

TWENTY-SIXTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1985-86)

(EIGHTH LOK SABHA)

NATIONAL COOPERATIVE DEVELOPMENT
CORPORATION

MINISTRY OF AGRICULTURE AND
RURAL DEVELOPMENT

DEPARTMENT OF AGRICULTURE & COOPERATION)



सत्यमेव जयते

Presented in Lok Sabha on _____

Laid in Rajya Sabha on _____

LOK SABHA SECRETARIAT
NEW DELHI

December, 1985/Agrahayana, 1907 (S)

71/ Price : Rs. 4.80 Paise

CORRIGENDA TO THE TWENTY-SIXTH REPORT OF
PUBLIC ACCOUNTS COMMITTEE (EIGHTH LOK SABHA).

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(vi)	7	4	'unts'	'units'
4	1.10	last line	'Corups'	'Corpus'
10	1.26	2	'Inherited'	'inherited'
24	2.27	11	'lum-sum'	'lump-sum'
28	2.36	6	'concel's'	'cancels'
39	3.8	1	'affirmatve'	'affirmative'
52	3.33	10	'organie'	'organise'
52	3.34	13	'was'	'were'
54	3.36	1	'infre- structure'	'infrastructure'
84	1.24 & 1.25	last line	'lasser'	'lesser'
86	1.28	9	'ensude'	'ensure'
88	2.36	6	'concel's'	'cancels'
91	2.39	2	'blacks'	'blocks'
91	2.39	2	'out'	'one'
94	2.42	9	'deported'	'reported'
97	3.16	6	'dermant'	'dormant'
98	3.16	6	'profifits'	'profits'
100	3.27 & 3.28	5	'loses'	'losses'

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	v)
I. INTRODUCTORY	1
II. CONSTRUCTION OF GODOWNS	12
III. PROCESSING INDUSTRIES	
(i) Rice Mills	36
(ii) Margin Money*	42
(iii) Cooperative dairy processing units	45
IV. OTHER PROCESSING INDUSTRIES	36

APPENDICES

I. Statement showing details of foreign tours undertaken by employees of the Corporation during the years 1978-79 to 1982-83	69
II. Para 62 National Cooperative Development Corporation	72
III. Statement of Conclusions/Recommendations	84

PART II*

Minutes of the sittings of the Public Accounts Committee 1983-84 and 1985-86 held on 9-9-1983, 26-12-1983, 15-2-1984 and 8-1-1986.

*Not printed. One cyclostyled copy laid on the Table of the House and 75 copies placed in Parliament Library.

**PUBLIC ACCOUNTS COMMITTEE
(1985-86)**

CHAIRMAN

Shri E. Ayyapu Reddy

MEMBERS

Lok Sabha

2. Shri J. Chokka Rao
3. Shri Amal Datta
4. Shri Ranjit Singh Gaekwad
5. Shrimati Prabhawati Gupta
6. Shri Harpal Singh
7. Shri Vilas Muttemwar
8. Shri G. Devaraya Naik
9. Shri Rameshwar Neekhra
10. Shri Rajmangal Pande
11. Shri H. M. Patel
12. Shrimati Jayanti Patnaik
13. Shri S. Singaravadivel
14. Shri Simon Tigga
15. Shri Girdhari Lal Vyas

Rajya Sabha

16. Shrimati Amarjit Kaur
17. Shri Nirmal Chatterjee
18. Miss Jayalalitha
19. Shri Ghulam Rasool Kar
20. Shri Chaturanan Mishra
21. Shri K. L. N. Prasad
22. Shri Ramanand Yadav

SECRETARIAT

1. Shri N. N. Mehra—*Joint Secretary*
2. Shri K. H. Chhaya—*Chief Financial Committee Officer.*
3. Shri Brahmanand—*Senior Financial Committee Officer.*

INTRODUCTION

1. The Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Twenty-sixth Report of the Committee on para 62 of the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil) relating to National Cooperative Development Corporation.

2. The Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil), was laid on the Table of the House on 15 April, 1983.

3. The National Cooperative Development Corporation is essentially a promotional and developmental organisation responsible for the countrywide planning and promotion programme through co-operatives for marketing, agro-processing, storage and supply of agricultural input to the farmers. This Report highlights the deficiencies noticed by the Committee in the working of NCDC during their examination.

4. The Committee have noticed that the flow of NCDC funds to various States has been uneven. While some agriculturally developed States had proportionately larger flow of NCDC funds, underdeveloped States could not get a fair share of NCDC funds. This imbalance was stated to be due to weak cooperative structure in some of the States. The greater the constraints and difficulties in the development of cooperatives in lesser developed areas, the Committee consider that the NCDC should have put in greater efforts to remove the constraints and overcome the difficulties.

5. Keeping in view the fact that the Corporation has earned sizeable profits which has attracted an Income-tax of Rs. 2 crores and that the Corporation is assisted by the Union Government by substantial loans—as much as 44 per cent of the NCDC funds, the Committee feel that there is a strong case for reviewing the interest rates on loans advanced by the Corporation to the co-operative societies through the respective State Governments.

6. It has been suggested that NCDC should be exempted from Income-tax. An expert Committee has also made such a recommendation. The case for exemption has become incontestable when

bodies like National Bank for Agriculture and Rural Development and Indian Dairy Corporation have been exempted from Income-tax. The Committee are convinced that NCDC should also be exempted from payment of Income-tax. Larger funds will thus become available to NCDC for further promotional and developmental activities.

7. Out of 1441 processing units assisted by NCDC, 1,189 had been installed up to March 1983. Out of these, only 327 units were running satisfactorily, that is, not losing. The Committee observe that of the units assisted, only 18.9 per cent of spinning mills, 75.3 per cent of oil mills and 85.8 per cent of other units had been installed as on 31-3-1983. This indicates that considerable volume of the assistance provided is yet to fructify.

8. The Committee also find that out of the units installed, only 25.4 per cent of sugar mills, 42.8 per cent of spinning mills, 23.1 per cent of oil mills and 27.9 per cent of other units are earning profits. This is not surprising as these are all consumer products and therefore enjoy a 'Sellers Market'. It is necessary, therefore, to ascertain why industrial units are not being run profitably. Presumably, they have not been competently managed. Effective steps should be taken to ensure that every unit is well staffed and competently managed.

9. The Committee find that a large number of processing units in which heavy investments of NCDC alone are involved have been running at a loss. It is so, in spite of the fact that NCDC has been maintaining its own technical personnel to undertake appraisal of the projects for setting up of processing units and subject each proposal to a detailed scrutiny before sanctioning assistance. It is surprising, therefore, that even though units are given assistance after thorough examination by professionals they incurred heavy losses. Obviously there is some factor to which the right weightage is not being given. In fact, the Committee find that barring large and medium scale fertilizer and cotton spinning units and a few other units, almost all other ventures in the cooperative field and in particular the small units which are assisted by the Corporation are weak. The problem with regard to very small level cooperative societies is that of their leadership and their professional management. The Committee consider this to be the crux of the problem. Even a cooperative venture had to be of an economically viable size, and no amount of financial assistance alone can get round this factor. The NCDC can play a very useful role in concert with the State Governments to evolve enlightened leadership at grassroot level and

training the professionals to manage cooperative venture of the right economically viable size.

10. The Public Accounts Committee (1963-84) examined the Audit Paragraph at their sittings held on 9 September, 1963, 26 December, 1963 and 15 February, 1964.

11. The Committee considered and finalised this Report at their sitting held on 8 January, 1966 based on the evidence already taken and written information furnished by the Ministry of Agriculture and Rural Development. The Minutes of the sittings form Part II* of the Report.

12. For reference, facility and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix III to the Report.

13. The Committee place on record their appreciation of the commendable work done by the Public Accounts Committee (1963-84) in taking evidence and obtaining information for the Report.

14. The Committee would like to express their thanks of the officers of the Ministry of Agriculture and Rural Development for the cooperation extended by them in giving information to the Committee.

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

NEW DELHI;
February 10, 1966
Magha 21, 1907 (S).

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

* Not printed. One cyclostyled copy laid on the Table of the House and 5 copies placed in Parliament Library.

CHAPTER I

REPORT

[Based on Para 62* of the Report of the C.&A.G. of India for the year 1981-82, Union Government (Civil) relating to National Cooperative Development Corporation]

INTRODUCTORY

1.1 The National Cooperative Development Corporation (NCDC) a statutory Corporation, was set up in 1963 under an Act of Parliament. It is essentially a promotional and developmental organisation and responsible for the country-wide planning and promoting programmes through cooperatives for marketing, agro-processing, storage and supply of agricultural inputs to the farmers. The activities of NCDC have undergone significant diversification particularly since the beginning of the Fifth Five Year Plan. The Corporation is now aiding, in addition to its activities mentioned above, programmes relating to weaker sections of the society, namely, fisheries, poultry, dairy, tribals, scheduled castes, handlooms etc. It is also financing cooperative consumer activities in rural areas. The NCDC functions through its 7 Regional Offices located at Bangalore, Gowahati, Calcutta, Poona, Jaipur, Lucknow and Chandigarh and 4 Project Offices at Bhopal, Patna, Bhubaneswar and Hyderabad.

Financial Assistance

1.2 The main sources of the NCDC funds are Central assistance, internal accruals, market borrowings through issue of bonds and also aid from International Development Agency (IDA) of the World Bank and European Economic Community (EEC). The size of the annual programme of the NCDC has progressively increased from Rs. 2.35 crores in 1962-63 to Rs. 96.11 crores in 1982-83. For the year 1983-84, an outlay of Rs. 115.75 crores has been proposed. Cummulatively, the NCDC has provided up to March, 1983, assistance of

*Appendix II.

Rs. 587.84 crores. A statement indicating the State-wise assistance disbursed is placed below:

**Statement Showing the Flow of NCDC Funds to Different States
(upto 31-3-1983)**

S. No.	Name of the States	Amount (Rs. in laks)	Population in 1981*	Percentage to total popu- lation of India 1981*
1	2	3	4	5
1.	Andhra Pradesh	4177·077	53,549,673	7·82
2.	Assam	1416·440	19,896,843	2·90
3.	Bihar	2001·734	69,914,734	10·20
4.	Gujarat	2564·587	34,085,799	4·97
5.	Haryana	1746·988	12,922,618	1·89
6.	Himachal Pradesh	773·142	4,280,818	0·62
7.	Jammu & Kashmir	119·275	5,987,389	0·87
8.	Karnataka	4006·208	37,135,714	5·42
9.	Kerala	1666·477	25,453,680	3·71
10.	Madhya Pradesh	5641·850	52,178,844	7·62
11.	Maharashtra	6302·896	62,784,171	9·16
12.	Manipur	63·950	1,420,953	0·21
13.	Meghalaya	134·410	1,335,819	0·19
14.	Nagaland	25·330	774,930	0·11
15.	Orissa	3289·452	26,370,271	3·85
16.	Punjab	4221·134	16,788,915	2·45
17.	Rajasthan	3050·331	34,261,862	5·00
18.	Tamil Nadu	4185·916	48,408,077	7·06
19.	Tripura	142·977	2,053,058	0·30
20.	Uttar Pradesh	9443·846	110,862,013	16·18
21.	West Bengal	2577·399	54,580,647	7·97

*Data collected from census of India 1981—series 1— Published by Census Commissioner for India.

1.3 The project-wise break-up of the funds released for godowns, processing and cold storage activities is as under:

(a) Godowns	Rs. 122.73 crores
(b) Processing	.. Rs. 220.16 crores
(c) Cold Storages	.. Rs. 24.90 crores

1.4 Detailing the source of these funds, the Managing Director NCDC stated in his evidence before the Committee that "We have so far advanced Rs. 587 crores. Out of this 22 per cent are from our own resources, 24 per cent from market borrowings, 44 per cent from Government loans and Government subsidies and 8.7 from international resources."

1.5 Asked about the financial position of the Corporation, the witness stated:

"We are paying income tax to the tune of Rs. 2 crores every year."

1.6 The Committee pointed out that when the Corporation is making such a huge profits, why it did not consider reduction in rate of interest. The representative of the Department of Agriculture and Cooperation replied:

"Our interest rates are low. We are giving every year a subsidy of over Rs. 2 crores to the States. Then, you have to view this in relation to the overall size of the operations of this Corporation. We have got differential system. For areas which are backward, the rate of interest is 2 per cent lower than the other areas."

1.7 He further added:

"Prima facie, it may be so, but we have to consider weaknesses in the organisation and the need of technically and professionally competent people. This august body has pointed out that our monitoring is not as it should be, I would feel that the real objective of this Corporation cannot be achieved unless we have in this organisation a large corpus of technical and professional, people, with whom a spearhead team would fan out to the areas which are backward and help the States in setting their processing units, godowns, and so on. This is a vacuum which has to be filled. The return after payment of income tax comes to Rs. 5 crores, out of which Rs. 3 crores are going

to the States as subsidy and the remaining amount is recycled."

1.8 In reply to a further query from the Committee, Managing Director, NCDC stated during evidence:

"Whatever surpluses are accruing from year after year, they go into the corpus. That corpus is available to us at zero per cent interest. It is from the corpus that our surpluses are coming. We are building that up so that we have self-reliance and we are independent. That is our aim."

1.9 He further continued:

"One of the recommendations of an Expert Committee is that the NCDC should be exempted from Income Tax. This is something available to recently created sister bodies like the—National Bank for Agriculture and Rural Development Indian Dairy Corporation. If we are exempted that much extra money would be available."

1.10 In a subsequent note furnished to the Committee, the Department of Agriculture and Cooperation have furnished the following details of the grants for corpus received from the Government by NCDC since its inception:

(i) Corpus inherited as on 13-3-62 from NCD and Weare- housing Board	19.34	crores
(ii) Additional grants for the purposes of NCDC Act	39.77	crores
(iii) Net interest earning	60.31	crores
	119.42	crores

Less

(i) Grant under various prog- ramme	12.61	crores
(ii) Income Tax	14.43	crores
(iii) Admn. Expenses	10.03	crores
	<u>37.07</u>	crores
Corpus as on 31-3-1983	82.35	crores

Administrative Expenditure

1.11 The administrative expenditure incurred by the NCDC for 1980-81, 1981-82 and 1982-83 at the Head Office, Regional Offices and Project Offices is given below:

(Rs. in lakhs)

Year	Head Office	Regional Office	Project Offices	Total
1980-81	86.80	25.63	1.01	113.44
1981-82	107.17	27.00	2.64	136.81
1982-83	122.85	29.72	5.97	158.54

The expenditure on TA/DA and contingencies for these 3 years at the Head Office, Regional Offices and Project Offices has been as follows :-

TA/DA

in Rupees

Year	Head Office	Regional Offices	Project Offices	Total
1980-81	6,20,646	1,97,517	6,985	8,25,148
1981-82	7,81,818	2,29,110	13,086	10,24,014
1982-83	10,11,176	2,36,564	54,808	13,02,548

Contingencies

In Rupees

Year	Head Offices	Regional Offices	Project Offices	Total
1980-81	4,50,330	1,44,469	8,588	6,03,387
1981-82	6,06,931	1,61,714	11,571	7,80,216
1982-83	8,21,249	2,08,111	38,418	10,67,778

The staff strength at the Head office, Regional offices and Project offices as on 1-4-1981, 1-4-1982 and 1-4-1983 was as follows:—

Staff strength as on

S. No.	Place	1-4-81	1-4-82	1-4-83
i.	Head office	391	413	439
ii.	Regional Offices	96	92	98
iii.	Project Offices	5	9	11
		492	514	548

Staff in Position at Head Office, Regional Offices and Project Offices of the Corporation as on 1.4.81, 1.4.82 and 1.4.83

Classification of Staff	Staff in position as on 1-4-81	Staff in position as on 1-4-82	Staff in position as on 1-4-83
I. Head Office			
1. Group 'A'	69	81	82
2. Group 'B'	112	115	129
3. Group 'C'	99	108	116
4. Group 'D'	111	109	113
TOTAL :	391	413	439
II. Regional Offices			
1. Group 'A'	27	20	24
2. Group 'B'	18	18	20
3. Group 'C'	30	32	33
4. Group 'D'	21	22	21
Total :	96	92	98
III. Project Offices			
1. Group 'A'	1	4	4
2. Group 'B'	1	1	1
3. Group 'C'	2	2	3
4. Group 'D'	1	2	3
TOTAL :	5	9	11

1.12 In reply to a further question, the NCDC was furnished the following information:—

(Rs in lakhs)

S. No.	Year	Total Programme Expenditure	Administrative Expenses	Expenditure on salary & allowances of Staff	Percentage of Salary & allowances to total expenditure (Col. 3) %
1	2	3	4	5	6
1.	1980-81	6519.23	113.44	57.85	0.89%
2.	1981-82	9205.24	136.81	73.06	0.79%
3.	1982-83	9611.00	158.54	92.26	0.96%

1.13 In reply to a query from the Committee, the Managing Director, NCDC told the Committee that Group C and D employees usually do not undertake tours. The witness further told the Committee that "all the officers do not undertake tour to all the States in order to have discussions. States are visited by some officers of the Corporation every year."

1.14 During 1982-83 there was an expenditure of Rs. 10,11,176 on TA/DA of Head Office whereas the staff in position on 1-4-1982 had been 81 Group A and 115 Group B officers. The average per officer expenditure under this head comes to roughly Rs. 5000/- during 1982-83.

1.15 According to a statement furnished to the Committee, 133 officials (including 84 Group A, 38 Group B, 7 Group C and 4 Group D officials) of the NCDC performed 304 individual and 67 as a team member tours in 1980-81, 416 individual and 36 as a team member in 1981-82 and 379 individual and 142 as a team member tours in 1982-83. The Managing Director alone undertook 75 individual and 4 as a team member tours during this period.

1.16 The Department of Agriculture and Cooperation at the instance of the Committee furnished a statement (Annexure I) detailing the foreign tours undertaken by employees of the Corporation during the years 1978-79 to 1982-83. It shows that the then Managing Director NCDC undertook 13 foreign tours during this period.

Monitoring

1.17 The Committee enquired if the Ministry of Agriculture and Cooperation have made adequate arrangements to monitor the performance of NCDC and other similar agencies in various spheres of activities. The Additional Secretary, Ministry of Agriculture and Cooperation stated during evidence:

“I straightway concede that there is something to be done to strengthen the Ministry. The point is well taken. Our intention is to intensify and strengthen the Ministry set up.”

1.18 In reply to a further query about the monitoring system evolved by the NCDC, the Managing Director NCDC replied during evidence:

“I concede that our system should be improved. And we have improved to a very large extent in the last few years....”

1.19 The witness further informed the Committee that NCDC was equipped with an evaluation cell. They have completed evaluation of Haryana and Uttar Pradesh and evaluation of Orissa was in hand. The Evaluation and Statistics Division have got field staff to conduct field studies. The NCDC also have Management Information Systems Division with some trained computer experts in it. Asked if the NCDC have conducted evaluation study on construction of godowns in Bihar to find out the reasons for slow progress there. The witness replied:—

“We have not done the evaluation of the State. The institutional structure in Bihar is weak.”

1.20 Asked why the evaluation study of Bihar was not taken up when performance there was not up to the mark, the witness replied:—

“After completing Karnataka, we will take up an evaluation of Bihar.”

1.21 The Committee enquired about the mechanism evolved to ensure that the guidelines in respect of grants released by the Corporation were adhered to. In reply, the witness stated:—

“We ensure it through visits and discussions with the State Co-operative Banks. We ensure that the terms and conditions are fully complied with. We get special audited

statements. We have information on the basis of sample visits. Then the information is further supplemented by the State Government who inform us whether these units have complied with the terms and conditions. The State Government is always in the picture, because we take the view that it is a State subject. So, the State Government is able to know these things and it confirms what the State Co-operative bank does."

1.22 The Committee pointed out that in certain States, NCDC is releasing grants directly to State Cooperative Banks and enquired if NCDC have evolved any machinery to ensure that the grants were utilised for the purpose for which it was sanctioned. The Additional Secretary, Department of Agriculture and Cooperation stated during evidence:—

"We will take note of this very valuable suggestion."

1.23 The Committee enquired if it can be presumed that cooperative movement in the country has been geared up and have become successful. The representative of NCDC stated during evidence:

"In only these States in which the per capita income has been higher, it has been successful and in those States in which the per capita income is lower, this Cooperative movement has not gained momentum and the people of these States are not getting the benefit of the movement."

1.24 The National Cooperative Development Corporation was set up in 1963 essentially as a promotional and developmental organisation responsible for the country wide planning and promotion programmes through co-operatives for marketing, agro-processing, storage and supply of agricultural inputs to the farmers. The sources of NCDC funds include Central assistance market borrowings and internal accrual by interest earnings. The net corpus was Rs. 82.35 crores as on 31 March 1983. The NCDC has provided upto 31 March 1983 total assistance of Rs. 587.84 crores.

1.25 The Committee are surprised to find that flow of NCDC funds to various States has been uneven. While some agriculturally developed States like Punjab, Haryana and Maharashtra had proportionately larger flow of NCDC funds, under developed areas including Bihar, Orissa, West Bengal, J&K which need these funds much more could not get a fair share of NCDC funds. The greater the constraints and difficulties in the development of cooperatives in lesser developed areas, the Committee consider that the N.C.D.C.

should have made correspondingly greater efforts to remove the constraints and overcome the difficulties.

1.26 The National Cooperative Development Corporation had inherited from its predecessor body—NCD and Warehousing Board a corpus of Rs. 19.34 crores at the time of its inception. Subsequently, additional grants of Rs. 39.77 crores were received from the Government under the NCDC Act. Net interest earned till 31 March 1983 amounted to Rs. 60.31 crores. After deducting expenses, grants under various programmes and income-tax paid, the corpus as on 31 March 1983 stood at Rs. 82.35 crores. The return after payment of Rs. 2 crores as income tax comes to Rs. 5 crores a year. The Corporation has been basically set up to plan, promote and develop Cooperatives throughout the country. In this endeavour it has been helped by Union Government by substantial loans amounting to as much as 44 per cent of the total NCDC funds. The Committee feel that there is a strong case for reviewing the interest rates on loans advanced by the Corporation to the cooperative societies through the respective State Governments. This may be examined and the Committee informed.

1.27 It has been suggested that NCDC should be exempted from Income-tax. An expert Committee has also made such a recommendation. The case for exemption has become incontestable when bodies like National Bank for Agriculture and Rural Development and Indian Dairy Corporation have been exempted from income tax. The Committee are convinced that NCDC should also be exempted from payment of income-tax. Larger funds will thus become available to NCDC for further promotional and developmental activities. The Committee would like this matter to be examined by the Ministry of Finance and an early decision taken.

1.28 The Committee are perturbed to find that the establishment expenditure of the Corporation has been increasing from year to year. It has increased from 0.89 per cent of the total Programme expenditure of Rs. 6,519 lakhs in 1980-81 to 0.96 per cent of Programme expenditure of Rs. 9,611 lakhs in 1982-83. The Corporation had on 1st April, 1983 at its corporate office as many as 139 officials (of this 113 are group 'D' officials). The Committee are of the view that the staffing pattern especially of the body devoted to promotional activity needs to be re-examined both to ensure economy and also to ensure that more and more staff is deployed in the field so that the various Programmes and promotional activities of the Corporation are supervised effectively. This will also ensure economy in expenditure on tours which also has been increasing unduly. The

Committee are also not satisfied that the work of the corporation should normally necessitate tours abroad.

1.29 The Committee note that the system evolved in the Ministry of Agriculture and Cooperation and also by the NCDC to monitor the progress of various projects/schemes has not been effective. Since the Ministry as well as the Corporation are already satisfied that there exists this serious deficiency, the Committee trust that they will take steps to see that an efficient monitoring system starts working at the earliest possible date.

1.30 The Committee understand that in certain States, the National Cooperative Development Corporation have been releasing grants directly to State Cooperative Banks without involving the concern of State Governments. In such cases, presently there is no mechanism to ensure that the grants released are utilised for the purpose for which those were sanctioned. The Committee would like the Ministry of Agriculture and Cooperation to evolve a procedure in consultation with State Governments to ensure that the grants released directly to cooperative banks are utilised for the project schema for which these are sanctioned.

CHAPTER II

CONSTRUCTION OF GODOWNS

2.1 It has been stated in the Audit Para that out of 15913 godowns for which sanction was accorded, it had not been operated upon for 655 godowns—523 rural and 132 marketing. When pointed out by the Committee that one of the pre-requisites for sanction of godowns was that the society should have acquired the lands for construction of godowns and if it were so, why the sanction for 655 godowns was not operated upon. The Managing Director, NCDC was unable to give any satisfactory explanation but assured the Committee that the system of monitoring had been improved over the years and with the installation of a computer, they would have no difficulty in furnishing information about such matters.

2.2 In a subsequent note furnished to the Committee, the Department of Agriculture and Cooperation have detailed the following reasons for which sanctions were not operated:

S. No.	Reasons	No. of godowns
1.	Non-availability of suitable sites.	250
2.	Review of decisions by State Govt. to provide assistance.	87
3.	Re-organisation of Societies	26
4.	Escalation in cost	43
5.	Released by State Govt. but not claimed from N.C.D.C.	71
6.	Assistance since released by N.C.D.C.	178
		655

2.3 The Committee desired to know the action taken by the Corporation in the cases where sanctions to construct godowns have not been operated upon. In reply, the Department have stated:

“Owing to the large number of godowns involved, the monitoring of construction is done by the Corporation with reference to the number of godowns sanctioned i.e. the quarterly progress reports indicate the number of godowns sanctioned, completed, under construction, dropped and not taken up. Based on the quarterly progress

reports and the position of releases made against the programme sanctioned year-wise, the NCDC analyses the position of godowns not taken-up for construction and writes to the State RCS/Governments requesting them to assess the reasons for not acting upon the sanctions and advise the NCDC about the specific reasons and also whether the said sanctions will be operated. The RCS has, in turn, to obtain the required information from individual societies situated in rural areas. This exercise is a time consuming process. In cases where it is definitely indicated that a particular godown is not likely to come up, action is initiated to cancel the sanction. In other cases, the RCS is advised to take steps to expedite the drawal of funds".

2.4 Asked why the sanction for such godowns were not cancelled by the Corporation, the Department have replied:

"As a matter of general policy, the NCDC cancels the sanctions only after it is clearly indicated by the RCS/State Govt. that a particular godown is not likely to come up. In other cases, the sanctions are allowed to stand. In the instant cases, the State Govts. have yet to give their clear recommendations to the Corporation. Action to cancel the sanctions will be taken up on receipt of the recommendations of the State Govts. to this effect".

2.5 At the instance of the Committee the Department of Agriculture and Cooperation furnished the following statement detailing the number of godowns sanctioned, dropped, completed under construction and not taken up till 31-12-1983, since the inception of NCDC.

Sl. No.	State	Programme sanctioned upto 31-3-1983		Programme dropped upto 31-12-83		Net Programme to be completed upto 31-12-83		Programme completed upto 31-12-83		Programme under construction upto 31-12-83		Programme not taken upto 31-12-83	
		Rural	Mkgt.	Rural	Mkgt.	Rural	Mkgt.	Rural	Mkgt.	Rural	Mkgt.	Rural	Mkgt.
1		3	4	5	6	7	8	9	10	11	12	13	14
1	Andhra Pradesh	1768	508	20	47	1748	481	1424	441	264	32	60	8
2	Assam	748	219	361	40	387	179	386	174	1	3	86	2
3	Bihar	1511	511	636	48	875	463	562	363	227	49	86	51
4	Gujarat	1922	444	74	40	1848	404	1756	391	92	13	86	51
5	Himachal Pradesh	1201	142	41	8	1160	194	930	109	156	15	74	10
6	Haryana	1519	341	134	5	1985	336	1110	317	207	6	68	13
7	Jammu & Kashmir	135	57	..	1	135	56	83	34	24	4	28	18
8	Karnataka	4112	817	646	79	3495	738	2748	701	463	25	284	12
9	Kerala	1648	123	117	11	1531	112	1277	102	234	10	..	..
10	Madhya Pradesh	4598	731	266	23	4272	708	2714	633	818	45	740	30
11	Maharashtra	3476	1136	420	132	3056	1004	2676	775	306	154	74	75
12	Meghalaya	73	68	17	16	55	52	46	39	7	8	2	..
13	Madhya Pradesh	223	15	110	..	113	15	97	14	16	..	..	1
14	Nagaland	10	7	..	..	10	7	10	7	..	..	..	..
15	Orissa	1988	552	139	47	1849	503	1128	367	670	108	51	30
16	Punjab	4144	624	718	35	3426	589	3216	548	210	41	..	..
17	Rajasthan	3831	221	159	13	3672	208	2748	186	231	22	92	..
18	Tamil Nadu	4012	325	24	5	3988	320	3673	306	290	10	25	4
19	Tripura	160	17	49	..	111	17	89	15	22	2	..	..
20	Uttar Pradesh	6949	258	48	2	6901	256	6211	245	686	11	4	..
21	West Bengal	2087	414	101	50	1986	364	1112	289	674	37	200	38
22	U.T.	10	22	..	15	10	7	8	7	2	..	..	..
TOTAL		46093	7572	4080	617	42013	6055	34004	6063	6220	595	1789	297

2.6 The Audit have observed that whereas the first instalment had been released for 13,836 rural and 1,422 marketing godowns, the second instalment had been released only for 9,633 rural and 848 marketing godowns, which indicated delay in commencement of construction of godowns in large number of cases. Funds released for 4,203 rural and 574 marketing godowns, amounting to Rs. 580.76 lakhs as loan and Rs. 142.30 lakhs as subsidy, remained blocked with the cooperative societies over a period of 1 to 7 years without realising the objective. The corporation stated (August 1982) that 703 rural and 129 marketing godowns were completed without release of second instalments. Pointing out that the construction of the godowns was required to be started within three months of the release of the 1st instalment, the Committee desired to know the reasons for the delay in commencement of construction in such a large number of cases. The Department, in reply, have stated as under:

- “After the first instalment of the assistance is released by the Govt., delays take place in the commencement of construction work due to the following reasons:
- (i) Time taken in getting the plan and estimates of the godown approved by the competent authority in the office of the RCS/State Govt.
 - (ii) Non-availability or scarcity of building construction materials like levy cement, controlled iron and steel, right quality of bricks and sand etc.
 - (iii) Un-willingness of the contractors to take-up works of construction in rural areas, especially in the remote, tribal and hilly areas;
 - (iv) Non-availability of centralised arrangements for taking up construction of the sanctioned godowns. In cases where the societies themselves take-up the construction, adequate technical engineering staff is not available to undertake the supervision of the construction of godowns.
 - (v) Dis-interest of Managing Committees to taking-up the construction.
 - (vi) Lack of efforts on the part of the State Govts. in effectively implementing the programme. The Corporation is implementing the programme through the State Govts. In addition to implementing the programme, the State Govt. is also financing a part of the block cost from

out of its own resources. The primary and principal responsibility for timely implementation of the programme rests in the State Govt. The success or failure of the programme therefore depends, to a large extent, on the efforts or lack of efforts on the part of the State Govt.

2.7 The Committee asked if the Corporation was satisfied with the reasons advanced, and justifying the delay covering the period of 1—7 years. The Department replied:

“Yes, to a large extent. While the Corporation is promoting, financing and monitoring the godowning programme, its implementation is done through the State Govts. Against the sanctioned programme of 14,359 rural and 1554 marketing godowns, during the years 1972-73 to 1979-80, 948 rural and 148 marketing godowns had been dropped and sanctions in respect of 523 rural and 132 marketing godowns were not operated upon. Of the balance sanctioned programme of 12888 rural and 1274 marketing godowns, 63.8 per cent rural and 60.8 per cent marketing godowns have been completed, 21.9 per cent rural and 20.4 per cent marketing godowns are under construction. The godowns under construction are also likely to be completed in the near future”.

2.8 The Committee were told during evidence that in Bihar 352 marketing and 562 rural godowns were constructed against 511 marketing and 1511 rural godowns sanctioned. Asked about the reasons for slow progress in construction of godowns in Bihar, the Managing Director NCDC replied in evidence:

“The institutional field structure in Bihar is weak”.

2.9 The Committee desired to know the steps taken to strengthen the institutional weakness in States like Bihar where institutional structure was reported to be weak. The Additional Secretary, Ministry of Agriculture and Cooperation stated during evidence:

“Basically, first action has to be at the institutional level, then by the State Government and then whatever proposal they evolve, we have been going to their assistance. But we have to function under an established system and whatever is permissible under the system, we are doing that. We would not like to trespass into their jurisdiction”.

2.10 The Committee enquired if it was not a part of NCDC's functions to see that where the cooperative movement has not grown, it should try to foster the cooperative movement also. The witness replied:

"NCDC's interaction with the existing cooperative institutions could be classified into two categories. One is with the processing and marketing cooperative institutions to which funds have flown. They are not newly created bodies at the instance of NCDC. The cooperative institution was already there. Take, for example, the primary agricultural cooperative society. What the NCDC is trying to do is that for their rural godowns it is giving partly loan, partly subsidy and other assistance. This is one category. The other one is where altogether a new institution has to be created like a spinning mill or a sugar factory. There the involvement of NCDC is far greater in ensuring the health of the institution".

2.11 The Committee desired to know if any study has been made to find out why the progress in setting up Marketing and Rural godowns is slow in certain States. The Department of Agriculture and Cooperation in a note have stated:

"No formal study has been conducted into the reasons as to why the progress in setting up of marketing and rural godowns is slow in certain States like Bihar. However, various reasons for such slow progress come to the notice of the Corporation through communications/discussions in meetings held at various levels to review the progress and visits by the officers of this Corporation. These reasons are as follows:

- (1) Non-availability of centralised arrangements for taking up construction of sanctioned godowns.
- (2) Non-availability of adequate technical/Engineering staff in rural areas.
- (3) Un-willingness of the contractors to take up works of construction in rural areas especially in remote, tribal and hilly areas.
- (4) Non-availability of scarce building construction materials at controlled rates.

- (5) Weak Cooperative structure, particularly at the village level”.

2.12 The Committee desired to know the special efforts made by NCDC to promote the construction of rural godowns in the cooperatively under-developed|tribal areas. The Department have stated that the following measures to promote the construction of rural godowns in the cooperatively under-developed|tribal areas have been taken:

- (i) Formulated schemes for providing financial assistance on liberal pattern. Under the schemes, assistance is provided for construction of godowns in the cooperatively under developed|tribal areas with a loan subsidy ratio of 50:50 as against the 60:40 followed in other areas. In these areas, the Corporation provides 50 per cent of the cost as loan and 25 per cent as subsidy as against the loan of 60 per cent provided for construction of godowns in other areas. The rest of the cost is met by the State Government as subsidy from their plan resources.
- (ii) The Corporation provides loan assistance for construction of godowns in the cooperatively under-developed areas at an effective rate of 8½ per cent per annum as against 10½ per cent charged for the cooperatives in the other areas.
- (iii) Formulated a scheme for assisting appointment of technical experts in the Technical and Promotional Cells of the State Cooperative Marketing Federations (SCMFs)|Tribal Development Cooperative (TDCCs) etc., which covers the Civil Engineers for purposes of advising and help implementation of sanctioned godowns of the affiliated member societies. For this purpose, the Corporation provides 90 per cent of the cost on the experts as grant for a period of .5 years as against 70 per cent provided for appointment of such experts in the federations of other areas.
- (iv) Special drawings for construction of 50 M.T. capacity rural godowns in the hill areas have been prepared and circulated to the States concerned for adoption”.

2.13. The Committee enquired about the specific steps that NCDC contemplated to overcome the bottleneck of weak cooperative in-

frastructure particularly at the village level. In reply, the representative of the Department stated during evidence:

“NCDC does not claim that it is there to improve the functioning of the cooperative movement. It is really the work of the State level cooperative Departments to look after that. NCDC’s role basically is to see that these cooperative projects which are taken up by them are viable and for improving the viability, NCDC’s promotional activities are very important. Let us take, for instance, storage. NCDC spent around Rs. 34 crores in 1982-83 for giving this type of assistance to the societies. Let us now think of the other institutions. The total assistance of NABARD is Rs. 8 crores in terms of re-finance in the same period. NCDC is really subserving a very important policy objective of the Government of India that basically the means of production, storage processing, marketing etc. should be passed on to the farmers’ organisation, which means here the cooperative societies. It means co-operative assistance. As I have been submitting from the beginning, on their own many of the ventures with the co-operative assistance will not be viable. There are two strong elements of assistance to be provided to the co-operatives.

1. Sizable extent of subsidy.
2. Equity participation by the State Government from their own fund and funds obtained as loans from NCDC etc.”

2.14 In reply to a further query from the Committee in this regard, the Managing Director NCDC added during evidence that “**basic responsibility for construction of godowns rests with State Governments and State institutions. If these States do not fulfil their responsibility, then NCDC would not sanction further godowns in those States**”.

2.15 The Committee enquired if all the 5000 blocks in the country have been provided with rural godowns. The witness replied:

“Probably we have covered 95 per cent blocks or so”

2.16 To this the representative of the Department of Agriculture and Cooperation added:

“What you are raising is a very important issue. By and large we have gone by the State Government requirements. The proposal really emanates from them”.

2.17 Reaction to a suggestion from the Committee that the godowns should be established in each block of the country, the Managing Director NCDC stated:

"We totally accept this".

2.18 The construction of 1096 godowns (948 rural and 148 marketing) was dropped subsequent to the release of first or both instalments, but the recovery of assistance amounting to Rs. 25.96 lakhs (loan Rs. 22.50 lakhs; subsidy; Rs. 3.46 lakhs) for 687 godowns had not been made.

2.19 The Committee desired to know why the assistance of Rs. 25.96 lakhs, including the subsidy of Rs. 3.46 lakhs, could not be recovered or adjusted. The Department in a note have stated:

"The delay in recovering the amount of Rs. 25.96 lakhs including the subsidy of Rs. 3.46 lakhs, is primarily due to the time taken by the State Government in the identification of the society(s) involved. The Corporation is constantly pursuing the matter with the concerned State Government for identification of the society(s) and effecting recoveries of the amounts involved in respect of each dropped godown".

2.20 Asked about the latest position regarding recovery of assistance in cases where construction of godowns has been dropped, the Committee were informed that "a sum of Rs. 11.42 lakhs has been recovered leaving an amount of Rs. 14.54 lakhs still to be recovered. This amount will be recovered through adjustment if the State Government do not refund by the end of December 1983".

2.21 The Committee have been informed that the Corporation had not recovered interest on the subsidy refunded by the State Govt.(s) in respect of dropped godowns. The terms and conditions governing the Corporation's financial assistance to the State Government(s) provided for the recovery of interest on the loan portion of the assistance. "The terms do not envisaged recovery of interest on the subsidy refunded to the Corporation".

2.22 The Committee asked why the sanctions for such godowns whose construction was not taken up was not cancelled and funds recalled for utilisation for useful purposes. The Department have stated:

"One of the pre-requisites for release of Corporation's first instalment of assistance for the construction of godown

is that the society should acquire suitable land and the State Govt. should have provided the finance to the society. On incurring initial expenditure on the acquisition of land, it is normally assumed that the society is genuinely interested in the construction of the godown, unless otherwise it is specifically brought to notice of the Corporation, in which case action to cancel the sanction will be initiated by the Corporation. The progress of construction is watched by the Corporation through quarterly progress reports submitted by the RCS/State Govt. On analysis of the progress reports and on further clarifications from the State Govt., if a particular godown is identified as not likely to be taken up for construction, action is initiated to cancel the sanction and recall the loan. In these particular cases, the Corporation has not, so far, received any intimation from the RCS/State Govt. that the construction is not likely to be taken-up. The question of sanction being cancelled and the loan recalled, therefore, has not been considered, as pre-mature cancellation of the sanction may adversely affect the promotion of programme itself".

2.23 Out of 9633 rural and 848 marketing godowns, for which full assistance amounting to Rs. 2444 lakhs had been released, the construction of 2818 rural and 260 marketing godowns (of which 1738 rural and 185 marketing godowns were sanctioned prior to 1977-78) had not been completed till March 1982. The Committee desired to know the reasons for such a huge backlog in completion of the godowns sanctioned even prior to 1977-78. The Department of Agriculture in a note have stated:

"Out of the total programme of 7567 rural and 960 marketing godowns sanctioned during 1972-73 to 1976-77, 5152 rural and 632 marketing godowns have been completed. After excluding the dropped godowns numbering 916 (792 rural and 124 marketing), and the godowns numbering 131 (72 rural and 59 marketing), for which sanctions were being operated upon, the percentage of completed godowns to effective number of godowns sanctioned works out to 81.3 per cent. To say that there is a huge backlog is, therefore, not borne out by the facts. In any programme of this magnitude, which is spread over to remote rural areas in the entire length and breadth of the country a backlog of 18.7 per cent is not abnormal".

2.24 The Committee asked if the NCDC had taken any concrete steps to overcome the inputs/monetary constraints. The Department have in a note, replied as follows:

“Finance has not been a major constraint in the construction of godowns. However, the escalation in costs due to delays in taking-up construction in some cases and the inability of the States to complete the programme within the sanctioned allocations was analysed in the Corporation. It was found that in as many as 10 major States, a total capacity of 2 lakh tonnes was incomplete at various stages of construction like plinth/roof levels. It was further observed that the States were not able to allocate extra funds required for their completion from their own sources. The matter was, therefore, placed before the meeting of RCS & Managing Directors of STATFEDS in April, 1982. The meeting recommended that the NCDC may consider sanctioning of additional financial assistance as one short operation for such units as a special case. It was further recommended that in such States, instead of taking-up new programmes, efforts may be concentrated on completion of incomplete godowns. As a follow-up measure, the Corporation requested the States in August, 1982 to assess the number of godowns left incomplete at various stages of construction and send proposals for additional requirement of funds for their completion immediately to NCDC. The Corporation has since sanctioned additional assistance for completion of 12 incomplete godowns in West Bengal and received proposals in respect of 72 godowns from Karnataka. Other States are assessing the requirements of additional funds for completing the incomplete godowns in their States”.

2.25 The periodical progress reports required to be sent by the States on progress of construction were neither received regularly nor did it indicate the amount spent on each godown and amount remaining unspent etc. Consequently, the actual subsidy admissible in each case could not be ascertained nor could the Corporation take action to adjust any excess amount paid for each godown. The Committee enquired why the utilisation of the funds by the cooperative societies was not watched by the Corporation. The Department of Agriculture and Cooperative have stated in a note:

“The Corporation provides reimbursement finance to the State Govt. for the implementation of the sanctioned storage-

programme according to the prescribed pattern. The releases of funds are related to progress in construction of godowns. The State Govts., in turn, pass on the assistance to the cooperative concerned, but are responsible to NCDC for repayment of the loans. The Corporation has neither the responsibility nor the direct means of implementing the sanctioned programme and watching the utilisation of funds sanctioned/released for the construction of such a large number of rural godowns, spread all over the country in the interior and remote rural areas. The administrative responsibility for implementing the construction of the godowns and the proper utilisation of the funds sanctioned and released for the purpose rests with the State Govt. and the actual utilisation of funds sanctioned to the societies for the purpose is watched by the State RCS and State Accountant General, who obtains the certificate from the RCS about the actual completion of the godowns and the utilisation of the sanctioned financial assistance (loan as well as subsidy). Thus the responsibility of watching the utilisation of the funds sanctioned to the cooperatives for construction of godowns primarily rests with the State RCS/A.G. The Corporation is watching the utilisation through the quarterly progress reports being received from the State RCS. When the godowns are reported as having been completed, the assistance disbursed by the Corporation is assumed as having been utilised".

2.26 The Committee asked as to how in the absence of availability of figures of the actual expenditure incurred by the societies on the construction of godowns etc., the Corporation arrives at the amount of subsidy which is admissible on percentage basis of the cost of construction/project and how it ensures that the inadmissible or unutilised amount is refunded or adjusted according to terms and conditions governing the sanction. The Department have in a note stated as under:

"Under the Centrally Sponsored Scheme of assistance for cooperatively under-developed States, the Corporation provides 50 per cent of the cost as loan and 25 per cent as subsidy and the balance 25 per cent is provided by the State Govt. as subsidy from State Plan resources. Assistance on this pattern is also provided to the Cooperatives

in tribal areas of the cooperatively advanced States. In all other areas, the Corporation's assistance is limited to 60 per cent of the cost as loan and the balance 40 per cent is provided by the State Govt. as subsidy. It would, therefore, be evident that in bulk of the godowning programme, there is no element of subsidy involved on the part of the Corporation. Further since the godown is sanctioned on the basis of realistic estimates submitted to the Corporation, there is little scope for assistance remaining un-utilised, if the godown is completed according to the specifications. Moreover, the Corporation's assistance is being routed to the societies through the State Govt. The State Govt., in its capacity as the implementing agency, is responsible not only for the physical completion of the godown, but also for watching the utilisation of assistance sanctioned by it. The accounts of the societies are audited by Registrar of Cooperative Societies. The amount of loan or subsidy remaining unutilised with the society is brought out in the report of the auditors. Action to recover un-utilised assistance is taken by the Corporation as soon as a communication to this effect is received from the State Govt."

2.27 The internal auditor of the Corporation had reported that there were cases wherein the second instalment of assistance had been released though the construction work had not been taken up at all or had been dropped. The Committee desired to know the number of such cases in which the 2nd instalment of assistance had been released even though the construction work had not been taken up at all or had been dropped or did not reach the plinth level and enquired about the reasons for release of 2nd instalment in these cases. The Department have replied:

"There were 2159 rural and 254 marketing godowns for which financial assistance was released in lump-sum during the year 1972-74, of which 1762 rural and 204 marketing godowns have been completed, 175 rural and 19 marketing godowns have been dropped, and 146 rural and 11 marketing godowns are under construction. The sanctions in respect of 76 rural and 20 marketing godowns, which were not taken up for construction, have since been cancelled by the Corporation. In the interest of the expeditious implementations of the programme, it was decided to disburse the assistance, in lump-sum, in relaxation of the

normal procedure of the release of assistance in two instalments. The above decision was taken in November, 1972 by the Corporation based on the recommendation of the Conference of the Registrars of Cooperative Societies. The lump-sum release was made subject to the fulfilment of the following conditions:

- (i) The release of Corporation's loan assistance may be made in one instalment to S/Govts. on a selective basis, provided:
 - (a) the society has acquired site for construction of the godown.
 - (b) the State Govt. has sanctioned its portion of the subsidy.
 - (c) the State Govt. ensures that 50 per cent of the loan assistance would be passed on to the society and the balance would be kept in the society's bank account subject to fulfilment of condition at (a) above. The remaining 50 per cent should be passed on to the society's account in the Coop. Bank and releases be regulated by an authorised officer of the State Govt. in accordance with the progress of construction".

2.28 The Committee pointed out that godowns were sanctioned after close scrutiny of project proposals at various levels and asked how after advancing funds for construction purposes, the projects were dropped at implementation stage after spending a substantial amount of funds. The Managing Director, NCDC replied during evidence:

"The State Government certifies to us that the site is available for the construction, then it certifies that the construction has come up to the plinth level and we have to believe the statements that we get from them. We cannot, in the system, physically visit the places where these large number of rural godowns were to come up. We are trying our best to improve the system of inspection. In some of the States, we have a large number of persons in the field. We have project officers looking after these projects and they are trying to visit as many sites as possible".

2.29 Asked how in spite of inspections by field officers such instances of dropping of projects have occurred and the NCDC had been a helpless spectator unable to improve the situation. The Secretary, Ministry of Agriculture and Cooperation replied:

"We are not at all helpless spectators. We have been trying our best to improve the systems and in such large programmes, such difficulties do arise. We will try to improve the systems. As far as field officers and Regional officers are concerned, we have Regional Offices in Bangalore, Poona, etc. In seven places, we have got our Regional Offices".

2.30 Asked how the number of godowns for which assistance was given did not tally with the number of godowns shown in the progress reports by the State Governments, the Managing Director NCDC stated during evidence:

"The State Governments have not reported correctly in some cases...."

2.31 In reply to a question as to how the Corporation ensures proper utilization of the fund released by it, the Ministry has stated as under:

"The Corporation took the following steps to ensure proper utilisation of funds released by it:

Till the year 1970-71, assistance for construction of godowns was being provided by the Corporation through the State Govt. in one instalment, in advance of the actual expenditure. During the period 1972-74, the Corporation made the release of sanctioned assistance in two instalments instead of one instalment. The first instalment of assistance was released to the eligible societies, in advance of the actual expenditure, at the time of sanction of the godown. However, the second instalment was released only after the construction reached plinth level. It was observed that due to certain procedural constraints, the State Govts, took considerable time in releasing the amounts to the cooperatives concerned, with the result that the amounts released by the Corporation used to remain with the Govt.(s) for considerable time. In the light of this experience, the Corporation modified its scheme to provide release of

funds on reimbursement basis i.e. funds are now released to the State Govts., only when they certify that the amount sanctioned by the Corporation has been released to the society (s) concerned. Moreover, the assistance is released in two instalments i. e. the first instalment is released when the society acquires land and the second instalment when the construction progresses and reaches plinth level. The utilisation of funds, both by the State Govt. and the society is built in the scheme of reimbursement finance, in as much as the State Government seeks reimbursement from the Corporation only after it has released the assistance to the society, which also has incurred the expenditure on the acquisition of land at the time of release of first instalment and on the construction upto the plinth level at the time of release of second instalment. The State Governments are obliged to send progress reports to the Corporation in the prescribed format, indicating the number of godowns completed, under construction, dropped and not taken up. Further, as regards the physical utilisation of the funds at the level of the society, the State RCS in his capacity of immediate implementing agency, ensures that the amount of financial assistance released to the society for construction of godown is deposited in a joint account. The joint account is operated by an office bearer of the society and the Assistant Registrar of Cooperative Societies. The funds in the account are drawn on the basis of the progress certificate given by the Block Overseer or the Engineer concerned with the supervision of the godown. These procedures ensure proper utilisation of the assistance released by the Corporation".

2.32 On further enquiry about the position of incomplete godowns as on 1-10-83, the Committee were informed that 1,821 rural and 34 marketing godowns were incomplete in December 1980, but on 1-10-83, 871 rural and 13 marketing godowns have remained incomplete.

2.33 It was an essential condition for the grant of assistance for construction of a godown that the concerned cooperative society should have acquired the land on which it was to put up. That being so, it is astonishing that the reason for inability to proceed

with the construction of as many as 250 godowns to which sanctioned had been accorded should be non-availability of suitable sites. Evidently, the assistance for these godowns had been sanctioned without verifying the fact that suitable land had been acquired. The Committee would like to be apprised of the reasons why there was such a glaring departure from a prescribed norm and whether any attempt was made to determine who was responsible.

2.34 The Committee find that out of the 42013 rural and 6955 marketing godowns to be completed upto 31-12-1983, only 34004 rural and 6063 marketing godowns could be completed and 6220 rural and 595 marketing godowns were under construction. Construction of 1789 rural and 297 marketing godowns had not been taken up at all. A large number of these godowns not taken up for construction were in cooperatively underdeveloped States like, Bihar, Madhya Pradesh and West Bengal.

2.35 What is more perturbing is the fact that the NCDC was not aware of the reasons for not operating these sanctions. The Managing Director, NCDC has pleaded before the Committee that because of the reporting system which was in vogue during the period, he was not aware of the reasons for not operating these sanctions. He had further stated that Cooperation being a State subject, they had been insisting on the States to improve their reporting systems.

2.36 Obviously, because of the faulty, cumbersome and time consuming reporting system, the Corporation could not take timely action in respect of all those cases where sanctions to construct godowns were not operated upon.

The Corporation has not evolved any system for following up progress in respect of sanctions accorded. The NCDC cancels the sanctions given only after the State Government/RCS concerned reports that a particular godown had not come up. The Committee do not consider such a procedure to be satisfactory.

The Committee have already stressed the need to improve the monitoring system in the foregoing paragraphs. They would like the Ministry to take up this matter seriously with the State Governments at the appropriate level to bring about the desired improvements in the reporting system and also to streamline the procedure at the Centre under a time bound programme. The Committee will like to be informed within six months of the progress made in this regard.

2.37 Although the construction of godowns was required to be started within 3 months of the release of 1st instalment, the Committee find that after release of the first instalment for 13836 rural and 1422 marketing godowns, the second instalment of NCDC loan and subsidy was released in respect of no more than 9633 rural and 848 marketing godowns. This indicates that the commencement of construction of godowns was delayed in respect of a large number of cases. Funds released for 4203 rural and 574 marketing godowns amounting to Rs. 580.76 lakhs as loan and Rs. 142.30 lakhs as subsidy remained unutilised with the cooperative societies for a period ranging from 1 to 7 years. The Committee are unhappy at this sorry state of affairs. The delay in the commencement of construction work has been explained in terms of time taken in getting the plan and estimates of the godown approved by the competent authority, non-availability of scarce construction materials, unwillingness of the contractors, non-availability of centralised arrangements for taking up construction, dis-interest of Managing Committees and lack of efforts on the part of State Governments in effectively implementing the programme. The Committee are deeply concerned at the existence of these constraints 20 years after the setting up of the NCDC. It appears that on appreciable efforts have been made by the NCDC to overcome these constraints. The delay ranging from 1 year to 7 years on account of these constraints is highly deplorable. As the development and promotion of Cooperatives falls under the jurisdictions of the States, it is in their own interest to remove the impediments and accelerate the construction of godowns. Suitable charges in the policy of granting subsidies, can go a long way in checking the tendency of dis-interest and lack of efforts. They would like some mechanism to be evolved and conditions laid down at the time of sanction so that all those concerned with the construction of godowns may not be found lacking in their efforts after the sanction is given for the construction of a godown. At the same-time, they would also like the Ministry to take up the matter at the highest level with the concerned authorities to resolve the problem of scarce building material.

2.38 The pace of construction of both-rural and marketing godowns had been notably slow in cooperatively underdeveloped States. In Bihar, out of 511 marketing and 1511 rural godowns sanctioned by the NCDC only 352 marketing and 562 rural godowns have been constructed. It is unfortunate that no study had been conducted to ascertain the reasons for such slow progress. The Committee are told that institutional field structure in Bihar was

weak. The Committee appreciate that Cooperation being a State subject, primary responsibility for the development and promotion of cooperatives rests with the State Governments. They feel that Central Government on its part have created the NCDC essentially with the aim of promoting and developing cooperatives and therefore the Corporation cannot escape from its responsibility. The Corporation has to work in its constitutional framework for the promotion and development of cooperatives in concert with State Governments to improve the functioning of the cooperative projects. The Committee would like the Corporation to take effective measures in concert with the concerned State Governments for strengthening the cooperative frame work where it has continued to be weak. They trust that the concerned State Governments in their own interest would actively associate themselves with such a move.

2.39 The Committee find that it has not been possible so far to provide all the blocks in the country will atleast one godown. Of the 5000 blocks in the country, about 95% have been provided with godowns. The Managing Director, NCDC agreed with the Committee that each block in the country should be provided with at least one godown. The Committee trust that NCDC will prevail on the State Governments concerned to ensure that every block in the country is provided with at least one godown.

2.40 Construction of 1096 godowns (948 rural and 148 marketing) was dropped subsequent to the release of first or both instalments but the recovery of assistance amounting to Rs. 25.96 lakhs (loan Rs. 22.50 lakhs and subsidy Rs. 3.46 lakhs) for 687 godowns had yet to be effected. The Committee have been informed that the delay in recovering the amount had been due to the time taken by the State Governments in identifying. This argument only underlines the poor monitoring arrangements of the Corporation. In a subsequent note the Committee were informed that a sum of Rs. 11.42 lakhs has been recovered leaving an amount of Rs. 14.54 lakhs still to be recovered. The Committee deplore the delay in identifying the societies which have dropped their plans to construct godowns after withdrawal of assistance from NCDC and prolonged delay in the recovery of assistance from them. It appears that the Corporation is not maintaining a list of societies assisted by them and their coordination with the States is of a very low orders. This is not a desirable situation. The Committee would like the NCDC to maintain records of the societies to whom assistance has been provided by it and establish suitable machinery for recovering outstanding amounts from

the societies concerned. The Committee also find it difficult to understand why Corporation did not recover interest on the subsidy amounts from the State Governments in respect of dropped godowns in accordance with the terms and conditions governing financial assistance to the State.

2.41 The Committee observe that sanctions for godowns whose construction had not been taken up was neither cancelled nor funds recalled by NCDC. This is due primarily because of the faulty reporting system. Thus where construction of godowns has been delayed for 4 years after the sanction for the construction had been accorded, no information reaches the Corporation. The Committee would like the Corporation to investigate the reasons for delay in all such cases and take early action to revoke the sanction where societies are not able to start construction, recover the funds and utilise them elsewhere. They would also like the Corporation to improve the reporting system as early as possible.

2.42 The Committee note that out of 9633 rural and 843 marketing godowns for which full assistance amounting to Rs. 2444 lakhs had been released, construction of only 2818 rural and 260 marketing godowns (of which 1738 rural and 185 marketing godowns were sanctioned prior to 1977-78) had not been completed till March 1982. The Committee are unable to accept the explanation that "in any programme of this magnitude, which is spread over to remote rural areas in the entire length and breadth of the country, a backlog of 18.7% is not abnormal." It is disturbing that in 10 States alone, godowns with a total capacity of 2 lakh tonnes were incomplete even though a large number of them were sanctioned prior to 1977-78. Delay in taking up the construction work after sanction is accorded and subsequently in completing the work leads both to cost escalation and more seriously to denial of benefits for the accrual of which the whole scheme is evolved. It is not unlikely that in some cases the projects become nonviable and uneconomic. The Committee would therefore, like the Ministry to review the position in this perspective and make a determined effort for speedy completion of incomplete godowns. They draw some satisfaction from the fact that the Corporation has sanctioned additional assistance for completion of 12 incomplete godowns in West Bengal and have received proposals in respect of 72 godowns from Karnataka. The other States are reported to be assessing the requirements of additional resources for completing the incomplete godowns in their States. The Committee would like to know both the latest position and the action taken for expediting the completion of the outstanding godowns.

2.43 The Committee are perturbed to note that the Corporation has no apparatus to watch utilisation of funds sanctioned/released for construction of godowns to cooperative societies through state Governments. The responsibility for watching the utilisation of funds sanctioned by the Corporation is stated to be primarily that of the respective State Registrars of Cooperative Societies and of the respective Accountants-General. Nevertheless, it is clearly necessary, in the light of past experience, for the Corporation to set up its own machinery for keeping a continuous watch over (1) the progress of sanctioned works, (2) utilisation of moneys sanctioned and (3) progress of the recovery of moneys sanctioned.

2.44 Under the Centrally Sponsored Scheme of assistance for cooperatively underdeveloped States, the Corporation provides 25 per cent of the cost of project as subsidy. Assistance on the same pattern is also provided to the cooperatives in tribal areas of the cooperatively advanced States. In the absence of information about actual expenditure incurred by the Societies on the construction of godowns, it is not clear how the Corporation determines the amount of subsidy which is admissible on the basis of a percentage of the cost of construction. The Committee are also unable to appreciate the two statements that there is little scope for assistance remaining unutilised and that action to recovery unutilised assistance is taken by the Corporation as soon as communication to this effect is received from the concerned State Government. The Committee consider that it is imperative for the NCDC to keep watch over the utilisation of assistance sanctioned by it.

Utilisation of godowns

2.45 The Committee were informed that sample utilisation studies of godowns were conducted by NCDC in the districts of Mandya and Shimoga in Karnataka, Palghat and Cannanore in Kerala Thanjavur and Tirenvelvi in Tamil Nadu, Meerut in Uttar Pradesh and Pune in Maharashtra States. The average utilisation of godowns for the year 1978-79 of Southern States according to the studies had been as follows:

Name of the State	District	% of average Rural	Utilisation Marketing
Karnataka	Mandya	10.6	54.6
	Shimoga	34.9	30.2
Kerala	Palghat	16.7	49.1
	Cannanore	15.3	31.0
Tamil Nadu	Thanjavur	26.7	27.3
	Tirunelveli	22.0	13.1

2.46. The following observations have been made in the sample study report of Meerut district:

“These observations are based on field visits of 16 out of 55 societies, viz. about 33 per cent. It is thus a fairly good representation to depict the overall position in the district. The observations are:

In most of the societies, the godowns were having two chambers, one for stocking fertilisers and the other for foodgrains. None of the 16 societies visited by the team had utilised the foodgrain godowns for storing agricultural produce. All the two chambers are being utilised for storing fertilisers. If the stocking off fertiliser stock is made in a scientific manner, then the stocks which have been kept in two separate chambers could have been accommodated/stored only in one chamber. Thus, our finding is that the one chamber of 50 tonnes godowns meant for storing agricultural produce is unutilised. The temporary storage of wheat during the procurement operations or rabi is mainly done outside the building of the society and the chambers are not utilised for storing foodgrains.

The utilisation for storing chemical fertiliser is not upto the optimum level. The average utilisation of fertiliser godowns is 30 per cent based on the study of 16 rural godowns.....”

2.47 The Study Report on utilisation of godowns in Poona district has also brought out the fact that utilisation of Marketing godowns in Poona district had been 40 percent and Rural godowns 35 percent. The Study Report also contained the following observations:

“The godowns which I visited, their utilisation capacity works out to zero as the societies are not dealing with the distribution of fertilisers and other agricultural inputs. It is reported that the members of the societies are purchasing the fertilisers and other agricultural inputs from marketing societies located at Mandi level or Taluka level.

(2) Out of 75 godowns for which information has been received, 4 godowns have been let on hire by the society to other societies, whereas in respect of other godown, no

definite indication about their utilisation has been given.

- (3) The main crop grown under the irrigation condition is sugarcane which is disposed of as soon as it is harvested, whereas in other area, no surplus foodgrains are available.
- (4) According to the information furnished by Distt. Dy. Registrar the utilisation capacity of rural godowns is 35 per cent and marketing godowns is 60 per cent."

2.48. In view of the low utilisation of godowns the Committee enquired if it was due to the fact that economic assumptions went wrong, the Managing Director NCDC replied in evidence:

"They did not go wrong, but the management of the society went wrong. Because the area had the potentiality".

2.49 The various studies conducted on utilisation of cooperative godowns *inter alia* have brought out the fact that capacity created has only been partially utilised. The position is still worse in the case of rural godowns. In view of it the Committee desired to know the corrective steps that have been taken or are proposed to be taken by the NCDC and/or the States in the light of the findings of these studies. The Department of Agriculture and Cooperation in a note have stated:

"The long term objective of reorganisation of cooperative structure at the village level is that they should emerge as viable organisation to effectively provide a package of services to the rural community for supporting agricultural production as also for marketing of agriculture produce and distribution of essential consumer articles to the rural community. The number of PACS has been brought down from over 2 lakhs to 50,000 and the process of reorganisation is complete except in 3 States. A godown is a primary requirement for the economic activities of a primary society. Besides, a modern building in the shape of godown builds up the image of cooperatives and inspire confidence of the rural community. Considering that the creation of infrastructure in rural areas cannot be completely viable proposition, subsidy and share capital assistance are built into the financing pattern by NCDC to render these organisation viable. The societies which have developed business are chosen on priority basis for assistance for godowns. So far, out of 95,000 primary agricul-

tural credit societies, only 46,093 societies have been assisted. Efforts are made continuously to expand the operations of these societies for providing better services to the farmers and improving the utilisation of godowns as also viability of these cooperatives. The experience is that the societies with godowns have considerably expanded their business and thus improved their viability."

2.50 The Committee regret to find that the utilisation of godowns capacity had been very poor. In many cases it is as low as zero. According to sample studies conducted in Mandya and Shimoga districts of Karnataka State the average capacity utilisation of rural godowns had been 10 per cent and 35 per cent respectively. In the case of marketing godowns the capacity utilisation had been 55 per cent and 30 per cent respectively. The same picture has emerged from the sample studies of Palghat and Cannanore districts of Kerala where rural godown capacity had been utilised to the extent of only 15-16 per cent and marketing godown capacity between 21 and 49 per cent. The position in other States viz. Tamil Nadu, U.P. and Maharashtra where sample studies have been conducted is no better. The sample study report on utilisation of godowns in Poona district points out that marketing godowns capacity utilisation had been 40 per cent and of rural godowns 35 per cent. It is astonishing to note that utilisation of some godowns had been zero as the societies were not dealing with the distribution of fertilizers and other agricultural inputs. It has been stated that low utilisation had been not because of economic assumptions were wrong as the area had potentiality, but because the management of societies was defective. If this view is correct steps should be taken to improve the managerial efficiency of these organisations. The Corporation must draw the attention of the State Government to the low utilisation of godown capacity for taking up the appropriate action.

CHAPTER III

PROCESSING INDUSTRIES

(i) Rice mills

3.1 The NCDC had provided assistance of Rs. 1173.74 lakhs to various States for setting up of 747 cooperative rice-mills till March 1982. 729 had actually been installed. Of the remaining 18 units, 14 have been cancelled and 4 are under installation since 1971-72 and 1978-79 to which loan to the extent of Rs. 18.40 lakhs had been given by the Corporation. The Committee have been informed that the main reasons for delay in the installation of rice-mills were:

- (i) Difficulty in getting construction materials;
- (ii) Change of management by the State Government;
- (iii) Delay in release of assistance by the State Government;
and
- (iv) Time taken in completion of procedural formalities.

The position of the units under installation is regularly reviewed by the Corporation. In cases where it is indicated that the society/State Government is not interested in the installation of the unit or has not taken any positive steps in this direction, the Corporation withdraws its sanctions. Since the Corporation is following the procedure of progress based reimbursement, no funds generally get blocked.

3.2 The Committee have also been informed that out of the 747 cooperative rice mills (53 modern and 689 conventional), 184 sheller rice mills as shown below have become defunct/dormant.

Sl. No.	Name of the State	No. of Sheller rice mills which have become defunct/dormant
1	2	3
1	Andhra Pradesh	76
2	Assam	5
3	Gujarat	3
4	Karnataka	1
5	Madhya Pradesh	21
6	Maharashtra	39
7	Orissa	16
8	Punjab	15
9	Uttar Pradesh	1
10	West Bengal	7
		184

3.3 The Committee enquired if any study has been conducted to find out the reasons for 184 sheller rice mills becoming defunct. The Department have stated:

“No such specific study has been conducted. However, the reasons for the rice mills becoming defunct in different States become known to the Corporation through the periodical state-wise conferences and annual working reports of cooperative rice mills. The reasons for their dormancy are mainly State-Government’s paddy/rice procurement policies rendering the rice milling activity non-viable and unequal competition with the private trade.”

3.4 Asked if the Corporation before giving assistance appraised the financial viability of these mills. The Department replied:

“No appraisal of the individual rice mills was conducted. The system of detailed appraisal of individual units was started from the year 1970-71 and thereafter this practice was adhered to.”

3.5 The Audit have pointed out that no overall evaluation of the scheme in operation for over 15 years had been conducted by the

Corporation. The Committee enquired why the evaluation of the programme as a whole was not conducted to assess effectiveness of the programme. The Department of Agriculture and Cooperation have stated in a note as under:

“The Corporation has conducted evaluation of the scheme in respect of cooperative rice mills set up in Madhya Pradesh. In addition, a study has also been conducted in respect of cooperative rice mills set up in West Bengal. It may be pertinent to mention that the circumstances prevailing in different States are not similar and, therefore, any general evaluation of the scheme may be of little help. Further the Corporation has been undertaking state wise studies of rice milling units by holding periodical conferences to review the working of cooperative rice mills and discuss the measures for bringing improvement in capacity utilisation of rice mills.”

3.6 The Committee asked why the evaluation of the rice mills programme was not done in all the States in order to assess its effectiveness. The Department have stated as under:

“Evaluation of the rice mills programme is being undertaken in a phased manner. The same has already been completed in Madhya Pradesh and West Bengal. The Corporation has been undertaking a review of the cooperative rice mill units by holding State-wise conferences.”

3.7 The Committee asked how in spite of all the steps taken like development of management expertise, providing technical know-how etc. most of these rice mills are not utilising their capacity in full and are running at a loss. The Department in a note furnished to the Committee have stated:

“The Corporation provides from time to time the required management and technical advice to the societies for effective working of the mills. The action on the advice has, however, to be taken by the society concerned. As a result of these steps the overall capacity utilisation of cooperative rice mills has gradually increased from 35.8 per cent in 1975-76 to 70 per cent in 1981-82.”

3.8 The Committee asked if NCDC was satisfied with the 70 per cent capacity utilisation of rice mills as achieved in 1981-82 and whether this capacity was adequate to enable the mills to function

economically. The Department replied in affirmative stating that "the Corporation is satisfied with 70 per cent capacity utilisation" and that "it was sufficient for rice mills to function economically".

3.9 The Study Group-I of Public Accounts Committee was informed during the visit to that state that cooperative rice mills had a good start in West Bengal and the cooperative sector was able to produce three lakh tonnes of rice in the initial stage. But the combined policy of Central and State Government had resulted in the failure of cooperative rice mills. A rice mill which could not function upto 60 per cent of its capacity must work at a loss and the levy policy of the State Government had made it well impossible for cooperative rice mills to attain that capacity. The Committee got a similar impression after their discussions with Assam State Government officials at Gauhati. The Committee were given to understand that out of 40 cooperative rice mills started by the NCDC in Assam, 5 were working at a profit, 32 were running at a loss and 3 were not running at all. The main reason for the uneconomic working of cooperative rice mills in Assam was that millers' levy of 50 per cent was in vogue in respect of rice mills owned by cooperative marketing societies. It was urged that if cooperative rice mills are exempted from this levy, as the mills owned by the State Cooperative Marketing and Consumer Federation are, it would add to their competitiveness in a big way. Another suggestion was that margin money given to cooperative mills may be increased so that they could compete effectively with private traders.

3.10 The Committee enquired if the Department of Agriculture and Cooperation agreed with the above views expressed by the representatives of West Bengal and Assam Governments. The Department in a note have stated:

"Yes, we agree with the views expressed by the representatives of West Bengal and Assam as regards the miller's levy policy. The margin money assistance is provided according to the requirements of each unit to enable it to raise bank finance for working capital purposes."

3.11 The position of cooperative rice mills in other States and Union Territories is given below:

S. No.	Name of State	No. of reporting mills	No. of mills in profit	No. of mills in loss	No. of mills which have not reported; their profit/loss position.
1	Andhra Pradesh	29	25	4	
2	Bihar	12	2	10	
3	Gujarat	22	16	6	
4	Haryana	13	—	13	
5	Karnataka	84	59	25	
6	Kerala	1	—	1	
7	Madhya Pradesh	49	33	11	5
8	Maharashtra	75	45	21	9
9	Orissa	25	19	6	
10	Punjab	5	5	—	
11	Rajasthan.	6	—	5	1
12	Tamilnadu	28	20	8	
13	Uttar Pradesh	20	7	3	10
		369	231	113	25

3.12 The Committee desired to know whether the question of exemption of cooperative rice mills from levy has been taken up with the State Governments concerned. In reply, the Department have stated in a note:—

‘The corporation took up the matter for exemption of cooperative rice mills from millers levy with the State Governments of West Bengal and Rajasthan. The concerned State Governments in turn requested us to take up with the Government of India for exemption of millers levy for cooperatives. The NCDC has also taken up with Government of India also for exempting cooperatives from imposition of millers levy in West Bengal and Rajasthan States. The Government of India is yet to take decision in this regard. However, in case of Andhra Pradesh, the cooperatives have been given special preference and millers levy has been reduced from 50 per cent

to 25 per cent in respect of cooperatives as a result of Corporation's follow up with the State Government."

3.13 The Committee desired to know the source of procurement of paddy by rice mills in West Bengal. The Managing Director NCDC informed the Committee during evidence as under:

"They have to get all their paddy requirements from the Food Corporation of India. In West Bengal the system is that the entire paddy is procured and then supplied by the Food Corporation of India to the mills on a customary basis."

3.14 The Committee enquired during evidence if in such cases role of Cooperative rice-mills in promoting cooperative societies by purchase of paddy from them was lost. The witness replied:

"In this particular instance, yes."

3.15 The Committee note that out of 747 cooperative rice mills assisted by the NCDC till March 1982, 729 have been installed. Of the remaining 18 units, 14 have been cancelled and 4 units assisted to the extent of Rs. 18.40 lakhs are under installation since 1971-72 and 1978-79. It is surprising that installation of these units should be incomplete even though work on them commenced in one case 14 years ago and in the other 7 years ago. Even after allowing reasonable allowance for difficulties in getting construction material, change of management by State Governments, delay in release of assistance by the State Government and the time taken in completion of procedural formalities, the unusually long time taken for installation of rice mills since 1971-72 can hardly be justified. And yet it has been stated that "the position of units under installation is regularly reviewed by the Corporation". The Committee would like to know the latest position about the installation of these units, their initial estimated cost and the cost escalation that has taken place in their case. In view of the fact that Rs. 18.40 lakhs had been given by the Corporation as loan for these 4 units, the Corporation's assertion that no funds generally get blocked in such units is scarcely sustainable.

3.16 The Committee conclude that the cooperative rice-mill programme has not been successful. Of the 689 conventional rice mills 184 have become defunct/dormant—76 of these mills are located in Andhra Pradesh and 39 in Maharashtra. The rest are spread over 8 other States including Madhya Pradesh (21), Orissa (16) and Punjab (15). The reasons advanced for these mills becoming dormant/defunct are mainly State Govts' paddy/rice procurement policies, rendering the rice milling activity non-viable. It has also led to unfair or unequal competition with the private trade. No eva-

valuation study of the Scheme on all India level has so far been attempted, and even at State level they were undertaken in respect of only 2 States namely Madhya Pradesh and West Bengal. The Committee note that capacity utilisation of some rice-mills has been improved from 35.8 per cent in 1975-76 to 70 per cent in 1981-82 as a result of better management and technical advice tendered by the Corporation. This improvement, however, results in their being only marginally above the break-even point which is presumably 60 per cent. In this context the Committee note that out of 369 rice mills in 13 States, 231 mills were earning profits and 113 which constitute about 30.6 per cent, were running at loss. Taking due note of this fact every effort should be made to remove all such constraints as hamper economic viability of rice-mills. The Committee would also like the Ministry of Agriculture and Cooperation to sort out the issue of millers levy with the Central Government and the State Government concerned at the highest level so that the Cooperative rice-mills can compete with the private trade on a basis of equality.

3.17 The Committee understand that one of the functions assigned to cooperative rice-mills had been to promote farmers cooperative societies by purchase of paddy from them. However, they find that in West Bengal, the entire paddy had been procured by the Food Corporation of India in the first instance and then was supplied to Cooperative rice-mills on customary basis. Thus, in this State the Cooperative rice-mills have lost one of their most important functions that of promoting cooperative societies through purchase of paddy from them. The Ministry will no doubt go into this aspect as well. The Corporation must be in touch with the Registrars of Cooperative Societies of the concerned States and direct them to supervise the functioning of these rice mills and if there are lapses on the part of management of societies, take appropriate action against them. The Corporation should also give directions from time to time and ask them to submit their financial accounts to them directly. Wherever they need any genuine assistance, that should be provided for.

(ii) *Margin Money*

3.18 To make the societies viable units, the corporation started (1971-72) providing margin money as a short-term objective, to enable them to make outright purchases of paddy on an increasing scale and draw funds according to requirements from Central Cooperative Banks. As on 31st March 1981, the Corporation had provided Rs. 270.51 lakhs as margin money to 204 cooperative rice mills. Though this assistance was intended as a short-term objective, the

position had not changed in this regard over the years and the co-operative societies continued to procure paddy in the open market for processing. The scheme of providing margin money did not enable the societies to draw funds according to their requirements from Central Cooperative Banks.

3.19 An expert Committee appointed in August 1978 by the Government of West Bengal had observed that only 16 rice-mills could be run out of 28 mills set up in the State. The remaining mills had been recommended for liquidation by the Committee. Out of 14 rice mills examined by that Committee, 41 per cent did not operate during 1974-75 to 1976-77 and the capacity utilisation of the orking mills was 17 per cent in 1974-75, 25 per cent in 1975-76 and 14 per cent in 1976-77. Working results for 1978-79 received by the Corporation from 18 units revealed that 12 units were idle and only 2 units milled above 1,000 tonnes, the production of the remaining 4 units being less than 1,000 tonnes.

3.20 The State-wise break up of rice mills which could be taken up for rehabilitation/revival as identified by the Corporation is given below:

S. No.	Name of State	No. of mills
1	Bihar	8
2	West Bengal	16
3	Tamil Nadu	10
4	Andhra Pradesh	84
	Total :	118

3.21 It has been stated that of the above, the Corporation sanctioned financial assistance for rehabilitation of 8 cooperative rice mills in Bihar State and 10 cooperative rice mills in West Bengal State. The rehabilitation work in respect of these mills has been completed. The remaining 6 mills in West Bengal would be taken up for rehabilitation after watching the performance of earlier assisted 10 rice mills in West Bengal.

3.22 As regards the rice-mills in Andhra Pradesh it was stated that 13 proposals were received from Andhra Pradesh which were not found to conform to the norms of viability laid down by the Cor-

poration and hence were rejected. The Government of Tamil Nadu was working out the rehabilitation programme.

3.23 The Corporation as on 31 March 1981, took up modernisation of 270 out of 689 cooperative conventional rice mills with an assistance of Rs. 39.29 lakhs. Only 205 mills had been modernised till March 1982.

3.24 The Committee desired to know the present working position of the 205 mills modernised with the assistance from the Corporation and asked how many of them are still suffering losses. The Department have replied as under:

“Out of 205 modernised rice mills as on 31-3-82, the working position is available in respect of 146 mills (i.e. 71 per cent of the total modernised rice mills). Out of 146 mills, 98 mills (i.e. 76.5 per cent of the reporting mills) have earned profits and only 30 units (i.e. 23.5 per cent of the reporting mills) have incurred losses. The remaining 18 units have not indicated the profit/loss position in their working reports.....”

3.25 In a subsequent note furnished to the Committee the Department of Agriculture & Cooperation have stated that “out of the remaining 59 mills, information has been received from 58 rice mills, out of which 38 are working in profit, 12 in loss, 4 have sent incomplete information and 4 are not working”.

3.26 The Committee understand that in order to meet the situation created by the State levies the Corporation provided margin money amounting to Rs 270.51 lakhs to 204 cooperative rice mills as on 31 March 1981 to enable them to make outright purchases of paddy on an increasing scale and draw funds according to requirements from Central Cooperative Banks. Unfortunately, this approach also did not succeed in procuring for the rice mills the required quantity of paddy. An expert Committee appointed by the Government of West Bengal in August 1978 observed that only 16 rice-mills could be run out of 28 set up in the State. The remaining mills were recommended for liquidation. The Corporation have identified 118 rice-mills in 4 States namely Bihar, West Bengal, Tamil Nadu and Andhra Pradesh and sanctioned so far financial assistance for rehabilitation of 18 rice-mills.

3.27 The Committee note that the Corporation also took up for modernisation 270 cooperative conventional rice-mills out of the 689 and as on 31-3-1981 had provided Rs. 39.29 lakhs for the purpose.

This made it possible for 205 mills to be modernised by March 1982. Out of these 205 modernised rice-mills, 42 are still incurring losses while the information about profit/loss is not available for 22 mills. Methodology should be evolved to ensure that all the units assisted for modernisation report their performance after modernisation for proper evaluation.

3.28 The Committee would like the reasons for losses to be identified and timely corrective steps taken. The Committee should be informed in due course of the action taken in this regard and improvement achieved as a result.

(iii) *Cooperative dairy processing units*

3.29. With a view to providing marketing and processing facilities to cooperative milk producers by establishing milk processing units, viz., milk chilling centres and milk processing plants in the area of milk potential, the corporation started providing financial assistance and technical guidance from 1970. By the end of 1975-80, the corporation had sanctioned financial assistance of Rs. 691.30 lakhs for the establishment of 39 cooperative units in 10 States.

3.30 The Committee desired to know how far the objective of the assistance of Rs. 636.08 lakhs released for the development of cooperative dairy processing units were realised. In reply the Department of Agriculture and Cooperation have replied as under:—

“The Corporation introduced a scheme during the year 1970-71, for providing assistance for the establishment of milk processing units. These units were set up with the objective of procuring, processing and marketing of milk and milk products through the cooperatives. The Corporation provided assistance to the dairy cooperatives located in the area not covered by Operation Flood Programme and, as such, the assistance given by the Corporation was supplemental to the Dairy Development Programme of the Central Government. As against a total programme of Rs. 116 crores under Operation Flood-I Programme, the Corporation provided total assistance of Rs. 636.08 lakhs upto 31-3-80 for the establishment of 16 large sized processing plants and 23 milk chilling centres. The assistance of the Corporation was thus 5.5 per cent of the total dairy development programme in the cooperative sector. The break up of the assistance provided to 16 large sized milk processing plants and 23 milk chilling centres worked out

to Rs. 5.3 crores and Rs. 1.06 crores respectively. 15 of the 16 medium scale units, with processing capacity ranging from 20,000 LPD to 1.00 lakh LPD, are running in profits. In respect of milk chilling centres, an essential stipulation to their establishment was that sufficient number of milk producers societies would be organised by the State Governments concerned so that there is no difficulty in procurement of milk. Where the State Governments have defaulted in organizing adequate number of milk producers societies, the milk chilling centres have not been able to procure sufficient milk and have run into losses. Such units had to be desanctioned because repeated efforts made by the Corporation to persuade the State Governments to take corrective remedial steps, did not prove successful.

Since all the large sized milk processing plants and some of the milk chilling centres are functioning satisfactorily, it can be stated that the objectives of assistance given by the Corporation have, by and large, been achieved."

Working results of the commissioned milk processing units sanctioned upto March, 1980

Sl. No.	Name of the Unit	NCDC share Rs. in lakhs	Date of sanction	Date of commis- sioning	Installed capacity LPD	Average Capacity utilisation	
						Year	Average
1	2	3	4	5	6	7	8
1	MFA L & Milk Processing Coop. Dairy Dev. Union Ltd., Vishakhapatnam	96.85	22-9-73	Sept., '77	50,000	1981	54.8%
						1982	69.5%
						1983	67.7%
2	Canara Milk Producers Coop. Union Ltd., Manipal	29.33	Feb, '76	Sept., '80	12,500 expandable to 20,000 LPD	1981	56.16%
						1982	38.75%
						1983	44.5%
3	West Rajasthan Milk Producers Coop. Union Ltd., Jodhpur.	48.00	Sept., '72	Nov., '75	1,00,000	1981	26.3%
						1982	26.7%
						1983	30.3%
4	M. Jagan Vibhag Sahasari Sangh Ltd., Malegaon	16.10	March '79	Dec., '80	20,000	1981	40.6%
						1982	26.0%
						1983	44.0%

1	2	3	4	5	6	7	8
5	Ajmer Zilla Dudd Utpadak Sahakari Sangh Ltd., Ajmer	35.80	March, '72	Oct., '75	50,000	1981	49.0%
						1982	35.4%
						1983	35.3%
6	Dorba Coop. Milk Producers Union Ltd., Jullunder	55.5	Feb., '73	Dec., '79	50,000	1981	70.4%
						1982	81.1%
						1983	101.4%
7	Godsvari Khore Sah. Dudd Utpadak Sangh Ltd., Shingarpur, Distt., Ahmednagar	12.49	March, '80	July, '81	20,000	1981	85.6%
						1982	93.5%
						1983	124.9%
8	Parvra Sahakari Dudd Vyavasaiik Sangthan Ltd., Parvatnagar]	18.20	Feb., '77	Dec., '77	20,000	1981	199.9%
						1982	209.6%
						1983	255.6%
9	Hosharpur Coop. Milk Producers Union Ltd. Hosharpur (2 Units).	102.78	March, '73	May, '76	60,000 expandable to 1,00,000	1981	61.8%
						1982	63%
						1983	66%

10 Pune Zilla Sahakari Duddh Sangh
Ltd. Pune

14.14	March, '80	July, '81	20,000	1981	91.8%
				1982	107%
				1983	120.0%

11 Malwa Cooperative Milk Producers
Union Ltd., Sangrur

62.00	March, '77	Dec., '79	50,000	1981	52.7%
				1982	44.2%
				1983	38.2%

3.31 The Committee were also informed that out of 15 milk processing units sanctioned upto 31-3-80, sanctions in respect of 4 units, namely, one in Hulkoti (Karnataka), 2 units in Kota and one in Udaipur (in Rajasthan) have since been cancelled. The reasons for the cancellation of the sanctions for four dairy processing units are detailed below:

I. Krishna Dairy Milk Union, Dharwar, Karnataka

- (i) Although the unit was commissioned in September 1973 but the Milk Union could not organise adequate number of milk producers societies in the area of procurement, as envisaged in the project report.
- (ii) The Union did not provide necessary input facilities to the milk producers such as cattlefeed, veterinary services.
- (iii) In spite of NCDC's bringing to the notice of the State Government and the Milk Union that creation of necessary infrastructure facilities and providing inputs to the milk producers which is essential and should be attended to, neither the State Government nor the Milk Union paid any serious attention and the unit was closed in March 1976.
- (iv) The NCDC continued to follow up with the State Government to restart the unit and to take necessary steps, as already suggested, but without any success.

II. Kota Zila Dudh Utpadak Sangh, Kota, Rajasthan

The unit was sanctioned in August 1972 and as per the terms and conditions of loan, ways and means advance of Rs. 7 lakhs was released. The work on the project was, however, not taken up by the Sangh. The sanction was cancelled in May 1975 and the amount of Rs. 7 lakhs released as ways and means advance was recovered with interest.

III. Kota Zila Dudh Utpadak Sangh, Kota, Rajasthan

The Kota Zila Dudh Utpadak Sangh again approached NCDC in 1977 for assistance. The State Government had lined up the civil construction work with the PWD and installation of plant through the NDDB and had assured proper implementation of the project. The Corporation, therefore, again sanctioned in September

1980, which was completed by the end of 1982. No assistance was, however, availed by the State Government from the Corporation. During follow up of the project, it was learnt that the State Government had decided to transfer the project to the Rajasthan Co-operative Dairy Federation and to avail of the financial assistance from the IDC. Under these circumstances, NCDC's sanction was withdrawn.

IV. Udaipur Coop. Duddh Utpadak Sangh

The reasons for cancellation of sanction for Udaipur Sangh are similar to those of the Kota Sangh. This unit was also transferred by the State Government to the Rajasthan Co-operative Dairy Federation and financial assistance were made with the IDC. In view of this fact, the sanction was cancelled by the Corporation.

3.32 In Uttar Pradesh, Corporation sanctioned 10 milk chilling plants of 4000 litres per day capacity and released assistance of Rs. 70.37 lakhs for this purpose. Out of these 10 Centres, capacity utilisation of 3 Centres was only 10 per cent each and of the other 7 was even lower. Low utilisation was attributed to weak organisational structure of dairy cooperative in the area. Sanctions for the units had been cancelled and the loans recalled by the Corporation (January 1982).

3.33 In view of the weak organisational structure of dairy cooperative in U.P., the Committee asked how the chilling units with a capacity of 4,000 LPD were considered as viable by the Corporation. The Department of Agriculture and Cooperation have stated:

"The Corporation was aware of the weak infrastructure of dairy cooperatives in the area. It was, therefore, apprehensive of the viability of the units with bigger chilling capacities and hence as against a proposal of chilling centres of 10,000 LPD capacity, chilling centres with a capacity of 4,000 LPD were sanctioned. In the project report prepared by State Government it was envisaged that each chilling centre will have 150 milk producers societies in the area of procurement by the time other unit is commissioned and each society will supply 50 litre of milk in the 1st year and 125 litre during 5th year of working. These projections were examined by the Corporation and keeping in view the weak structure of societies in the state during 1973-74, were considered on the high side.

Assuming some shortfall in the organization of the required number of societies or supply of milk, a chilling centre of 4,000 LPD capacity only was considered as potentially viable.

In any development project, the reasonable projections made in the project report have to be taken into consideration while examining the viability aspect. The Corporation takes such projections made by State Government into consideration while according its sanction. If the State Government had taken timely steps to organize the requisite number of societies, the structures of the dairy co-operatives would have been suitably strengthened which would have ensured supply of milk for a 4,000 LPD. The Corporation had been constantly reminding the State Government to take steps in this direction and desanctioned the units only after sufficient time was given."

3.34 The Committee learnt that there was low capacity utilisation of 2 to 23 per cent in Milk Chilling Plant, Nalgonda in Andhra Pradesh. The reasons for low capacity utilization of milk chilling centre, Nalgonda intimated to the Committee are inability of the Milk Union to procure sufficient quantity of milk due to drought conditions in the area; inability to build up adequate infrastructure of dairy coops. in the area, which resulted in low procurement of milk; and inability of the Union to provide input facilities like free veterinary aid and cattle feed to the milk producers, due to inadequate resources which affected the production of milk in the area. The unit was sanctioned in 1974-75 and it was commissioned in September, 1977. During the initial stage of its commissioning (September to December 1978), the unit was utilizing 50 per cent of its installed capacity. This declined subsequently to 2.5 per cent in May 1980 and 1.6 per cent in July 1980. Finding that the unit was not able to run and may close down, the Corporation took up the matter with the State Government to provide necessary support to the milk union in improving milk procurement for the chilling centre. As a result of efforts of the Corporation the State Government decided to associate Nalgonda Chilling Centre with Andhra Pradesh Cooperative Dairy Federation. The Dairy Federation took over the unit in the year 1980 (16-8-1980), and since then there has been improvement in procurement of the unit. The position of milk supply has once again improved and the capacity utilization in June 1983 was 25 per cent. During the next flush season beginning with October, 1983 the position is likely to improve further.

3.35 Bangana Chilling Centre in Himachal Pradesh was sanctioned in October 1977 at the cost of Rs. 3.40 lakhs with an installed capacity of 2000 litres per day. The installation of the plant was delayed by more than 3 years leading to cost escalation and sanction of additional assistance of Rs. 2.84 lakhs. The Unit was Commissioned in November 1981. The monthly performance of the unit in terms of milk handled is detailed below:

Date of commissioning November, 1981.

December	1981	83 litres per day.
January	1982	95 " " "
February	1982	80 " " "
March	1982	82 " " "
April	1982	73 " " "
May	1982	58 " " "
June	1982	48 " " "
July	1982	48 " " "
August	1982	96 " " "
September	1982	190 " " "
October	1982	330 " " "
November	1982	412 " " "
December	1982	490 " " "
January	1983	400 " " "
February	1983	330 " " "
March	1983	975 " " "
April	1983	352 " " "

3.36 Asked about the working results of the unit, the Department have stated:

"The unit was commissioned in November, 1981. The month-wise position of handling of milk by this centre is given above. The poor performance of the unit has been attributed to inadequate infrastructure of milk producer societies supplying milk to the Union in the area of procurement and the presence of private traders who are in a position to pay advances to the milk producers for purchase of milk cattle which the Union cannot do. The Corporation has been pursuing with the State Government

and the Milk Union to strengthen infrastructure for procurement of milk, so that adequate supply of milk is assured to the milk chilling centre. In case the position does not improve very soon, the Corporation may have to consider withdrawing its assistance for the unit as a last report."

3.37 Another milk processing unit in Karnataka which was sanctioned loan assistance of Rs. 7.30 lakhs in 1971-72 and commissioned in September 1973 was closed in March 1976 due to inadequate supply of milk. Asked if the closure of the unit in Karnataka was due to inept planning and improper appraisal of the Project the Department have stated in a note:

"The closure of Krishna Cooperative Dairy Unit in Karnataka was not due to lack of proper appraisal of the project. The Project was sanctioned on the basis of figures of surplus milk availability in the region. The unit was commissioned in 1973 and was closed in March, 1976 for want of adequate milk procurement. It turned out that the actual availability of milk was for short of the prospects indicated by the State Government. The State Government and the Union did neither organise sufficient number of dairy coops, and after the unit closed in March, 1976, did not take steps to restart the dairy unit. As such it seems correct that there was inept planning on the part of the State Government and the Union and lack of adequate efforts to put the unit on sound footings after its performance started decaying."

3.38 With the objective of procuring, processing and marketing of milk and milk products through the Cooperatives, NCDC provided assistance to the tune of Rs. 636.06 lakhs upto 31 March 1980 for the establishment of 16 large sized milk processing plants and 23 milk chilling centres in ten States. The Committee have been informed that 15 of the 16 medium scale milk processing units are running in profits. However, the Committee find that 3 of these processing units namely, Canara Milk Producers Cooperative Union Ltd., Manipal, Ajmer Zilla Dudd-Utpadak Sahakari Sangh Ltd. Ajmer and Malva Cooperative Milk Producers Union Ltd., Sangrur have registered continuous decline in average capacity utilisation during the last 3 years from 56.16 per cent to 44.5 per cent, 49 per cent to 35.3 per cent and 52.5 per cent to 38.2 per cent respectively. The average milk processing capacity utilisation of West Rajasthan Milk

Producers Cooperative Union Ltd., Jodhpur has also been very dismal ranging from 26.3 per cent to 30.3 per cent during these years. The Committee would like the Corporation to keep a watch on the working of these units and take up the matter of declining production with the States Cooperatives concerned so that timely corrective action could be taken to improve their capacity utilisation.

3.39 The Committee find that working of milk chilling centres had largely not been satisfactory. In Uttar Pradesh, of the ten milk chilling plants of 4000 litres per day capacity assisted by the Corporation, 3 Centres were functioning with capacity utilisation of 10 per cent each and other 7 at even lower level. Milk Chilling Plant at Nalgonda in Andhra Pradesh had been working at a low capacity of 2 to 23 per cent. Bangona Milk Chilling Centre in Himachal set up in November 1981 with an installed capacity of 2000 litres a day could process only 83 litres of milk per day in December 1981. The monthly performance continued to be very poor with actual processing of milk being in the range of 95 to 499 litres per day during the period January 1982 to April 1983. Krishna Cooperative Dairy Unit in Karnataka commissioned in 1973 was closed in March 1976. The reasons for poor performance of these milk processing units are stated to be inadequate infrastructure of milk producer cooperative societies for supplying milk, inability of the chilling Plant to provide input facilities like cattle feed etc. to milk producers and competition with private traders. The Committee are sorry to comment that the milk processing has proved to be a misadventure for the NCDC. The Committee would therefore recommend that this field should better be left to the other specialised agencies like National Dairy Development Board, Indian Dairy Corporation and the State Dairy Development Corporation wherever they exist.

CHAPTER IV

OTHER PROCESSING INDUSTRIES

4.1 Some other objectives of the Corporation under the Act were to plan and promote production, processing, export and import of agricultural produce and notified commodities through cooperative societies. The NCDC has provided upto March, 1983 an assistance of Rs. 224.50 crores to 1441 processing units which include 84 sugar factories, 37 spinning mills, 126 oil processing units and 1194 other processing units like cotton ginning and pressing units, oil units, etc. The Corporation is also stated to have provided an assistance of Rs. 81.43 crores upto 1982-83 to marketing cooperatives to increase their turnover from Rs. 160 crores in 1962-63 to about Rs. 2300 crores in 1982-83. Export of agricultural commodities by cooperatives have increased from Rs. 26 crores in 1973-74 to Rs. 750 crores in 1981-82. The most notable success in the field of cooperative processing has been reported to be by the sugar cooperatives which now account for 55% of the National output.

In this context, the Committee desired to know the number of processing units which were working satisfactorily and earning profit. The Department replied that many of the processing units like jute baling units, rice mills, etc. were installed by cooperative marketing societies as adjuncts to the normal business. Bigger processing units were, however, organised as separate cooperatives like sugar factories, spinning mills, etc. The number of such societies/processing units working in profit is given below:

Statement showing the number of processing units working satisfactorily/earning profits as on 31-3-1983

S. No.	Nature of Processing Units	Number of units assisted upto 31-3-83	Number of units installed upto 31-3-83 (out of 3)	Number of units earning profits
1	2	3	4	5
1.	Sugar	84	63	16
2.	Spinning Mills	37	7	3
3.	Oil	126	95	22
4.	Other Units	1194	1024	286*
TOTAL		1441	1189	327

*In addition, there are 110 Jute baling units and 59 Cotton Ginning and Pressing Units which are working as adjunct to marketing societies and are adding to their overall profitability. Though, the information about profitability of the individual units as such has not been worked out.

Fruit and Vegetable Processing Units

4.2 The Audit have stated that upto 1979-80, 24 fruit and vegetable processing units were sanctioned assistance of Rs. 261.10 lakhs by the Corporation, out of which Rs. 212.99 lakhs were released, and 5 other units which were provided assistance of Rs. 37.80 lakhs by the Corporation were liquidated/dropped. Of the 24 units assisted by the Corporation, working reports of 7 units were not received. Of these 7 units, 4 units in Bihar and 1 unit in Kerala assisted to the extent of Rs. 23.06 lakhs had been closed down; a unit in Manipur started trial production by the end of 1979-80 and its working results were not known; and a unit in Andhra Pradesh was sanctioned assistance (Rs. 0.30 lakhs) for expansion of its plant in the year 1979-80 which was yet to be completed. Of the remaining 17 units, the working reports of which were received by the corporation, 10 units were running in losses and, as on 30th June 1980, their accumulated losses ranged from Rs. 1.87 lakhs to Rs. 233.14 lakhs. The capacity utilisation of the 10 units in relation to their rated capacity during 1977-78 to 1979-80 ranged from 0.25 to 53 per cent.

4.3 Asked if the 4 units in Bihar and one in Kerala were set up without proper appraisal, the Department in a note have stated:

“The 4 units in Bihar were sanctioned assistance in 1965-66. At that time the Corporation did not appraise individual units before sanction of assistance but depended entirely on the recommendation of the State Governments..... In case of unit in Kerala which was sanctioned in 1972 the proposal was examined in the Corporation and was found economically viable.”

4.4 The Committee asked if the Corporation have analysed the reasons for closing up of these units, the Department have in a note, replied as follows:

“Yes. The Corporation has analysed the reasons for closing up of the units. The 4 units of Bihar were closed down due to the following reasons:

- (i) The units were locked up in an arbitration case with the supplier of machinery and equipment soon after

their establishment, with the result, they could not start commercial production. The cases were resolved only in 1974-75.

- (ii) One of the units at Muzafferpur was taken into liquidation as it leased out its unit to a private party without approval of the State Government. The other 3 units could not start production due to lack of working capital.
- (iii) Although rehabilitation assistance in respect of the unit at Darbhanga was sanctioned in 1976, the Society State Government did not take interest in implementing the rehabilitation programme. The sanction was subsequently cancelled. The Corporation later sanctioned assistance for other two units also during 1981-82 but the progress of rehabilitation is unsatisfactory.

With regard to one unit in Kerala, the unit was closed down due to uneconomical operations. It paid higher price for raw material supplied by the members which resulted in high cost of production. The sales realisation were not enough to compensate for the cost of production."

4.5 The Committee desired to know the present position of the accumulated losses in respect of the processing unit in Punjab. In reply the Department have stated:

"The Markfed Canneries incurred a net loss of Rs. 86.45 lakhs during 1981-82. The losses during the previous year were of the order of Rs. 32.32 lakhs. The accumulated losses of the unit upto 30th June, 1982 were Rs. 353.07 lakhs. With a view to improve its performance, the Corporation undertook a study of this unit through a team of its officers in March, 1982. In pursuance of the suggestions made by the team, Markfed Canneries has taken up the following steps to reduce the losses:

- (i) The staff was reduced to 30% to effect savings on salaries and wages;
- (ii) The payment of wages for work relating to processing of fruit & vegetables was linked to the quantum of work done; and

- (iii) the unit agreed to take up production of only those items which made some contributions over the variable costs.

The exact improvements in the financial position of the unit would be known only after the accounts for the year 1982-83 are compiled and received in the Corporation."

4.6 The Committee enquired if the Corporation before advancing loans to this unit, satisfied itself about the financial viability of the project. In reply they were informed that "the proposal of MARK-FED Canneries Jullundur for establishment of a canning and bottling line was examined by the Corporation and it was found to be economically viable." Since the unit was suffering losses for a number of years, the Committee asked why early steps were not taken by the Corporation to undertake a study of this unit and start measures for improvements. In reply, the Department stated:

"Through various annual progress reports, its position was being watched. The Federation/RCS were apprised of the position during the year 1979 & 1980 and were requested to take remedial measures. Thereafter the production and sales of the unit started improving and it was expected that with the improvement in capacity utilisation, the profitability of the unit would improve correspondingly. However, when losses started to mount and position did not improve, a preliminary study of the unit was made in the year 1981. The preliminary study indicated that the unit was suffering from trade loss, and therefore, an in-depth study of the unit be made. It was decided to undertake an in-depth study of the unit. An NCDC team visited the unit in March, 1982 for the study."

4.7 The Audit para has brought out the fact that a large number of Cooperative units started with the financial assistance of NCDC had been running into losses or had not started functioning. In this context the additional Secretary, Ministry of Agriculture and Cooperation have stated during evidence as under:

"We will concede that there are a number of cooperative societies financed by the NCDC whose performance has not been satisfactory. Our conclusion is that a cooperative society undertaking economic activity like processing in particular has to be of a certain size. Viability and management are

very important. Now IFFCO is also a co-operative society and we are proud to say that in the country its capacity utilisation is the maximum and its profitability is the highest and the type of service which it is giving to the farmer no other private or public sector fertiliser unit is giving. This is a statement which I am making with a full sense of responsibility. Not for the reason that I am emotionally involved with the co-operative movement. You will be very glad to know that within a few years of its functioning it has been able to promote another co-operative which we now call KRIBHCO. This is a co-operative which is implementing the largest single campus fertiliser plant in the country and fortunately things are going very fine. Rs. 42 to 44 crores has been the level of profit for the last two years. In the new society which I have referred to IFFCO is going to put in a share capital of Rs. 110 crores. We will be collecting another Rs. 30 crores from smaller level co-operative societies. I can give you any number of examples."

4.8. He further added:

"Wherever we have enlightened leadership plus professional management, the functioning of the co-operative societies is very good. The problem with regard to very small level co-operative societies is that of their leadership and in addition their professional management is at a very low level."

4.9. The Committee enquired why after making such a huge investment in Cooperative the NCDC have failed to evolve professional management. The witness replied:

"It all depends on the size and the operation of the co-operative society. But if you think of a small marketing society in a village with a turnover of a few thousand rupees, how can they really afford professional management? Of course, they have some paid servants—we put it like that. That is the basic problem. Though we try to give them subsidy, frankly, people of the proper calibre etc. of that scale are not possible. Most of these societies are societies of very small size where it is not possible, on account of the scale of their activity to bring in a professional manager. A lesson for us in future is that whatever we take up a co-operative venture it should

really be of some magnitude, of some size where it is possible to induct a professional manager. There has to be some sort of a balanced democratic element, the membership being known to each other. I think it should be somewhere in between the small size and the big size."

Some constraints

4.10 In view of the capacities of a large number of godowns, rid, mild dairies and other processing industries having been under-utilised or the purposes being dropped or the units having fallen sick, the Committee asked if the lack of managerial skill had been a factor responsible for this state of affairs. The Managing Director, NCDC stated during evidence:

"One factor you mentioned is the management capability of the cooperatives. That I think is the root of every project that is taken up. We must have a self-reliant and self-generating, confident cooperative movement. Over the years the movement has developed very well in some areas and not so well developed in some other areas, depending on the management expertise available with the local cooperative."

4.11. To this Secretary, Department of Agriculture and Co-operation added:

"To say that everything is perfect with the NCDC will not be correct. On the other hand I personally feel that lot of professionalisation will be needed and lot of field work is needed for the NCDC to come up to the expectations which you and the cooperative movement and the public or farmers have in NCDC. For that it is very necessary that NCDC should have to expand on a professional level.

You raised the point whether the cooperative movement has failed or not. My feeling is that the expansion in the cooperative field so far processing etc. is concerned has been very encouraging. In certain pockets it may not be so, but on overall country basis there is nothing to doubt that the cooperative sector if it is properly supported managerially, financially and technically, and it has got the NCDC and other organisations as friend, philosopher and guide, I feel for farmers, there is no

alternative than to have cooperativisation of production, marketing processing and so on. We cannot have trade union or something of the farmers. It is the cooperative which can give them a good future. To the extent that we have failed as in the capacity utilisation and so on, my humble feeling is that what we are doing today is not for today, it is for tomorrow and day after tomorrow. Many activities are taken up progressively in backward areas where we were not there we tried to get into those areas. If capacity is not 2 per cent, why capacity of the godowns is reduced to 2 per cent? There is some sort of economic viability about the operation of a particular system; it has to be kept in view.... These rice mills are going to act as a buffer between the farmer and the private trade."

In a subsequent note furnished to the Committee, the Department of Agriculture and Cooperation furnished the following list of Cooperatives financed by NCDC which have failed on account of lack of managerial skills, lack of marketing strategy for finished goods, and weak cooperative structure:

S. No.	Name of the Units	Reasons for failure
1	2	3
DAIRY UNITS :		
1.	10 Chilling Centres of Uttar Pradesh	Weak Cooperative Structure
2.	3 Milk Chilling Centres of Himachal Pradesh	Do.
3.	Nalgonda Milk Chilling Centres of Andhra Pradesh	Do.
4.	Canara Milk Union, Manipal, Karnataka	Do.
FRUIT & VEGETABLE UNITS :		
1.	Himachal Fruit Growers Coop. Marketing and Processing Society Ltd., Himprastha Bhawan, Simla (Himachal Pradesh)	Lack of managerial skills and lack of marketing strategy for finished goods.
2.	Kamadhenu Coop. Dairy & Fruit Processing Society, Goli-katta P.O. Onikatta, Sirsi, No th Kanara (Karnataka)	Do.
3.	Coorg Orange Growers Coop. Society Ltd., Goniccoppal, Distt. Coorg, Karnataka.	Do.
4.	Nilambur Tapioca Coop. Marketing Society Ltd., Nilambur, Distt. Mallapuram (Kerala).	Do.
5.	Mysore Breweries Coop. Society Ltd., Bangalore (Karnatak)	Do.
6.	Malda Mango Processing Society Ltd. Malda, (West Bengal)	Do.

4.12. Asked about the steps taken to overcome these constraints, the Department, have stated:

“In respect of Fruit and Vegetable units, Corporation recommended to the State Governments to entrust these units to the State|National Level Federations for strengthening their management and also for improving the marketing arrangements. A centralised marketing scheme was also formulated by the Corporation under which it was envisaged that National Agriculture Co-operative Marketing Federation would be entrusted with the task of marketing of finished products of these co-operatives. Some cooperatives are taking advantage of this scheme.

In respect of Dairy Units, the State Governments were requested to encourage the milk unions to organise an adequate net work of milk producers societies so that steady flow of milk to the chilling centres and milk processing units could be ensured.”

4.13 The Committee desired to know the specific steps that have been taken to strengthen the weak cooperative structure particularly at the village level. In reply the Department have stated:

“The Corporation has been established for the purpose of planning and promoting programmes for the production, processing, marketing, storage etc. on cooperative principles. The responsibility for building and adequate cooperative structure both at village and State Level is that of State Governments concerned. In so far as credit sector is concerned, the responsibility at the central level to arrange for adequate credit rests with the Reserve Bank of India|NABARD. In the non-credit sector, NCDC is charged with promoting the programmes. For the purpose of strengthening the cooperative structure, Corporation in implementing central sector schemes as also Corporation’s sponsored scheme under which assistance is provided for strengthening share capital base of the cooperative societies margin money for raising bank finance, loans for purchase of transport vehicles, for creation of storage capacity, for purchase of bests nets by

fisheries cooperatives, for establishment of cold storage plants, margin money assistance to village societies for distribution of consumer articles in rural areas, loans for revitalisation of primary cooperative marketing societies. In cooperatively under-developed States, tribal and difficult areas, schematic pattern of assistance framed by the Corporation envisages element of subsidy as well as concessional rate of finance. The assistance is also provided for crop development schemes, appointment of experts in various fields in the Technical and promotional Cells of the marketing federations as well as for training and education programmes to the existing personnel of the cooperatives, Corporation also provides assistance for preparation of project reports, feasibility reports, marketing survey, financial management. All these schemes are intended to strengthen the cooperative structure both at the village and State level."

Project appraisal

4.14. The Committee desired to know the machinery in NCDC to make appraisal of the project proposals for the processing units. In reply the Department of Agriculture and Cooperation have stated in a note:—

"The machinery in NCDC to make appraisal of the projects for setting up of processing units consists of the officers in the Programme Divisions, Internal Screening Committee for proposals under Corporation Sponsored Scheme, Screening Committee for Central Sector Scheme and Technical Experts and professional Specialists in various disciplines. The proposals received in the Corporation are subjected to preliminary examination by the concerned Programme Division to establish, *prima facie*, technical feasibility of the unit. The proposals involving a block cost of Rs. 5.00 lakhs or less are scrutinised by the concerned Divisions including technical staff of the Division. The projects involving a block cost of Rs. 15.00 lakhs or more are appraised by a team of officers consisting of the Technologists and Professional Specialists of different disciplines according to the requirement of each project. The proposals along-with the report of the Appraisal Team, are, therefore,

placed before the relevant Screening Committee which consists of the Managing Director, General Manager, Financial Adviser, Chief Directors and Management Consultants. In case of Central Sector Schemes, a representative each of the Ministry of Agriculture and its Integrated Finance Division is also included. The Screening Committee are assisted in their deliberations by the Technologists of the concerned disciplines and specialists in finance, costing, economic, civil engineering etc. according to the requirement of each project."

4.15. It has been stated further that practically all the four programme divisions of the corporation handle proposals for setting up of processing units, depending on the commodity on which such unit is based. These divisions have adequate number of technologists relating to the industry concerned. The typical organisational structure of a division is as under:—

Chief Director

Director|Consultant

Deputy Director/Technologist

Assistant Director|Project Officers

Other supporting Staff

4.16. Asked if these divisions are properly equipped to discharge this assignment, the Department have stated:

"Yes, over the years, the Corporation has augmented its team of experts|professionals to help in the proper appraisal of the projects."

4.17 The National Cooperative Development Corporation has provided upto March, 1983 assistance of Rs. 224.50 crores to 1441 processing units including 84 sugar factories, 37 spinning mills, 126 oil processing units and 1194 other processing units like cotton ginning and pressing units etc. Besides this, the Corporation has provided Rs. 81.43 crores upto 1982-83 to the marketing cooperatives to increase their turnover. The Committee find that out of 1441 units assisted, 1189 had been installed upto March, 1983. Out of these, only 327 units were running satisfactorily, that is, not losing. The Committee observe that of the units assisted by NCDC only 75 per cent of sugar units, 18.9 per cent of spinning mills, 75.3 per cent of oil mills and 85.8 per cent of other units had been installed as on 31-3-1983. This indicates that a not inconsiderable volume of the assistance provided is yet to fructify. The Committee would like that the installation of the units receiving aid should be carried out within a fixed time frame and should be closely monitored so that completion may be in time and obstacles coming in the way are speedily tackled.

4.18 The Committee further note that out of the units installed, only 25.4 per cent of sugar mills, 42.8 per cent of spinning mills, 23.1 per cent of oil mills and 27.9 per cent of other units are earning profits. This is not surprising as these are all consumer products and therefore enjoy a 'Sellers Market' and have done so for a considerable period. It is necessary, therefore, to ascertain why these industrial units are not being run profitably. Presumably, they have not been competently managed. Effective steps should be taken to ensure that every unit is well staffed and competently managed. If need be suitable training programmes should be devised to inculcate cost consciousness at every level of the management.

4.19 The Audit Paragraph and the information gathered by the Committee show that a large number of processing units in which heavy investments of NCDC alone are involved had been running at a loss. Thus of the 24 fruit and vegetable processing units and 5 other units to which Rs. 37.80 lakhs were given as assistance, working reports of 7 units have not been received. Of these 7 units, 4 in Bihar and one in Kerala assisted to the extent of Rs. 23 lakhs had been closed down while in the case of 4 units in Bihar, NCDC sanctioned assistance on the recommendation of the State Government. The assistance to a unit in Kerala was sanctioned after the appraisals found the unit to be economically viable. The units in Bihar have been closed down due to arbitration cases with supplier of machinery soon after their establishment which were resolved only in 1974-75

and lack of interest on the part of societies. The unit in Kerala was closed down due to uneconomic operations. Of the remaining 17 units, 10 units were running at a loss as on 30 June, 1980, their accumulated losses ranged from Rs. 1.87 lakhs to Rs. 233 lakhs. The capacity utilisation of 10 units ranged from 0.25 to 53 per cent of their rated capacity during 1977-78 to 1979-80. A proposal of the Markfed Canneries unit was examined by the Corporation for establishment of a canning and bottling line at Jalandhar. As it was found to be economically viable, it was sanctioned. The unit however, incurred loss of Rs. 86.45 lakhs during 1981-82, and its accumulated losses upto 30 June, 1982 stood at Rs. 353 lakhs. The corrective steps taken to reduce losses are yet to show any results. In this context, the Committee note that NCDC has been maintaining its own technical personnel to undertake appraisal of the projects for setting up of processing units before sanctioning assistance. The proposals received in the Corporation are subjected to preliminary examination by the concerned Programme Division to establish, prima-facie, technical feasibility of the unit. Thereafter, they are scrutinised, wherever the block cost exceeds Rs. 15.00 lakhs by a team of officers consisting of the technologists and professional specialists of different disciplines according to the requirement of the project. These proposals alongwith the report of the Appraisal Team are further scrutinised by the Screening Committee which is assisted by the technologists of the concerned disciplines and specialists in finance, costing, economics, civil engineering etc. according to the requirement of each project. Thus, the Corporation subject each proposal to a detailed scrutiny before sanctioning assistance. It is surprising therefore, that even though units are given assistance after such thorough examination by professionals they incur heavy losses. Obviously, there is some factor to which the right weightage is not being given.

4.20 In fact barring large and medium scale fertilizer and cotton spinning units and a few other units, almost all other ventures in the cooperative field and in particular the small units which are assisted by the Corporation are weak. The representative of the Ministry of Agriculture and Rural Development had been frank enough to admit that "a cooperative society undertaking economic activity like processing in particular has to be of a certain size. Viability and management are very importance...Wherever we have enlightened Leadership plus professional management, the functioning of the cooperative societies is very good. The problem with regard to very small level cooperative societies is that of their leadership and their professional management". The Committee consider this to be the crux or the problem. Even a cooperative venture had to be of an

economically viable size, and no amount of financial assistance alone can get round this factor. It is possible to prevail upon people in a larger area to join in undertaking cooperative ventures for processing agricultural products. Certainly, no unit, not of the right size should be supported. The NCDC can play a very useful role in concert with the State Governments to evolve enlightened leadership at grass-root level and training the professionals to manage cooperative ventures of the right economically viable size. The Committee recognise that cooperative ventures have a very important role to play, but they cannot do so by wishing away or ignoring well recognised economic factors prevailing in the market.

4.21 The National Cooperative Development Corporation is a promotional organisation and a premier institution assisting farmers to free themselves from the clutches of private enterprises and middlemen and brokers who are appropriating the cream of profits generated in agricultural sector which process, store and market agricultural products on terms which are not fair to producers that is the farmers. The Committee are of the view that the time has come for this question to be studied in depth in the light of the experience so far gained by the NCDC and formulate its policies to play an important role in the rural sector so as to strengthen the sources of production.

NEW DELHI;
February 12, 1986
Magha 21, 1907 (S).

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

(APPENDIX—1)

(Vide para 116)

Statement Showing details of foreign tours undertaken by employees of the Corporation during the years 1978-79 to 1980-83

S. No.	Name & Designation	Places visited	Duration of Tour	Expenditure		Total (Rs.)	Purpose
				Indian currency	Foreign currency		
1		3	4	5	6	7	8
1978-79							
1	Sh. V.B.L. Mathur, Managing Director	Bangkok	20.4.78 to 27.4.78	4,140.00	1,962.65	5,902.95	To attend the meeting of the General Assembly of Association of Development Financing Institutions in Asia and Pacific (ADFIAP)
2	Sh. V.B.L. Mathur, Managing Director	Stockholm	31.7.78 to 4.8.78	426.70	1,000.00	1,426.70	To Participate in the symposium entitled Cooperative against rural Poverty organised by COPAC (wing of FAO).
3	Sh. V.B.L. Mathur, Managing Director	Washington	10.9.78 to 1.10.78	20,311.25	1,695.00	22,006.25	To Participate in the Project & Technical and Management Development of oil Seeds Processing in India with assistance of the Cooperative League of U.S.A.
4	Sh. R.D. Bedi, Director	Washington	10.9.78 to 1.10.78	16,984.00	1,677.90	18,661.90	—do—
5	Sh. A. Ramanathan, Management Consultant	Washington	10.9.78 to 1.10.78	16,984.00	1,657.90	18,641.90	—do—

1	2	3	4	5	6	7	8
6	B. C. Sheshawari, Technologist	Washington	10.9.78 to 1.10.78	16,984.00	1657.90	18641.90	To participation in the project & technical & Management Development Oil Seeds processing in India with the assistance of the Co-operative League of U.S.A.
7	Sh. Bhaswan Dass, Asst. Director	Leipzig	15.9.78 to 15.12.78	6,262.00	—	6268.00	Advance training in the field of Agriculture, Forestry Co-operation and State farms
8	Sh. V.B.L. Mathur, Managing Director.	Washington	20.11.78 to 4.12.78	17,580.90	12024.00	29604.90	Negotiation with the world Bank for NCDC's Storage Project for Hyderabad, Orissa & U.P.
9	Sh. K.J.S. Bhavia, General Manager.	Washington	20.11.78 to 4.12.78	17,220.00	7910.00	25130.00	— do —
10	Sh. V.B.L. Mathur, Managing Director.	Singapore	22.1.79 to 26.1.79	6,507.00	3743.55	10250.55	To participate in the Workshop of Inter Co-operative Trade relations.
				1,23,405.85	32729.20	1,56,135.05	
				8,217.00	2073.25	10290.25	To Participation in the 2nd General Assembly meeting of the Development Financing Institution in Asia and Pacific (ADFIAP)
1979-80	Sh. V.B.L. Mathur, Managing Director	Manila	7.5.79 to 8.5.79	8,217.00	2073.25	10290.25	
				8,217.00	2073.25	10290.25	
1980-81	Sh. K.J.S. Bhavia, General Manager.	Manila	1.2.80 to 12.2.80	9,090.75	11832.95	20943.70	To Participation in the XVII congress of the International Society of Sugar Cane Technologists (ISSCT).
2	Sh. V.B.L. Mathur, Managing Director.	Manila	4.3.80 to 7.5.80	8,626.00	3131.30	11757.30	To Participate in special conference of Association of Development Financing Institutions in Asia & Pacific.

3	Sh. V.B.L. Mathur, Managing Director.	Brussels	8.12.80 to 17.12.80	15,984.50	6000.00	21,984.50	Finalising of the details for E.E.C. credit for Soyabean Development project in M.P. & U.P.

				33,101.25	20,984.25	54,085.50	
1	Sh. K.J.S. Bhatia, General Manager.	Washington	3.4.81 to 23.4.81	17478.25	12407.65	29885.90	Negotiations for IDA assistance for the NCDC-II storage project.
2	Sh. V.B.L. Mathur, Managing Director.	Washington	3.4.81 to 23.4.81	17472.00	18175.50	35647.50	do -
3	Sh. V.B.L. Mathur, Managing Director.	Venue	13.4.81 to 25.4.81	6.80	950.00	956.80	To participate in the meeting on the Role of Co-operatives in the Development of Food Processing Industry convened by UNIDO
4	Sh. V.B.L. Mathur, Managing Director.	Hague	8.11.81 to 19.11.81	554.65	975.00	1529.65	To participate in the 1st consultation meeting on Food Processing Industry convened by UNIDO.

				3551.70	3258.15	6809.85	
1	Sh. V.B.L. Mathur, Managing Director.	Washington	12.1.82 to 30.1.82	23167.15	--	23167.15	In connection with the NCDC-Clus consultancy programme.
2	Sh. V.B.L. Mathur, Managing Director.	Manila	2.5.82 to 8.5.82	17038.10	--	17038.10	To participate in the II nd Special conference of the Association of Development Financing Institutions in Asia-& Pacific.
3	Sh. K.J.S. Bhatia, General Manager.	Washington	20.9.82 to 19.11.82	1726.20	--	1726.20	To participate in the 1982 Rural Credit projects Course organised by the Economic Development Institute of World Bank.

				41931.45	--	41931.45	

APPENDIX II

Para 62. National Cooperative Development Corporation

(Vide para 1 of Introduction)

1. Introduction

The National Cooperative Development Corporation was set up on 14th March 1963, under an Act of Parliament to plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through cooperative societies. The role of the corporation, as a promotional and financing institution, consists, *inter alia* of appraisal of proposals for financial assistance, release of financial assistance based on physical programmes, and also monitoring the various programmes with a view to advising the State Governments and the concerned co-operative for effective implementation of these programmes. The corporation advances loans and grants to cooperative societies through State Governments or State cooperative banks on the guarantee of the State Governments. The assistance under the various schemes is sanctioned by the corporation on the basis of proposals of the cooperative societies, recommended or sponsored by the State Governments. The corporation obtains its funds mainly from the Central Government and by market borrowings.

To end of 1980-81 the corporation had released financial assistance of Rs. 399.68 crores—Rs. 361.24 crores as loan, Rs. 35.04 crores as subsidy and Rs. 3.40 crores as investment. A few schemes financed by the corporation were reviewed in audit during June—September 1981 and are discussed below:

2. Construction of godowns

2.1. The corporation renders assistance to cooperative societies for construction of godowns in 2 instalments; the first instalment of 50 per cent is released after the cooperative society has acquired land and the second instalment of 50 per cent when construction work reaches plinth level. The construction work is required to be started within 3 months from the date of release of the first instalment by the State Government and is to be completed within 1½ to 2 years. Assistance to cooperatively under-developed States| Union Territories is given partly in the form of subsidy (varying from 25 to 50 per cent) and balance in the form of loan and to cooperatively developed States in the form of loan to the extent of 60 per cent of the cost of construction. Assistance is released by the corporation as reimbursement to the States with reference to

assistance released by the States to the cooperative societies. Between 1972-73 and 1979-80, the corporation had sanctioned assistance of Rs. 41.94 crores (loan: Rs. 37.20 crores and subsidy: Rs. 4.74 crores) for construction of 14,359 rural and 1,554 marketing godowns in different States (excluding the godowns sanctioned under International Development Association and European Economic Community project) without taking into account the extent of utilisation of existing storage capacities created in the States in earlier years.

2.2. A review of progress of construction of godowns sanctioned during 1972-73 to 1979-80 revealed the following:—

- Of the sanctioned assistance of Rs. 41.94 crores (loan: Rs. 37.20 crores and subsidy: Rs. 4.74 crores), Rs. 31.21 crores (loan: Rs. 28.62 crores and subsidy: Rs. 2.59 crores) were released for construction of 15,913 godowns (rural: 14,359 and marketing: 1,554) against which only 8,994 godowns (rural: 8,219 and marketing: 775) were constructed upto March 1982.
- Out of 15,913 godowns for which sanction had been accorded, it had not been operated upon for 655 godowns.
- Whereas the first instalment had been released for 13,836 rural and 1,442 marketing godowns, second instalment had been released only for 9,633 rural and 848 marketing godowns, which indicated delay in commencement of construction of godowns in large number of cases. Funds released for 4,203 rural and 574 marketing godowns, amounting to Rs. 580.76 lakhs as loan and Rs. 142.30 lakhs as subsidy remained blocked with the cooperative societies over a period of 1 to 7 years without realising the objective. The corporation stated (August 1982) that 703 rural and 129 marketing godowns were completed without release of second instalments.
- The construction of 1,096 godowns 948 rural and 148 marketing was dropped subsequent to the release of first or both instalments, but the recovery of assistance amounting to Rs. 25.96 lakhs (loan: Rs. 22.50 lakhs; subsidy: Rs. 3.46 lakhs) for 687 such godowns had not been made (October 1982).
- Out of 9,633 rural and 848 marketing godowns for which full assistance amounting to Rs. 2,444.09 lakhs had been released, the construction of 2,818 rural and 260 marketing godowns (of which 1,738 rural and 185 marketing godowns were sanctioned prior to 1977-78 had not been completed so far (March 1982).

- Neither the unutilised loans were refunded to the corporation within the prescribed period (6 months from the date of expiry of the period of utilisation) nor were the amounts alongwith interest at enhanced rates recovered by adjustments from future releases, as laid down in the terms and conditions governing loans from 1st April 1975.
- The periodical progress reports required to be sent by the States on progress of construction were neither received regularly nor did they indicate the amount spent on each godown, amount remaining unspent, etc. and consequently the actual subsidy admissible in each case could not be ascertained nor could the corporation take action to adjust any excess amount paid for each godown.

2.3 The internal auditor of the corporation reported (June 1980 and January 1981) that there were numerous cases wherein the number of godowns for which assistance was given did not tally with the number of godowns shown in progress reports of State Governments; also cases wherein the second instalment of assistance had been released through the construction work had not been taken up at all or had been dropped.

The corporation stated (January 1982) that it had initiated (February 1980) a sample study of utilisation of storage capacities in selected districts in different States through its Regional Offices and the overall findings and conclusions were likely to be available by the end of 1982.

3. Processing industries—rice mills

3.1 The corporation introduced a scheme in 1964-65 for installation of rice mills in cooperative sector in different States by providing liberal financial assistance outside State Plan ceiling to facilitate development of cooperative marketing business and also provide cultivators a reasonable margin in profits earned upon processing the agricultural commodities. The States were required to take steps to develop area-wise plans for development of cooperative rice mills after taking into account available of paddy, need felt for rice mill by growers, financial resources, technical know-how, management expertise, facilities for disposal of finished products and economies of the particular rice mill.

Upto 31st March 1980, 747 cooperative rice mills (58 modern rice mills and 689 conventional rice mills) were organised with milling capacity of about 2.1 million tonnes of paddy *per annum* based on

seasoned milling characteristics of the industry. The corporation had provided assistance of Rs. 1,173.74 lakhs to different States under the scheme and 729 cooperative rice mills had been installed (March 1982). Of the remaining 18, 14 units had since been cancelled and 4 were under installation since 1971-72 and 1978-79 to which loan to the extent of Rs. 18.40 lakhs had been given by the corporation. The corporation stated (January, 1982) that these units were in an advanced stage of completion and that 89 huller rice mills and some sheller rice mills installed long back had become defunct/dormant.

Though the scheme had been in operation for over 17 years, its overall evaluation had not been conducted by the corporation. The corporation stated (January 1982) that capacity utilisation of cooperative rice mills in various States was reviewed and sick rice mills in Andhra Pradesh, Bihar, West Bengal, Orissa, Punjab and Tamil Nadu States, which could be taken up for rehabilitation/revival, were indentified.

An in-depth study of the functioning of the cooperative rice mills in West Bengal was undertaken by the Cooperative Department of that State in 1978-79. According to its report, the original idea for setting up of these mills in the interest of farmers, who had no facilities of processing their own produce, no longer existed as, in the rice and paddy market, the trend had completely reversed and the prices of paddy and rice had always been much above the price fixed by Government under Paddy and Rice Control Order. Further, as a large number of husking machines were being operated by private traders the problems of processing the stock had not been felt by the farmers. As a result, the cooperative system of pooling, grading and carrying out processing activities, as envisaged, did not become operative.

3.2 Margin Money

To make the societies viable units, the corporation started (1971-72) providing margin money as a short-term objective, to enable them to make outright purchases of paddy on an increasing scale and draw funds according to requirements from Central Co-operative Banks. As on 31st March 1981, the corporation had provided Rs. 270.51 lakhs as margin money to 204 cooperative rice mills. Though this assistance was intended as a short-term objective, the position had not changed in this regard over the years and the cooperative societies continued to procure paddy in the open market for processing.

Further, the scheme of providing margin money did not enable the societies to draw funds according to requirements from Central Cooperative Banks except by some which could obtain cash credit accommodation from the district central cooperative banks, as reported by the expert committee of West Bengal. As a result, most of the cooperative rice mills did not have sufficient working capital for paddy purchases and operations. According to the committee's report, there were cases where the mills had diverted the assistance for construction work and used the sanctioned amount as working capital. The corporation stated (January 1982) that the "requirements of margin money are estimated on the basis of raw material and other requirements to run the unit upto break-even point, presuming two rotations. But of late, it has been observed that in many States, entire stock of paddy is required to be procured in the months of November and December".

An expert committee appointed in August 1978 by the Government of West Bengal had observed that only 16 mills could be run out of 28 mills set up in the State. The remaining mills had been recommended for liquidation by the committee. Out of 14 rice mills examined by the committee, 41 per cent did not operate during 1974-75 to 1976-77 and the capacity utilisation of the working mills was 17 per cent in 1974-75, 25 per cent in 1975-76 and 14 per cent in 1976-77. Working results for 1978-79 received by the corporation from 18 units revealed that 12 units were idle and only 2 units milled above 1,000 tonnes, the production of the remaining 4 units being less than 1,000 tonnes.

The corporation initiated, in 1980 an investment evaluation of the cooperative rice mills in Madhya Pradesh. 18 out of 46 mills owned by the State Cooperative Marketing Federation were sick or closed down and 3 out of 53 owned by primary cooperative marketing societies had been closed down mainly due to their locational disadvantages. The study covered the performance in relation to the volume of paddy milled by 60 mills during 1976-77 and 63 mills during 1977-78 and 1978-79 and net margins in milling paddy. The study disclosed that 37 per cent of the cooperative mills were milling less than 1,000 tonnes, 30 per cent milling between 1,000 and 2,000 tonnes and 33 per cent milling above 2,000 tonnes per annum. The net margin per quintal of paddy milled after providing depreciation and interest on capital in respect of primary societies mills and federation mills respectively was Rs. (—) 12.37 and Rs. (—) 4.03 for units milling below 1,000 tonnes per annum Rs. (—) 1.27 and Re. (—) 0.88 for units milling 1,000—2,000 tonnes per annum and Rs. (+) 3.41 and Rs. (+) 1.81 for units milling above

2,000 tonnes *per annum*. Thus, 67 per cent of the cooperative mills in Madhya Pradesh, working at below 2,000 tonnes *per annum* were incurring heavy losses and only a few mills (33 per cent) milling above 2,000 tonnes *per annum* were showing a little profit.

The corporation stated (January 1982) that due to large number of constraints such as seasonal availability of paddy, State Government's policy, unfavourable attitude of the Food Corporation of India and State Food Departments, the cooperatives were not able to utilise 10 per cent of their installed capacity and the State Governments were being suitably advised for taking up the matter with their concerned Government agencies for improving their performance.

3.3 The following points were noticed in audit:—

- (i) The corporation, as on 31st March 1981, took up modernisation of 270 out of 689 co-operative conventional rice mills with an assistance of Rs. 39.29 lakhs and Rs. 22.75 lakhs were released (March 1981). Only 205 mills had been modernised (March 1982). Modernisation of 10 rice mills had been dropped.
- (ii) The corporation did not maintain a permanent and continuous record of progressive working of the mills from the prescribed reports to be received from them from time to time. Out of 721, 711, 711, 714 and 720 installed units during the last 5 years, the corporation received reports from 440 (1975-76), 527 (1976-77), 554 (1977-78), 448 (1978-79) and 406 (1979-80) units only. Working results of the remaining units set up with the corporation's assistance were not known.
- (iii) The capacity utilisation of the cooperative mills in different States varied from 1 to 30 per cent for all units during 1975-76, from 2 to 60 per cent in respect of primary societies rice mills and from 44 to 98 per cent in respect of federation mills, during 1978-79. Out of the reporting units mentioned in sub-para (ii) above, 111 (1975-76), 88 (1976-77), 123 (1977-78), 105 (1978-79) and 96 (1979-80) units were idle during the respective years.
- (iv) The cooperative mills had failed to repatriate share capital assistance to State Governments/members and invariably failed to pay dividend on share capital.

The objectives of setting up of the cooperative rice mills with

corporation's assistance in giving the benefit of processing to the farmer members did not thus materialise nor did the rice mills come up as viable processing units.

4. Cooperative dairy processing units

4.1 With a view to providing marketing and processing facilities to cooperative milk producers by establishing milk processing units, viz. milk chilling centres and milk processing plants in the area of milk potential, the corporation started providing financial assistance and technical guidance from 1970. The end of 1979-80, the corporation had sanctioned financial assistance of Rs. 691.30 lakhs for the establishment of 39 cooperative units in 10 States and Rs. 636.08 lakhs had been released (March 1981). Two units which were assisted to the extent of Rs. 14.30 lakhs were cancelled and funds withdrawn; sanctions for 4 units to which no assistance was released, were cancelled because the cooperative societies/State Governments were not interested in 2 units, in one case the unit being located in a tribal area, the society insisted on being paid subsidy, which was not agreed to, and in the other case the assistance was released by the cooperative bank. Twenty-four units had gone into operation and the remaining units were in various stages of installation (August 1982). Out of these 24 units, sanctions for 10 units in Uttar Pradesh were cancelled (January 1982) as the units were not working satisfactorily and were incurring losses.

4.2 No evaluation of the results of the assistance had been conducted by the corporation. A test-check of records in audit, however, revealed:

- (i) The Uttar Pradesh Government submitted in 1972 a scheme for the establishment of 10 fluid milk plants each having a capacity of 10,000 litres per day. The corporation concluded in 1974 that chilling units with a capacity of 4,000 litres per day only would be viable. The investment was estimated at Rs. 8.60 lakhs each, which included the cost of equipment for 150 village collecting societies. The corporation sanctioned during 1973-74 and 1974-75 assistance of Rs. 60.20 lakhs being 70 per cent of the block cost of 10 chilling centres. The installation of machinery was delayed by more than 2 years, thereby escalating the block cost of each of the centres by Rs. 1.7 lakhs and Rs. 1 lakh for additional machinery. Additional assistance of Rs. 19.25 lakhs was given in March 1975 bringing the total assistance to Rs. 79.45 lakhs for 10 chilling centres,

out of which Rs. 70.37 lakhs were released. Out of these 10 centres, capacity utilisation of 3 centres was only 10 per cent each and of the other 7 was even lower. Low utilisation was attributed to weak organisational structure of dairy cooperative in the area. Sanctions for the units had been cancelled and the loans recalled by the corporation (January 1982).

- (ii) In Andhra Pradesh, out of 2 units installed, 1 unit to which the corporation had sanctioned and released Rs. 10.25 lakhs was working at capacity utilisation of 23 per cent (November 1979) to 2 per cent (May 1980).
- (iii) One unit in Himachal Pradesh was sanctioned assistance of Rs. 3.40 lakhs (loan: Rs. 2.55 lakhs; subsidy: Rs. 0.85 lakhs) in October 1977 and Rs. 0.85 lakh (loan: Rs. 0.21 lakh and subsidy: Re. 0.64 lakh) was released in October 1978. The installation of the unit scheduled to be completed in December 1978 was delayed by more than 3 years. Additional assistance of Rs. 2.84 lakh (loan: Rs. 2.13 lakhs and subsidy: Re. 0.71 lakh) was sanctioned in 1980-81 and Rs. 2.50 lakhs (loan: Rs. 2.30 lakhs, subsidy: Re. 0.20 lakh) were released in February 1981. The corporation stated (January 1982) that the society could not start installation because, it had taken up the installation of two other chilling centres nearer to the place of marketing and hence it was considered expedient to complete those units first. The unit had since been commissioned (November 1981).
- (iv) A unit in Karnataka which was sanctioned loan assistance in 1971-72 of Rs. 7.30 lakhs repayable in 14 years, was commissioned in September 1973. The unit was closed in March 1976 due to inadequate supply of milk. The sanction was cancelled and the loan recalled by the corporation in January 1978.
- (v) A unit in Rajasthan, sanctioned in August 1972 with the corporation assistance of Rs. 28 lakhs, was released Rs. 7 lakhs as ways and means advance in March 1973. No progress towards the establishment of the dairy unit was made by the society and the unit was cancelled and loan recalled by the corporation in May 1975. The funds (Re. 7 lakhs) remained blocked for over 2 years.

5. Processing of fruits and vegetables

5.1 Upto 1979-80, 24 fruit and vegetable processing units were sanctioned assistance of Rs. 261.10 lakhs by the corporation, out of which Rs. 212.99 lakhs were released, and 5 other units which were provided assistance of Rs. 37.80 lakhs by the corporation were liquidated/dropped. Of the 24 units assisted by the corporation, working reports of 7 units were not received. Of these 7 units, 4 units in Bihar and 1 unit in Kerala assisted to the extent of Rs. 23.06 lakhs had been closed down, a unit in Manipur started trial production by the end of 1979-80 and its working results were not known; and a unit in Andhra Pradesh was sanctioned assistance (Re. 0.30 lakh) for expansion of its plant in the year 1979-80 which was yet to be completed. Of the remaining 17 units, the working reports of which were received by the corporation, 10 units were running in losses and, as on 30th June 1980, their accumulated losses ranged from Rs. 1.87 lakhs to Rs. 233.14 lakhs. The capacity utilisation the 10 units in relation to their rated capacity during 1977-78 to 1979-80 ranged from 0.25 to 53 per cent. The losses were mainly due to under-utilisation of capacity. The corporation stated (January 1982) that "it is regularly advising cooperative societies/State Governments regarding performance of these units and the corrective measures which need to be taken for improvement" and that, among the various problems confronting the cooperative fruit processing industry, the major ones were marketing and management.

5.2 The position in respect of 5 societies, in particular, was as under:

- (i) A processing unit, set up in Punjab in February 1971 with an imported continuous dehydration line, was provided with added facilities of canning and bottling in 1974. Out of the total block cost of Rs. 96.85 lakhs, an assistance of Rs. 32.64 lakhs was provided by the corporation in 1975. The unit, since its inception had been incurring continuous losses which amounted to Rs. 233.14 lakhs on 30th June 1980. The losses were mainly due to under-utilisation of its rated capacity and deficit in trading activities. The corporation stated (January 1982) that the position had improved in 1980-81, as value-wise the unit had produced

and marketed products worth Rs. 90 lakhs and Rs. 70.29 lakhs as compared to Rs. 39.49 lakhs and Rs. 22.78 lakhs respectively during 1979-80.

- (ii) Another marketing and processing unit in Himachal Pradesh was provided assistance of Rs. 64.15 lakhs including a subsidy of Rs. 11.61 lakhs (Rs. 32.35 lakhs for processing unit, Rs. 22.25 lakhs as margin money and Rs. 9.55 lakhs for construction of a transit-cum-warehouse godown) during 1974-75 to 1977-78. The utilisation of loan and grant given for the construction of transit godowns was not watched by the corporation. The transit godown was completed by the end of 1978. The corporation observed (December 1981) that the cost of the godown was only Rs. 10.16 lakhs (against estimated cost of Rs. 12.74 lakhs), and the inadmissible assistance of Rs. 1.82 lakhs was recovered in March 1982. The processing unit did not work well and had incurred heavy losses. A team appointed by the corporation in February 1980 to look into the problems and shortcomings of the units observed that the society was paying high prices for cull apples, the establishment and overhead expenses were also high, no serious efforts were made for marketing the end-products and that the society was under selling its products. As on 30 June 1980, the society had incurred accumulated losses of Rs. 83.89 lakhs. The Board of Management of the Society was suspended and a Managing Director was appointed by the State Government in May 1981.
- (iii) In Karnataka, a cooperative society was sanctioned assistance of Rs. 17.77 lakhs for setting up of a manufacturing unit for wine and brandy. The unit did not function well from the beginning, faced serious problems in marketing the grape wine and affairs of the society were not managed properly. The State Government suspended the Board of Management in September 1979 and liquidated the unit in December 1979. The unit had suffered accumulated losses of Rs. 15.15 lakhs upto 1976-77.
- (iv) An onion dehydration factory in Maharashtra with an estimated block cost of Rs. 38.92 lakhs was assisted by the corporation to the extent of Rs. 14.74 lakhs in March 1971. The society started construction and also imported machinery worth Rs. 11.63 lakhs on deferred payment. The factory was not completed on account of rise in prices and

for want of additional funds. The cost of the project was revised in March 1974 to Rs. 59 lakhs. The State Government, however, stopped giving guarantee to the Maharashtra State Cooperative Bank, through which the society was financed by the corporation, as the management of the society was found unsatisfactory. The Society had made certain commitments with regard to import/purchase of machinery without proper appraisal or prior approval of the State Government and there were doubts about the economic viability of the unit in view of the escalation in the cost of the project. The society went into liquidation in March 1977. Though the amount given by the corporation viz. Rs. 14.74 lakhs was recovered by March 1980, i.e. after nine years, yet the purpose for which the assistance was given was not served.

- (v) Installation of a fruit processing unit in Assam, sanctioned in March 1976 with an estimated block cost of Rs. 6 lakhs, was scheduled to be completed by December 1978. It was delayed for more than 3 years and had resulted in escalation in the cost of project from Rs. 6 lakhs to Rs. 12.40 lakhs. The corporation's assistance also increased in September 1980, from 3.60 lakhs to Rs. 7.44 lakhs as loan and from Rs. 1.20 lakhs to Rs. 2.48 lakhs as subsidy. The delay in construction was attributed to delay in the release of funds by the State Government and delay in supply of a boiler by the supplier. The installation of the unit had not been completed so far (August 1982).

Summing up:

The following are the main points that emerge:—

- between 1972-73 and 1979-80, the corporation sanctioned assistance of Rs. 41.94 crores for construction of 14,359 rural and 1,554 marketing godowns in different States;
- out of 15,913 godowns sanctioned, funds for 655 godowns were not released. First instalment was released for 13,836 rural and 1,422 marketing godowns; the second instalment was released only for 9,633 rural and 848 marketing godowns. In all, funds released for 4,203 rural and 574 marketing godowns (Rs. 580.76 lakhs as loan and Rs. 142.30 lakhs as subsidy) remained blocked over a period of 1 to 7 years with the societies without serving the purpose. The corporation did not ascertain the amounts of

loan and subsidy actually utilised by the cooperative societies on the construction of godowns;

- the corporation had provided assistance of Rs. 1,173.74 lakhs to various States for setting up of 747 cooperative rice mills (November 1981) and 729 had only been installed. No overall evaluation of the scheme in operation for over 15 years had been conducted by the corporation. A study of cooperative rice mills in West Bengal undertaken during 1978-79 disclosed that out of 28 mills, only 16 mills could be run and out of 14 mills studied, 41 per cent of the mills did not operate and the capacity utilisation of the working mills varied from 14 to 25 per cent. A study conducted (1980) in Madhya Pradesh indicated that out of 99 mills set up, 21 mills had been closed and 67 per cent of 60 mills studied were running in losses;
- assistance by way of margin money provided to the societies amounting to Rs. 270.51 lakhs to enable the societies to raise required funds from the cooperative banks to make outright purchases of paddy from the market did not yield desired result of making them viable units;
- the corporation released Rs. 636.08 lakhs for setting up of 39 cooperative dairy units in 10 States. Twenty-four units were established; of these, 10 chilling centres set up in Uttar Pradesh with corporation assistance of Rs. 70.37 lakhs were running in losses, their capacity utilisation being less than 10 per cent. The sanction for these units had since been cancelled and the assistance withdrawn. One unit in Andhra Pradesh, established with assistance of Rs. 10.25 lakhs was also running in loss; and
- an assistance of Rs. 212.99 lakhs was provided by the corporation for establishment of 24 fruit and vegetable processing units. Out of these, 5 units (4 in Bihar and 1 in Kerala) were closed down and 10 units were running in loss. As on 30th June 1980, their accumulated losses ranged from Rs. 1.87 lakhs to Rs. 233.14 lakhs. The capacity utilisation of these units during the period 1977-78 to 1979-80 ranged from 0.25 to 53 per cent.

APPENDIX III

Statement of Observations and Recommendations

Sl. No.	Para No.	Ministry Concerned	Observations/Recommendations
1	2	3	4
1.	1.24& 1.25	Agriculture and Rural Development	<p>The National Cooperative Development Corporation was set up in 1963 essentially as a promotional and developmental organisation responsible for the countrywide planning and promotion programmes through cooperatives for marketing, agro-processing, storage and supply of agricultural inputs to the farmers. The sources of NCDC funds include Central assistance, market borrowings and internal accrual by interest earnings. The net corpus was Rs. 82.35 crores as on 31 March, 1983. The NCDC has provided upto 31 March, 1983 total assistance of Rs. 587.84 crores.</p>

The Committee are surprised to find that flow of NCDC funds to various States has been uneven. While some agriculturally developed States like Punjab, Haryana and Maharashtra had proportionately larger flow of NCDC funds, under-developed areas including Bihar, Orissa, West Bengal, J&K which need these funds much more could not get a fair share of NCDC funds. The greater, the constraints and difficulties in the development of cooperatives in lesser

developed areas, the Committee consider that the N.C.D.C. should have made correspondingly greater efforts to remove the constraints and overcome the difficulties.

2. 1.26 -do-

The National cooperative Development Corporation had inherited from its predecessor body NCD and Warehousing Board a corpus of Rs. 19.34 crores at the time of its inception. Subsequently, additional grants of Rs. 39.77 crores were received from the Government under the NCDC Act. Net interest earned till 31 March 1983 amounted to Rs. 60.31 crores. After deducting expenses, grants under various programmes and income-tax paid, the corpus as on 31 March 1983 stood at Rs. 82.35 crores. The return after payment of Rs. 2 crores as income tax comes to Rs. 5 crores a year. The Corporation has been basically set up to plan, promote and develop Cooperatives throughout the country. In this endeavour it has been helped by Union Government by substantial loans amounting to as much as 44 per cent of the total NCDC funds. The Committee feel that there is a strong case for reviewing the interest rates on loans advanced by the Corporation to the cooperative societies through the respective State Governments. This may be examined and the Committee informed.

3. 1.27 M/O Finance

It has been suggested that NCDC should be exempted from Income-tax. An expert Committee has also made such a recommendation. The case for exemption has become incontestable when bodies like National Bank for Agriculture and Rural Development

and Indian Dairy Corporation have been exempted from income-tax. The Committee are convinced that NCDC should also be exempted from payment of income-tax. Larger funds will thus become available to NCDC for further promotional and developmental activities. The Committee would like this matter to be examined by the Ministry of Finance and an early decision taken.

4 1 28 M/O Agriculture and Rural Development

The Committee are perturbed to find that the establishment expenditure of the Corporation has been increasing from year to year. It has increased from 0.89 per cent of the total Programme expenditure of Rs. 6,519 lakhs in 1980-81 to 0.95 per cent of Programme expenditure of Rs. 9,611 lakhs in 1982-83. The Corporation had on 1st April, 1983 at its corporate office as many as 439 officials (of this 113 are group 'D' officials). The Committee are of the view that the staffing pattern especially of the body devoted to promotional activity needs to be re-examined both to ensue economy and also to ensure that more and more staff is delayed in the field so that the various programmes and promotional activities of the Corporation are supervised effectively. This will also ensure economy in expenditure on tours which also has been increasing unduly. The Committee are also satisfied that the work of the Corporation should normally necessitate tours abroad.

5. 1 29 -d-

The Committee note that the system evolved in the Ministry of Agriculture and Cooperation and also by the NCDC to monitor the

progress of various projects/schemes has not been effective. Since the Ministry as well as the Corporation are already satisfied that there exists this serious deficiency, the Committee trust that they will take steps to see that an efficient monitoring system starts working at the earliest possible date.

6. 1 30 -do-

The Committee understand that in certain States, the National Cooperative Development Corporation have been releasing grants directly to State Cooperative Banks without involving the concerned State Governments. In such cases, presently there is no mechanism to ensure that the grants released are utilised for the purpose for which those were sanctioned. The Committee would like the Ministry of Agriculture and Cooperation to evolve a procedure in consultation with State Governments to ensure that the grants released directly to cooperative banks are utilised for the project/scheme for which these are sanctioned.

7. 2 33 -do-

It was an essential condition for the grant of assistance for construction of a godown that the concerned cooperative society should have acquired the land on which it was to put up. That being so, it is astonishing that the reason for inability to proceed with the construction of as many as 250 godowns to which sanction had been accorded should be non-availability of suitable sites. Evidently, the assistance for these godowns had been sanctioned without verifying the fact that suitable land had been acquired. The Committee would like to be apprised of the reasons why there was such a glaring departure from a prescribed norm and whether any attempt was made to determine who was responsible.

3

4

8 2.34 -do-

The Committee find that out of the 42013 rural and 6955 marketing godowns to be completed upto 31-12-1983, only 34004 rural and 6063 marketing godowns could be completed and 6220 rural and 586 marketing godowns were under construction. Construction of 1789 rural and 297 marketing godowns had not been taken up at all. A large number of these godowns not taken up for construction were in cooperatively underdeveloped States like, Bihar, Madhya Pradesh and West Bengal.

9 2.35 -do-

What is more perturbing is the fact that the NCDC was not aware of the reasons for not operating these sanctions. The Managing Director, NCDC has pleaded before the Committee that because of the reporting system which was in vogue during the period, he was not aware of the reasons for not operating these sanctions. He had further stated that Corporation being a State subject, they had been insisting on the States to improve their reporting systems.

10 2.36 -do.

Obviously, because of the faulty, cumbersome and time consuming reporting system, the Corporation could not take timely action in respect of all those cases where sanctions to construct godowns were not operated upon.

The Corporation has not evolved any system for following up progress in respect of sanctioned accorded. The NCDC conveys the

sanctions given only after the State Government|RCS concerned reports that a particular godown had not come up. The Committee do not consider such a procedure to be satisfactory. The Committee have already stressed the need to improve the monitoring system in the foregoing paragraphs. They would like the Ministry to take up this matter seriously with the State Governments at the appropriate level to bring about the desired improvements in the reporting system and also to streamline the procedure at the Centre under a time bound programme. The Committee will like to be informed within six months of the progress made in this regard.

Although the construction of godowns was required to be started within 3 months of the release of 1st instalment, the Committee find that after the release of the first instalment for 13836 rural and 1422 marketing godowns, the second instalment of NCDC loan and subsidy was released in respect of no more than 9633 rural and 848 marketing godowns. This indicates that the commencement of construction of godowns was delayed in respect of a large number of cases. Funds released for 4203 rural and 574 marketing godowns amounting to Rs. 580.76 lakhs as loan and Rs. 142.30 lakhs as subsidy remained unutilised with the cooperative societies for a period ranging from 1 to 7 years. The Committee are unhappy at this sorry state of affairs. The delay in the commencement of construction work has been explained in terms of time taken in getting the plan and estimates of the godown approved by the competent authority, non-availability of scarce construction materials, unwillingness of the contractors, non-availability of centralised arrangements for

taking up construction, dis-interest of Managing Committee and lack of efforts on the part of State Governments in effectively implementing the programme. The Committee are deeply concerned at the existence of these constraints 20 years after the setting up of the NCDC. It appears that no appreciable efforts have been made at macro level by the NCDC to overcome these constraints. The delay ranging from 1 year to 7 years on account of these constraints is highly deplorable. As the development and promotion of Cooperatives fall under the jurisdictions of the States, it is in their own interest to remove the impediments and accelerate the construction of godowns. Suitable charges in the policy of granting subsidies, can go a long way in checking the tendency of dis-interest and lack of efforts. They would like some mechanism to be evolved and conditions laid down at the time of sanction so that all those concerned with the construction of godowns may not be found lacking in their efforts after the sanction is given for the construction of a godown. At the same time, they would also like the Ministry to take up the matter at the highest level with the concerned authorities to resolve the problem of scarce building material.

The pace of construction of both-rural and marketing godowns had been notably slow in cooperatively underdeveloped States. In Bihar, out of 511 marketing and 1511 rural godowns sanctioned by the NCDC only 362 marketing and 562 rural godowns have been

constructed. It is unfortunate that no study had been conducted to ascertain the reasons for such slow progress. The Committee are told that institutional field structure in Bihar was weak. The Committee appreciate that cooperation being a State subject, primary responsibility for the development and promotion of cooperatives rests with the State Governments. They feel that Central Government on its part having created the NCDC essentially with the aim of promoting and developing cooperatives and therefore the Corporation cannot escape from its responsibility. The Corporation has to work in its constitutional framework for the promotion and development of cooperatives in concert with State Governments to improve the functioning of the cooperative projects.

The Committee would like the Corporation to take effective measures in concert with the concerned State Governments for strengthening the cooperative framework where it has continued to be weak. They trust that the concerned State Governments in their own interest would actively associate themselves with such a move.

The Committee find that it has not been possible so far to provide all the blacks in the country with at least one godown. Of the 5000 blocks in the country, about 95 per cent have been provided with godowns. The Managing Director, NCDC agreed with the Committee that each block in the country should be provided with at least one godown. The Committee trust that NCDC will prevail on the State Governments concerned to ensure that every block in the country is provided with at least one godown.

Construction of 1096 godowns (948 rural and 148 marketing) was dropped subsequent to the release of first or both instalments but the recovery of assistance amounting to Rs. 25.96 lakhs (loan Rs. 22.50 lakhs and subsidy Rs. 3.46 lakhs) for 687 godowns had yet to be effected. The Committee have been informed that the delay in recovering the amount had been due to the time taken by the State Governments in identifying. This argument only underlines the poor monitoring arrangements of the Corporation. In a subsequent note the Committee were informed that a sum of Rs. 11.42 lakhs has been recovered leaving an amount of Rs. 14.54 lakhs still to be recovered. The Committee deplore the delay in identifying the societies which have dropped their plans to construct godowns after withdrawal of assistance from NCDC and prolonged delay in the recovery of assistance from them. It appears that the Corporation is not maintaining a list of societies assisted by them and their coordination with the States is of a very low order. This is not a desirable situation. The Committee would like the NCDC to maintain records of the societies to whom assistance has been provided by it and establish suitable machinery for recovering outstanding amounts from the societies concerned. The Committee also find it difficult to understand why Corporation did not recover interest on the subsidy amounts from the State Governments in respect of dropped godowns in accordance with the terms and conditions governing financial assistance to the State.

The Committee observe that sanctions for godowns whose construction had not been taken up was neither cancelled nor funds recalled by NCDC. This is due primarily because of the faulty reporting system. Thus where construction of godowns has been delayed for 4 years after the sanction for the construction had been accorded, no information reaches the Corporation. The Committee would like the Corporation to investigate the reasons for delay in all such cases and take early action to revoke the sanction where societies are not able to start construction, recover the funds and utilise them elsewhere. They would also like the Corporation to improve the reporting system as early as possible.

The Committee note that out of 9633 rural and 843 marketing godowns for which full assistance amounting to Rs. 2444 lakhs had been released, construction of only 2818 rural and 260 marketing godowns (of which 1738 rural and 185 marketing godowns were sanctioned prior to 1977-78) had not been completed till March 1982. The Committee are unable to accept the explanation that "in any programme of this magnitude, which is spread over to remote rural areas in the entire length and breadth of the country, a backlog of 18.7 per cent is not abnormal." It is disturbing that in 10 States alone, godowns with a total capacity of 2 lakh tonnes were incomplete even though a large number of them were sanctioned prior to 1977-78. Delay in taking up the construction work after sanction is accorded and subsequently in completing the work loads both to cost escalation and more seriously to denial of

benefits for the accrual of which the whole scheme is evolved. It is not unlikely that in some cases the projects become nonviable and uneconomic. The Committee would therefore, like the Ministry to review the position in this perspective and make a determined effort for speedy completion of incomplete godowns. They draw some satisfaction from the fact that the Corporation has sanctioned additional assistance for completion of 12 incomplete godowns in West Bengal and have received proposals in respect of 72 godowns from Karnataka. The other States are reported to be assessing the requirements of additional resources for completing the incomplete godowns in their States. The Committee would like to know both the latest position and the action taken for expediting the completion of the outstanding godowns.

The Committee are perturbed to note that the Corporation has no apparatus to watch utilisation of funds sanctioned/released for construction of godowns to cooperative societies through state Governments. The responsibility for watching the utilisation of funds sanctioned by the Corporation is stated to be primarily that of the respective State Registrars of Cooperative Societies and of the respective Accountants-General. Nevertheless, it is clearly necessary, in the light of past experience, for the Corporation to set up its own machinery for keeping a continuous watch over (1) the progress of sanctioned works, (2) utilisation of moneys sanctioned and (3) progress of the recovery of moneys sanctioned.

Under the Centrally Sponsored Scheme of assistance for co-operatively underdeveloped States, the Corporation provides 25 per cent of the cost of project as subsidy. Assistance on the same pattern is also provided to the cooperatives in tribal areas of the cooperatively advanced States. In the absence of information about actual expenditure incurred by the Societies on the construction of godowns, it is not clear how the Corporation determines the amount of subsidy which is admissible on the basis of a percentage of the cost of construction. The Committee are also unable to appreciate the two statements that there is little scope for assistance remaining unutilised and that action to recover unutilised assistance is taken by the Corporation as soon as communication to this effect is received from the concerned State Government. The Committee consider that it is imperative for the NCDC to keep watch over the utilisation of assistance sanctioned by it.

The Committee regret to find that the utilisation of godowns capacity had been very poor. In many cases it is as low as zero. According to sample studies conducted in Mandya and Shimoga districts of Karnataka State the average capacity utilisation of rural godowns had been 10 per cent and 35 per cent respectively. In the case of marketing godowns the capacity utilisation had been 55 per cent and 30 per cent respectively. The same picture has emerged from the sample studies of Palghat and Cannanore districts of Kerala where rural godown capacity had been utilised to

the extent of only 15-16 per cent and marketing godown capacity between 31 and 49 per cent. The position in other States viz. Tamil Nadu, U.P. and Maharashtra where sample studies have been conducted is no better. The sample study report on utilisation of godowns in Poona district points out that marketing godowns capacity utilisation had been 40 per cent and of rural godowns 35 per cent. It is astonishing to note that utilisation of some godowns had been zero as the societies were not dealing with the distribution of fertilizers and other agricultural inputs. In has been stated that low utilisation had been not because of economic assumptions were wrong as the area had potentiality, but because the management of societies was defective. If this view is correct steps should be taken to improve the managerial efficiency of these organisations. The Corporation must draw the attention of the State Government to the low utilisation of godown capacity for taking up the appropriate action.

20.

2.15

M/O Agri & Rural Dev.

The Committee note that out of 747 cooperative rice mills assisted by the NCDC till March 1982, 729 have been installed. Of the remaining 18 units, 14 have been cancelled and 4 units assisted to the extent of Rs. 18.40 lakhs are under installation since 1971-72 and 1978-79. It is surprising that installation of these units should be incomplete even though work on them commenced in one case 14 years ago and in the other 7 years ago. Even after allowing reasonable allowance for difficulties in getting construction material,

change of management by State Governments, delay in release of assistance by the State Government and the time taken in completion of procedural formalities, the unusually long time taken for installation of rice mills since 1971-72 can hardly be justified. And yet it has been stated that "the position of units under installation is regularly reviewed by the Corporation". The Committee would like to know the latest position about the installation of these units, their initial estimated cost and the cost escalation that has taken place in their case. In view of the fact that Rs. 18.40 lakhs had been given by the Corporation as loan for these 4 units, the Corporations assertion that no funds generally get blocked in such units is scarcely sustainable.

21. 2.16 ...do—

The Committee conclude that the cooperative rice-mills programme has not been successful. Of the 689 conventional rice mills 184 have become defunct/dormant—76 of these mills are located in Andhra Pradesh and 39 in Maharashtra. The rest are spread over 8 other States including Madhya Pradesh (21), Orissa (16) and Punjab (15). The reasons advanced for these mills becoming dermant/defunct are mainly State Govts' paddy|rice procurement policies, rendering the rice milling activity non-viable. It has also led to unfair or unequal competition with the private trade. No evaluation study of the Scheme on all India level has so far been attempted and even at State level they were undertaken in respect of only 2 States namely Madhya Pradesh and West Bengal. The Committee note that capacity utilisation of some rice-mills has been improved from

1 2 3

35.8 per cent in 1975-76 to 70 per cent in 1981-82 as a result of better management and technical advice tendered by the Corporation. This improvement, however, results in their being only marginally above the break-even point which is presumably 60 per cent. In this context the Committee note that out of 369 rice mills in 13 States, 231 mills were earning profits and 113 which constitute about 30.6 per cent were running at loss. Taking due note of this fact every effort should be made to remove all such constraints as hamper economic viability of rice-mills. The Committee would also like the Ministry of Agriculture and Cooperation to sort out the issue of millers levy with the Central Government and the State Government concerned at the highest level so that the Cooperative rice-mills can compete with the private trade on a basis of equality.

The Committee understand that one of the functions assigned to cooperative rice-mills had been to promote farmers cooperative societies by purchase of paddy from them. However, they find that in West Bengal, the entire paddy had been procured by the Food Corporation of India in the first instance and then was supplied to Cooperative rice-mills on customary basis. Thus, in this State the Cooperative rice-mills have lost one of their most important function that of promoting cooperative societies through purchase of paddy from them. The Ministry will no doubt go into this aspect as well. The Corporation must be in touch with the Registrars of Coopera-

22. 2.17

tive Societies of the concerned States and direct them to supervise the functioning of these rice mills and if there are lapses on the part of management of societies, take appropriate action against them. The Corporation should also give directions from time to time and ask them to submit their financial accounts to them directly. Wherever they need any genuine assistance that should be provided for.

23. 3.26

--do--

The CommitTEE understand that in order to meet the situation created by the State bases the Corporation provided margin money amounting to Rs. 270.51 lakhs to 204 cooperative rice mills as on 31 March 1981 to enable them to make outright purchases of paddy on an increasing scale and draw funds according to requirements from Central Cooperative Banks. Unfortunately, this approach also did not succeed in procuring for the rice mills the required quantity of paddy. An expert Committee appointed by the Government of West Bengal in August 1978 observed that only 16 rice-mills could be run out of 28 set up in the State. The remaining mills were recommended for liquidation. The Corporation have identified 118 rice-mills in 4 States namely Bihar, West Bengal, Tamil Nadu and Andhra Pradesh and sanctioned so far financial assistance for rehabilitation of 18 rice-mills.

24. 3.27 & 3.28

--do--

The Committee note that the Corporation also took up for modernisation 270 cooperative conventional rice-mills out of the 689 and as on 31-3-1981 had provided Rs. 39.29 lakhs for the purpose. This made it possible for 205 mills to be modernised by March 1982. Out of these 205 modernised rice-mills, 42 are still incurring losses while

the information about profit/loss is not available for 22 mills. Methodology should be evolved to ensure that all the units assisted for modernisation report their performance after modernisation for proper evaluation.

The Committee would like the reasons for losses to be identified and timely corrective steps taken. The Committee should be informed in due course of the action taken in this regard and improvement achieved as a result.

25. 3-38

—do—

With the objective of procuring processing and marketing of milk and milk products through the Cooperatives, NCDC provided assistance to the tune of Rs. 636.08 lakhs upto 31 March 1980 for the establishment of 16 large sized milk processing plants and 23 milk chilling centres in ten States. The Committee have been informed that 15 of the 16 medium scale milk processing units are running in profits. However, the Committee find that 3 of these processing units namely, Canara Milk Producers Cooperative Union Ltd., Manipal, Ajmer Zilla Duh Utpadak Sahakarj Sangh Ltd., Ajmer and Malwa Cooperative Milk Producers Union Ltd., Sangrur have registered continuous decline in average capacity utilisation during the last 3 years from 56.16 per cent to 44.5 per cent, 49 per cent to 35.3 per cent and 52.5 per cent to 38.2 percent respectively. The average milk processing capacity utilisation of West Rajasthan Milk Produc-

ers Cooperative Union Ltd., Jodhpur has also been very dismal ranging from 26.3 per cent to 30.3 per cent during these years. The Committee would like the Corporation to keep a watch on the working of these units and take up the matter of declining production with the States/Cooperative concerned so that timely corrective action could be taken to improve their capacity utilisation.

26. 3-39 —do—

The Committee find that working of milk chilling centres had largely not been satisfactory. In Uttar Pradesh, of the ten milk chilling plants of 4000 litres per day capacity assisted by the Corporation, 3 Centres were functioning with capacity utilisation of 10 per cent each and other 7 at even lower level. Milk Chilling plant at Nalgonda in Andhra Pradesh had been working at a low capacity of 2 to 23 per cent. Bangona Milk Chilling Centre in Himachal set up in November 1981 with an installed capacity of 2000 litres a day could process only 83 litres of milk per day in December 1981. The monthly performance continued to be very poor with actual processing of milk being in the range of 95 to 49 litres per day during the period January 1982 to April 1983. Krishna Cooperative Dairy Unit in Karnataka commissioned in 1973 was closed in March 1976. The reasons for poor performance of these milk processing units are stated to be inadequate infrastructure of milk producer cooperative societies for supplying milk, inability of the chilling plant to provide input facilities like cattle feed etc. to milk producers and competition with private traders. The Committee are sorry to comment that the milk processing has proved to be a misadventure for the NCDC. The Committee would therefore recommend that this field should better

be left to the other specialised agencies like National Dairy Development Board, Indian Dairy Corporation and the State Dairy Development Corporations, wherever they exist.

27. 4.17 M/O. Agriculture & Rural Dev.

The National Cooperative Development Corporation has provided upto March, 1983 assistance of Rs. 224.50 crores to 1441 processing units including 84 sugar factories, 37 spinning mills, 126 oil processing units and 1194 other processing units like cotton ginning and pressing units etc. Besides this, the Corporation has provided Rs. 81.43 crores upto 1982-83 to the marketing cooperatives to increase their turnover. The Committee find that out of 1441 units assisted, 1189 had been installed upto March 1983. Out of these only 327 units were running satisfactorily, that is not losing. The Committee observe that of the units assisted by NCDC only 75 per cent of sugar units, 18.9 per cent of spinning mills, 75.3 per cent of oil mills and 85.8 per cent of other units had been installed as on 31-3-1983. This indicates that a net inconsiderable volume of the assistance provided is yet to fructify. The Committee would like that the installation of the units receiving aid should be carried out within a fixed time frame and should be closely monitored so that completion may be in time and obstacles coming in the way are speedily tackled.

28. 4.18

—do—

The Committee further note that out of the units installed, only 25.4 per cent of sugar mills, 42.8 per cent of spinning mills, 23.1 per

cent of oil mills and 27.9 per cent of other units are earning profits. This is not surprising as these are all consumer products and therefore enjoy a 'Sellers Market' and have done so for a considerable period. It is necessary, therefore, to ascertain why these industrial units are not being run profitably. Presumably, they have not been competently managed. Effective steps should be taken to ensure that every unit is well staffed and competently managed. If need be suitable training programmes should be devised to inculcate cost consciousness at every level of the management.

—do—

29. 4.19

The Audit Paragraph and the information gathered by the Committee show that a large number of processing units in which heavy investments of NCDC alone are involved had been running at a loss. Thus, of the 24 fruit and vegetable processing units and 5 other units to which Rs. 37.80 lakhs were given as assistance, working reports of 7 units have not been received. Of these 7 units, 4 in Bihar and one in Kerala assisted to the extent of Rs. 23 lakhs had been closed down while in the case of 4 units in Bihar, NCDC sanctioned assistance on the recommendation of the State Government. The assistance to a unit in Kerala was sanctioned after the appraisals found the unit to be economically viable. The units in Bihar have been closed down due to arbitration cases with supplier of machinery soon after their establishment which were resolved only in 1974-75 and lack of interest on the part of societies. The unit in Kerala was closed down due to uneconomic operations. Of the remaining 17 units, 10 units were running at a loss as on 30 June, 1980, their accumulated losses ranged from Rs. 1.87 lakhs to Rs. 233 lakhs. The

capacity utilisation of 10 units ranged from 0.25 to 53 per cent of their rated capacity during 1977-78 to 1979-80. A proposal of the Markfed Canneries unit was examined by the Corporation for establishment of a canning and bottling line at Jalandhar. As it was found to be economically viable, it was sanctioned. The unit however, incurred loss of Rs. 86.45 lakhs during 1981-82, and its accumulated losses upto 30 June, 1982 stood at Rs. 353 lakhs. The corrective steps taken to reduce losses are yet to show any results. In this context, the Committee note that NCDC has been maintaining its own technical personnel to undertake appraisal of the projects for setting up of processing units before sanctioning assistance. The proposals received in the Corporation are subjected to preliminary examination by the concerned Programme Division to establish, prima facie, technical feasibility of the unit. Thereafter, they are scrutinised, wherever the block cost exceeds Rs. 15.00 lakhs by a team of officers consisting of the technologists and professional specialists of different disciplines according to the requirement of the project. These proposals alongwith the report of the Appraisal Team are further scrutinised by the Screening Committee which is assisted by the technologists of the concerned disciplines and specialists in finance, costing, economics, civil engineering etc. according to the requirement of each project. Thus, the Corporation subject each proposal to a detailed scrutiny before sanctioning assistance. It is surprising therefore, that even though units are given assistance after

such thorough examination by professionals they incur heavy losses. Obviously, there is some factor to which the right weightage is not being given.

In fact barring large and medium scale fertilizer and cotton spinning units and a few other units, almost all other ventures in the cooperative field and in particular the small units which are assisted by the Corporation are weak. The representative of the Ministry of Agriculture and Cooperation had been frank enough to admit that "a cooperative society undertaking economic activity like processing in particular has to be of a certain size. Viability and management are very important.....Wherever we have enlightened leadership plus professional management, the functioning of the cooperative societies is very good. The problem with regard to very small level cooperative societies is that of their leadership and their professional management." The Committee consider this to be the crux or the problem. Even a cooperative venture had to be of an economically viable size, and no amount of financial assistance alone can get round this factor. It is possible to prevail upon people in larger area to join in undertaking cooperative ventures for processing agricultural products. Certainly, no unit, not of the right size should be supported. The NCDC can play a very useful role in concert with the State Governments to evolve enlightened leadership at grass-root and training the professionals to manage cooperative ventures of the right economically viable size. The Committee re-

cognise that cooperative ventures have a very important role to play, but they cannot do by wishing away or ignoring well recognised economic factors prevailing in the market.

31 4.21 --do

The National Cooperative Development Corporation is a promotional organisation and a premier institution assisting farmers to free themselves from the clutches of private enterprises and middlemen and brokers who are appropriating the cream of profits generated in agricultural sector which process, store and market agricultural products on terms which are not fair to producers that is the farmers. The Committee are of the view that the time has come for this question to be studied in depth in the light of the experience so far gained by the NCDC and formulate its policies to play an important role in the rural sector so as to strengthen the sources of production.