

**ESTIMATES COMMITTEE
1960-61**

HUNDRED AND THIRTY-THIRD REPORT

(SECOND LOK SABHA)

**MINISTRY OF COMMUNITY DEVELOPMENT
AND COOPERATION**

(Department of Cooperation)

**NATIONAL COOPERATIVE DEVELOPMENT AND
WAREHOUSING BOARD**



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CORRIGENDA

to

HUNDRED AND THIRTY-THIRD REPORT ON THE
MINISTRY OF COMMUNITY DEVELOPMENT & CO-
OPERATION (DEPARTMENT OF CO-OPERATION)-
NATIONAL COÖPERATIVE DEVELOPMENT AND
WAREHOUSING BOARD

Page 21, line 29, for "rents" read "rents"

Page 24, last column, line 3 from bottom, for
" 1,00.12" read "1800.12".

Page 24, last line, for " 1011.23" read "1811.23".

Page 28, line 3, for " Coditions" read " Conditions".

Page 35, line 10, for " rigidly" read " rigidity".

Page 54, Serial No. 13, line 5, after " standards"
delete " ,".

Page 55, Serial No. 19, line 9, for " complemented"
read " implemented".

Page 57, Serial No. 1, line 1, for " suufficient"
read " sufficient".

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
I. INTRODUCTION	
A. Set up	1
B. Separation of warehousing functions	2
II. FINANCIAL ASSISTANCE	
A. Introduction	6
B. Utilisation of funds	6
C. Share capital contribution	8
III. PROGRESS OF CO-OPERATIVE MOVEMENT	
A. Introduction	10
B. Revitalisation	12
C. Construction of godowns	13
D. Inadequacy of departmental staff	14
E. Non-official leadership	15
F. Cooperative laws	15
APPENDICES	
I. Pattern of Financial Assistance from the Board for schemes of cooperative development during 1959-60 and 1960-61	17
II. Schemes of cooperative development during Second Five Year Plan—Amount of assistance sanctioned by the Board	23
III. Schemes of cooperative development during Second Five Year Plan—Physical Targets and Achievements	25
IV. Letters dated 11th May, 1959 and 4th October, 1960 from the Ministry of Community Development and Cooperation to all State Governments regarding cooperative policy	27
V. Summary of conclusions/recommendations contained in the Report	51
VI. Analysis of recommendations contained in the Report	57

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1960-61

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Shri K. Ranganadham—*Under Secretary.*

*Elected with effect from 25th November, 1960 *vice* Shri Dinosh Singh resigned.

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf present this Hundred and Thirty-third Report on the Ministry of Community Development and Cooperation (Development of Cooperation)—National Cooperative Development and Warehousing Board.

2. A statement showing an analysis of the recommendations contained in their Report is also appended to the Report (Appendix VI).

3. The Committee wish to express their thanks to the Secretary and other officers of the Ministry of Community Development and Cooperation and the officials of the National Cooperative Development and Warehousing Board for placing before them the material and information that they wanted in connection with the examination of the estimates.

NEW DELHI;
The 30th March, 1961.
The 9th Chaitra, 1883 (Saka).

H. C. DASAPPA,
Chairman,
Estimates Committee.

NATIONAL COOPERATIVE DEVELOPMENT AND WAREHOUSING BOARD

I. INTRODUCTION

A. Set up

The National Cooperative Development and Warehousing Board was established on 1st September, 1956 under Section 3 of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956. This Act was passed by Parliament in pursuance of the recommendations of the Committee of Direction, Rural Credit Survey, set up by the Reserve Bank of India.

2. The functions of the Board as laid down in Section 9 Functions. of the Act are as follows:—

- (1) To plan and promote programmes for the production, processing, marketing, storage, warehousing, export and import of agricultural produce through a cooperative society or a Warehousing Corporation.
- (2) In particular and without prejudice to the generality of the foregoing provisions, the Board may—
 - (a) advance loans or grant subsidies to State Governments for financing cooperative societies;
 - (b) provide funds to a State Government or a Warehousing Corporation for financing cooperative societies for the purchase of agricultural produce on behalf of the Central Government;
 - (c) subscribe to the share capital of the Central Warehousing Corporation or advance loans or grant subsidies to that Corporation or any State Warehousing Corporation; and
 - (d) plan and promote programmes through cooperative societies for the supply of seeds, manures, fertilizers, agricultural implements and other articles for the development of agricultural produce.
- (3) The Board shall so exercise its functions under this section as not to interfere with the activities

of the All-India Khadi and Village Industries Board set up by the Central Government.

Transfer of Board to Department of Cooperation.

3. It was stated that on the 30th December, 1958 the President issued an order redesignating the Ministry of Community Development as Ministry of Community Development and Cooperation and transferring the work relating to the National Cooperative Development and Warehousing Board from the Ministry of Food and Agriculture to the Ministry of Community Development and Cooperation. Consequently, with effect from the 6th January 1959, the Minister for Community Development and Cooperation was appointed as the Chairman of the Board in place of the Minister of Agriculture.

Cooperative Development Fund and Warehousing Fund.

4. The Board maintains two separate funds namely—
- (1) the National Cooperative Development Fund; and
 - (2) the National Warehousing Development Fund.

The National Cooperative Development Fund is used for advancing long term loans to State Governments to enable them to subscribe to the share capital of cooperative societies and for recurring and non-recurring subsidies to the State Governments as also through them to cooperative societies for the development of cooperatives. The National Warehousing Development Fund is meant for subscribing to the share capital of the Central Warehousing Corporation and for making loans to State Governments to enable them to subscribe to the share capital of the State Warehousing Corporations and to develop warehousing and storage through cooperatives.

B. Separation of warehousing functions

Proposed separation of Board from Warehousing Corporations.

5. The Committee were informed that it was not considered necessary that the Cooperative Development and Warehousing Board should be in charge of warehousing. Cooperative development is progressed through cooperative societies and financial assistance for that purpose is given by the Board through the State Governments. Warehousing is to be done by the Warehousing Corporations which are commercial organisations and not cooperative organisations. It was argued that running of Warehousing Corporations was not closely connected with the overall policy or allocation of funds for cooperative development. There was, therefore, no need for the Warehousing Corporations to be dependent on the National Cooperative Development and Warehousing Board nor was it necessary for the Board to retain planning and policy making functions relating to warehousing. Besides, it would also be better from the

point of view of administrative convenience. The coordination between the two bodies would however be maintained by representing each on the other. The Committee were informed that the details of various arrangements required for effecting necessary changes were under consideration, but broadly speaking the proposal was that—

- (i) the shares held by the Board in the Central Warehousing Corporation (for which moneys were subscribed from the Warehousing Fund) will be transferred to Government;
- (ii) the amounts advanced as loans to State Governments for subscribing to the share capital of State Warehousing Corporations will be transferred to the Warehousing Fund to be maintained by the Central Warehousing Corporation, the Board recovering the loans from State Governments; and
- (iii) the amounts advanced to State Governments for construction of godowns will continue to remain with the Board as this activity will remain with the Board.

6. The Committee would like in this connection to recall that the Committee of Direction, Rural Credit Survey had in their Report envisaged an integrated scheme for the development of cooperatives and warehousing comprising—

Scheme envisaged by Rural Credit Survey Committee.

- (1) A planning and financing body at the Centre sufficiently expert and representative and adequately provided with finance, which would plan a whole system of storage and warehousing, after taking into account such part of the civil supplies storage of the Central and State Governments as may be suitable for the purpose. The planning body was to be organisationally related to different agencies for carrying out the programme.
- (2) The agencies for execution would be broadly divided under three categories—
 - (i) an all India organisation for development of storage and warehousing at points of all India importance;
 - (ii) state organisations concerned with points of State or district importance; and
 - (iii) cooperative organisations at the taluka and village level.

Existing
integrated
set-up.

7. The Agricultural Produce (Development and Warehousing) Corporations Act, 1956 while translating the recommendations of the Rural Credit Survey Committee had ensured that there was integration at all levels. This would be clear from the following provisions of the Act:—

- (1) All the members of the Executive Committee of the National Cooperative Development and Warehousing Board are represented on the Board of Directors of the Central Warehousing Corporation and the Vice-Chairman of the Board is ex-officio Chairman of the Central Warehousing Corporation. [Section 21(1) (a) and 21(4)].
- (2) The Central Warehousing Corporation is to be “guided by such instructions on questions of policy as may be given to them by the Board”. [Section 20(2)].
- (3) Similarly the Board of Directors of the State Warehousing Corporation contains five Directors nominated by the Central Warehousing Corporation [Section 30(1)(a)] and a Managing Director who is appointed by the State Government with the previous approval of the Central Warehousing Corporation [Section 30(1)(c)]. The Board of Directors of the State Warehousing Corporation are also required to be “guided by such instructions on questions of policy as may be given to them bythe Central Warehousing Corporation. [Section 30(4)].

8. It is also noted that one of the functions of the State Warehousing Corporations as laid down in Section 34(c) is to “subscribe to the share capital of cooperative societies engaged in the storage of warehousing of agricultural produce”.

9. Under Section 36 of the Act the Central Warehousing Corporation is required to submit for approval of the National Cooperative Development and Warehousing Board a programme of its activities during the forthcoming year as well as financial estimates in respect thereof. Similarly the State Warehousing Corporations are required to submit similar programmes together with their financial estimates to the Central Warehousing Corporation for approval.

10. The foregoing clearly shows that there is an intimate link between the functioning of the Board and the Warehousing Corporations.

11. *The Committee are not sure if the separation of the functions of warehousing from the National Cooperative Development and Warehousing Board would achieve that degree of integrated approach and planning as is necessary for the successful implementation of the objectives and if the same measure of coordination as exists at present will obtain between the Cooperative Development Board and the Central Warehousing Corporation merely by giving representation, as proposed, to each body on the other.*

Integrated approach, planning and coordination.

12. *If however, the functions relating to warehousing are to be taken away from the Board it may be a moot point whether there should be a separate Cooperative Development Board and whether the same work could not be done by the Ministry itself. The Committee feel that even if for the sake of some administrative advantage the integrated set-up is to be disturbed, there may not be sufficient justification for the continued existence of a separate Board merely for disbursing funds to the State Governments since it is done on the basis of programmes and policies already approved by Government and for which financial ceilings are fixed by the Planning Commission. In their view, the extent of coordination with the Central Warehousing Corporation that will be achieved in the changed set up by representing each of the bodies on the other, can be obtained in the absence of the Board equally at the official level or by means of an advisory committee composed of officials and non-officials representing banking and other connected interests and other persons experienced in the cooperative field.*

Necessity for the Board.

II. FINANCIAL ASSISTANCE

A. Introduction

Pattern of financial assistance.

13. The pattern of financial assistance from the Board for schemes of cooperative development during 1959-60 and 1960-61 is given in Appendix I. The actual amount of financial assistance sanctioned by the Board upto 1959-60 and that proposed for 1960-61 is given in Appendix II.

Procedure in releasing of funds.

14. The procedure for release of funds by the Board to the States has been changing over the years. From 1956-57 to 1958-59 it was the Board that sanctioned and released funds to the States based on the approved plans and programmes of cooperative development. During 1957-58 and 1958-59, however, the loans were sanctioned and released by the Government of India and only subsidies were sanctioned and released by the Board. During the years 1959-60 and 1960-61 the funds were released under the system of "Ways and Means" advances in four quarterly instalments. The first three instalments representing 25 per cent each of the financial ceiling laid down were released in June, September and December. The last instalment was released in February or March and was on the basis of the actual expenditure from April to December and estimated expenditure in the last quarter from January to March. After the close of the financial year, the Board asked the State Governments to render an account of the expenditure and the unutilised amounts, if any, were refunded to the Board.

B. Utilisation of Funds

Non-utilisation of funds by States.

15. The Committee were informed that the new procedure for release of funds was a distinct improvement over the previous procedure, under which not only delays took place in releasing funds, but the States were unable to utilise the amounts. It was stated that there were instances at present of State Governments not being able to utilise all the amounts released to them resulting in their having to return the unspent balances to the Board. It was stated that the anticipation of expenditure for the last quarter given by States to the Board was much higher than what they could spend, thus necessitating refunds. The figures of refunds for the last three years are given below:—

1957-58	.. ..	Rs. 14,97,834·75
1958-59	.. ..	Rs. 3,31,426·76
1959-60	.. ..	Rs. 5,38,325·12

16. *The Committee recommend that the Board may take up with the States the question of framing more realistic estimates in future so that the drawal of excess amounts is reduced to the minimum.*

17. The Committee were also informed in this connection by the representatives of the Ministry of Community Development and Cooperation, during the course of evidence, that there was sometimes delay in obtaining the refunds of unutilised grants from the States. *The Committee recommend that a procedure may be devised in consultation with the State Governments for a speedy return of unutilised funds. As an alternative, it might be examined if it would be feasible to set off this amount against the first quarterly instalment of payment made by the Board during the June of the subsequent year.*

Refunds of unutilised amounts.

18. The Committee were also given to understand that there were delays in the making of payments by the States to the cooperative societies. *The Committee recommend that the Board may commend to the States the adoption of a rational procedure for payments which while providing for adequate safeguards would at the same time ensure that there is no undue delay in remittance. If need be, certain model rules may be framed by the Board to form the basis for adoption by the States.*

Delay in payment to cooperatives.

19. The representative of the Ministry stated during evidence that the Financial Adviser of the Board had gathered during the course of his tours that in almost all the States, utilisation was taken as merely passing on of the funds either to the Registrar by the State Government or to the cooperative societies by the Registrar irrespective of the fact whether they had been actually spent in the implementation of the schemes for which the funds were granted. It was stated that in the case of Bombay, for instance, the amount meant for construction of godowns lay in the joint account of the Assistant Registrar and the Chairman of the cooperative societies and that by itself was considered as utilisation for construction. Likewise, in the case of Andhra Pradesh, utilisation of funds for construction of godowns was certified on the funds being placed in the cooperative banks irrespective of whether they were drawn by the societies and spent or not.

Meaning of utilisation of funds.

20. The Committee were also informed that the financial assistance given by the Board to cooperative institutions for meeting the pay of the Manager or Secretary of the society was utilised in the States of Maharashtra, Gujarat, Madras, U.P. and Punjab not only towards the pay of the Manager or the Secretary appointed but also on other items like dead

stocks, contingencies, travelling allowance etc. It was further stated that in the case of Kerala, assistance given to cooperative institutions for appointment of additional managerial staff was utilised by the State Government towards the appointment of departmental staff.

Utilisation of funds for construction of godowns.

21. The Committee understand that the exact implication of the term "utilisation of funds" has since been explained to the State Governments except in regard to construction of godowns about which they were being consulted. *The Committee hope that the position in respect of construction of godowns would also be cleared before long so that there would be no ambiguity whatsoever in the matter of utilisation of funds. It would obviously be helpful if some model plans for various types and sizes of godowns, time schedule for completion of construction and the cost per sq. ft. of covered area etc. were laid down in consultation with the State Governments so that the release of funds could be related to the actual progress made.*

Steps to ensure proper utilisation of funds.

22. The Committee were further informed that the following steps had been taken to improve the position regarding utilisation of funds sanctioned by the Board:—

- (i) A copy of the sanction of funds by the Board is also being sent to the Accountant General which gives the terms and conditions of assistance. This would facilitate the Accountant General keeping a watch regarding utilisation of funds.
- (ii) The State Governments are asked to furnish information showing utilisation scheme-wise and item-wise.
- (iii) The annual reports of the cooperative institutions, assisted by the Board, are examined by the Research Officers and Technical Assistants of the Board. They also visit the States and evaluate the results of working of a few representative societies which are selected at random.

23. It was however stated that the Research Officers could not pay the visits for some months as they were busy with the work of the Sub-Committee on Consumers Cooperatives and Processing Societies and Sugar Factories etc. *The Committee hope that continuous attention would be paid by the Board to make sure that the funds sanctioned are utilised for the objectives in view.*

C. Share Capital Contribution

State contribution.

24. The problem of strengthening the capital structure of primary credit societies and marketing societies has been

under the consideration of the Government for some time. They had appointed a Committee to go into the question of cooperative credit. They have recently decided that the States may participate in the share capital of primary agricultural credit societies on the condition that its contribution should not be more than the contribution made by the members of the society and provided 60 per cent of its members desire such participation by the Government.

25. As far as primary marketing societies are concerned the Committee were informed that the proportion of members' contribution to State contribution will depend on the level of economy and the general development of the area. The following proportions are generally to be followed:—

States	Member's contribution	State's contribution
Bombay, Andhra Pradesh (excluding Telangana region), Punjab, Gujarat, Uttar Pradesh (excluding Eastern Uttar Pradesh), Madras and Delhi.	1	1
Mysore, Kerala, Orissa, Rajasthan and Jammu & Kashmir	1	2
Assam, Madhya Pradesh, Bihar, West Bengal, Eastern Uttar Pradesh and Telangana area of Andhra Pradesh	1	3
Union Territories excluding Delhi	1	4

26. *The Committee recognise that during the early stages of cooperative development such Government assistance may prove of value. It is imperative that a cooperative institution should draw its sustenance from within its resources in the interests of its own healthy growth and it should be the endeavour of Government to bring about this consummation as early as possible. The Committee would, therefore stress the need for the cooperatives to attract deposits from the members and inspire confidence amongst them so as to draw greater contribution to its shares. They would also stress the need for intimate coordination between the cooperative credit societies and the marketing societies for it would be the latter which can act as a channel for recovery of credit extended by the service societies.*

III. PROGRESS OF THE COOPERATIVE MOVEMENT

A. Introduction

Prime Minister's observations.

27. The Prime Minister, while inaugurating the Board on the 7th November, 1956, had made the following significant observations:—

“The first thing we have got to bear in mind is that the way this work has been carried on so far has not suited the needs of the country. That method is almost lifeless and wooden . . . What I want to stress is that this cooperative movement is not to begin from above. It has to come up from below.”

Progress of the movement.

28. It is therefore germane to ask how far the “lifeless and wooden methods”, unsuited to the country's needs have given place to efficient and practical methods, well suited to the healthy growth of the cooperative movement in this country under the impact of the Board since its inception in 1956.

Physical Progress.

29. The physical targets for cooperative development aimed at by the Board and those achieved during the Second Five Year Plan are given in Appendix III. Two letters written by the Ministry of Community Development and Cooperation to the State Governments on the 11th May, 1959 and the 4th October, 1960 setting out at some length the cooperative policy, are reproduced in Appendix IV.

30. It was stated in evidence that cooperation being a State subject, the Government of India and the Board could only exercise their influence on the State Governments. It was stated that the position of cooperative development varied from State to State and that while significant progress had been achieved in some States, there was hardly any improvement in certain States either in the matter of departmental efficiency or in non-official leadership. It was stated that the progress of the cooperative movement was comparatively poorer in the States of Assam, Bihar, West Bengal, Madhya Pradesh and Rajasthan.

Rectification and consolidation.

31. The Committee are alive to the fact that cooperation should become more and more pervasive in the economy of the country especially of the rural sector. As the Saraiya Sub-Committee however, had rightly emphasised “mere expansion of cooperative movement without recourse to simultaneous action for rectification and consolidation of the

movement would not be proper". *The Committee recommend that the position in each State may be assessed carefully and the general reasons for lack of progress of the cooperative movement as also the reasons why a large number of societies were dormant or inactive may be ascertained. The assessment of the Reserve Bank goes to show that in 1957-58, 10·9 per cent of the primary agricultural societies were bad and 1·9 per cent were stagnant. If a cooperative society is created and fails, it will naturally have an adverse effect on the cooperative movement in the area. If these features are occasional the effect may not be material, for, in a big nation-wide effort of such magnitude it is unnatural to expect that there will be no failures at all. Wisdom consists in drawing the proper lessons from them and avoiding them as far as possible in the further implementation of the developmental programmes. It would hardly serve any purpose to create more societies and cover more and more of the rural population each year if these societies are not able to serve the objective. The Committee hope that in the Third Plan the work of consolidation would receive no less attention than expansion.*

32. The Committee were informed that as recommended by the Board, a team of officers of the Ministry of Community Development and Cooperation had undertaken tours and held discussions with the officers of the State Governments to investigate into the causes of the slow progress of the cooperative movement in the States of Bihar, Orissa, West Bengal, Madhya Pradesh and Assam. It was also stated that in the light of these discussions and visits to important cooperative institutions, the Ministry had made certain recommendations to the State Governments indicating the lines on which development of the movement should proceed. *The Committee feel that it will be useful if the defects noticed in each State and the remedial action suggested are included suitably in the Annual Reports so that other States may benefit by their experiences and avoid similar defects in their own States.*

Review by
officials of
the Ministry
of Commu-
nity De-
velop-
ment and
Cooperation

33. The Committee were informed that the Board had passed a Resolution on the 26th August, 1960 that the evaluation of the progress on schemes of cooperative development in the Second Five Year Plan should be undertaken by the officers of the Board and that the work relating to the evaluation of the working of the large sized societies, multi-purpose societies and village societies could best be undertaken by the Reserve Bank of India, particularly with a view to taking up the study of the credit policy *vis-a-vis* different types of primary credit societies.

Evaluation

The Committee hope that early action will be taken in implementation of the Resolution of the Board.

B. Revitalisation

Present state
of existing
societies.

34. On the 30th June, 1959, the number of primary agricultural credit societies was 1,82,905. In 1957-58, there were 1,64,948 such societies and the number in each class as certified by audit authorities was as follows:—

Class	Number	Percentage
'A' (Very Good)	4,371	2.7
'B' (Good)	19,886	11.5
'C' (Fair)	89,147	54.1
'D' (Bad)	17,882	10.9
'E' (Stagnant)	2,657	1.9
Audited but not classified	7,957	4.9
Not audited	23,048	14.0
Total	1,64,948	

Societies
chosen for
revitalisation.

35. The Committee were informed that normally 'E' Class societies were treated as beyond hope of revitalisation and were liquidated. A large number of 'D' Class societies were also generally liquidated though a few of them might have chances of being reorganised or revitalised. 'A' and 'B' class societies were considered as working satisfactorily and did not need any revitalisation. It was the 'C' class societies and some societies of the 'D' class that were taken up for revitalisation. These were societies where loans were outstanding for long time, where there were bad debts which might have to be scaled down or written off, or where management was not alert or took little interest in the working of the societies.

36. *The Committee were disappointed to note that from the table given in para 34 only about 15 per cent of the total number of societies could be said to be working satisfactorily.*

Classification
of societies.

37. The Committee were also informed by the representative of the Ministry that there was no uniform set of principles for the whole country for the purpose of classification of societies into 'A', 'B', 'C', 'D' and 'E'. Each State followed its own set of principles in this matter. *The Committee feel that it is necessary to evolve a common set of principles for classification of societies, as otherwise, what may be considered as "fair" in one State might be thought of as "bad" in another. It is obviously desirable if standards*

of classifying a society as 'C', 'D', 'E' etc., were broadly laid down. Besides, if there is a common standard, the Board will also be enabled to make an equitable distribution of funds for revitalisation.

38. The Board gave a subsidy not exceeding Rs. 900 per society spread over a period not exceeding five years to societies taken up for revitalisation. The Saraiya Sub-Committee had recommended that—

Method of revitalisation.

“.....Revitalisation of a village society should be attempted by first ordering a preliminary enquiry into its affairs, examining its assets and liabilities, with a view of finding out how far the assets are realisable and deciding the manner in which they could be realised; whether it would be necessary to scale down the debts of a member before realising his assets and whether his immovable property should be realised to enable him to obtain long-term loan for improvement of his agriculture and increasing his repaying capacity.”

39. The Committee were informed in this connection that instructions regarding the lines on which revitalisation of societies should be done had been issued by the Registrars of Cooperative Societies of the States. These were however not uniform. The Committee understand that the Ministry of Community Development and Cooperation intended to issue a letter to the States giving the various stages of revitalisation and how precisely these were to be done. *The Committee hope that the States will be persuaded to adopt a uniform procedure in this regard which would also incidentally enable proper utilisation of the assistance given by the Board for this purpose.*

40. *The Committee recommend that the State Governments may be requested to keep a close watch on the working of the revitalised societies so as to make sure that they would be able to continue to function even after Government assistance is withdrawn. The Board may also make a random selection of societies out of those to whom they have rendered financial assistance and keep a watch to see how far they have improved in their working and are in a position to stand on their own.*

Progress of revitalised societies.

C. Construction of godowns

41. The progress made in the construction of godowns by cooperative societies is indicated in Appendix III. The Committee understand that till 1959-60 the Board had paid by loans and subsidies Rs. 258.39 lakhs for the construction

Progress made.

of godowns of different types by cooperative institutions. *The Committee regret to note that the progress on construction of godowns in almost all the States has been slow and halting. They gather from the Report of the Financial Adviser of the Board that in some cases where the cooperatives have been able to construct their godowns, these have not been put to much use. If proper assessment is made of the potential storage demand before undertaking the construction of godowns there should be no reason for the godowns remaining vacant. The State Governments may be persuaded to exercise every care in the matter of selection of sites by cooperatives for the construction of godowns.*

Interest
charged by
State
Govern-
ments.

42. It was stated that the interest charged to the cooperative societies by some State Governments was higher than what the Board charged the State Governments. It was stated that the reason for this higher rate was the anxiety of the State Government to reimburse itself for the administrative charges. *Since the Board are already giving subsidies for additional State Government staff for cooperatives, the State Government should not levy a higher charge from the cooperative societies.*

D. Inadequacy of departmental staff

Trained
staff.

43. One of the reasons for the slow progress of the cooperative movement in many States was stated to be the inadequacy of trained departmental staff for supervision and inspection. There were also heavy arrears of audit. For example, 14 per cent of the agricultural cooperative societies were not audited at all during 1957-58. The Government of India had requested State Governments in May 1959 to take necessary steps to improve the position in regard to this matter and had undertaken to meet 50 per cent of the cost of additional staff sanctioned in 1959-60 and 1960-61. The Committee were informed that even now, the position had not improved in many States and was far from satisfactory. *It is obvious that unless there are adequate trained personnel, there is the risk of cooperatives not coming up or progressing on the right lines.*

Registrars of
Cooperative
Societies.

44. An important matter that was brought to the notice of the Committee in this connection was about the appointment of Registrars of Cooperative Societies in the States. The representative of the Ministry in his evidence before the Committee stated that it was necessary that the Registrars should be men with sufficient experience of cooperation and that they should hold these posts for a few years continuously at a time. The Ministry of Community Development and Cooperation had in 1959 written to the States that "it is necessary to ensure that the Registrar and his senior officers

are men with vision, receive adequate training in cooperative work and remain in the Department for a sufficiently long period of time". The Committee were informed by the representative of the Ministry during the course of evidence that "it has always been agreed that the best men should be appointed, that they should be trained and kept for a minimum period of three to five years, but these agreed decisions have not been implemented in all cases." *The Committee are constrained to learn of this lack of action in the face of agreed decisions. This calls for attention at the highest level so as to ensure that the cooperative development does not suffer from this handicap at least in the Third Plan.*

E. Non-official Leadership

45. Non-official leadership is of vital importance in the development of cooperatives. The representative of the Ministry in his evidence expressed the view that in more than half the number of States, non-official leadership of requisite quality had not always been forthcoming and that in many States, Cooperative Unions were not very effective. Dearth of non-official leadership.

46. *How effectively to build up non-official leadership is a task to which the Governments at the Centre and the States should address themselves alike. In the Committee's view, the Community Development and National Extension Schemes could make a significant contribution in this respect by interesting non-officials in cooperatives. Such non-officials as are forthcoming may be given adequate training on how the work is to be done. They may be encouraged not only to build up and foster cooperative societies but also to spread the message of cooperation among the masses and create enthusiasm for the movement.* Necessity of building of non-official leadership.

F. Cooperative laws

47. The National Development Council in their Resolution on cooperative policy adopted on the 9th November, 1958 had observed— Defects in present laws.

"Many of the existing procedures impede the development of cooperation as a popular movement in which small groups and communities can function freely and organize their work and activities along cooperative lines without excessive official interference and red tape. The restrictive features of the existing cooperative legislation should be removed."

48. The Ministry of Community Development and Co-operation in bringing this resolution to the notice of the States had desired in their letter of 11th May, 1959 (see Appendix IV) that—

“The existing position, particularly in respect of the procedure and rules, is not at all satisfactory. The law must clearly provide for various measures of regulation, control, supervision, audit etc. Where sound organisations exist, some of the powers could also be delegated to them. In States where non-official organisations either do not exist or are weak, they must be created or strengthened. The ultimate object in this respect must be to delegate as many powers as possible to such non-official organisations and to exercise other powers in close consultation with them. Only then can the movement become a people’s movement governed by the people.”

49. The Committee were informed that new Cooperative Acts had been passed in the States of Mysore, Madhya Pradesh, Maharashtra and Jammu and Kashmir; in the case of Andhra Pradesh and Uttar Pradesh the bills were before the State Legislatures; in Orissa, Assam and Punjab the Bills were being prepared; in Bihar, Kerala, Madras, Rajasthan and West Bengal the committees set up for preparing the Bills were either at work or their Reports were being considered by the Governments.

50. The representative of the Ministry informed the Committee during the course of evidence that in certain States, the revised provisions proposed were more stringent and gave wider powers to the Registrars. *This, it was stated, was contrary to the policy laid down by the National Development Council. The Committee suggest that the policy already accepted in this regard may again be brought to the notice of the State Governments concerned. They would like the provisions of all cooperative legislation to be more protective than restrictive.*

Registration
of new co-
operative
societies.

51. The Committee understand that in certain States the procedure for registration of a newly formed cooperative society is complicated and elaborate with the result that lot of difficulty is experienced by the members and organisers of the society. It was also mentioned that some societies exercised discrimination in the matter of admitting new members to the societies. *The Committee would urge that in framing the new legislation all such difficulties may be duly taken into account and rectified.*

NEW DELHI;
The 30th March, 1961.

The 9th Chaitra, 1883 (Saka).

H. C. DASAPPA,
Chairman,
Estimates Committee.

APPENDIX I

(Vide para 13)

PATTERN OF FINANCIAL ASSISTANCE FROM THE BOARD FOR SCHEMES OF CO-OPERATIVE DEVELOPMENT DURING 1959-60 AND 1960-61

Under the Agricultural Produce (Development & Warehousing) Corporations Act, 1956, the National Co-operative Development and Warehousing Board was set up by the Central Government in September, 1956, to sponsor and assist schemes of Co-operative Development. The functions of the Board are to plan and promote programmes for the production, processing, marketing, storage, warehousing, export and import, of agricultural produce through a co-operative society or a Warehousing Corporation. The State Governments are being assisted by the Board to implement the schemes of Co-operative Development included in the Second Five Year Plan.

The National Co-operative Development & Warehousing Board.

2. Financial assistance from the Board for the programmes of Co-operative Development during 1959-60 and 1960-61 will be governed by the following principles:—

Pattern of assistance from the Board.

(i) Primary Agricultural Credit Societies and Credit Unions

New societies and existing societies taken up for strengthening and revitalisation in the initial stages will be given financial assistance in the shape of subsidy to enable them to meet their working expenses. The actual assistance to societies will have to be worked out in consideration of various factors and will have to be determined by each State Government. Such assistance should not, however, exceed Rs. 900 per society spread over a period not exceeding five years. The National Co-operative Development and Warehousing Board and State Government will share equally the cost of such assistance. Similar assistance will be available for Credit Unions also.

(ii) Central Banks, Apex Banks, Land Mortgage Banks and Large-sized societies

(a) The cost of additional managerial staff required for Central Co-operative Banks, Apex Co-operative Banks and Land Mortgage Banks, is subsidised by the State Governments for a period not exceeding three years. The proportion in which the Board will share the subsidy with the State Governments is indicated below:—

Year	Board	State Government
First	50%	50%
Second	33 1/3%	33 1/3%
Third	16 2/3%	16 2/3%

Large-sized societies registered before the 1st April, 1959, in respect of which commitments have already been entered into by the State Governments, will be assisted with subsidy for managerial staff in the following manner. The proportion in which the Board will share the subsidy with the State Governments is also indicated.

Year	Board	State Government
First year	50%	50%
Second year	33 $\frac{1}{3}$ %	33 $\frac{1}{3}$ %
Third Year	16 $\frac{2}{3}$ %	16 $\frac{2}{3}$ %

(b) *Rural Godowns:*

For collection and storage of the surplus produce of the members of Large-sized societies and for supplying production requisites, such as fertilizers, seeds, etc. the Large-sized societies organized in the years 1956-59 and for godowns were provided in the plan, will be assisted for construction/purchase of godowns in rural areas. Each godown is expected to have a storage capacity of about 100 tons of food-grains. For construction or purchase of such godowns, the Central assistance to the State Governments takes the form of loan and subsidy. The loan is given upto 62 $\frac{1}{2}$ % and subsidy upto 12 $\frac{1}{2}$ % of the total cost. The aid is offered on condition that the State Government will provide at least an equal amount as subsidy and 12 $\frac{1}{2}$ % of the total cost as loan.

The loans are repayable in fifteen annual equated instalments and carry interest at the rates prescribed by the Central Government from time to time. The interest was charged at 4 $\frac{1}{2}$ % on the loans granted in 1956-57, 1957-58 and 1958-59.

The State assistance for a rural godown will normally be to the extent of Rs. 10,000 and will be shared by the Board and the State Governments as under:—

	Board's Share	State's share
(i) Loan	Rs. 6,250	Rs. 1,250
(ii) Subsidy	Rs. 1,250	Rs. 1,250
	Rs. 7,500	Rs. 2,500

The large-sized societies mentioned above will also be eligible for a subsidy not exceeding Rs. 500 per annum to enable them to hire godowns till such time as they are in a position to construct their own godowns on the following conditions:—

- (a) The Board's share shall be limited to 50%, the remaining 50% being borne by the State Government.
- (b) The payment of subsidy shall be confined to a period ending with 31st March, 1961 only or till the actual construction of the godown whichever is earlier.

- (c) The subsidy shall be payable only to such societies for which plan provision for construction of godowns had been made, it being understood that the societies concerned will, within the period ending with 31st March, 1961 build their own godowns.

(iii) *Co-operative Marketing & Processing Societies*

(a) *Share capital contribution:* The National Co-operative Development and Warehousing Board assists the State Governments for contribution to the share capital of co-operative marketing societies and processing co-operatives other than sugar factories by a loan to the extent necessary having regard to their ways and means position. The quantum of aid in this regard is usually 75% of the total contribution by the State. The balance *viz.* 25%, is met by the State Government from its resources. The loans from the Board are repayable in fifteen annual equated instalments and carry interest at the rates prescribed by the Central Government from time to time.

The State contribution in the share capital of a marketing society is of the order of Rs. 20,000 to Rs. 25,000. In the case of district marketing societies, apex marketing societies, marketing-cum-processing societies and processing societies, the contribution depends upon the actual requirements of the societies concerned and their paid up share capital.

(b) *Godowns of Marketing Societies:* To provide storage facilities for marketing societies at their headquarters, and for collection of surplus produce of the members of village co-operatives on behalf of marketing societies as well as for supplying production requisites such as fertilisers, seeds, etc. at suitable centres in rural areas, loans and subsidies for construction or purchase of godowns are allowed on the same ratio as indicated in (ii) (b) above.

The total State assistance which is about Rs. 25,000 for the godowns constructed at the headquarters of a primary marketing society comprises the following:—

	Board's share	State's share
(i) Loan	Rs. 15,625	Rs. 3,125
(ii) Subsidy	Rs. 3,125	Rs. 3,125
TOTAL	Rs 18,750	Rs. 6,250

The assistance for godowns in rural areas will be as indicated in (ii) (b) above.

In the case of godowns of District and Apex Marketing Societies, larger assistance is offered.

The primary marketing societies will also be entitled to get a subsidy not exceeding Rs. 1,250, while the apex marketing societies will be entitled for a subsidy not exceeding Rs. 10,000 or 5% of the estimated cost of construction of the godowns whichever is less on the following conditions:—

- (a) The Board's share shall be limited to 50%, the remaining 50% being borne by the State Government.
- (b) The payment of subsidy shall be confined to a period ending with 31st March, 1961 only or till the actual construction of the godown whichever is earlier.
- (c) The subsidy shall be payable only to such societies for which plan provision for construction of godowns had been made, it being understood that the societies concerned will, within the period ending with 31st March, 1961, build their own godowns.

(c) *Additional Managerial Staff*

The cost of additional managerial staff for marketing and processing societies is subsidised by the Board and State Governments in the manner indicated in (ii) (a) above. No assistance is, however, given to meet the cost of technical staff appointed by processing societies.

(iv) *Co-operative Sugar Factories*

The encourage the sugar cane growers to collect at least a part of the capital required for establishing co-operative sugar factories, the Board advances loans to the State Governments to enable them to participate in the share capital of Cooperative sugar factories. The aid from the Board was Rs. 20 lakhs per sugar factory in 1959-60 and will not exceed Rs. 25 lakhs in 1960-61. No matching contribution from the State Governments' resources is insisted in this case, but the assistance is subject to the condition that the promoters contribute an equal amount. The State Governments, however, may pay out of their own resources a sum upto Rs. 25 lakhs in 1960-61, without matching contribution and claim re-imbusement subsequently, when the members' matching contribution had been collected. The Board's assistance can be released in multiples of Rs. 2.5 lakhs at a time.

The loan is repayable in fifteen annual equated instalments and bears interest at rates determined by the Central Government from time to time.

(v) *Cold Storage Plants*

Co-operative Marketing Societies, and societies separately organised for the purpose, will be assisted for establishing Cold Storage Plants. The maximum cost of setting

up a cold storage of economic capacity is estimated at Rs. 5 lakhs. The Board will assist the State Governments with loans to the extent of 75 per cent of the cost of each cold storage plant. The balance of 25 per cent. will have to be found by the State Governments from their resources.

The loan will be repayable in fifteen annual equated instalments and will carry interest at rates prescribed by the Central Government from time to time.

(vi) State Warehousing Corporation

According to the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, the State Governments are to contribute 50% of the share capital of the State Warehousing Corporations. In such cases, loans to State Governments not exceeding 50% of the amount of their contribution are offered by the Board to enable State Governments to participate in the share capital of State Warehousing Corporations. These loans are repayable in fifteen annual equated instalments and bear interest at rates determined by the Government of India from time to time.

(vii) Departmental staff in the States

To improve supervision, inspection and audit of the co-operatives and generally to strengthen the co-operative departments to enable them to cope with the expanded programme of co-operative development, the cost of additional departmental staff appointed by the States during 1959-60 and 1960-61 in the Co-operative Departments is subsidised by the Board to the extent of 50% the States bear the remaining 50% of the cost. Cost of vehicles, contingencies, retents of office buildings, etc., are not shared by the Board. The cost of additional departmental staff appointed during 1956-57, 1957-58 and 1958-59 and continued thereafter will be shared by the Board and State Governments in the proportion of 25:75 as before.

(viii) Supervising Unions

Supervising Unions organised with area of operations extended to a community development block or a corresponding number of villages and population in non-block areas and having representatives of affiliated village societies and paying a small fee. representatives of Central Financing Agencies and contributing to the funds of the Supervising Unions according to the volume of credit they provide to the societies in that area and other co-operative organisations working in that area as members and paying contributions to the supervision fund, will be eligible from the Board for an amount sufficient to balance its budget. This amount would be shared equally by the State Government with the Board.

(ix) Adjustments by States

Even though the assistance from the Board is governed by principles set out in items (i) to (vii) above, some State Governments may find it necessary to make adjustments in their pattern of assistance to co-operative societies. In case the amount of subsidy or loan is increased, the responsibility of finding the additional resources rests with the States.

(x) Union Territories

As regards Union Territories, although the principles and general pattern are identical, Board provides the entire amount of grant for construction of godowns and full subsidies for institutional and departmental staff under various heads mentioned above.

(xi) Aid to co-operatives through State Governments (No direct aid)

As Co-operation is a subject within the purview of State Governments, the National Co-operative Development and Warehousing Board gives financial help to State Governments who, in turn, help the co-operatives. The Board cannot, therefore, entertain applications from or extend help to individual Co-operatives directly.

APPENDIX II

(Vide para. 13)

SCHEMES OF COOPERATIVE DEVELOPMENT DURING SECOND FIVE YEAR PLAN

Amount of Assistance sanctioned by the Board

(Rs. in lakhs)

Serial No.	Schemes	1956-57	1957-58	1958-59	1959-60	Total	1960-61	Total
<i>A—Credit Societies :</i>								
<i>Managerial Subsidy to :</i>								
(1)	Small-sized Societies	0.12	1.25	7.04	37.53	45.94	78.52	124.46
(2)	Large-sized Societies	4.66	15.59	21.90	16.60	58.75	7.82	66.57
(3)	Central Cooperative Banks	2.73	5.04	4.20	5.10	17.07	9.15	26.22
(4)	Apex Cooperative Banks	0.50	0.95	0.57	0.34	2.36	.73	3.09
(5)	Land Mortgage Banks	0.40	1.18	1.33	1.76	4.67	3.55	8.22
(6)	Supervising Unions . . . . .	..	..	..	1.60	1.60	9.83	11.43
(7)	Credit Unions . . . . .	..	..	..	2.13	2.13	.60	2.73
(8)	Godowns of Large-sized societies and rural godowns (a) Loans	15.82	..	..	66.58	82.40	42.14	124.55
	(b) Subsidies	3.17	11.88	10.14	14.74	39.93	9.77	49.70
(9)	Departmental staff	4.44	16.68	32.93	51.82	105.87	120.65	226.52

Serial No.	Schemes	1956-57	1957-58	1958-59	1959-60	Total	1960-61	Total
<i>B—Marketing</i>								
(10)	Managerial staff	..	..	6.19	10.61	24.46	11.18	35.64
(11)	Share capital	2.54	5.12	..	90.19	141.15	56.94	199.48
(12)	Godowns :	50.96	..	..	..	..	..	..
	(a) Loans	24.62	..	..	71.64	96.26	39.87	136.13
	(b) Subsidiaries	4.93	11.19	9.35	14.33	39.80	8.67	48.47
<i>C—Processing :</i>								
(13)	Managerial subsidy	..	0.16	0.66	1.62	2.44	2.14	4.58
(14)	Share capital.	7.21	..	..	71.80	79.01	57.96	136.97
<i>D—Share Capital to Central Warehousing Corporation</i>								
(15)	Other loans for meeting deficit	..	80.00	..	40.00	120.00	40.00	160.00
		..	..	1.21	4.30	5.51	..	5.51
<i>E—Loans to State Governments for participation on Share Capital of</i>								
(16)	State Warehousing Corporation	..	..	..	11.25	11.25	11.50	22.75
(17)	Sugar factories	83.10	3.00	..	90.40	176.50	220.00	396.50
(18)	Cold Storage	..	..	..	..	..	12.00	12.00
	TOTAL	205.20	152.04	95.52	604.34	1,057.10	743.02	1,00.12
	Adjustments of previous years.	3.00	0.41	1.68	6.02	11.11	..	11.11
	GRAND TOTAL	208.20	152.45	97.20	610.36	1,068.21	743.02	1011.23

APPENDIX III

(Vide paras. 29 and 41)

SCHEMES OF COOPERATIVE DEVELOPMENT DURING SECOND FIVE YEAR PLAN PHYSICAL TARGETS AIMED AT AND ACHIEVED

- a*—Physical targets aimed at.
b—Physical targets achieved.
c—Anticipated physical targets aimed at
d—Anticipated achievement

Schemes	1956-57		1957-58		1958-59		1959-60		1960-61		Total			
	<i>a</i>	<i>b</i>	<i>a</i>	<i>b</i>	<i>a</i>	<i>b</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>c</i>	<i>d</i>		
A—Credit														
1. Small-sized societies	602	2000	2000	2000	10000	10000	52633	40700	65235	54700	28400	28400	93635	83100
2. Large-sized Societies	1349	1345	2925	2925	2600	1789	..	..	6874	6059	..	..	6874	6059
3. Central Cooperative Banks	131	131	..	..	..	..	15	15	146	146	..	..	146	146
4. Apex Cooperative Banks	7	7	9	3	..	..	..	..	16	10	..	..	16	10
5. Land Mortgage Banks	50	7	138	7	..	16	27	27	215	57	40	40	255	97
6. Supervising Unions	..	..	..	..	..	..	298	61	298	61	130	130	428	191
7. Credit Unions	..	..	..	..	..	..	234	189	234	189	230	230	464	419

Schemes	1956-57		1957-58		1958-59		1959-60		1960-61		Total		
	a	b	a	b	a	b	a	b	c	d			
8. Godowns of Large Sized Societies and Rural godowns . . .	419	376	1052	98	900	900	662	630	3033	2890	3033	2890	
	..	..	..	..	..	..	272	150	272	150	713	713
												3033	
												2890	
												985	
												863	
<i>B—Marketing :</i>													
1. Marketing Societies . . .	251	224	479	408	500	356	543	454	1773	1442	262	262	2035
2. Godowns of Marketing Societies . . .	218	187	398	340	390	311	544	245	1550	1083	292	292	1842
<i>C—Processing :</i>													
Processing Societies other than Sugar factories . . .	13	13	24	33	28	51	158	138	223	235	126	126	349
													361

APPENDIX IV

(Vide para 29)

No. F. 1-12/59-Coop. I

GOVERNMENT OF INDIA

MINISTRY OF COMMUNITY DEVELOPMENT & CO-OPERATION
(DEPARTMENT OF COOPERATION)

Krishni Bhavan

New Delhi, the 11th May, 1959.

21st Vaisakha, 1881.

From

SHRI M. R. BHIDE, I.C.S.,
Additional Secretary
to the Government of India.

To

The Secretary in charge of Co-operation,
All State Governments/Union Territories.

SUBJECT: *Co-operative Policy and formulation of Supplementary Plans for 1959-60.*

Sir,

As you are aware, the National Development Council at its meeting on November 8 and 9, 1958, adopted a Resolution on Co-operative Policy and a Working Group was appointed to consider the administrative and organisational arrangements required for implementing the Resolution. The Resolution of the National Development Council on Co-operative Policy and the Report of the Working Group were circulated to State Governments, Union Territories, Reserve Bank of India, State Bank of India and a number of prominent co-operators. It was intended to discuss the Report of the Working Group at a Conference of Ministers of Co-operation and some prominent non-official co-operators in the middle of March, 1959 but unfortunately it was not possible to hold that Conference. Some State Governments, the Reserve Bank of India, the State Bank of India and a number of prominent co-operators, however, sent their views in writing and these were summarised in a note which was circulated at the last meeting of the National Development Council held on the 3rd and 4th April, 1959. The Government of India examined the Report of the Working Group and reached certain tentative conclusions which were also placed before the National Development Council. The National Development Council discussed the whole question in detail and made certain recommendations. These recommendations along with all the other relevant papers have been carefully considered by the Government of India and certain conclusions regarding the policies to be followed and the steps to be taken have now been reached. These are given in Annexure 'A' to this letter.

2. It is the purpose of this letter to convey the broad indications of policy the Government of India would request the State Governments to follow in this connection. Conditions vary considerably from State to State and in the light of local conditions and circumstances the State Governments may find it necessary to make suitable modifications in the details of the programme in the interest of sound and rapid development. A considerable degree of flexibility is therefore envisaged. The Government of India would, however, like to stress that such flexibility should not result in a major departure from the basic national policies that have been laid down in this respect.

3. For implementing the co-operative policy as outlined in Annexure 'A' and for achieving the enhanced targets of co-operative development, it will be necessary for State Governments to examine their existing programmes and revise them. It is realised that the provisions made in the annual plan for 1959-60 will not be adequate and in fact during the discussions of the 1959-60 plans, the State Governments were informed that the Government of India would be prepared to consider supplementary plans for co-operative development. It is, therefore, suggested that State Governments should take immediate steps to prepare supplementary plans for the period July, 1959 to March, 1960. The proposals may, *inter-alia*, include provisions in respect of the following matters:

- (i) assistance to village co-operative societies;
- (ii) assistance to supervising unions;
- (iii) share capital contributions, loans and subsidies to marketing and processing societies;
- (iv) strengthening of departmental staff; and
- (v) expansion of training facilities for departmental employees and for an educational programme for non-officials.

4. It is requested that the supplementary plans should be forwarded to this Department as early as possible and it is hoped that State Governments would be able to do so not later than the 15th of June, 1959. Copies of the plans should be forwarded to the Planning Commission and the Reserve Bank of India. The form on which the Annual Plans are forwarded may be used for this purpose.

5. The question of financial assistance for co-operative farming societies is at present under consideration and a separate communication in that connection will follow.

6. Six spare copies of this letter and annexures are enclosed to enable the State Officers concerned to deal with the subject simultaneously.

Yours faithfully,

Sd./- M. R. BHIDE,
Additional Secretary to the Government of India.

Copies forwarded to the Registrars of Co-operative Societies, All State Governments/Union Territories.

Sd./- M. R. BHIDE,
Additional Secretary to the Government of India.

ANNEXURE 'A'

BROAD INDICATIONS OF THE POLICY TO BE FOLLOWED IN RESPECT OF CO-OPERATIVE DEVELOPMENT

(a) Community Development and Co-operation

1. The panchayat and the co-operative are the primary agencies for carrying out the community development programme, which aims at the improvement of all aspects of rural life through the efforts of the people. The village agricultural programme is the foundation of the programme for co-operative development and should receive the highest priority.

2. In carrying out the co-operative programme, the role of the community development agency as an agency of the State Government must be fully recognised. It is essential that before a co-operative society is registered or an existing society taken up for revitalisation, the block extension officer for co-operation, the co-operative staff under him and the village level worker should ensure that the programme is drawn up after the fullest consultation with the people.

3. The primary work of the village level worker should be in the field of agriculture, co-operation and panchayats and he must assist co-operative development particularly in publicity, propaganda, organisation and assistance to village co-operative societies in implementing their plans of production. He must, therefore, have a fairly adequate grounding in the theory and practice of co-operation and the co-operative content of his training should cover a period of at least three months. Action in this connection is being taken in consultation with the Ministry of Food and Agriculture who are in charge of village level workers' training centres. Refresher courses for village level workers should be periodically held for them.

(b) Functioning of the village co-operative

4. The primary functions of the village co-operative will be the provision of short and medium term credit, supply of agricultural and other production requirements and the marketing of agricultural produce. In addition to these functions, the co-operative will help formulate and implement a plan of agricultural production for the village and undertake such educative, advisory and welfare work as the members might be willing to take up. For specific functions, co-operative societies may be organised for groups of villages (e.g. for industrial workers). They may also be organised within a village on behalf of those who benefit from a particular activity (e.g. co-operative farming, tube-wells, soil conservation, etc.).

(c) Division of functions between panchayats and co-operatives

5. The village panchayat is an administrative body comprising of all the people in the village and has revenue resources and tax

powers. The village co-operative is essentially a business organisation whose resources are largely based on contractual obligations. Each of them has specific functions of its own, but there are certain functions at the village level which could be taken up either by the panchayat or the co-operative according to the local circumstances. It is, therefore, necessary to ensure that there is the fullest co-ordination between them.

(d) Size of the primary Rural co-operative

6. Co-operatives should be organised on the basis of the village community as the primary unit. Where villages are too small, with the consent of the communities concerned, a number of them covering a population of about 1,000 could be grouped together for the purpose of forming a village co-operative society. A certain amount of flexibility would, however, be necessary and provided the essential characteristics of a co-operative society, namely, voluntary basis, close contact, social cohesion and mutual obligation are ensured, suitable adjustments in the size of the population covered by a village society can be made.

7. The organisation of village co-operatives on the above lines is the pattern for general application. There are, however, tracts which are specially backward in the economic sense and it may not be possible in the near future for village societies in such areas to adequately handle credit and other activities. There are also areas in which co-operative societies have for various reasons been chronically stagnant and fail to render even the minimum service. In such areas the normal programme of revitalisation both for credit and other purposes may not hold near prospects of success and there is, therefore, a danger that in our efforts to organise village societies handling various activities as well as credit, the important function of credit itself may suffer. It is, therefore, proposed that in such areas, a credit union may be organised for a group of villages which will also have village societies.

8. The State may, if it considers it necessary, contribute to the share capital of the credit union. The terms and conditions particularly regarding the retirement of the state share of the capital should be determined in the light of local conditions. The credit union may also be assisted according to the circumstances, provided that the total assistance will not exceed Rs. 900 spread over a period of five years. The Government of India will share the cost of such assistance with the State Government on a 50:50 basis.

9. Individuals residing within the area of operation of the credit union and every village society lying within its area will be eligible for membership in the union and should be enrolled as members. The membership of individuals in the credit union will depend on their membership of the village co-operative society affiliated to the credit union, while the credit union will advance loans directly to its members. These be given on the recommendations of the affiliated village co-operative societies. The village societies will also be fully utilised for supervising the utilisation of the loans and for recoveries.

The village societies will handle all other items of work to be taken up by primary village societies. Care should be taken to develop the village societies so that in course of time they will be in a position to handle the credit work also. In the implementation of policy in these areas there should be a good deal of flexibility and positive steps should be taken to give an impetus to the movement. The areas for the adoption of this pattern should be selected by State Governments but the Government of India should be kept informed of the areas so selected.

10. Conditions in tribal areas are very different from those in the rest of the country and the pattern of a credit union for a group of villages may also be found more suitable for them. The Government of India would like to emphasise that in framing programmes for the tribal areas, special attention should be paid to the tribal organisations and customs and other significant conditions obtaining in such areas.

(e) Type of liability of the village society

11. Liability in the village societies may be either limited or unlimited and there should be no rigidity of approach in this respect. This question should be left to be determined by the members of the village society concerned.

(f) Contribution to the share capital of primary village co-operatives by the State

12. Share capital participation by the State in Apex and Central Banks and marketing and processing societies should continue, but there should be no state participation in the share capital of village societies. The real question is how to finance village co-operatives on a large scale over a period of time. Finance is needed by all the cultivators and particularly by small land holders who cannot get adequate credit for increasing agricultural production on their lands. The Department of Co-operation and the Planning Commission are examining, in consultation with the Reserve Bank, the question as to how larger funds can be made available through co-operative societies for implementing village agricultural production programmes.

13. Large sized societies covering a number of villages and a large population and with State participation in share capital should not be organised in future. Commitments made regarding managerial assistance, share capital contribution, etc. in respect of large sized societies registered before 1-4-1959 should, however, be fully met.

(g) Assistance to village co-operatives

14. It is recognised that new societies and existing societies taken up for revitalisation will, in the initial stages, require some financial assistance to enable them to meet their working expenses.

The actual assistance to societies will have to be worked out in consideration of various factors and will have to be determined by the State Government. Such assistance should, however, not exceed Rs. 900 per society spread over a period not exceeding five years. The Government of India and State Governments will share equally the cost of such assistance.

(h) Incentives for increasing membership of village societies

15. In some States persons without permanent rights in land are either not admitted as members or are not provided with adequate credit. If co-operation is to be developed as a countrywide movement, it is necessary that every person who wishes to join a society is enabled to do so. The final decision about admission must, of course, remain with the society, but to prevent injustice, etc., a right of appeal against refusal to admit a person as a member should be provided. It is only when every family in the village joins the village multi-purpose society that it can become fully representative.

16. In every village, there are a few families, who do not require credit on any large scale and may indeed, have surplus funds for investment. Efforts should be made to attract them to the village society so that the necessary funds are found locally to the maximum possible extent. These families often provide the leadership in the village and their joining the village societies will strengthen them.

17. Village multi-purpose societies provide not only credit but various other services and facilities, a large number of which are, at present, provided by Government. It should, therefore, be the policy to progressively make such facilities available only to members of village societies. Similarly, there are certain other services, like land mortgage, banking and marketing, which should also be progressively made available only to members of the village co-operative societies.

18. It is realised that all this cannot be done straightaway. State Governments and co-operative organisations should examine these suggestions and lay down a reasonable time-limit within which they should be implemented.

(i) Targets for membership and credit

19. The membership of village co-operative societies at the end of 1957-58 was a little over 10 millions while the target set by the National Development Council to be achieved by the end of the Second Five Year Plan period is 20 millions. It is felt that with special efforts particularly from non-official agencies and with larger financial accommodation for village multi-purpose societies this target should not be incapable of achievement. In this connection it is necessary to ensure that expansion is really sound and not merely on paper and for this purpose State Governments should lay down certain minimum conditions regarding membership and contribution to the share capital before new village societies are registered. State Governments

should, in the light of these observations and the local conditions, prepare revised targets for new societies to be organised, existing societies to be revitalised and overall increase in membership.

20. As regards the target for credit, the Government of India are fully aware of the difficulties in providing adequate finance for 20 million members and of the various problems that arise in this connection. This question, as stated earlier, is being examined separately, and a further communication will follow. It is, however, necessary to impress on State Governments the need for substantial increase in share capital and deposits in societies. Special efforts in this respect should, therefore, be made.

(j) Drawing non-officials and honorary workers into the movement

21. If co-operation is to succeed as a people's movement, it is necessary that non-official effort is brought in on a considerable scale. For this it is essential to create the necessary atmosphere. Even today in many States it is still the practice to nominate Government officials as Chairman of the Board of Directors. This practice should be given up at the earliest possible. Honorary workers and leaders with enthusiasm, ability and integrity must be attracted to the movement in much larger numbers. This is particularly so in respect of organisations which have promotional and educational activities.

22. For implementing the large scale programme of expansion envisaged, something more than official and non-official effort in the form in which it is available today is needed. A mass scale effort throughout the country is required. A vast army of persons with the essential ground and knowledge of co-operation will have to go into the field and carry the message to the masses and organise them. Special efforts in this connection will therefore be necessary.

(k) Intermediary Organisation between the primary and the District level

23. The organisation of supervising unions at the block or equivalent level is very necessary for the purpose of supervision, education, organisation and promotion. These supervising unions should be federated into district unions and a union at the State level and it is only thus that non-official effort in the co-operative field can be secured on a sound and stable basis. The Government of India would be prepared to share with the State Governments the cost of financial and technical assistance that may have to be given to such unions in the initial stages. A paper making certain suggestions covering this and the preceding para is enclosed for the consideration of State Governments (Annexure 'B').

(l) Marketing, processing and storage

24. There is great need for more intensive development of co-operative marketing and processing. This is absolutely essential in view of the role co-operative marketing societies are expected to play in connection with the scheme for State foodgrains. Village societies

should be members of such marketing societies and should act as their agents for the sale of all surplus agricultural produce. Marketing co-operatives should be in close and constant contact with the central banks who should, to the maximum possible extent, open branches at the headquarters of marketing societies. This is also necessary for the convenience of the village societies in that area, particularly when banking unions covering a group of villages are not to be organised. There must be the fullest co-ordination between the central banks and their branches, marketing societies and village societies, if linking of credit with agricultural production on the one hand and with marketing on the other is to be ensured. Marketing societies should have godowns not only at their headquarters, but at suitable centres in the areas covered by them, in addition to godowns of large-sized societies and societies located in big villages. The present programme for the organisation of marketing societies should be accelerated and proposals for its expansion formulated so that all the markets in the country are covered. An expanded programme for co-operative processing should also be drawn up for implementation in the near future. Assistance for these programmes will be available according to the present pattern.

(m) Training and education of members, non-official workers and officials

25. The existing arrangements for training of departmental employees and employees of co-operative institutions should be expanded considerably in view of the large scale expansion that will be necessary in the co-operative departments of State Governments. The Reserve Bank of India, the Government of India and the State Governments who are incharge of this work should examine the position and formulate revised programmes in this connection. Training and education of non-officials is being done on a small scale by the All India Co-operative Union through State Governments and State Unions. A comprehensive programme of training and education at the village, block and district levels should be drawn up. Some proposals in this connection are at present under the consideration of the Government of India and a separate communication will follow. State Governments should, in the meanwhile, examine the position. The Government of India will continue to assist the implementation of such programmes on the present pattern.

(n) Strengthening of Departmental staff

26. There has been considerable progress in some States in this respect during the last three years. The position in other States, however, is not satisfactory and as a result, supervision and inspection are inadequate and there are heavy arrears of audit. State Governments should also examine the position in the light of the large scale expansion envisaged and take necessary steps to increase the departmental staff at all levels. The Government of India will share the cost of additional staff sanctioned in the supplementary plans for 1959-60, and for the remaining period of the Second Five Year Plan on 50 : 50 basis as against the present position where the Government of India pays only 25% of the cost. In this connection, it is necessary

to stress that not only should the staff be adequate, it must also be properly trained. In addition, it is necessary to ensure that the Registrar and his senior officers are men with vision, receive adequate training in co-operative work and remain in the department for a sufficiently long period of time.

(o) Simplification of co-operative law and procedure

27. The existing position, particularly in respect of the procedure and rules, is not at all satisfactory. The law must clearly provide for various measures of regulation, control, supervision, audit, etc. A good deal of the criticism that is directed towards the rigidity of the co-operative law or concentration of authority in the Registrar really applies to the manner in which the law is administered or procedures followed by the co-operative department. In this respect considerable improvement is both desirable and possible. It is necessary that in exercising the controls provided in the law, rules, etc. there should be the closest possible association with representative non-official co-operative organisations. Where sound organisations exist, some of the powers could also be delegated to them. In States where non-official organisations either do not exist or are weak, they must be created or strengthened. The ultimate object in this respect must be to delegate as many powers as possible to such non-official organisations and to exercise other powers in close consultation with them. Only then can the movement become a people's movement governed by the people.

28. The law, rules and procedures vary from State to State and it is, therefore, not possible to make any uniform recommendations. It is suggested that State Governments should consider the appointment of small committees of officials and non-officials to examine the whole question and submit detailed proposals to Government for consideration and action at an early date. A copy of the note circulated to the National Development Council on this subject is attached. (Annexure 'C').

(p) Channelling of the taccavi and other facilities through co-operatives

29. As a rule, Government apart from distress taccavi, should not give loans to individuals and all assistance should be channelled through co-operative organisations. It is understood that in one or two districts in Bombay, taccavi is at present being channelled in this manner. State Governments should examine this question and take necessary steps in this connection.

(q) Co-operative Farming

30. The policy in this respect is to take such essential steps as will provide sound foundations for the development of co-operative farming so that by the end of the Third Five Year Plan a substantial portion of agricultural land is cultivated on co-operative lines. The Standing Committee of the National Development Council, in September, 1957 suggested (i) survey of existing co-operative farming

societies with a view to selecting those societies which should be developed further through the programme of co-operative experiments, (ii) during the next three years about 3,000 co-operative farming experiments should be carried out, and (iii) three regional centres on co-operative farming should be set up at the end of the year. These suggestions and the pattern of assistance are under consideration and a further communication on this subject will follow.

ANNEXURE 'B'

Strengthening of non-official organisations and redefining the role of official and non-official agencies in the development of the Co-operative Movement

Co-operation is a form of organisation, in which persons voluntarily associate together on a basis of equality for the promotion of their economic interests. From this it follows that the persons, who come together, should have a common economic aim, should pool their resources and should make self-help effective by mutual aid and by strengthening the bonds of moral solidarity between them. To be really successful, the movement must not only be voluntary but also popular and broad-based. It must also, to the maximum possible extent, be organised and run by the people themselves. It is on this basis that the movement has been organised in most democratic countries in the West. In many countries, the State has given considerable assistance in various ways, but the initiative has remained with the people.

2. In India, the co-operative movement owes its origin largely to the initiative of the State and its development has been made the special responsibility of the Registrar, who has been equipped with the necessary powers and provide with the necessary staff to carry out various functions. The expectation that in course of time co-operators would themselves assume increased responsibility for the organisation and working of the movement, and thus make it ultimately independent of official control, has not been realised in many parts of the country for a variety of reasons. One is the comparative lack of education and lack of initiative by the people, particularly in the rural areas. Secondly, in some States, the Government and its officers have often not encouraged local leadership to come into the movement in responsible positions in the belief that they were not really capable of organising and running it. Actually, in some States, further and far-reaching powers have recently been conferred on the Registrar. To a large extent, this attitude is the result of the fact that local initiative was lacking and that Government was providing large funds and considerable staff for this work. Whatever be the justification for this under foreign rule, there is hardly any now. Every effort must, therefore, be made to encourage the people and their leaders to take over the organisation and running of the movement. Government will, no doubt, continue to perform its statutory functions under the law and give the maximum possible financial and other assistance. The objective, however, should be to transfer, as early as possible, the responsibility for the movement to the people and their leaders.

3. In India, the co-operative agency is being used on an increasing scale as an instrument of national policy and it is inevitable that Government will have to play a very important role in this work. Considerable financial assistance will have to be given and functions, such as registration, cancellation, liquidation, audit, etc. will, for quite some time to come, have to be performed by Government in many States in India. There is, however, no reason why it should not be possible for Government to do this without taking away from the movement, its essential popular characters. In States where sound non-official organisations exist or can be quickly built up some of this work can be delegated to them.

4. In this connection, it is necessary to define broadly the role of the officials and the non-officials. In an era of State planning, it is imperative that direction and guidance come from the State. The State must provide the fundamental law for the regulation of co-operative societies. It must also educate public opinion as to the most suitable lines of co-operative development and provide the atmosphere and facilities for such development, the objective being to foster the spirit of mutual help and self-reliance among the people. It must, however, be realised that no State planning will succeed unless it is accepted by the people and becomes a part of their ideology. It is, therefore, essential to enlist the full support of the people and their leaders, in drawing up as well as in carrying out plans of co-operative development. A suitable machinery for consultation and administration and for constant inter-change of views and opinions between non-official co-operators and officers must be devised. The closest association of non-officials, at all stages, must be assured and the initiative of the people must be given full play.

5. The objective being clear, the question arises as to how it can be secured. Individual workers can contribute a great deal by their zeal and faith but, for the results to be of permanent value, it is essential that they work through suitable institutions. This applies not only to specific tasks like credit or marketing but also to general questions of education, propaganda and organisation and running of societies. This work at present is being done by Government and non-official organisations in varying degrees. The pattern of organisation varies from State to State according to the local conditions and circumstances and, therefore, there should be no rigidity in this respect. It is, however, necessary that there should be a broad pattern for the country as a whole which can be modified according to local circumstances.

6. There are certain statutory tasks like audit, registration, cancellation, supersession, enquiry, etc. which are the responsibility of the Registrar and which as far as the law is concerned should, for the present, remain with him. In some States, however, some of these functions such as registration and supersession can easily be delegated to non-official organisations at the State or even district level. In other States, this may take time as sound non-official organisations do not at present exist. Delegation of powers in those States will depend entirely on how and when they are built up. Some functions particularly those relating to education, organisation and supervision

should at the earliest possible moment, be handled by non-official organisations.

7. At present arrangements for supervision vary considerably. In one State, it is done entirely by Government, while in another, it is done entirely by a non-official union. In one State, there are supervising unions, district unions and a State supervising Board. In certain States, the work is done entirely by the Central Banks with their own staff. In parts of one State, it is done by Central financing agencies while in other parts of the same State, it is done by supervising unions which, are largely financed and controlled by central financing institutions. There is no uniformity and it is not intended that there should be complete uniformity throughout the country. On the other hand, it is felt that there should be a broad pattern with minor variations according to local conditions. The existing system in some States, where the Central financing institutions do the supervision of credit societies through their own staff, is not considered satisfactory. The central financing institutions have no doubt considerable stake in the solvency of the affiliated societies but it is neither necessary nor desirable that it should also be the agency for supervision. Non-credit societies are not dealt with by the central financing agencies and as a result another agency has to be created for their supervision. This is unsatisfactory. Supervision should be entrusted to an organisation of all the societies, credit and non-credit to be supervised and in this respect the existing pattern in certain States requires to be modified. Some modifications in the broad pattern to suit local conditions and circumstances may be desirable. For example, the central financial institutions may have a larger voice in some States if conditions justify it. This question is important because on it depends the success of the efforts to hand over progressively, the organisation and working of co-operative institutions to non-official organisations.

8. There has been and there is even today, a tendency to organise co-operative institutions like unions and institutes at the national or state level without sound organisations at the district and village levels. As a result, the higher level organisations are often weak and unable to perform their legitimate functions satisfactorily. It is, in this connection, that the following suggestions are put forward for consideration.

Open Membership

9. (i) In many States, the village societies are not open to all the people in the village and quite often are the close preserve of a few well-to-do people, who take full advantage of the assistance and facilities provided by Government and yet are not prepared to open their doors to the weaker sections of the community. This approach is basically opposed to the ideology behind co-operation. It is, therefore, essential that every person, who wishes to join a co-operative organisation and benefit by it, is enabled to join it. To ensure this, it is necessary to give him a right of appeal against the refusal by the society to admit him as a member. Once this is done and every eligible person who wishes to join a co-operative organisation becomes a member, the village organisation will be fully representative of the

village. The executive Committee, it will elect, will have to justify itself by its actions before the general meeting of the society and only then can the real leaders of the village do real service to the community.

Supervising Unions

(ii) A group of village co-operatives should be organised into supervising unions. The area of operation of a supervising union should be a community development block. In areas not covered by such blocks, a corresponding number of villages and population should be covered by a supervising union. Every village society will have one representative on the supervising union and will pay a small fee. Central financing agencies covering the area of operation of a supervising union will also send one or two representatives and will contribute to the funds of the supervising unions according to the volume of credit they provide to the societies in that area. All other co-operative organisations working in that area will also join as members and pay contributions. Government will also contribute to the funds of the union, an amount sufficient to balance its budget. As time passes and the co-operatives and the central financing agencies develop, their contributions will increase and to that extent the Government contributions can be reduced. The supervising unions will not only supervise the affiliated societies but will also be responsible for the educational and organisational work in the areas within their jurisdiction. The tasks of educating the members of the societies and the members of the Executive Committee is very important and should be the responsibility of the supervising unions, which will be given all the necessary assistance. They should also formulate the co-operative development plan and review the progress made.

District Unions

(iii) There should be a district union for each district which should be a federation of the supervising unions in the district. The other co-operatives working in the district, which are not members of the supervising unions, e.g., urban societies, should also join the district union. The Central banks and various district organisations, e.g., marketing, should also be members of the district union. The district unions will receive contributions from the affiliated supervising unions, urban societies, district federations, central financing agencies and subsidies from Government. They will be concerned with education, organisational and supervision work and will help the supervising unions in the district. They should have some technical staff, who will visit the supervising unions, advise, guide and assist them and take the necessary remedial action in respect of the work of the supervising unions.

State Unions

(iv) State unions will be federations of district unions organised on the same lines, with the same functions and will be financed on similar lines.

All India Union

(v) This should be a federation of State Unions. At present, there is an All India Co-operative Union, which will have to be strengthened in various ways. Details will have to be worked out with the Executive Committee of the Union.

10. It must be made quite clear that the Government, the Registrar and his officers will not have any control over these institutions, apart from their statutory duties of registration, inspection, cancellation, liquidation and audit and will not interfere in their day-to-day work. It will, however, be their duty to assist and help these organisations at all times, and in particular, in the initial stages. It would be an advantage to these organisations, if Government were to nominate one or two representatives on the Board of Directors of these institutions. They should be there as observers and for the purpose of assisting and helping them on the spot. They should not only have no right of veto, but they should not even have a vote. It would be made clear that such nomination would be made only if the organisations concerned so desire.

11. All the organisations will require trained staff. Such staff should, in the initial stages, be trained by Government at various co-operative training institutions. Later on they can join together and make their own arrangements if they so desire. These organisations must devote special attention to certain problems particularly education and training of members in the theory and practice of co-operation. They must also pay special attention to the organisation and running of societies and supervise them in the day-to-day work.

12. There are a number of co-operative organisations like the State Co-operative Bank, the State Marketing Federation, Central Banks, etc. In some States, it is still the practice to nominate the Registrar as the President of the State organisations and officers in charge of districts as Chairman of the Central banks. Whatever be the justification for this in the past, it is necessary to change the system if genuine non-official effort in the co-operative field is to emerge. State Governments should, therefore, take immediate action to replace official chairman of various such bodies by locally elected non-officials. A definite programme for this should be laid down and implemented without delay. It must, however, be emphasised that the removal of Government officers from these posts should make no difference whatsoever to the financial and other assistance that is being given by Government to these institutions.

ANNEXURE 'C'

SIMPLIFICATION OF CO-OPERATIVE LAW AND PROCEDURE

1. The main object of co-operative legislation is to provide the general basis for ensuring the co-operative character of the institutions and leave the rest to rules and bye-laws. The substantive law should lay down broad principles and the necessary authority for guidance, regulation, audit, etc., and details will have to be filled in by the rules to be made by Government. There should also be scope left to the bye-laws of the societies.

2. Co-operation is a State subject and at present some State Governments are working under the 1912 (Central) Act which has been amended by local legislation in various respects while others have local laws amended from time to time. Conditions vary from State to State and it is thus not possible to have uniformity. The co-operative movement has developed in various directions including marketing, processing, cottage and village industries and in enterprises like sugar factories and substantial sums of money are involved. Suitable provisions should exist to meet these different activities.

3. In certain State laws, some essential functions are not provided for in the law and it is necessary to incorporate them in the Statutes. Similarly, experience has shown that in the interest of the soundness of the movement, the law must provide for some additional functions and powers. As against this, there are certain powers which in the present context of things, are unnecessary and should be deleted from the Statute Book. Lastly, there are certain provisions which should be liberalised. Keeping all these aspects in view, certain suggestions are made below:—

Additional Provisions to be made in the law

4. The law might specifically provide for the following:—
 - (i) Registration of societies—conditions to be satisfied, etc.
 - (ii) Settlement of disputes.
 - (iii) Supersession of inefficient managing committees. In the absence of such a provision, there is no alternative but to cancel the registration of a society—a step which is considered too drastic.
 - (iv) The authority to hear appeals. Power to the State to review and revise the orders of the Registrar and other authorities should also be given.
 - (v) Co-operative farming societies and land mortgage banks.
 - (vi) Amalgamation and division of societies with the consent of the people.

- (vii) Membership of co-operative societies and provision for appeals in case of refusal.
- (viii) Legal provision for State aid to co-operative societies in the form of share capital, loans, grants and guarantees.
- (ix) In view of the large scale plans of development, considerable financial assistance from Government and the need of a majority of co-operative organisations for guidance and help, inspection by Government, central banks, etc., should be provided for in the law.
- (x) The prompt execution of awards, decrees and orders concerning co-operative societies.

Liberalisation of the existing provisions

5. (i) Agricultural credit societies may have limited or unlimited liability.

(ii) The law should provide for annual audit either by the Registrar through separate qualified staff or through a properly equipped non-official organisation like the State Union.

(iii) Each State should decide on an appellate tribunal—whether it should be an official one—Board of Revenue or financial Commissioner—or a tribunal non-official in character.

Deletion of certain existing provisions

6. (i) The law in certain States has been amended to provide for compulsory amalgamation of societies. This provision is objectionable and should be removed from the Statute Book.

(ii) In certain States, the Government-nominated directors are entitled to appeal against the majority decision of the Board of Directors and societies cannot implement majority decisions until the appeals are disposed of. This should be discontinued.

(iii) In certain States, the entire Board of Directors has been nominated for a period varying from 3 to 5 years. This system should be changed.

7. There are delays in procedures adopted. Steps should be taken to reduce them.

Delays generally take place at the following stages:—

- (a) Organisation
- (b) Registration
- (c) Affiliation with the financing bank
- (d) Preparation of property statements
- (e) Loan application by a member
- (f) Sanction of loan by the financing bank
- (g) Disbursement of loan to a member
- (h) Arbitration and liquidation proceedings

(a) Organisation

Delays at this stage can be reduced, if the preparatory work of the supervisor is thoroughly carried out. The forms prescribed should be simplified. A time limit of three weeks should be enough for this work.

(b) Registration

In many States, the power of registration rests only with the Registrar and few senior officers. For societies following the normal pattern and the standard bye-laws, there is no reason why the district co-operative officer should not be given the power. Delays also take place in consulting the Central Bank. It should be possible to complete this part of the work in three weeks. Taken as a whole, there should be a time limit of 2 months within which the first two stages ending with registration should be completed.

(c) Affiliation with the financing bank

Central banks take far too much time and a time limit of 15 days should be enough for this work.

(d) Preparation of property statements

The statements are complicated and far too many people have to deal with them. It should be possible to reduce this number. Now that short term credit is to be given on the basis of the production programme, the fixation of the maximum borrowing limit of a society need not be held up till the property statements are completed in every respect.

(e) Loan application by a member

A society's consolidated loan application should be dealt with by the supervisor, who should send to the central bank either direct or through the inspector. This process should not take more than 10 days.

(f) Sanction of loan by the financing bank

Some central banks deal with applications of individual members and this not only causes delay but also adversely affects society's sense of responsibility. This practice is objectionable and should be given up. A time limit of 15 days should be enough for this stage. It should also be possible for the central bank to sanction a part of the loan straightaway, leaving the balance to be sanctioned later.

(g) Disbursement of loan

Central banks do not have enough branches and consequently societies have to spend a lot of time and money in coming to the central banks for the money. Wherever possible, central banks should arrange with State bank branches and Urban banks for disbursement of sanctioned loans.

(h) Arbitration

Delays in arbitration and liquidation proceedings are chronic. A time limit should be fixed for the arbitration work. As regards liquidation, there are many legal difficulties and every effort should be made to remove them.

8. There are considerable delays at the higher level in the Department as well as in the institutions.

9. This note states broadly the changes required in the law, rules and procedures. The law must specially provide for various measures of regulation, control, supervision, etc. Much of the criticism that is directed towards the rigidity of the co-operative law or concentration of authority in the Registrar really applies to the manner in which the law is administered or procedures followed by co-operative department. It is, therefore, necessary that in exercising such control there should be close association with representative non-official co-operative organisations. As an instance, a managing committee should not be superseded without consultation with the State or District Union. It will not only lead to good feeling but will also impart a sense of responsibility to the officials as well as the non-official organisations. In states where sound and efficient non-official organisations at various levels exist, such consultation should be possible straightaway. Some of the powers could also be delegated to them, e.g., supersession of a managing committee. In States, where non-official organisations are either weak or do not exist, progress in respect of consultation as well as in delegation of powers will be slower and will depend on how fast sound organisations can be brought into being. The ultimate objective must be to delegate as many powers as possible to such non-official organisations. Only then can the co-operative movement govern itself.

10. The various points brought out in this note require very close examination by State Governments. It is, therefore, suggested that State Governments should immediately appoint small committees of officials and non-officials to examine the whole question of the law, rules, procedure, causes of delay and allied matters and submit detailed proposals to State Governments for their consideration at an early date.

No. 6-14/60-U.T.
GOVERNMENT OF INDIA
MINISTRY OF COMMUNITY DEVELOPMENT AND
COOPERATION
(DEPARTMENT OF CO-OPERATION)

'Krishi Bhavan',
New Delhi-2,
October 4, 1960.
Asvina 12, 1882.

From

Shri M. R. Bhide,
Secretary to the Government of India.

To

The Secretary incharge of Cooperation,
All State Governments/Union Territories.

SUBJECT:—*Cooperative Policy—Recommendations of the Committee
on Co-operative Credit.*

Sir,

I am directed to refer to this Department's letter No. F.I-12/59-Coop.I, dated 11th May, 1959 in which were communicated to state governments the broad decisions on cooperative policy and which they were requested to follow. In the conference of state ministers of cooperation held in Mysore in July 1959 the question of agricultural credit came up for consideration and as recommended by the conference a committee under the chairmanship of Shri V. L. Mehta was appointed to go into the matter and to make concrete suggestions as to how to expand credit for agricultural production on a considerable scale.

2. The recommendations of the Mehta Committee were discussed at the conference of state ministers of cooperation held at Srinagar in June, 1960. Subsequently the recommendations of the Mehta Committee and the views of the conference of state ministers of cooperation were examined and certain proposals were placed before the National Development Council at its meeting on 3rd September, 1960. The National Development Council approved of the proposals made. The important policy decisions which the Government of India would request the state governments to follow are indicated in the annexure to this letter.

3. The Government of India are in general agreement with the other recommendations made by the Mehta Committee and would urge their acceptance by the state governments and the cooperative

institutions concerned. In so far as the recommendations relate to the Reserve Bank of India, they will be considered by the Bank.

4. A further communication will follow regarding the manner in which the grants to be made to the co-operative institutions will be shared between the central and the state governments.

5. Three spare copies of this letter and annexure are enclosed to enable the state officials concerned to deal with the subject expeditiously.

Yours faithfully,

(Sd.) M. R. BHIDE,

Secretary to the Govt. of India.

COOPERATIVE POLICY—RECOMMENDATIONS OF THE COMMITTEE ON COOPERATIVE CREDIT

(A) *Pattern of Organisation of Village Cooperative Societies.*

As decided by the National Development Council in November, 1958, as a general rule, cooperatives should be organised on the basis of the village community as the primary unit. Where villages are too small the number of villages to be covered by a society may, however, be increased in the interest of viability. The aim should be to ensure viability with the inclusion of the smallest number of villages necessary, so that the cooperative society achieves both viability and the essential characteristics of cooperation, namely, voluntary basis, close contact, social cohesion and mutual obligation. The extension should, however, be subject to the maximum limits of a population of 3,000 (i.e. 600 families, or about 500 cultivating families) and a distance of not more than 3 or 4 miles from the headquarters village.

The broad test of viability should be the ability on the part of a cooperative society to meet the requisite expenses without depending upon financial assistance from Government except for a limited period. Potential viability should be assessed in each case on the basis of a programme of fulfilling certain essential conditions, such as, bringing into the cooperative all rural families, effective implementation of the village agricultural production plan, linking credit with production and with marketing, supervision of the use of credit, undertaking the functions of distribution and supply and attracting local savings to the maximum possible extent as share capital and as deposits.

A population of 3,000 may ordinarily be too high for a primary village society. However, it is not desirable to lay down unduly rigid rules on the subject of organisation and size of cooperative societies. Within a broad framework of policy, cooperative societies should be allowed to develop on their own. Particular care should be taken to ensure that existing societies are not interfered with merely because they do not strictly comply with the pattern of organisation now envisaged. The aim should be to gradually fit them into the new arrangements.

(B) State Partnership in the Share Capital of Primary Agricultural Credit Societies

The state may participate in the share capital of primary agricultural credit societies, the more important terms and conditions proposed being as follows:—

- (i) Share capital contributed by the state should not be more than the contribution made by the members of the society.
- (ii) The state should participate in the share capital of a primary society only if 60 per cent of its members desire it and the central bank to which the society is affiliated supports the proposal.
- (iii) State participation in primary societies should, as a normal rule, be indirect *viz.*, through apex and central banks. In case the State Governments, for special reasons, prefer to participate in the share capital of primary societies directly, they may do so but in such cases they should not nominate directors to the board of directors of the primary societies. If, however, it is not considered feasible or reasonable to do away with nomination altogether, the authority to nominate directors should be delegated to the central cooperative banks.
- (iv) The central bank which would hold shares in the primary society may nominate one-third of the members of the board of directors, subject to a maximum of three.
- (v) State contribution may be continued from the initial stage for a period of 5 to 8 years during which the society may be expected to reach the optimum level of share capital required. The state need not contribute to the share capital after this.
- (vi) The principle of retirement of state share capital should be accepted. After the optimum level of share capital is reached, the process of retirement should start and might be completed during the next five to eight years.
- (vii) The maximum contribution to be made by the state to the share capital of a primary society should ordinarily be limited to Rs. 5,000. In circumstances such as the following, however,, the state contribution could go up to a maximum of Rs. 10,000.
 - (a) in the case of very large villages,
 - (b) for backward areas where it may be necessary to relax the condition regarding the matching contribution, period of retirement, etc. (These areas are predominantly inhabited by scheduled tribes and backward classes.),

- (c) in selected areas coming under irrigation or large scale reclamation for the first time where a specific or rapid increase in agricultural credit is considered imperative in the interest of agricultural production.

In regard to state participation in share capital of societies with unlimited liability, the liability of the State Government cannot be unlimited in the same manner as that of the other members. Therefore, even if the Government takes shares in such societies, its liability will have to be limited to the capital actually contributed by it. The legal aspect of this question should be examined and necessary provision made in the Cooperative Societies Act.

The funds required for participation in share capital should be provided by state governments from loans taken from the Long Term Operations Fund of the Reserve Bank. The quantum of assistance available from the Fund for this purpose will depend upon the contributions which the Reserve Bank will make to the Fund in future years with the approval of the Central Government.

These are the broad indications of the policy to be followed in this connection. It may, however, be noted that there should be no rigidity in the matter of state contribution to share capital, the duration of partnership and the manner in which the share capital should be retired.

·(C) *Outright Grants to Primary Societies and Central Banks for providing Special Bad Debt Reserves*

In the interest of agricultural production, it is necessary that cooperative societies admit to their membership all classes of cultivators including marginal and sub-marginal cultivators, landless tenants etc. and provide them adequate credit on the basis of their production requirements and repaying capacity. In order that cooperative credit institutions are encouraged to do so, it is proposed that;

- (i) Government may make an outright contribution to the funds of each society at 3 per cent of the additional loans made during a year over those advanced by it in the preceding year.
- (ii) Government may also make an outright contribution of 1 per cent similarly to central cooperative banks in respect of the additional finance provided by them.
- (iii) The advance to be taken into account for the purpose of these contributions will be those made for financing agricultural production. Loans given against pledge of produce or jewels should be excluded for this purpose.
- (iv) The contribution recommended above may be made by Government in the year 1962-63 in respect of the increase in the loans given in the year 1961-62 over those advanced in 1960-61 and similarly in the next three years of the Third Plan period.

- (v) The contributions to be made to the primary societies and central banks are primarily by way of encouraging them to provide adequate credit for agricultural production in particular to the weaker sections of the community who are at present either getting no credit at all or getting inadequate credit. The continuance of this contribution should necessarily be contingent on this essential condition being fulfilled. A detailed procedure to assess the progress made by the primary societies in this respect will be determined later in consultation with State Government.
- (vi) The contributions received by societies and central banks should be credited by them to "Special Bad Debt Reserves" which should be drawn upon with the permission of the Registrar and according to rules framed for this purpose. These "Reserves" will be in addition to the normal bad debt reserves created from profits.
- (vii) A primary society may withdraw money from this special reserve to cover the entire amount of loss incurred by it but the withdrawal by a central bank may be only to the extent of 2/3 of the loss, the balance being borne by the bank.
- (viii) Outright grants for contribution to special bad debt reserves should be available to all societies provided their audit classification is not D and E.

(D) Grants to Primary Societies for Managerial Expenses

The management grant for new service cooperatives and for societies which take up approved programmes of revitalisation will continue at the present rate, namely, a maximum of Rs. 900 spread over a period of 3 to 5 years. It must, however, be ensured that the management grant is only given to societies which actually undertake various functions of service cooperatives namely, disbursement of credit, supply of production requisites like fertilisers, insecticides, agricultural implements, seeds etc., and arrange for the marketing of the members' produce etc.

APPENDIX V

Summary of conclusions/recommendations contained in the Report

Serial No.	Reference to para no. of the Report.	Summary of conclusions/recommendations
1	2	3
1	11	The Committee are not sure if the separation of the functions of warehousing from the National Cooperative Development and Warehousing Board would achieve that degree of integrated approach and planning as is necessary for the successful implementation of the objectives and if the same measure of co-ordination as exists at present will obtain between the Cooperative Development Board and the Central Warehousing Corporation merely by giving representation, as proposed, to each body on the other.
2	12	If however, the functions relating to warehousing are to be taken away from the Board it may be a moot point whether there should be a separate Cooperative Development Board and whether the same work could not be done by the Ministry of Community Development and Cooperation itself. The Committee feel that even if for the sake of some administrative advantage the integrated set-up is to be disturbed there may not be sufficient justification for the continued existence of a separate Board merely for disbursing funds to the State Governments since it is done on the basis of programmes and policies already approved by Government and for which financial ceilings are fixed by the Planning Commission. In their view, the extent of coordination with the Central Warehousing Corporation that will be achieved in the changed set-up by representing each of the bodies on the other, can be obtained in the absence of the Board equally at the official level or by

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means of an advisory Committee composed of officials and non-officials representing banking and other connected interests and other persons experienced in the cooperative field.

- 3 16 It was stated that the anticipation of expenditure for the last quarter given by the States to the Board was much higher than what they could spend thus necessitating refunds to the Board. The Committee recommend that the Board may take up with the States the question of framing more realistic estimates in future so that the drawal of excess amounts is reduced to the minimum.
- 4 17 The Committee recommend that a procedure may be devised in consultation with the State Governments for a speedy return of unutilised funds. As an alternative, it might be examined if it would be feasible to set off this amount against the first quarterly instalment of payment made by the Board during June of the subsequent year.
- 5 18 The Committee recommend that the Board may commend to the States the adoption of a rational procedure for payments to cooperative societies which while providing for adequate safeguards would at the same time ensure that there is no undue delay in remittance. If need be, certain model rules may be framed by the Board to form the basis for adoption by the States.
- 6 21 The Committee hope that the implication of the term "utilisation of funds" in respect of construction of godowns would also be cleared before long so that there would be no ambiguity whatsoever in the matter. It would obviously be helpful if some model plans for various types and sizes of godowns, time schedule for completion of construction and the cost per sq. ft. of covered area etc. were laid down in consultation with the State Governments so that the release of funds could be related to the actual progress made.
- 7 23 The Committee hope that continuous attention would be paid by the Board to make sure that the funds sanctioned are utilised for the objectives in view.
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- 8 26 The Committee recognise that during the early stages of cooperative development Government assistance to cooperative societies may prove of value. It is imperative that a cooperative institution should draw its sustenance from within its resources in the interests of its own healthy growth and it should be the endeavour of Government to bring about this consummation as early as possible. The Committee would, therefore, stress the need for the cooperatives to attract deposits from the members and inspire confidence amongst them so as to draw greater contribution to its shares. They would also stress the need for intimate coordination between the cooperative credit societies and the marketing societies for it would be the latter which can act as a channel for recovery of credit extended by the service societies.
- 9 31 The Committee recommend that the position about cooperative development in each State may be assessed carefully and the general reasons for lack of progress of the cooperative movement as also the reasons why a large number of societies were dormant or inactive may be ascertained. The Committee hope that in the Third Five Year Plan the work of consolidation would receive no less attention than expansion.
- 10 32 The Committee feel that it will be useful if the defects noticed in each State by the Team of Officers of the Ministry of Community Development and Cooperation and the remedial action suggested by them are included suitably in the Annual Reports so that other States may benefit by their experiences and avoid similar defects in their own States.
- 11 33 The Committee hope that early action will be taken by the Board in implementation of their Resolution of the 26th August, 1960 that the evaluation of the progress on schemes of cooperative development in the Second Five Year Plan should be undertaken by the officers of the Board.
- 12 36 The Committee were disappointed to note that only about 15% of the total number of societies could be said to be working satisfactorily.
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- 13 37 The Committee feel that it is necessary to evolve a common set of principles for classification of societies as 'A', 'B', 'C', 'D' and 'E', as otherwise what may be considered as "fair" in one State might be thought of as "bad" in another. It is obviously desirable if standards, of classifying a society were broadly laid down. Besides, if there is a common standard, the Board will also be enabled to make an equitable distribution of funds for revitalisation.
- 14 39 The Committee hope that the States will be persuaded to adopt a uniform procedure in regard to revitalisation of societies which would also incidentally enable proper utilisation of the assistance given by the Board for this purpose.
- 15 40 The Committee recommend that the State Governments may be requested to keep a close watch on the working of the revitalised societies so as to make sure that they would be able to continue to function even after Government assistance is withdrawn. The Board may also make a random selection of societies out of those to whom they have rendered financial assistance and keep a watch to see how far they have improved their working and are in a position to stand on their own
- 16 41 The Committee regret to note that the progress on construction of godowns in almost all the States has been slow and halting. It was stated that in some cases where cooperatives have been able to construct their godowns, these have not been put to much use. If proper assessment is made of the potential storage demand before undertaking the construction of godowns, there should be no reason for the godowns remaining vacant. The State Government may be persuaded to exercise every care in the matter of selection of sites by cooperatives for the construction of godowns.
- 17 42 It was stated that the interest charged to the cooperatives by some State Governments was higher than that what the Board charged the State Government. Since the Board are already giving subsidies for additional State Government staff for cooperatives, the State Government should not levy a higher charge from the cooperative societies.
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- 18' 43 It is obvious that unless there are adequate trained departmental staff in the States, there is the risk of cooperatives not coming up or progressing on the right lines.
- 19 44 It is necessary to ensure that the Registrar and his senior officers are men with vision, receive adequate training in cooperative work and remain in the Department for a sufficiently long period of time. It was stated that it had always been agreed by Ministers that the best men should be appointed, that they should be trained and kept for a minimum period of three years. But these agreed decisions had not been complemented in all cases. The Committee are constrained to learn of this lack of action in the face of agreed decisions. This calls for attention at the highest level so as to ensure that the cooperative development does not suffer from this handicap at least in the Third Plan.
- 20 46 How effectively to build non-official leadership is a task to which the Governments at the Centre and the States should address themselves alike. In the Committee's view, the Community Development and National Extension Schemes could make a significant contribution in this respect by interesting non-official in cooperatives. Such non-officials as are forthcoming may be given adequate training on how the work is to be done. They may be encouraged not only to build up and foster cooperative societies but also to spread the message of cooperation among the masses and create enthusiasm for the movement.
- 21 50 In certain States, the revised provisions proposed in the new cooperative laws were stated to be more stringent than that in the existing laws and gave wider powers to the Registrars. This it was stated was contrary to the policy laid down by the National Development Council. The Committee suggest that the policy already accepted in this regard may again be brought to the notice of the State Governments concerned. The Committee would like the provisions of all cooperative legislation to be more protective than restrictive.
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The Committee understand that in certain States, the procedure for registration of a newly formed cooperative society is complicated and elaborate with the result that lot of difficulty is experienced by the members and organisers of the Society. It was also mentioned that some societies exercised discrimination in the matter of admitting new members to the societies. The Committee would urge that in framing the new legislation all such difficulties may be duly taken into account and rectified.

APPENDIX VI

I. *Analysis of recommendations contained in the Report*

Classification of recommendation	Total
A. Recommendations for improving organisation and working	•
S. Nos. 1, 3, 4, 5, 6, 10, 11, 14, 15 and 16	10
B. Recommendations for effecting economy	
S. No. 2	1
C. Miscellaneous	
S. Nos. 7, 8, 9, 12, 13, 17, 18, 19, 20, 21 and 22	11
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II. *Analysis of the more important recommendations directed towards economy*

S. No.	No. as per Summary of recommendation.	Particulars.
1	2	There may not be sufficient justification for the continued existence of the Board if the warehousing functions are taken away.