cooperation—Agenda notes for Annual Conference of Registrars of Cooperative Societies—September 1971.

ANNEXURE XII

Distribution of improved seeds by marketing and Service Cooperatives

(Rs. in lakhs)

Sl. No.	State	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
1	Andhra Pradesh	1.04	..	37.93	7.61	126.43	3.83	0.16	6.85
2	Assam . . . . .	..	..	1.19	1.33	0.43	0.93	0.77	0.51
3	Bihar	9.81	15.70	19.87	11.95	15.22	32.25	31.26	153.72
4	Gujarat	84.85	110.82	125.36	231.86	331.78	516.19	332.06	313.29
5	Haryana . . . . .	..	..	..	..	..	116.49	16.96	1.62
6	Jammu & Kashmir . . . . .	..	..	..	..	..	9.60	21.15	25.00
7	Kerala	0.91	0.51	0.87	1.83	31.61	46.29	1.88	3.55
8	Madhya Pradesh	51.85	99.44	102.99	85.83	116.43	170.84	87.83	79.91
9	Tamil Nadu	7.00	5.97	8.33	4.90	4.90	4.17	31.14	18.09
10	Maharashtra	55.00	83.33	259.00	282.00	310.47	416.41	398.95	613.29
11	Mysore	37.00	37.00	48.48	36.67	180.32	130.84	118.66	110.81
12	Orissa . . . . .	..	3.50	2.25	6.23	3.17	3.03	2.88	8.37
13	Punjab	18.00	19.99	41.02	38.37	53.72	96.47	33.13	241.32
14	Rajasthan	26.95	17.00	19.32	7.00	25.91	17.63	51.12	15.61
15	Uttar Pradesh	388.00	300.00	365.00	517.00	760.80	802.00	1,300.80	746.82
16	West Bengal	1.53	8.92	4.81	7.66	7.09	8.14	3.41	3.80
17	Union Territories	2.32	1.06	3.14	4.78	2.03	178.08	6.84	5.13
	TOTAL	684.26	703.24	1,039.56	1,245.02	1,970.31	2,553.24	2,439.50	2,348.29

SOURCE : Union Department of Cooperation—Agenda notes for Annual Conference of Registrars of Cooperative Societies—September 1971.

ANNEXURE XIII

Statement showing the value of agricultural implements and Machinery distributed by cooperatives during 1961-62 to 1968-69

(Rs. in lakhs)

Sl. No.	Name of State	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
1	Andhra Pradesh	6.56	8.16	14.54	51.71	143.72	17.47	4.17	14.66
2	Assam . . . . .	..	..	..	0.01	0.01	..	0.01	..
3	Bihar	6.53	0.92	0.79	0.75	3.04	8.02	7.97	7.03
4	Gujarat	21.76	53.01	61.29	37.07	36.67	41.01	95.01	45.99
5	Jammu & Kashmir						3.09	0.62	0.01
6	Kerala	0.65	0.81	1.68	1.77	0.80	1.33	0.73	1.62
7	Madhya Pradesh	5.09	6.79	10.76	9.57	16.28	100.13	29.50	15.93
8	Maharashtra	5.00	98.60	231.00	429.00	175.64	160.17	190.69	224.80
9	Mysore	24.00	21.00	36.82	35.00	64.18	71.61	59.35	79.82
10	Orissa . . . . .	..	..	0.67	1.20	0.20	0.19	1.09	..
11	Punjab	10.00	3.81	4.03	3.30	7.48	85.06	235.77	235.77
12	Rajasthan	0.24	1.11	10.06	0.51	0.25	0.61	4.15	4.06
13	Tamil Nadu	5.76	7.44	5.84	7.90	7.90	9.92	15.32	6.04
14	Uttar Pradesh	5.16	6.00	9.00	5.70	5.40	37.00	30.00	24.55
15	West Bengal	0.03	0.48	0.42	0.36	0.53	1.00	0.90	0.69
16	Haryana . . . . .	..	..	..	..	..	5.85	4.13	1.48
17	Union Territories	0.11	0.25	0.31	0.31	0.95	1.06	2.60	0.15
	TOTAL	90.89	210.38	378.21	584.24	463.05	543.52	682.01	662.60

SOURCE : Union Department of Cooperation—Agenda notes for Annual Conference of Registrars of Cooperative of Societies—September 1971.

ANNEXURE XIV

Copy of Chapter III of Estimates Committee (1962-63) Twenty-Third Report (Third Lok Sabha)

Replies of Government that have been accepted by the Committee

Ref. of Para	Summary of Recommendation/Conclusions	Reply of the Govt.
11	The Committee are not sure if the separation of the functions of the warehousing from the National Cooperative Development and Warehousing Board would achieve that degree of integrated approach and planning as is necessary for the successful implementation of the objectives and if the same measures of coordination as exists at present will obtain between the Cooperative Development Board and the Central Warehousing Corporation merely by giving representation as proposed to each body on the other.	A detailed note is attached. (See Appendix I) (Ministry of Community Development & Cooperation O.M. No. F. 2-11/60-Plan dt. 29th Nov. 1961).
12	If, however, the functions relating to warehousing are to be taken away from the Board it may be a moot point whether there should be a separate Cooperative Development Board and whether the same work could not be done by the Ministry of Community Development and Cooperation itself. The Committee feel that even if for the sake of some administrative advantage the integrated set up is to be disturbed there may not be sufficient justification for the continued existence of a separate Board merely for disbursing funds to the State Governments since it is done on the basis of programmes and policies already approved by Govt. and for which financial ceilings are fixed by the Planning Commission. In their view, the extent of coordination with the Central Warehousing Corporation that will be achieved in the changed set up by representing each of the bodies on the other, can be obtained in the absence of the Board equally at the official level or by means of an Advisory Committee composed of officials and non-officials representing banking and other connected interests and other persons experienced in the cooperative field.	A detailed note is attached. (See Appendix I) (Ministry of Community Development & Cooperation O.M. No. F.2.11/60-Plan dt. 29th Nov. 1961).

APPENDIX I

(Vide reply to Recommendations 1 and 2 in Chapter III).

Detailed note on the summary of recommendations/conclusions at Serial Nos. 1 and 2 (para Nos. 11 and 12) of the 133rd Report of the Estimates Committee (1960-61)

The Estimates Committee (1960-61) have examined the working of the National Cooperative Development and Warehousing Board and have expressed a doubt if the proposed separation of the functions of warehousing from the National Cooperative Development and Warehousing Board would achieve that degree of integrated approach and planning as is necessary for the successful implementation of the objectives. They are also not sure if the same measure of coordination as exists at present will obtain between the Cooperative Development Board and the Central Warehousing Corporation merely by giving representation, as proposed to each body on the other. The Committee further observe that if the function relating to warehousing are to be taken away from the Board, it was a moot point whether there should be a separate Cooperative Development Board and whether the same work could not be done by the Ministry itself. In its opinion there may not be sufficient justification for the continued existence of a separate board merely for disbursing funds to State Governments since this is done on the basis of programmes and policies already approved by Government and for which financial ceilings are fixed by the Planning Commission. It considers that the necessary coordination with the Central Warehousing Corporation can be obtained in the absence of the Board equally at the official level or by means of an advisory committee composed of officials and non-officials representing various interests concerned.

2. The views of the committee have been examined very carefully. The arguments in favour of the proposal made by the committee may be summarised as follows :

(i) The Rural Credit Survey Committee recommended—

- (a) A Cooperative Development and Warehousing Board at the Centre to promote cooperative development particularly cooperative credit, processing, marketing, storage and warehousing of agricultural produce.
- (b) A Central Warehousing Corporation for acquiring and building godowns and warehouses at places of all-India importance, run Licensed warehouses, manage regulated market, etc. The Central Warehousing Corporation was to work under the general directions of the Board.
- (c) State Warehousing Corporations in the States with functions similar to those of the Central Warehousing Corporation.

These three organisations were to be closely linked with each other in their share capital and management. The proposal now made will put the Central Warehousing Corporation directly under the Ministry of Food and Agriculture and the Cooperative Development Board will not be in a position to give general direction. The necessary co-ordination between these two bodies will thus disappear.

- (ii) It is not necessary to have a board merely for the purpose of disbursing funds to State Governments on the basis of programmes and policies already approved by government.
- (iii) Co-ordination with the Central Warehousing Corporation could be achieved at the official level or through an advisory committee. It was not necessary to have a board for this purpose.

3. The arguments in favour of the proposal to have two independent corporate bodies, namely, the Cooperative Development Board and the Central Warehousing Corporation may be summarised as follows :

- (i) The proposals of the Rural Credit Survey Committee were examined and it was decided that the Central Warehousing Corporation should not be linked with the Cooperative Development Board and there should be two independent autonomous bodies. The Central and State Governments, it was felt, should be in a position to give assistance to State Warehousing Corporation directly and without routing such assistance through the Cooperative Development Board. This proposal was originally approved by the Cabinet but was subsequently modified in view of the fact that the Ministry of Food and Agriculture was in charge of both warehousing and cooperative development and, therefore, it was not necessary to have two independent bodies. The proposal now made is, therefore, merely going back to the original decision of the Government of India to have two separate bodies. Historically, there is nothing against the proposal.
- (ii) When in December, 1958 the subject of cooperation was transferred from the Ministry of Food and Agriculture to the new Department of Cooperation in the Ministry of Community Development and Cooperation, certain division of function was agreed to. The Ministry of Community Development and Cooperation was to be in charge of cooperative development as a whole, the Ministry of Food & Agriculture was to be in charge of warehousing and storage. It may be pointed out that neither the Central Warehousing Corporation nor the State Warehousing Corporation are cooperative organisations. In the case of the Central Warehousing Corporation, a large majority of the share capital is held by the Government of India, the State Bank of India and a number of joint stock companies. Cooperative banks and cooperative organisations hold a very small portion of the share capital. In the case of State Warehousing Corporations, half the share capital is held by the State Governments and the other half held by the Central Warehousing Corporation. Separation of the Warehousing Corporations from the Cooperative Development Board, therefore, is not likely to do any damage to the cooperative development.
- (iii) The proposed composition of the Board of Directors of these two organisations will ensure adequate representation of one, on the other. The two ministries would also adequately be represented on them. Cooperative organisations will also be suitably represented on them. The proposal, therefore, ensures full coordination between the two organisations.
- (iv) Warehousing will certainly be of considerable help, in course of time, to cooperative marketing organisations. At present cooperative marketing organisations are, however, doing very little outright purchases and therefore, have very little produce which they can store in warehouses. Their own godowns are, more or less, adequate for their own requirements. The warehouses of the Central Warehousing Corporation as well as of the State Warehousing Corporations are at present not being used on any substantial scale by cooperative organisations and it is unlikely that they will do so for quite some time to come. Subject to this there is a close connection between storage and cooperative marketing. It is, however, not necessary for the warehousing corporations to continue any longer under the tutelage of the Cooperative Development Board. The initial stage of planning and development of warehousing is more or less over. A general pattern of warehousing has been established and the main task is to expand warehouses on a large scale. Warehousing corporations should be able to do this on their own and under the guidance of the Ministry of Food and Agriculture and state governments and without having to work under the general control of the Cooperative Development Board.

(v) The activities of the Cooperative Development Board cover a large variety of subjects of which warehousing is only one and even that is dealt with indirectly through the Central Warehousing Corporation and State Warehousing Corporations. The Cooperative Development Board is mainly concerned with organisation of service and credit societies, marketing societies, processing societies and higher credit organisations like apex banks, mortgage banks, etc. Proposals for additions to departmental staff for inspection, supervision and audit are also within its purview. It also deals with a very large variety of other activities, like consumer cooperatives, labour cooperatives and so on. The need for a separate organisation of a statutory character will, therefore, continue even though warehousing may be outside its purview.

(vi) When the Cooperative Development Board was constituted in 1956, it got from the Government of India in the form of grants all the funds it needed. A part of this money was given to State governments as grants and a part as loans. The loans when repaid by the State governments would remain with the Board and form the corpus of a permanent fund. In 1957-58 and 1958-59 the Board, however, got only grants from the Government of India, to the extent required for giving grants to State governments. The loans to State governments were given directly by the Government of India and on repayment will go into the general revenues. This was a change in the practice followed in the first year and on a representation made to the Government of India the original practice was restored with effect from the year 1959-60. The Board has a corpus of a fund to which additions will be made as State governments repay the loans taken from the Board.

It has been decided that the practice followed in the years 1956-57, and again in 1959-60 and 1960-61 of giving the entire amount as grants should be modified and the Government of India will provide fund in the form of loans and grants. The grants will be passed on to State governments as grants and the money obtained as loans from the Government of India will be given as loans to State governments. On recoveries of these loans from the State governments, the Government of India will be repaid the loans given by it. The interest will, however, augment the corpus of the fund with the Cooperative Development Board as the Government of India have agreed to reimburse the Cooperative Development Board the interest which it will have to pay on the loans it obtains from the Government of India. In this manner the Cooperative Development Board will build up a substantial fund of its own and it is hoped that in course of time this fund will be large enough to enable the Cooperative Development Board to finance cooperative activities without having to draw on the resources of the Government of India to any large extent. If the Board is abolished the entire corpus of the Board will merge in the revenues of the Government of India. As a result cooperative development will depend on the extent to which the Government of India can provide funds from year to year, a matter of considerable uncertainty these days.

(vii) The Cooperative Development Board will have a large number of non-official cooperators of reputation and standing in the country and it is necessary that its independent autonomous character should be maintained. In the absence of this, prominent non-official cooperators may hesitate to come in. They are more likely to serve on a body with funds of its own and with statutory authority than on a purely advisory body.

(viii) The Cooperative Development Board has laid down certain rules of procedure which have been followed very strictly and which have ensured prompt repayment of loans by State governments. It has also been possible for the Board to ensure that grants given to State governments if not utilised are promptly recovered. If the Board were to be abolished and all loans to State

governments were to be made by the Government of India direct, this happy situation regarding recovery and refunds may not continue. The Government of India in actual practice may not find it possible to be as strict in this respect as an autonomous statutory Board.

- (ix) The decentralisation of power and authority particularly in the field of co-operation are declared policies of Government and it is, therefore, necessary that the Government of India should function to as large an extent as possible through a statutory body on which the Government of India, the State governments and non-official cooperative opinion is adequately represented. This cannot obviously be the case if there is only a purely advisory body and the main administrative and executive functions are to be the responsibility of the Ministry.

4. The National Cooperative Board, as at present, contemplated, will have an advisory capacity only in so far as matters of policy are concerned. Its main function however will be to execute policies formulated by the government. It is also expected that the Board will set up separate functional committees for dealing with important branches of its activities like cooperative credit, cooperative marketing and processing, consumers cooperatives and such other fields of cooperation as may call for special promotional efforts. These functional sub-committees will have adequate supporting staff to carry out systematic inspections so as to ensure proper utilisation of the funds given. The Board will also continue to be serviced by the officers of the Ministry as at present. It will be ensured that the total complement of staff of the Ministry and the Board will be such as will be necessary for carrying out the functions of the Ministry with regard to framing of policy etc., and the functions of the Board with regard to their implementation. Duplication of staff between the Ministry and the Board will be carefully avoided.

¶ 5. It is in the light of these considerations and after very careful examination of the proposals made by the Estimates Committee of Parliament that this Ministry has not found it possible to accept the recommendation of the Estimates Committee in this respect. The Government of India, therefore, propose to go ahead with the proposal to constitute two separate statutory organisations, namely, the Cooperative Development Board and the Central Warehousing Corporation by amending the Agricultural Produce (Development and Warehousing) Corporations Act, 1956.

ANNEXURE XV

Copy of letter No. 4-2/69-PCP dated the 13th May, 1971 from the Secretary, National Cooperative Development Corporation, New Delhi, addressed to the Secretary, In-charge of Cooperation, All State Governments (except J. & K & Nagaland).

SUBJECT.—Centrally Aided State Plan Schemes—Release of Central assistance by NGDC—Procedure—1971-72.

I am to refer to Planning Commission's letter No. PC(P)4/7/68 dated 22nd May, 1969, wherein the State Governments were informed that the Central assistance to the States for the Fourth Five Year Plan, *with the exception of the Central plan assistance routed through the National Cooperative Development Corporation*, will be given as block loan and grants each year in the ratio of 70% loan and 30% grant. It has been decided in consultation with the Department of Cooperation, Planning Commission and the Ministry of Finance (Plan Finance Division) that the following procedure would be followed during 1971-72 by the Corporation for the release of assistance for the State plan schemes falling within its purview:—

- (1) The Corporation will from time to time be issuing guide-lines regarding the formulation of schemes under its purview, the total outlay for all such schemes being within the outlay approved for the Cooperation (NGDC Schemes) by the Planning Commission in the State Annual Plan.
- (2) The scheme-wise outlays having been thus fixed any diversion of outlay from Cooperation (NGDC schemes) to other sectors will not be permissible. However, adjustments among the schemes within the Cooperation (NGDC Schemes) can be made in consultation with the Corporation.
- (3) Assistance released by the Corporation is to be utilised by the State Governments only for the schemes of cooperative development falling within the purview of the NGDC (as indicated in Appendix II). If, however, the State Government undertakes new schemes in consultation with the Corporation which broadly falls within the purview of the NGDC, the same will be treated as Plan schemes under Cooperation (NGDC Schemes).
- (4) In the case of short-fall in actual expenditure in relation to the approved outlays, the assistance of the Corporation will be reduced proportionately.
- (5) Release of assistance will be made in instalments with reference to expenditure statements (as at appendix III) to be furnished by the State Govts.
- (6) The assistance of the Corporation will be in the ratio of 70% loan and 30% grant.

The assistance to the cooperative societies by the State Government may, however be provided on the basis of existing scheme-wise pattern of assistance between the State Government and the societies. If considered necessary, the State Government may make suitable modifications in consultation with the Corporation.

2. The approved outlay and ceiling for Central assistance for Cooperation (NGDC Schemes) for 1971-72 are being worked out by the Planning Commission and will be communicated to the State Governments in due course.

3. The State Government is, no doubt, aware that adequate financial support is necessary to secure the desired tempo of cooperative development and to fulfil the physical targets of important schemes in the State Plan sector under Cooperation. Since the shortfall in outlay would affect the achievement of the Fourth Plan target, it is requested that the outlay for the NGDC schemes may be stepped up adequately in the current and coming years.

4. This issues with the approval of the Union Department of Cooperation, Ministry of Finance (Plan Finance Division) and the Planning Commission.

APPENDIX II

CENTRALLY AIDED STATE PLAN SCHEMES

I. Cooperative Credit

1. *Subsidy to*
 - (a) Potentially viable societies ;
 - (b) Central Cooperative Banks for appointment of managerial and supervisory staff and for opening branches ;
 - (c) Establishment of pools of managerial staff and key personnel;
 - (d) State Cooperative Banks for managerial staff;
 - (e) Primary land mortgage banks/central land mortgage banks for managerial and technical staff and for opening branches.
2. *Outright grants to special bad debt reserves of*
 - (a) Primary credit societies; and
 - (b) Central cooperative banks.
3. *Assistance to weak central cooperative banks*
 - (a) For staff ;and
 - (b) For bad debt reserves.

II. Cooperative Marketing

1. *Share capital contribution to*
 - (i) new primary marketing societies and additional share capital contribution to existing societies to be developed (a) on selective basis in intensive agricultural areas, and (b) under normal programme.
 - (ii) District marketing societies.
 - (iii) State Marketing Federations.
2. *Managerial subsidy to*
 - (i) primary marketing societies ;
 - (ii) district marketing societies ;
 - (iii) state marketing federations.
3. Assistance to State Marketing Federations for the establishment of pools/cadre of marketing personnel.
4. Assistance to primary marketing societies/district marketing societies/State Marketing Federations and also processing societies for purchase of transport vehicles.
5. Assistance for grading units.
6. Assistance towards price fluctuation funds.
7. Assistance towards special funds for incentive bonus for pooling.

III. Cooperative Storage

1. Assistance towards construction of godowns by marketing and processing societies at various levels.
2. Assistance towards construction of rural godowns.
3. Subsidy for hiring godowns.

IV. Cooperative Processing

1. *Sugar Factories*
 - (a) Share capital contribution to new factories and the factories already licensed;
 - (b) Share capital contribution to by-product industries.
2. *Other Processing units*
 - (a) Share capital contribution to processing units of various types.
 - (b) Managerial subsidy to processing units.
3. Assistance for setting up of cold storages.

V. Cooperative Supplies

1. *Agricultural Inputs*
 - (a) Organisation of seed producers Cooperative processing-cum-sale societies.
 - (b) Establishment of formulation units for pesticides/insecticides.
 - (c) Establishment of units for fabrication of agricultural implements by selected marketing cooperatives.
 - (d) Establishment of units for manufacture of Diesel Engines/Pumps sets.
 - (e) Establishments of granular fertiliser mixing units.
 - (f) Establishment of servicing and repair centres for agricultural machinery.
 - (g) Establishment of units for manufacture of tractors.
2. Distribution of consumer articles in rural areas.

VI. Additional Departmental Staff in the State Cooperative Departments.

APPENDIX III

Assistance to the Cooperatives under the State Plan schemes of Cooperative Development within the purview of the N.C.D.C. during 1971-72

Name of the State-----

(Rs. in lakhs)

Schemes	Budgetary provision for the year 1971-72	Actual expenditure upto 30-6-1971/30-9-71/31-12-71						Total
		Share capital		Loan		Subsidy		
		No. of Units	Amount	No. of Units	Amount	No. of Units	Amount	
1	2	3	4	5	6	7	8	9
I. Agricultural Marketing								
1. Primary Marketing Socs.								
2. Distt. Marketing Societies								
3. Apex Mktg. Societies								
4. Commodity Mktg. Coop.								
5. Grading units								
6. Contribution to special price fluctuation funds of								
(a) Mktg. cooperatives								
(b) Processing Cooperatives								

APPENDIX III—contd.

(Rs. in lakhs)

1	2	3	4	5	6	7	8	9
---	---	---	---	---	---	---	---	---

7. Loan for purchase of transport vehicles.

8. Assistance for establishment of common cadres/pools of key personnel.

II. Agricultural Processing**1. Paddy**

(i) Modern rice mills

(ii) Modernisation of rice mills

(iii) Rice bran oil units

2. Dal Mills**3. Sugarcane**

(i) Sugar factories

(ii) Sugar by-products Industries.

4. Oil Seeds

(i) Oil mills

(ii) Solvent plants

(iii) Vanaspati units

(iv) Cattle feed

5. Cotton

(i) Spinning mills

(ii) Ginneries

6. Fruit and vegetables

7. Cold storages

8. *Plantation crops :*

(i) Cashew

(ii) Coconut

(iii) Coffee

(iv) Tea

(v) Others, if any (Please specify)

III. Godowns

(a) Rural

(b) Marketing

(c) Hiring of godowns (Subsidy)

IV. Supplies

(Specify individuals schemes, if any.)

V. Distribution of consumers articles in rural areas.

VI. Strengthening of State Co-operative Department.

VII. *Agricultural Credit*

(a) State Co-op. Banks

(b) Central Co-op. Banks

(c) Central Land Mortgage Banks

APPENDIX III—*contd.*

(Rs. in Lakhs)

1	2	3	4	5	6	7	8	9
(d) Primary Land mortgage banks								
(e) Potentially viable primary agricultural credit societies								
(f) Grants towards special bad debts reserves of:								
(i) Central Banks								
(ii) Credit societies								
(g) Assistance to weak Central Co-op. Banks.								
(h) Common cadre for apex & C. C. banks.								

VIII. Total

(Rs. in lakhs)

Scheme	Anticipated expenditure for the quarter ending 30-9-71/31-12-71/31-3-72											Devia- tion if any from existing pattern
	Share Capital				Loan		Subsidy		No. of Units	Amo- unt	Total	
	Amount given for the first time		Addl. assistance		Amount given for the first time		Addl. assistance					
	No. of Units	Amount	No. of Units	Amount	No. of Units	Amount	No. of Units	Amount				
I	10	11	12	13	14	15	16	17	18	19	20	21

I. Agricultural Marketing]

1. Primary Mktg. Socs.
2. Distt. Mktg. Societies
3. Apex Mktg. Societies
4. Commodity Mktg. Coop.
5. Grading units
6. Contribution to special price
fluctuation funds of
 - (a) Mktg. cooperatives
 - (b) Processing Cooperatives

APPENDIX III—contd.

(Rs. in lakhs)

1	10	11	12	13	14	15	16	17	18	19	20	21
---	----	----	----	----	----	----	----	----	----	----	----	----

7. Loan for purchase of transport vehicles.

8. Assistance for establishment of common cadres/pools of key personnel.

II. Agricultural Processing

1. *Paddy*

- (i) Modern rice mills
- (ii) Modernisation of rice mills
- (iii) Rice bran oil units

2. *Dal Mills*

3. *Sugarcane*

- (i) Sugar factories
- (ii) Sugar by-products industries

4. *Oil Seeds*

- (i) Oil mills
- (ii) Solvent plant
- (iii) Vanaspati units
- (iv) Cattle feed

5. *Cotton*

- (i) Spinning mills
- (ii) Ginneries

6. Fruit and vegetables . . .

7. Cold storages . . .

8. *Plantation crops* :

(i) Cashew . . .

(ii) Coconut . . .

(iii) Coffee . . .

(iv) Tea . . .

(v) Others, if any (Please specify)

(a) Rural . . .

(b) Marketing . . .

(c) Hiring of godowns (Subsidy)

. . .
. . .

V. Distribution of consumers articles in rural areas.

VI. Strengthening of State Co-operative Department.

VII. *Agricultural Credit*

(a) State Coop. Banks . . .

(b) Central Coop. Banks . . .

(c) Central Land Mortgage Banks

III. Godowns

IV. Supplies

(Specify individual schemes, if any.)

APPENDIX III—contd.

(Rs. in Lakhs)

	10	11	12	13	14	15	16	17	18	19	20	21
(d) Primary Land mortgage banks												
(c) Potentially viable primary agricultural credit societies												
(f) Grants towards special bad debts reserves of :												
(i) Central Banks												
(ii) Credit societies												
(g) Assistance to weak Central Coop. Banks.												
(h) Common cadre for apex & C. C. banks.												
VIII. Total												

APPENDIX IV

*Patterns of Financial assistance by the State Governments to the Co-operative Institutions
(Existing at Present)*

Pattern	Remarks
Co-operative Agricultural Credit	
(i) Managerial subsidy to primary agricultural credit societies.	Rs. 1,800 per society spread over 3—4 years. Assistance is on tapering basis to societies formed as a result of amalgamation and is restricted to actual deficit in their working.
(ii) Managerial subsidy to State central cooperative bank including opening of branches and employment of additional supervisory staff	No specific financial limit is fixed. Quantum of assistance depends on the needs of each case. Assistance is for a period of 3 years on a tapering basis.
(iii) Managerial subsidy to central primary land development banks including appointment of land valuation officers	
(iv) Outright grants to credit societies and central cooperative banks towards special bad debt reserves.	
	12% in respect of the primary credit society & 4% in respect of central banks of the Addl. loans provided in a year over the previous year's level to weaker section.
Cooperative Agricultural Marketing	
(i) Managerial subsidy to marketing societies.	(a) Generally upto Rs. 10,000 per primary marketing societies. Assistance tapers off in a period 3—5 years.
	(b) For apex and District societies quantum of assistance is related to the needs of each case.
(ii) Share capital to marketing societies.	(a) Rs. 25,000 to Rs. 1,00,000 per primary marketing society. Larger assistance is given to societies undertaking outright purchases under the approved schemes. Assistance is subject to matching contribution from members in the ratio 1:1, 1:2, or 1:3 depending on the stage

Pattern	Remarks	
		of cooperative development in the State/area.
	(b) Quantum of assistance depends on the needs in respect of apex and district societies.	No matching contribution from members is insisted upon.
(iii) Assistance for purchase of trucks.	Rs. 40,000 per truck	Available to selected societies only.
(iv) Subsidy for grading units	Rs. 7,500 per unit for staff and equipment.	The assistance for staff is on tapering basis for 3—5 years.
(v) Subsidy towards special price fluctuation fund.	2% of the value of outright purchases made in the previous year. In cases where outright purchases are made for export or processing purposes the assistance is given at the rate of 5%.	Available to societies selected under the specific scheme.
(vi) Establishment of pool/cadre of marketing personnel at the level of apex societies.	100% of the cost of the staff added to the pool/cadre for one year only. Besides, assistance towards cost of leave and training reserves @ 10% of the total No. of posts in the pool/cadre provided each year.	
Cooperative Agricultural Processing		
(i) Share capital contribution to sugar factories and spinning mills.	20% of the block cost of the unit (for sugar factories the financial limit is Rs. 35,000)	Assistance is on a matching basis to the share capital of growers.
(ii) Contribution to the share capital of other processing units.	(a) <i>Unit costing upto Rs. 1 lakh</i> 100% of cost if marketing society sets up unit. If it is an independent processing society members should raise part of cost. (b) <i>Units costing between Rs. 1 lakh to 10 lakhs</i> Part of 25% of block cost	On a matching basis with members' contribution in prescribed ratios.

Pattern	Remarks
(c) Units costing between Rs. 10 lakhs to 20 lakhs Part of 50% of the block cost.	On a matching basis with members' contribution in prescribed ratios.
(d) Units costing above Rs. 20 lakhs Part of 40% of the block cost.	On a matching basis with members' contribution.
(iii) Loans towards block cost of processing units other than sugar factories.	<p>(a) Units costing between Rs. 1 lakhs to 10 lakhs 75% of the block cost.</p> <p>(b) Units cost between Rs. 10 lakhs to 20 lakhs Part of 50% of block cost.</p> <p>(c) Units costing above Rs. 20 lakhs No loan assistance.</p> <p>The other part to be obtained from financing agencies.</p> <p>Entire loan assistance to be obtained from S.F.C. and I.F.C. etc.</p>
(iv) Managerial subsidy to processing units (other than sugar factories & spinning mills.)	No specified quantum, assistance depends on needs.
Cooperative Storage	
(i) Mandi level godowns } (ii) Rural Godowns. }	62½% of cost as loan, 37½% of cost as grant.
(iii) Subsidy for hiring godowns	<p>Cost of hiring godowns subject to prescribed ceiling for credit societies, primary marketing societies & apex marketing societies.</p> <p>In the case of godown of primary marketing societies assistance is generally upto Rs. 35,000 per godown. For the godowns of apex/districts societies no financial limit is fixed. The financial limit for a rural godown is generally Rs. 12,500.</p> <p>Available for 2 years only to societies undertaking construction of godowns under plan programme.</p>

Pattern	Remarks
(iv) Gold storages	12½% of cost as loan, 37½% of cost as grant. No financial limit is fixed.

Cooperative Supplies

(i) *Distribution of consumer articles in rural areas.*

(a) Share capital contribution to marketing societies.	Rs. 10,000	Provided in 1968-69 only.
(b) Addl. Managerial contribution to marketing societies.	Rs. 5,000	Tapers off in 3-5 years.

ANNEXURE XVI

Financial assistance provided by NCDG to State Governments/National Federations for various Co-operative Development Schemes

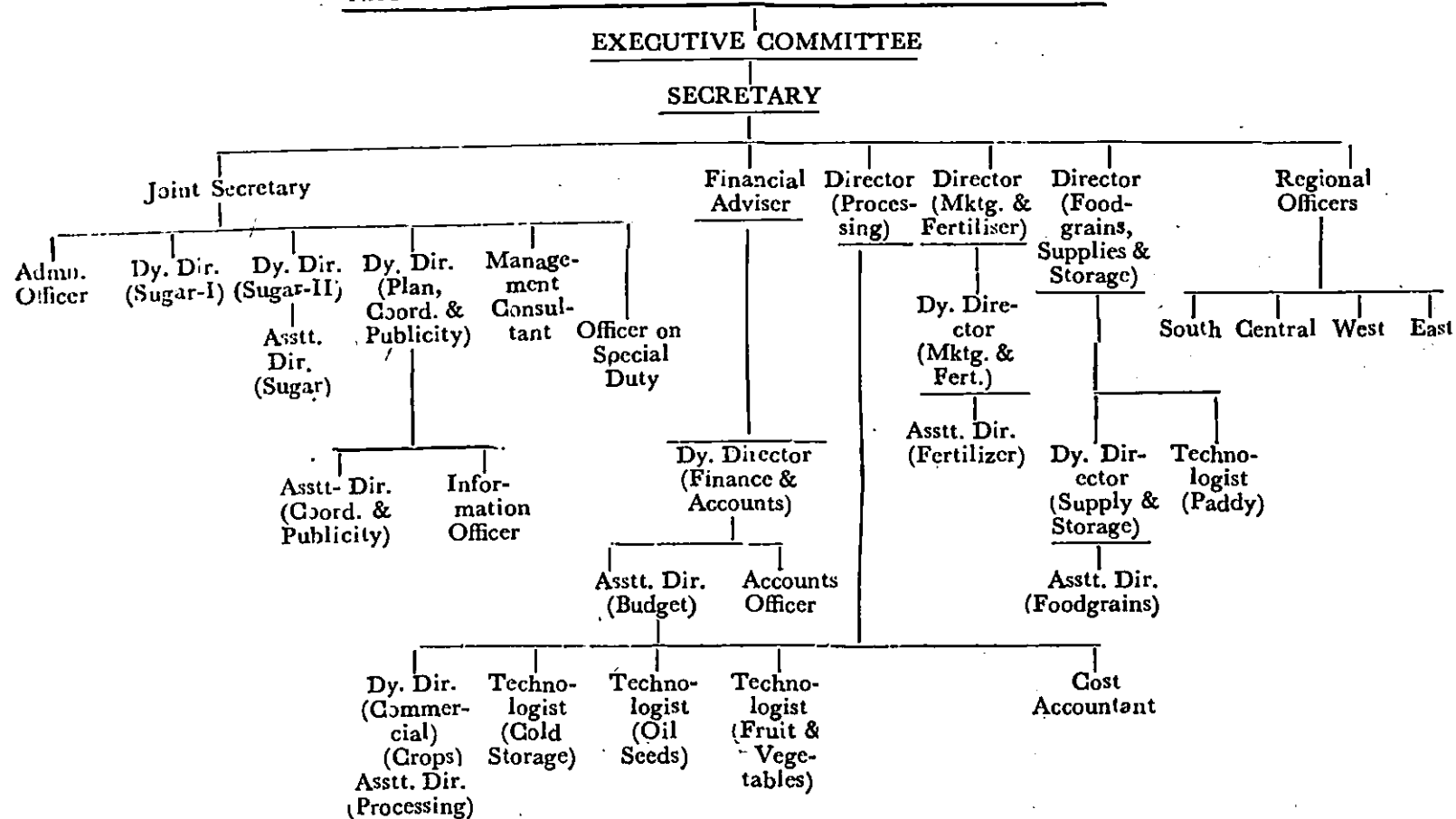
(Rs. in lakhs)

Sl. No.	State/federation	Upto 1967-68	During 1968-69	During 1969-70	During 1970-71	Grand total
1	2	3	4	5	6	7
1	Andhra Pradesh	838.837	87.671	93.385	71.619	1,091.512
2	Assam	242.743	16.289	21.900	29.150	310.082
3	Bihar	495.304	58.350	66.360	46.150	666.164
4	Gujarat	602.890	46.815	58.698	72.017	780.420
5	Haryana	27.624	8.600	26.700	41.042	103.966
6	Kerala	203.407	12.303	14.550	14.740	245.000
7	Madhya Pradesh	932.928	92.834	137.327	140.223	1,303.312
8	Tamil Nadu	836.286	83.990	153.429	102.164	1,175.869
9	Maharashtra	1,297.879	98.145	97.078	207.055	1,700.157
10	Mysore	874.329	107.604	78.975	104.660	1,165.569
11	Orissa	373.366	20.434	34.800	56.986	485.586
12	Punjab	411.250	17.298	36.240	58.693	523.481
13	Rajasthan	349.137	35.047	39.242	41.566	464.992

1	2	3	4	5	6	7
14	Uttar Pradesh	907.022	45.455	37.700	116.720	1,106.897
15	West Bengal	528.372	18.638	54.230	37.425	638.666
16	Delhi	4.520	..	..	..	4.520
17	Himachal Pradesh	11.340	..	..	..	11.340
18	Manipur	4.470	..	..	..	4.470
19	Tripura	4.510	..	..	..	4.510
20	NAFED	19.001	10.990	5.000	1.135	36.126
21	All India CLMBs Union	0.998	0.250	..	..	1.248
22	IFFCO . . . . .	..	5.000	..	..	5.000
23	NCUI	0.200	..	..	..	0.200
24	All India Fed. of spinning Mills	0.175	0.394	0.264	0.432	1.265
TOTAL		8,966.589	766.107	955.879	1,141.773	11,830.348*

*(Loan 83,840.304 Subsidy 2,990.044).
SOURCE : Union Department of Cooperation.

ANNEXURE XVII
 Chart showing the Present administrative Set-up of the N.C. D. C.
NATIONAL COOPERATIVE DEVELOPMENT CORPORATION



ANNEXURE XVIII
Reserve Bank's Contribution to the LTO Fund

(Rs. in crores)

Year	National Agricultural credit (L.T.O.) Fund		National Agricultural credit (Stabilisation) Fund	
	Amount contributed	Total accumulation	Amount contributed	Total accumulation
1956 (Feb.)	10	10	..	..
1956 (July)	5	15	1	1
1957	5	20	1	2
1958	5	25	1	3
1959	5	30	1	4
1960	10	40	1	5
1961	10	50	1	6
1962	11	61	1	7
1963	12	73	1	8
1964	13	86	1	9
1965	14	100	1	10
1966	15	115	6	16
1967	16	131	9	25
1968	12	143	8	33
1969	12	155	2	35
1970	17	172	2	37

SOURCE : Report on Currency & Finance, 1969-70, pages 45-47 and R.B.I. Bulletin, March, 1971.