

# SEVENTY-SECOND REPORT

## PUBLIC ACCOUNTS COMMITTEE

(1986-87)

(EIGHTH LOK SABHA)

NATIONAL COOPERATIVE  
DEVELOPMENT CORPORATION

MINISTRY OF AGRICULTURE AND  
RURAL DEVELOPMENT

the 26th Report (8th Lok Sabha)]



*Presented in Lok Sabha on 24-3-1987*

*Laid in Rajya Sabha on 15-4-1987*

LOK SABHA SECRETARIAT  
NEW DELHI

*March, 1987/Chaitra, 1908 (Saka)*

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Corrigenda to the 72nd Report (8th Lok Sabha)  
of Public Accounts Committee.

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
3	1.7	3	"renewed	"renowned"
41	-	3	"AVE"	"HAVE"
52	1.6	2	"below"	"flow"
52	-	13	"renowed"	"renowned"
53	-	4	"the flow of if"	"that flow of "its"
53	-	14	"mprove"	"improve"

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**PUBLIC ACCOUNTS COMMITTEE**  
**(1986-87)**

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## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Seventy-Second Report on action taken by Government on the recommendations/ observations of the Public Accounts Committee contained in their Twenty-Sixth Report (Eighth Lok Sabha) on National Cooperative Development Corporation relating to Ministry of Agriculture and Rural Development

2. In their earlier Report the Committee had criticised uneven flow of NCDC funds which were more favourably proportioned towards agriculturally developed States as compared to the less developed States whose need for development funds was far greater. The Government, in reply, have stated that this has been largely due to overall level of agriculture Development and cropping pattern in these areas. The Government has stated that even though the States in North-Eastern region, Orissa and Jammu and Kashmir are renowned for their handicrafts and village rural crafts, such activities don't at present fall within the charter of NCDC. It has also been stated that Government is examining the possibility of expanding the role of NCDC to cover such activities. Government has also decided to categorise North-Eastern States and Sikkim under 'Least Developed' category so as to make them eligible for more liberal assistance from NCDC. The Committee have re-emphasised that NCDC should make more purposive and concrete efforts to reverse this trend and ensure the flow of its development funds in a higher proportion to relatively backward States to quicken the pace of their development.

3. The Committee had also pointed out in their earlier Report that a large number of processing units in which NCDC had made heavy investments were running at huge losses. Some of them had had even to close down. The Committee have observed that this state of affairs exists in spite of the fact that NCDC has its own technical personnel for approval of the projects for setting up the processing unit and an elaborate system for appraisal of these projects to ascertain their economic viability. The Committee have, accordingly, recommended that Government should make a deeper study of the working of these units for the purpose of setting out corrective measures.

4. The Committee considered and adopted this Report at their sitting held on 18th March, 1987. Minutes of the sitting form Part II of the Report.

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

6. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Office of the Comptroller and Audit General of India.

NEW DELHI;  
March 20, 1987  
Phalgun 29, 2908 (S)

E. AYYAPU REDDY  
Chairman,  
Public Accounts Committee

## CHAPTER I

### REPORT

This Report of the Committee deals with action taken by Government on the Committee's recommendations/observations contained in their Twenty-Sixth Report (Eighth Lok Sabha) on National Cooperative Development Corporation.

1.2 The Committee's Twenty-Sixth Report was presented to Lok Sabha on 19 March, 1986 and contained 31 recommendations. Action Taken Notes have been received from Government in respect of all the recommendations/observations. These Action Taken Notes have been categorised as follows:—

- (i) Recommendations and observations that have been accepted by Government:  
3—5, 6, 8—19, 20, 22, 23, 25, 27-28, 30-31
- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government:  
2, 7, 26.
- (iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration:  
1, 21, 29.
- (iv) Recommendations and observations in respect of which Government have furnished interim replies:  
24.

1.3 The Committee will now deal with the action taken by Government on some of their recommendations and observations.

#### *Uneven flow of NCDC funds*

1.4 Commenting on the un-even flow of NCDC funds to various States, the Committee in Paras 1.24 and 1.25 of the 26th Report had observed:

“The National Cooperative Development Corporation was set up in 1963 essentially as a promotional and developmental organisation responsible for the countrywide planning and promotion programmes through cooperatives for marketing, agro-processing, storage and supply of agricultural in-

puts to the farmers. The sources of NCDC funds include Central assistance, market borrowings and internal accrual by interest earnings. The net corpus was Rs. 82.35 crores as on 31 March, 1983. The NCDC has provided upto 31 March, 1983 total assistance of Rs. 587.84 crores.

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

1.5 In their Action Taken note dated 1 August 1986, the Ministry of Agriculture (Department of Agriculture and Co-operation) have stated:

"The uneven flow of funds has been largely due to the overall level of agricultural development, cropping patterns etc., in a State. NCDC has been making concerted efforts to improve the level of cooperative development in the cooperatively underdeveloped States. Consequently, there has been an upward trend in the flow of NCDC assistance to these States/Union Territories, during the last few years, as would be seen from the following table:—

(Rs. in lakhs)

Year	Centrally Sponsored Schemes for under-developed States/Union territories			Other Cen-Grand Total Sector/NCDC Sponsored Schemes	
	Fund as received from Central Govt.	Additional funds provided by NCDC	Total		
1980-81	467.00	117.123	584.123	1181.900	1766.023
1981-82	750.00	195.527	945.527	1615.621	2561.148
1982-83	750.00	22.509	772.509	1525.667	2298.176
1983-84	867.00	1.601	868.601	2009.023	2877.624
1984-85	800.00	10.755	810.755	2218.567	3029.322
1985-86	700.00	2.274	702.274	2286.351	2988.625



In the cooperatively under-developed States, particularly in North Eastern Region, there is very little/nil production of cotton and sugarcane which may involve setting up of high cost industry, attracting higher share of NCDC's assistance, while the States like Punjab, Haryana, Maharashtra are rich in production of such commodities (cotton and sugar). Even though the States in North Eastern Region, Orissa and Jammu & Kashmir are renowned for their handicrafts and village rural crafts, such activities do not at present fall within the charter of NCDC. The Government of India, however, is considering to expand the role of NCDC to cover such activities. These aspects have thus, contributed to the uneven flow of assistance.

Keeping in view the problems of some of the cooperatively under-developed States in availing NCDC assistance, NCDC in March, 1984, took a decision to categorise North-Eastern States and Sikkim under the 'Least Developed' category so that assistance upto 95% of the cost of each programme/project could be available from NCDC against 60—80% earlier. Similarly, weaker sections' programmes like fishery, dairy, poultry, etc., would also be eligible for liberal assistance from NCDC upto 95% of the cost of programme/project. It is expected that these decisions would gradually enable flow of more and more assistance for the development of cooperatives in these States."

**1.6** It was pointed out by the Committee in their earlier report that there was an uneven flow of NCDC funds, Agriculturally developed States like Punjab, Haryana and Maharashtra appear to receive a larger share than the less developed States including Bihar, Orissa, West Bengal and J&K whose need for development funds was far greater. Government have stated in reply that this has been largely due to overall level of agricultural development and cropping pattern in these areas. It is precisely for this reason that the Committee had observed that the efforts should have been to correct this trend.

**1.7** Curiously, almost as if it was an extenuatory circumstance, the Ministry has stated that even though the States in North-eastern Region, Orissa and Jammu & Kashmir are renowned for their handicrafts and village rural crafts, such activities do not at present fall within the charter of the NCDC. The Committee have been informed that Government of India is examining the possibility of expanding the role of NCDC to cover such activities. Government has also

decided to categorise North Eastern States and Sikkim under 'Least Developed' category to make them eligible for more liberal assistance from NCDC i.e. upto 95% of the cost of the programme/project. The Committee wish to re-emphasise that NCDC which is an effective instrument for planning and development through cooperation, should make more purposive and concrete efforts to ensure that flow of its development funds in a higher proportion to relatively backward States with a view to quickening the pace of their development. The Committee appreciate the steps Government has already taken and trusts that they will pursue them vigorously and give serious consideration to the suggestions made by it.

### *Cooperative rice-mills*

1.8 Pointing out that cooperative rice-mills programme had not been successful mainly because of paddy/rice procurement policy of State Governments, the Committee had desired in para 3.16 (S. No. 21) that millers levy should be sorted out at the highest level as under:

"The Committee conclude that the cooperative rice mills programme has not been successful. Of the 689 conventional rice mills 184 have become defunct/dormant 76 of these mills are located in Andhra Pradesh and 39 in Maharashtra. The rest are spread over 8 other States including Madhya Pradesh (21), Orissa (16) and Punjab (15). The reasons advanced for these mills becoming dormant/defunct are mainly State Governments paddy/rice procurement policies rendering the rice milling activity non-viable. It has also led to unfair or unequal competition with the private trade. No evaluation study of the scheme on all India level has so far been attempted, and even at State level they were undertaken in respect of only 2 States namely Madhya Pradesh and West Bengal. The Committee note that capacity utilisation of some rice mills has been improved from 35.8 per cent in 1975-76 to 70 per cent in 1981-82 as a result of better management and technical advice tendered by the Corporation. This improvement however, results in their being only marginally above the break even point which is presumably 60 per cent. In this context, the committee note that out of 369 rice mills in 13 States 231 mills were earning profits and 113 which constitute about 30.6 per cent, were running at loss. Taking due note of this fact every effort should be made

to remove all such constraints as hamper economic viability of rice mills. The Committee would also like the Ministry of Agriculture and Cooperation to sort out the issue of millers levy with the Central Government and the State Government concerned at the highest level so that the cooperative rice mills can compete with the private trade on a basis of equality."

1.9 In their Action taken note dated 1 August, 1986, the Department of Agriculture and Cooperation have stated as under:

"An evaluation study of the scheme relating to the setting up of coop. rice mills has since been initiated by the Corporation. The terms of reference of evaluation study are as under:

- (i) To study the impact of NCDC's scheme of setting up of cooperative Rice Mills on a sample basis; in the light of this, suggest changes in the policies and procedures to improve the impact of NCDC's scheme and commercial viability of Rice processing units, and
- (ii) To analyse factors responsible for losses of 42 rice mills (Reference para No. 3.27 of PAC Report) and suggest remedial measures for improvement in their overall performance.

The Corporation has requested the State Governments to remove constraints hampering economic viability of rice mills.

As desired by the Public Accounts Committee, the Hon. Minister of Agriculture has addressed a D.O. letter to the Hon. Minister for Food and Civil Supplies on 24th July, 1986 requesting him to exempt the cooperative rice mills from imposition of millers levy and to advise the State Governments accordingly."

1.10 The Committee note that an evaluation study of the scheme relating to setting up of cooperative rice mills has been initiated by the National Cooperative Development Corporation with a view to studying the impact of this scheme and also to suggest modifications in the policies and procedures to improve its impact as also the commercial viability of rice processing units. The evaluation study is expected also to analyse factors responsible for losses of 42 rice mills as pointed out in the earlier recommendations and

suggest remedial measures for improvement in their overall performance. The Committee would like to know, in due course, the findings of the evaluation study and action taken on the findings designed presumably to improve functioning of the concerned rice mills.

*Uneconomic performance of processing units*

1.11 In Para 4.19 of the 26th Report, the Committee had observed:

“The Audit Paragraph and the information gathered by the Committee show that a large number of processing units in which heavy investments of NCDC alone are involved had been running at a loss. Thus, of the 24 fruit and vegetable processing units and 5 other units to which Rs. 37.80 lakhs were given as assistance, working reports of 7 units have not been received. Of these 7 units, 4 in Bihar and one in Kerala assisted to the extent of Rs. 23 lakhs had been closed down while in the case of 4 units in Bihar, NCDC sanctioned assistance on the recommendation of the State Government. The assistance to a unit in Kerala was sanctioned after the appraisals found the unit to be economically viable. The units in Bihar have been closed down due to arbitration cases with supplier of machinery soon after their establishment which were resolved only in 1974-75 and lack of interest on the part of societies. The unit in Kerala was closed down due to uneconomic operations. Of the remaining 17 units, 10 units were running at a loss as on 30 June, 1980, their accumulated losses ranged from Rs. 1.87 lakhs to Rs. 233 lakhs. The capacity utilisation of 10 units ranged from 0.25 to 53 per cent of their rated capacity during 1977-78 to 1979-80. A proposal of the Markfed Canneries unit was examined by the Corporation for establishment of a canning and bottling line at Jalandhar. As it was found to be economically viable, it was sanctioned. The unit, however, incurred loss of Rs. 86.45 lakhs during 1981-82 and it accumulated losses upto 30 June, 1982 stood at Rs. 353 lakhs. The corrective steps taken to reduce losses are yet to show any results. In this context, the Committee note that NCDC has been maintaining its own technical personnel

to undertake appraisal of the projects for setting up of processing units before sanctioning assistance. The proposals received in the Corporation are subjected to preliminary examination by the concerned Programme Division to establish, *prima facie*, technical feasibility of the units. Thereafter, they are scrutinised, wherever the block cost exceeds Rs. 15.00 lakhs by a team of Officers consisting of the technologists and professional specialists of different disciplines according to the requirement of the project. These proposals alongwith the report of the Appraisal Team are further scrutinised by the Screening Committee which is assisted by the technologists of the concerned disciplines and specialists in finance, costing, economics, civil engineering etc. according to the requirement of each project. Thus, the Corporation subject each proposal to a detailed scrutiny before sanctioning assistance. It is surprising therefore, that even though units are given assistance after such thorough examination by professionals they incur heavy losses. Obviously, there is some factor to which the right weightage is not being given.

1.12 In their Action Taken note dated the 12 September, 1966, the Ministry of Agriculture (Department of Agriculture and Corporation) have stated:

“The appraisal system, adopted for appraising a project covers almost all the areas such as raw material availability—present and projected, and chances of realisation of the projections, marketable surplus, market arrivals and expected market penetration, capabilities of the implementing cooperative to take up the programme and its past performance, scope for creation of additional capacity proposed; *vis-a-vis* available capacity for processing the relevant raw material in the catchment area, technology proposed, locational aspects, marketing of products of processing, economic viability and socio-economic objectives. The appraisal reports also bring out the inherent dangers arising out of the factors like highly vulnerable nature of the oilseeds trade, cotton and yarn market and sugar prices etc. through the concept of ‘sensitivity analysis’. Thus, the appraisal reports do consider the various aspects in the proper perspective and with right weightage. With the adoption of project

approach and emphasis on the economic size of the units, it is hoped that the managerial and training needs of the units would be adequately met resulting in improvement in the performance of the processing Units."

1.13 The Committee had noted in their earlier report that a large number of processing units in which NCDC had made heavy investments were running at huge losses. Some of them had had even to close down. It was noted further that the corrective steps taken had yet to show results. The Committee find that this state of affairs continue to exist despite the fact that NCDC has its own technical personnel for approval of the projects for setting up the processing units and in fact the reply of the Government indicates that an elaborate system exists for appraisal of the projects to ascertain their economic viability. The Committee is for precisely these reasons surprised that so many units have failed to achieve the right economic results inspite of such careful appraisal. The Committee would therefore, suggest that Government should make a deeper study of the working of these units for the purpose of setting out corrective measures.

1.14 The Committee desire that the final replies in respect of the recommendations included in Chapter V, may be furnished duly veted by Audit, to the Committee at an early date.

## **CHAPTER II**

### **RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation**

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

[S. No. 3 Appendix III Para 1.27 of the 26th Report of  
PAC (8th Lok Sabha)]

#### **Action Taken**

The Government of India, Ministry of Finance (Department of Revenue) *vide* notification No. 197/163/83-II(AI) dated 8th July, 1986 has notified the NCDC for the purpose of Sub-Clause (IV) of Clause (23C) of Section 10 of the Income-tax Act, 1961 for the period covered by the Assessment years 1984-85 to 1987-88. Accordingly, the income of NCDC for the said period will not be liable to income tax. Necessary action for extension of the notification beyond the assessment year 1987-88 will be taken at the appropriate time.

[Ministry of Agriculture, Department of Agriculture &  
Cooperation, O.M. No. L-12011/12/86-I&P dated 1-8-86]

#### **Recommendation**

The Committee are perturbed to find that the establishment expenditure of the Corporation has been increasing from year to year. It has increased from 0.89 per cent of the total programme expenditure of Rs. 6,519 lakhs in 1980-81 to 0.96 per cent of Programme expenditure of Rs. 9,611 lakhs in 1982-83. The Corporation had on 1st April, 1983 at its corporate office as many as 439 officials (of this 113 are group 'D' officials). The Committee are of the view that

the staffing pattern especially of the body devoted to promotional activity needs to be re-examined both to ensure economy and also to ensure that more and more staff is deployed in the field so that the various Programmes and Promotional activities of the Corporation's are supervised effectively. This will also ensure economy in expenditure on tours which also has been increasing unduly. The Committee are also not satisfied that the work of the Corporation should normally necessitate tours abroad.

[S. No. 4 Appendix-III Para 1.28 of 26th Report of PAC  
(8th Lok Sabha)]

#### Action Taken

The staffing policy is reviewed on a regular basis. As a result thereof, the Corporation is already developing its staffing pattern towards opening of new and strengthening of existing field offices, with a view to effectively monitoring of the programmes and also to reduce the expenditure on travelling allowances. The following data would corroborate the action taken by the Corporation in this regard:

#### Deployment of Staff.

	No. of field offices	Staff deployed in RO/PO	% of staff in ROs/POs
1-4-80 . . . . .	9	58	15.4
1-4-82 . . . . .	11	101	19.5
1-4-84 . . . . .	11	112	18.9
1-4-86 . . . . .	14	169	24.1

As a first step in the direction of decentralisation the Regional Directors have recently been empowered to sanction the proposals received from State Governments/Banks for construction of rural godowns.

However, as recommended by PAC, NCDC will make a special review of staffing pattern, keeping in view the requirement of the NCDC.

The Policy on international cooperation as indicated in the Annual Report of the Ministry of Agriculture for 1985-86 indicates *inter-alia* "The advantages of mutual sharing of experience and expertise both with developed and developing countries, under pinned



by transfer of resources from more developed to less developed countries continued to motivate our policy in this field'. NCDC plays its part in this overall policy more specifically through participation in negotiations directly linked with project loans, seminars and conferences of the U.N., other specialised agencies and international cooperative bodies.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P Dated 12-9-1986]

### **Recommendation**

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

[S. No. 5 of Appendix-III para 1.29 of the  
26th Report of the PAC (8th Lok Sabha)]

### **Action Taken**

Based on past experience, NCDC, has developed a well defined system for monitoring of assisted projects/programmes both at the installation and operational stages. This system comprises (a) submission of periodical returns in the prescribed formats by the societies/units and RCS/State Governments; (b) physical inspection of the assisted projects/programmes by the officers in the Regional Directorates/project Offices as well as by the specialists and other officers from the head office. There are 7 Regional Directorates and 7 Project Offices charged with the responsibility, among others, of supervising the implementation of sanctioned projects/programmes and formulation of new projects/programmes in consultation with the concerned cooperatives/State Governments; (c) periodical review of the progress of projects/programmes assisted by NCDC in the meeting of Review & Implementation Committees formed in each State under the Chairmanship of Secretary (A&C) of the concerned State. Such meetings are held periodically to review the progress, identify constraints and suggest remedial measures. In respect of internationally aided projects like godowns, State level Coordination Committees have been constituted in the project States with the association of Regional Directors/Project Officers, which normally review the progress on monthly basis.

An Electronic Data Processing Centre (EDP) has also been set up in the Corporation. A sample of about 1000 societies at various levels of cooperative structure has been selected for monitoring through visits by the officers of the NCDC both at the head office and the Regional Directorates/Project Offices. Suitable proforma for collecting the information from the societies/projects and feeding the computer have been designed. Already about 900 societies/units have been visited by the NCDC Officers and the data has been/being entered in the computer and the programmes are being developed.

To further facilitate coordination, monitoring and implementation of various programmes of NCDC in the States/Union Territories, specific States have been allocated to the officers in the head office. These officers are required to help and guide the officers of the State Govt./RCS/Central Government/Planning Commission etc., in connection with formulation of programmes, allocation of funds and utilisation thereof, overall implementation of programmes (including achievement of targets under New 20-Point programmes), etc.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P Dated 1-8-86]

#### **Recommendation**

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

[S. No. 6 Appendix III Para 1-30 of the 26th Report of PAC  
(8th Lok Sabha)]

#### **Action Taken**

Normally, the assistance provided direct to the State Cooperative Banks is in the form of loan. There is only one instance when an assistance originally sanctioned as loan was subsequently converted into grant of Rs. 1.35 lakhs to Himachal Pradesh State Co-operative Bank for meeting part cost of O&M Study of the Bank under NCDC-II IDA assisted Storage Project. This grant was sanctioned on the recommendations of the State Government and the final in-

statement was released to the Bank after the study report had been submitted to the Bank by Administrative Staff College of India and the Bank had paid the total cost of the Study to the Consultants.

2. The utilisation of grant in the above case was ensured by the Corporation before releasing the amount to the Bank.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P Dated 1-8-86]

### Recommendation

The Committee find that out of the 42013 rural and 6955 marketing godowns to be completed upto 31-12-83, only 34004 rural and 6063 marketing godowns could be completed and 6220 rural and 595 marketing godowns were under construction. Construction of 1789 rural and 297 marketing godowns had not been taken up at all. A large number of these godowns not taken up for construction were in cooperatively underdeveloped States like Bihar, Madhya Pradesh and West Bengal.

[Sl. No. 8 Appendix III Para 2.34 of 26th Report of PAC  
(8th Lok Sabha)]

### Action Taken

The present position of godowns to be completed upto 31st December 1984 is indicated below:—

	R	M
Programme to be completed as on 31-12-83.	42013	6955
Programme dropped after 31-12-83 . . . . .	1053	153
Net programme to be completed . . . . .	40960	6802
Programme completed so far . . . . .	38805	6552
Programme under construction . . . . .	1986	210
Programme not taken up for construction . . . . .	169	40

2. Of the programme not taken up, there are 17 marketing godowns in Bihar. The proposal of the State Government to shift these godowns to alternative sites in tribal areas of Bihar is under consideration. In Madhya Pradesh and West Bengal there is no

case of godowns not having been taken up for construction. State-wise details of programme yet to be taken up for construction are annexed.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 8-9-86]

### ANNEXURE

Statewise details of programme sanctioned upto 1982-83 but yet to be taken up for construction

	R	M
1. Andhra Pradesh . . . . .	3	..
2. Bihar . . . . .		17
3. J & K . . . . .	19	10
4. Karnataka . . . . .	145	4
5. Maharashtra . . . . .	..	5
6. Meghalaya . . . . .	2	2
7. Orissa . . . . .	..	2
<b>Total :</b>	<b>169</b>	<b>40</b>

### Recommendation

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

[Sl. No. 9 Appendix III Para 2.35 of 26th Report of PAC  
(8th Lok Sabha)]

### Action Taken

The Corporation has increased the periodicity of reporting from quarterly to monthly. The modified reporting requires the State Govts./Banks to indicate the societywise particulars of godowns completed and/or dropped during the reporting period. In addition, the Corporation has also introduced a system of automatic lapse under which sanctions issued by the Corporation, if not operated upon within a period of 12 months from its date of issue, would automatically lapse.

Incidentally, the word 'Corporation' is a misprint and it should read "Cooperation".

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 28-8-86]

### **Recommendation**

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

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

[Sl. No. 10 Appendix III Para 2.36 of 26th Report of PAC  
(8th Lok Sabha)]

### **Action Taken**

As desired by the Committee, following steps have been taken to streamline the procedure of reporting and to minimise the delays in taking action in those cases where sanctions to construct godowns are not operated upon:—

- (1) The Corporation has introduced the concept of automatic lapse of a sanction whereby if a sanction issued by the Corporation is not operated upon within 12 months of its date of issue, it will automatically lapse.
- (2) The power to sanction financial assistance for construction of rural godowns has been delegated to the Regional Directors, the field offices of the Corporation, w.e.f. 1-4-1986.
- (3) The reporting of progress in construction of godowns has been made on monthly basis against the existing quarterly

system, so as to bring the reporting system on par with the existing reporting system applicable to internationally aided storage projects.

- (4) **Spot inspection of at least 10 per cent of the godowns under construction by field staff has been decided upon for godowns under normal programme of the Corporation. Such arrangements already exist in respect of internationally aided programme.**
- (5) **The proforma of monthly progress report has been amplified to include society-wise particulars of godowns completed and/or dropped during the reporting period.**

[Ministry of Agriculture, Deptt. of Agriculture & Co-operation O.M. No. L-120/12/86/I&P dated 28-8-86]

### **Recommendation**

Although the construction of godowns was required to be started within 3 months of the release of 1st instalment, the Committee find that after the release of the first instalment for 13836 rural and 1422 marketing godowns, the second instalment of NCDC loan and subsidy was released in respect of no more than 9633 rural and 848 marketing godowns. This indicates that the commencement of construction of godowns was delayed in respect of a large number of cases. Funds released for 4203 rural and 574 marketing godowns amounting to Rs. 580.76 lakhs as loan and Rs. 142.30 lakhs as subsidy remained unutilised with the cooperative societies for a period ranging from 1 to 7 years. The Committee are unhappy at this sorry State of affairs. The delay in the commencement of construction work has been explained in terms of time taken in getting the plan and estimates of the godown approved by the competent authority, non-availability of scarce construction materials, unwillingness of the contractors, non-availability of centralised arrangements for taking up construction, dis-interest of Managing Committee and lack of efforts on the part of State Governments in effectively implementing the programme. The Committee are deeply concerned at the existence of these constraints 20 years after the setting up of the NCDC. It appears that no appreciable efforts have been made at macro level by the NCDC to overcome these constraints. The delay ranging from 1 year to 7 years on account of these constraints is highly deplorable. As the development and promotion of Cooperatives fall under the jurisdictions of the States, it is in their own interest to remove the impediments and accelerate

the construction of godowns. Suitable changes in the policy of granting subsidies, can go a long way in checking the tendency of dis-interest and lack of efforts. They would like some mechanism to be evolved and conditions laid down at the time of sanction so that all those concerned with the construction of godowns may not be found lacking in their efforts after the sanction is given for the construction of a godown. At the same time, they would also like the Ministry to take up the matter at the highest level with the concerned authorities to resolve the problem of scarce building material.

[S. No. 11 App. III Para 2.37 of 26th Report of PAC  
(8th Lok Sabha)]

### Action Taken

As desired by the Committee, following steps have been taken to accelerate the progress of construction of godowns:—

- (i) The concept of automatic lapse of sanctions has been introduced whereby if the sanction issued by the Corporation is not operated upon within 12 months of its date of issue, it will automatically lapse, and, in case the second instalment of loan is not claimed within 21 months from the date of sanction of assistance by Corporation, the sanction will lapse. In the later case, the amount of first instalment of assistance released by the Corporation will be become recoverable.
- (ii) The periodicity of reporting has been increased from quarterly to monthly. The format of report has been amplified to include particulars of godowns dropped/completed during the period under report.
- (iii) It has been decided to release subsidy sanctioned by the Corporation alongwith the second instalment after ensuring that the construction of godown has progressed upto plinth level.
- (iv) Where a godown is dropped after release of second instalment by the Corporation, it has been decided to charge penal interest on subsidy, if it is not refunded within three months of the date of cancellation of sanction or refund of un-utilised subsidy by the society to the State Government, whichever is earliler.

- (v) The States have been advised to ensure adequate and timely supply of construction materials to expedite the completion of godowns vide this Ministry's letter No. L13017/21/86-SIP dated 28-8-1986.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 28-8-86]

### **Recommendation**

The pace of construction of both rural and marketing godowns had been notably slow in cooperatively underdeveloped States. In Bihar, out of 511 marketing and 1511 rural godowns sanctioned by the NCDC only 352 marketing and 562 rural godowns have been constructed. It is unfortunate that no study had been conducted to ascertain the reasons for such slow progress. The Committee are told that institutional field structure in Bihar was weak. The Committee appreciate that cooperation being a State subject, primary responsibility for the development and promotion of co-operatives rests with the State Governments. They feel that Central Government on its part having created the NCDC essentially with the aim of promoting and developing cooperatives and therefore the Corporation cannot escape from its responsibility. The Corporation has to work in its constitutional framework for the promotion and development of cooperatives in concert with State Governments to improve the functioning of the cooperative projects

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

[S. No. 12 App. III Para 2.38 of 26th Report of PAC  
(8th Lok Sabha)]

### **Action Taken**

As desired by the Committee, the Corporation has constituted a group in order to study the Cooperative Development in selected underdeveloped States in the country. This group consists of General Manager of the NCDC as Chairman and S/Shri M. S. Pradhan Chief Director (M&I), A. Ramanathan, Management Consultant, K. D. Roy, Finance Adviser and N. L. N. Murty.



Director (P&C) of the NCDC as members. The group has to begin with, taken up a study of various aspects of cooperative law, administration and management, organisational structural, business procedures/practices and constraints etc. of cooperatives in Bihar. The terms of reference of study group are:—

- (i) Review of cooperative policy, programme, administration and management and suggestions for improvement;
- (ii) Review of Cooperative Act, Rules and Bye-laws of cooperatives with special reference to their management and finances and business operations and suggestions for improvement;
- (iii) Review of organisational structure of various types of cooperatives and suggest structural changes needed, and
- (iv) Study of the activities, backward and forward linkages with beneficiary members and higher level cooperatives, business procedures/practices and constraints, managerial aspects and training and suggest measures for improvement.

It is proposed to conduct similar studies for other cooperatively underdeveloped States where the cooperative structure has continued to be weak.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

### **Recommendation**

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

[Sl. No. 13 Appendix III Para 2|39 of 26th Report of PAC  
(8th Lok Sabha)]

### **Action Taken**

As recommended by PAC, the Corporation has requested the State Governments and U.T. administrations vide its letter

No. NCDC.28-8/86-Stg. dated 12th May, 1986 to ensure that every block in the country is provided atleast with one godown by the end of 7th Five Year Plan.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

### **Recommendation**

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

[Sl. No. 14, Appendix III, Para 2.40 of the 26th Report of PAC  
(8th Lok Sabha)]

### **Action Taken**

The Corporation has recovered its share of assistance involved in the 1096 godowns reported as dropped after the release of first or both the instalments.

2. The Corporation has modified its record maintenance in as much as each godown has been allotted a code number and the information in respect of the sanctioned godowns has been put on the computer system. Simultaneously the reporting system at the

level of State RCS/State Cooperative Banks has been modified wherein the implementing agencies are required to indicate to the Corporation, the society-wise particulars of godowns completed or dropped during a reporting period. This information will be fed to the computer system to arrive at the society-wise particulars of the godowns not taken up for construction. Further, the revised procedure for sanction of financial assistance is based on the concept of automatic lapse of a sanction wherein if a sanction is not operated upon within a specified period, it is deemed to have lapsed in full or in part as the case may be, and assistance already provided would become recoverable. The Corporation has thus improved upon its MIS, reporting and sanctioning systems. The modified systems, it is expected would result in speedy recovery of unutilised assistance in respect of dropped godowns.

2. NCDC has also decided to charge penal rate of interest on refund of unutilised subsidy where the State Government/Bank fails to refund the subsidy within three months from the date of cancellation or withdrawal of assistance.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 8-9-86]

### **Recommendation**

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

[Sl. No. 15, Appendix III, Para 2.41 of 26th Report of PAC  
(8th Lok Sabha)]

### **Action Taken**

The improvements made in the reporting system have been explained in the 'Action Taken Notes' on recommendations contained in paras 2.36 & 2.37. The progress made in the construction/

cancellation of godowns earlier reported as not taken up for construction is indicated below:—

	Rural	Marketing
1. Godowns not taken up (31-3-82)	2374	371
2. Construction taken up subsequently	715	177
3. Godowns dropped	1659	194

The process of recovery of assistance already provided in respect of dropped godowns has been initiated.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 8-9-86]

### Recommendation

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

the latest position and the action taken for expediting the completion of the outstanding godowns.

[Sl. No. 16, Appendix III, Para 2.42 of 26th Report of PAC  
(8th Lok Sabha)]

### **Action Taken**

With the addition of 715 rural and 177 marketing godowns, the construction of which commenced after 31-12-82, the total programme under construction was 3533 rural and 437 marketing godowns. Of these, 2246 rural and 298 marketing godowns have been completed, leaving a balance of 1287 rural and 139 marketing godowns under construction.

Additional assistance for completion of 1267 rural and 75 marketing godowns has been sanctioned. The proposals for sanction of additional assistance for 75 more rural and 2 marketing godowns are under consideration.

In order to speed up the completion of the godowns, the State Governments have been advised to review, on priority basis, each case of godown under construction and to send proposals to NCDC for additional funds, wherever considered necessary, latest by 15th October, 1986. Where the State Government does not report either completion of a godown or puts in a proposal for additional assistance, the action to cancel the godown and to recover the assistance already provided to the State Government would be initiated according to the prescribed procedure.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 3-9-86]

### **Recommendation**

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

[Sl. No. 17, Appendix-III, Para 2.43 of 26th Report of PAC  
(8th Lok Sabha)]

### **Action Taken**

The Corporation has introduced a concept of automatic lapse of sanctions, where a sanction lapses automatically, if it is not operated upon within 12 months of date of its issue or where the second instalment is not drawn within 21 months of date of its issue. In respect of godowns dropped or cancelled after the release of second instalment, the modified reporting system envisages that the full particulars of the godowns dropped during the reporting period shall be indicated therein. It is expected that the modified procedure would facilitate the recovery of un-utilised assistance. The new reporting system also provides for particulars of godowns completed during the reporting period as well as the expenditure incurred on each godown to be indicated therein. This will enable the Corporation to watch the utilisation of sanctioned assistance. In addition, the field officers of the Corporation have been advised to carry out on the spot inspection of 10 per cent of the godowns under construction during a particular year.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 28-8-86]

### **Recommendation**

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

[Sl. No. 18, Appendix III, Para 2.44 of 26th Report of PAC  
(8th Lok Sabha)]

### **Action Taken**

As recommended by the Committee, the Corporation has modified the format of monthly progress report to be submitted by RCS/SCB

to provide full particulars of godown completed during the reporting period as also the actual expenditure incurred on each godown.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

### **Recommendation**

The Committee regret to find that the utilisation of godowns capacity had been very poor. In many cases it is as low as zero. According to sample studies conducted in Mandya and Shimoga districts of Karnataka State the average capacity utilisation of rural godowns had been 10 per cent and 35 per cent respectively. In the case of marketing godowns the capacity utilisation had been 55 per cent and 30 per cent respectively. The same picture has emerged from the sample studies of Palghat and Cannanore districts of Kerala where rural godowns capacity had been utilised to the extent of only 15-16 per cent and marketing godown capacity between 31 and 49 per cent. The position in other States *viz.* Tamil Nadu, Uttar Pradesh and Maharashtra where sample studies have been conducted is no better. The sample study report on utilisation of godowns in Poona districts points out that marketing godowns capacity utilisation had been 40 per cent and of rural godowns 35 per cent. It is astonishing to note that utilisation of some godowns had been zero as the societies were not dealing with the distribution of fertilisers and other agricultural inputs. It has been stated that low utilisation had been not because of economic assumptions were wrong as the area had potentiality, but because the management of societies was defective. If this view is correct steps should be taken to improve the managerial efficiency of these organisations. The Corporation must draw the attention of the State Government to the low utilisation of godown capacity for taking up the appropriate action.

[Sl. No. 19, Appendix III, Para 2.50 of 26th Report of PAC  
(8th Lok Sabha)]

### **Action Taken**

As recommended by the Committee, the Corporation has drawn attention of the State Governments and U.T. Administrations *vide* its letter No. 28-13/86-Stg. dated 23-7-86 to the low utilisation of godown capacity and the need to improve the capacity utilisation. Various steps suggested include increase of non-credit business, distribution of fertiliser and consumer articles, custom hiring of

spare capacity and training of Secretary of the society to improve managerial efficiency.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

### Recommendation

The Committee note that out of 747 cooperative rice mills assisted by the NCDC till March, 1982, 729 have been installed. Of the remaining 18 units, 14 have been cancelled and 4 units assisted to the extent of Rs. 18.40 lakhs are under installation since 1971-72 and 1978-79. It is surprising that installation of these units should be incomplete even though work on them commenced in one case 14 years ago and in the other 7 years ago. Even after allowing reasonable allowance for difficulties in getting construction material, change of management by State Governments, delay in release of assistance by the State Government and the time taken in completion of procedural formalities, the unusually long time taken for installation of rice mills since 1971-72 can hardly be justified. And yet it has been stated that "the position of units under installation is regularly reviewed by the Corporation". The Committee would like to know the latest position about the installation of these units, their initial estimated cost and the cost escalation that has taken place in their case. In view of the fact that Rs. 18.20 lakhs had been given by the Corporation as loan for these 4 units, the Corporation's assertion that no funds generally get blocked in such units is scarcely sustainable.

[S. No. 20, Appendix III, Para 3.15 of the 26th Report of the PAC  
(8th Lok Sabha)]

### Action Taken

The latest position regarding installation, initial estimated cost and the total cost incurred on these units is indicated below:

(Rs. in lakhs)				
S. No.	Name of the Rice Mill	Date of installation.	Initial estimated cost.	Total cost incurred
1.	Bhagirath	21-7-81	3.35	3.1839
2.	Kuttanad	1-6-82	23.50	25.735
3.	Basti	25-2-83	10.86	11.520
4.	Nanpara	7-1-84	10.70	13.47



The fact of installation was earlier reported to PAC in reply to Q. No. 10 (iii) of 'Questionnaire for Advance information'.

2. No cost escalation was sanctioned by the Corporation in these cases.

3. With a view to closely monitor the installation of new rice mills, the Corporation has introduced the concept of 'time frame' within which each activity/stage in the installation of the project would be required to be completed. This project implementation schedule shall form part of the sanction. In addition, the sanctions not operated upon fully or partly will be deemed to have lapsed automatically after the expiry of validity period and, assistance already provided would become recoverable from the loanee State Government.

With the adoption of this policy, no funds are likely to get blocked owing to lack of close monitoring or delayed installation.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

### Recommendation

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

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

[S. No. 22, Appendix III, Para No. 3.17 of the 26th Report of the PAC  
(8th Lok Sabha)]

### **Action Taken**

The Corporation has ascertained the latest position regarding the system of procurement of paddy by coop. rice mills in West Bengal. The State RCS has now confirmed that the coop. rice mills procure paddy directly from the growers as well as through affiliated primary agricultural credit societies and primary marketing societies.

The State Registrars of Cooperative Societies have been advised to supervise the functioning of cooperative rice mills and take appropriate action against lapses. The Corporation extends assistance (i.e. technical as well as financial) based on techno-economic merits of each mill.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

### **Recommendation**

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

[S. No. 23 Appendix III, Para 3.26 of the 26th Report of the PAC  
(8th Lok Sabha)].

### **Action taken**

A study is being conducted by the Corporation as to why the margin money assistance was not able to remedy the situation. The result of the study will be intimated to the P.A.C. in due course of time.

The Corporation has so far (July 1986) taken up rehabilitation of 39 rice mills. The rehabilitation of remaining mills would be taken up after watching the performance of earlier assisted units.

[Ministry of Agriculture, Department of Agriculture and Co-operation, O.M. No. I-12011/12/86-I&P dated 1-8-86]

### Recommendation

With the objective of procuring, processing and marketing of milk and milk products through the cooperatives, NCDC provided assistance to the tune of Rs. 636.08 lakhs upto 31st March, 1980 for the establishment of 16 large sized milk processing plants and 23 milk chilling centres in 10 States. The Committee have been informed that 15 of the 16 medium scale milk processing units are running in profits. However, the Committee find that 3 of these processing units namely: Canara Milk Producers Cooperative Union Limited, Manipal, Ajmer Zilla Dudh Utpadak Sahakari Sangh Limited, Ajmer and Malwa Cooperative Milk Producers Union Limited, Sangrur have registered continuous decline in average capacity utilisation during the last 3 years from 56.16 per cent to 44.5 per cent, 49 per cent to 35.3 per cent and 52.5 per cent to 38.2 per cent respectively. The average milk processing capacity utilisation of West Rajasthan Milk Producers Coop. Union Limited, Jodhpur has also been very dismal ranging from 26.3 per cent to 30.3 per cent during these years. The Committee would like the Corporation to keep a watch on the working of these units and take up the matter of declining production with the States/Cooperatives concerned so that timely corrective action could be taken to improve their capacity utilisation.

[Sl. No. 25 Appendix-III Para 3.38 of 26th report of PAC (8th Lok Sabha)].

### Action taken

As a result of the corrective efforts, 3 of the 4 milk processing units referred to in the para namely the ones located at Manipal (Karnataka), Ajmer and Jodhpur (Rajasthan) have improved upon their capacity utilisation over the period as would be evident from the following table:

*Percent capacity utilisation for the years covered in*

	PAC report			Subsequent Years	
	1981	1982	1983	1984	1985
1. Canara Milk Producers Coop. Union Ltd., Manipal, Karnataka.	56.16	38.75	44.50	59.3	68.9
2. Ajmer Zilla Dudh Utpadak Sahakari Sangh Ltd., Ajmer, Rajasthan.	49.0	33.4	35.3	83.8	165.7
3. Malwa Cooperative Milk Producers Union Ltd., Sangrur Punjab.	52.5	..	38.2	28.0	48.0
4. West Rajasthan Milk Producers Coop. Union Ltd., Jodhpur, Rajasthan.	26.3	26.7	30.3	36.0	54.0

However, in view of the disturbed conditions in Punjab, the Sangrur unit is yet to turn the corner. Since the unit is taken over by the State Dairy Federation under the Operation Flood Programme, OF authorities are the nodal agency for monitoring the performance of the unit.

The Corporation keeps watch over the working of the assisted processing units through monthly progress reports, and the monitoring officers of the Corporation undertake on the spot visits to the selected units, and advise about corrective action, whenever called for.

[Ministry of Agriculture, Department of Agri & Coopn. OM No. L-12011|12|86-I&P dated 1-8-86].

### **Recommendation**

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

[S. No. 27 Appendix-III Para 4.17 of the 26th Report of PAC (8th Lok Sabha)].

### **Action taken**

The Corporation, while sanctioning a processing unit, invariably stipulates the date of completion and commissioning of the unit and indicates the same as the date of validity of the sanction issued by the Corporation. The Corporation is, thus, prescribing a definite time frame within which an assisted processing unit is expected to be completed. However, in the light of the recommendation of the PAC,

the Corporation has made the monitoring closer and more meaningful. In order to monitor the establishment of the processing units more effectively, the Corporation has started prescribing definite time-frame for each stage of implementation of the sanctioned unit. It is expected that with the prescribed stagewise time-frame, the Corporation would be in a better position to monitor the installation of units more closely and to take remedial measures to remove obstacles, if any, coming in the way of timely installation.

[Ministry of Agriculture, Department of Agriculture & Cooperation, O.M. No. L-12011/12/86-I&P dated 8-9-86]

### **Recommendation**

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

[Sl. No. 28 Appendix III Para 4.18 of 26th Report of PAC (8th Lok Sabha)].

### **Action taken**

In order to ensure that the agro-processing Units assisted by the Corporation are competently managed and staffed, the following action has been taken:—

- (a) The Corporation is increasingly adopting project approach in its programmes which take into account the development of extension services, as also the manpower and training needs of the units. The cost of these services is included in the block cost of the project. These inputs stand provided in NCDC-II Storage and NCDC-III Storage and Agro Processing projects, Soyabean development project and Mustard seed development programme in Rajasthan.
- (b) Recruitment of professionally qualified personnel in consultation with NCDC is being made as a pre-condition of sanction of the project.

- (c) The Corporation has regular scheme of imparting specialised training to technical|managerial personnel of cooperatives. The cooperatives are encouraged to avail assistance under the scheme.
- (d) Short term courses of duration, ordinarily upto 4 months, conducted by Vaikunth Mehtra National Institute of Co-operative Management, Cooperative Training Colleges and various Management Institutes are being financed by NCDC. The NCDC also provides cent per cent financial assistance to National Council for cooperative training towards cost of short term functional training courses being sponsored by NCDC.
- (e) The Corporation is also assisting National and State level cooperative federations towards employment and training of professionals for a period of 7 years on a tapering scale.
- (f) The Corporation, towards improving the managerial capabilities and staffing of the units, is suggesting an organisational chart for each of its sanctioned Units for guidance.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 12-9-86]

### **Recommendation**

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

root and training the professionals to manage cooperative ventures of the right economically viable size. The Committee recognise that cooperative ventures have a very important role to play, but they cannot do by wishing away or ignoring well recognised economic factors prevailing in the market.

[S. No. 30 Appendix-III Para 4.20 of the 26th Report of PAC  
(8th Lok Sabha)].

#### **Action taken**

As recommended by the Public Accounts Committee, the State Govts. have been advised:

- (a) To recommend proposals to the Corporation for establishment of cooperative agro-processing units having economic size, enlightened leadership, professional management and growth potential;
- (b) to encourage grower members from larger area to join the cooperative venture as a measure to ensure the economic size of the unit; and
- (c) to discourage establishment of a small scale processing unit the economic viability of which is doubtful. As regards the small scale units already installed, the State Govts. have been advised to devise ways and means for ensuring that these units are run as economically viable ones.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M No. L-12011/12/86-I&P dated 8-9-86]

#### **Recommendation**

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

[S. No. 31 of Appendix-III para 4.21 of the 26th Report of the PAC  
(8th Lok Sabha)]

### Action Taken

Ever-since its establishment in 1963, in the discharge of its functions as envisaged under the Act, NCDC has been directing its efforts, policies and programmes in helping the farmer to secure remunerative price for his produce. NCDC's assistance both promotional and financial, was being rendered to the farmers' cooperatives viz. marketing and processing cooperatives as well as PACS|FSS|LAMPS and their federations through their respective State Governments by way of supplementing the State Government's efforts in this direction.

2. In specific terms, NCDC's assistance has been for the following purposes:—

- (i) Margin money to enable raising of working capital/bank credit by the State level federations and additional share capital assistance to the primary level marketing societies for their strengthening/revitalisation to enable these societies and federations to expand and diversify their marketing operations—both price support and commercial operations.
- (ii) Creation of adequate storage and cold storage facilities at the village, mandi and other intermediary levels by PACS and marketing societies so as to enhance their capacity to store the agricultural produce for such period as may be necessary for disposal|sale at remunerative prices.
- (iii) Creation of processing facilities viz., establishment of agro-processing units like rice mills, dal mills, oil mills, cotton ginning and pressing/spinning mills, jute baling units, fruit and vegetables and plantation crop processing units etc. to enable the farmers to obtain value-added price for their produce.
- (iv) Special scheme to help the cooperatives in expanding their role for distribution of inputs to the farmers and also for establishment of agro-service centres and other input production units like pesticides units etc.
- (v) Grant of subsidies for establishment of Technical and promotional Cells in the State/National level marketing/processing federations and for training of key personnel of these cooperative functionaries at different levels.

3. A statement showing the quantum of assistance provided by NCDC for the above programmes from 1962-63 to the beginning of



**Sixth Plan, during the Sixth Plan and the tentative outlay envisaged during the Seventh Plan is at Annexure-I. It may be observed that bulk of NCDC's assistance is being channeled to the cooperative development programmes including infra-structural facilities which aim at helping the farmers through their cooperatives in securing better price for their produce. It may also be observed that the percentage of assistance provided by NCDC towards these programmes had increased from 80 per cent of the total assistance of NCDC at the beginning of Sixth Plan to 82 per cent at the end of Sixth Plan. During the Seventh Plan it is expected that about 86 per cent of NCDC's assistance would be directed towards promoting these programmes.**

4. As a result of financial assistance provided by NCDC, there has been a substantial increase in the infra-structural facilities created by cooperatives in terms of storage and cold storage capacity, processing units etc. Creation of these facilities coupled with promotional efforts and technical assistance rendered by NCDC have enhanced the capacity of cooperatives to substantially increase their operations in marketing of agricultural produce.

5. Through the monopoly procurement scheme for cotton in Maharashtra being implemented through cooperatives, by acting as the main agents of JCI for procurement/price support operations of jute, through their active involvement in procurement operations of FCI/State Governments for paddy and wheat and through the Nafed's price support operations in oilseeds, pulses, onions, potatoes, copra and other agricultural produce, the cooperatives have been actively engaged in helping the farmers to secure remunerative prices. Besides price support operations, the cooperatives have also undertaken commercial operations particularly in plantation crops and tobacco. In terms of percentage handling of certain important commodities, for example, cooperatives accounted for 26.5 per cent and 14 per cent of the country's procurement of wheat and paddy respectively; cooperatives achieved a record handling of jute representing 37 per cent of the total procurement; cooperatives handled about 24 per cent of the cotton production in the country.

6. The strategy of NCDC/Government of India for the development of cooperative marketing, processing and storage in the Seventh Plan (as envisaged by the working Group) include:—

- (a) broad-basing the activities and strengthening of the primary marketing cooperatives;
- (b) strengthening of state level and national level marketing cooperatives to provide effective business support to the primary and secondary level marketing cooperatives;

- (c) designing programmes and realign procedures to suit the backward areas and small farmers;
- (d) to expand marketing of produce of hill areas particularly fruits and vegetables of small farmers;
- (e) greater attention to the processing and marketing of conventional and non-conventional oilseeds with emphasis on soyabean;
- (f) to increasingly associate cooperatives in price support and marketing intervention operations, including coarse grains;
- (g) to promote export of agricultural commodities through cooperatives for the benefit of the farmers;
- (h) to make a beginning in international trade between cooperatives;
- (i) to forge an effective link between marketing cooperatives on the one hand and the consumer cooperatives and Civil Supplies Corporations and public distribution system on the other; and
- (j) to bring about business cooperation between cooperatives and the public sector commodity corporations.

7. It is expected that with the successful implementation of the Seventh Plan programme as envisaged, the capacity of cooperatives to help the farmer in securing remunerative/better price for his produce would further enhance.

[Ministry of Agriculture, Deptt. of Agri. & Cooperation O.M. No. L-12011/12/86-I&P dated 28-8-86]

## **CHAPTER III**

### **RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PERSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT**

#### **Recommendation**

The National Cooperative Development Corporation has inherited from its predecessor Body-NCD and Ware-Housing Board a corpus of Rs. 19.34 crores at the time of its inception. Subsequently, additional grants of Rs. 39.77 crores were received from the Government under the NCDC Act. Net interest earned till 31st March, 1983 amounted to Rs. 60.31 crores. After deducting expenses, grants under various programmes and income tax paid, the corpus as on 31st March, 1983 stood at Rs. 82.35 crores. The return after payment of Rs. 2.00 crores as income tax comes to Rs. 5.00 crores a year. The Corporation has been basically set up to plan, promote and develop cooperatives throughout the country. In this endeavour it has been helped by Union Government by substantial loans amounting to as much as 44 per cent of the total NCDC funds. The Committee feels that there is a strong case for reviewing the interest rates on loans advanced by the Corporation to the Cooperative Societies through the respective State Governments. This may be examined and the Committee informed.

[S. No. 2, Appendix-III, para 1.26 of 26th Report of PAC  
(8th Lok Sabha)].

#### **Action Taken**

The question of providing finance to the Cooperative Societies on softer terms was examined by the Corporation in 35th Meeting of Board of Management held on 10th October, 1985 and it was felt that at present there was no scope for providing finance at more liberal terms.

[Ministry of Agriculture, Deptt. of Agri. & Cooperation O.M. No.  
L-12011|12|86-I&P dated 1-8-86]

#### **Recommendation**

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

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

[Sl. No. 7, Appendix-III, Para 2.33 of 26th Report of PAC  
(8th Lok Sabha)].

### **Action Taken**

The proposals received from the State Governments for sanction of godowns in these cases were re-examined and it was found that in all these cases the State Governments had indicated that the land was available with the society for construction of godown. It was on the basis of this certificate that the sanctions were accorded by the Corporation. There was, therefore, no lapse on part of any officer of this Corporation. On re-examination at the time of issue of its sanction, the State Government(s) observed that the land acquired by the societies was not suitable and as such it did not accord its corresponding sanction. No funds were, however, released against the sanction accorded by the Corporation.

[Ministry of Agriculture, Deptt. of Agri. & Cooperation O.M. No.  
L-12011|12|86-I&P dated 1-8-86]

### **Recommendation**

The Committee find that working of milk chilling centres had largely not been satisfactory. In Uttar Pradesh, of the ten milk chilling plants of 4,000 litres per day capacity assisted by the Corporation, 3 centres were functioning with capacity utilisation of 10 per cent each and other 7 at even lower level. Milk chilling plant at Nalgonda in Andhra Pradesh had been working at a low capacity of 2 to 23 per cent. Bangana Milk Chilling Centre in Himachal Pradesh set up in November 1981 with an installed capacity of 2,000 litres a day could process only 83 litres of milk per day in December 1981. The monthly performance continued to be very poor with actual processing of milk being in the range of 95 to 499 litres per day during the period January 1982 to April 1983. Krishna Cooperative Dairy Unit in Karnataka commissioned in 1973 was closed in March 1976. The reasons for poor performance of these milk processing units are stated to be inadequate infrastructure of milk producer cooperative societies for supplying milk, inability of the chilling plant to provide

input facilities like cattle feed etc. to milk producers and competition with private traders. The Committee are sorry to comment that the milk processing has proved to be misadventure for the NCDC. The Committee would therefore recommend that this field should better be left to the other specialised agencies like National Dairy Development Board, Indian Dairy Corporation and the State Dairy Development Corporation wherever they exist.

[Sl. No. 26, Appendix-III, para 3.39 of 26th report of the P.A.C. (8th Lok Sabha)].

### Action Taken

Of the 23 milk chilling units sanctioned by the Corporation upto 1979-80, 17 stand de-sanctioned for the reason that the State Government defaulted in organising adequate number of milk producers societies and failed to build up adequate infrastructure in accordance with the requirements for successful operation of the programme. The remaining six units have since improved their operational performance as would be evident from the following table:—

State/Location of Milk Chilling Centre	Installed capacity in L.P.D	Per cent capacity utilisation	
		1981	1985
<i>Andhra Pradesh</i>			
1. Nalgonda	12,500	13.8	28.7
<i>Punjab</i>			
2. Sultanpur Lodhi . . . . .	10,000	70.4	159.0
3. Shahkot Malsian . . . . .	10,000		
4. Khatkar Kalan . . . . .	10,000		
<i>Rajasthan</i>			
5. Bbilwara . . . . .	10,000	45.0	219.0
<i>Maharashtra</i>			
6. Akola . . . . .	10,000	Commissioned in March 1986.	

The prospects of further improvement in capacity utilisation of the above units is bright as most of these units (barring the units at Akola) have been brought under the respective State Dairy Federation as part of the Operation Flood Programme.

The Corporation, based on past experience, has since modified its approach and is supporting establishment of milk chilling centres with a minimum handling capacity of 10,000 litres per day of milk and forming an integral part of milk procurement. Thus, the Corporation has since decided not to establish milk chilling centres in isolation. The integrated approach patterned on the Operation Flood system would provide infrastructure of organising milk procurement cooperatives, provision of inputs such as veterinary services and supply of feed etc. This arrangement is expected to improve the profitability of the milk chilling/processing units to benefit the milk producers.

The observations that "the field should better be left to other specialised agencies like National Dairy Development Board, Indian Dairy Corporation and the State Dairy Corporation wherever they exist", has been examined. The development of cooperatives, inclusive of dairy cooperatives, which is the weaker sections programme, is one of the main objectives of the Corporation. In terms of its charter, it is but appropriate that the Corporation continues to support integrated viable dairy development programmes wherever such possibilities offer in areas not covered by the National Dairy Development Board/Indian Dairy Corporation. Leaving untapped such potential areas presently outside the scope of the Operation Flood programme of National Dairy Development Board, would not be in the over-all national interest and would leave the milk producers at the mercy of the private trade. The Corporation, therefore, proposes to continue these efforts in its modified form in areas not covered by National Dairy Development Board. However, efforts would be made to enlist the active support of the State Dairy Federation for provision of technical, marketing, managerial and other input services.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

## CHAPTER IV

### RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH AVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

#### Recommendation

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

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

[S. No. 1 of Appendix-III Paras 1.24 & 1.25 of the 26th Report of PAC (8th Lok Sabha)].

#### Action Taken

The uneven flow of funds has been largely due to the overall level of agricultural development, cropping patterns etc., in a State. NCDC has been making concerted efforts to improve the level of cooperative development in the cooperatively under-developed States. Consequently, there has been an upward trend in the flow of NCDC

assistance to these States|Union Territories, during the last few years, as would be seen from the following table:—

(Rs in lakhs)

Year	Centrally Sponsored Schemes for under-developed States/Union Territories			Other Central Sector NCDC Sponsored Schemes	Grand Total
	Fund as received from Central Govt.	Additional funds provided by NCDC	Total		
1	2	3	4	5	6
1980-81	467.00	117.123	584.123	1181.900	1766.023
1981-82	750.00	195.527	945.527	1615.621	2561.148
1982-83	750.00	22.509	772.509	1525.667	2298.176
1983-84	867.00	1.601	868.601	2009.023	2877.624
1984-85	800.00	10.755	810.755	2218.567	3029.322
1985-86	700.00	2.274	702.274	2286.351	2988.625

2. In the cooperatively under-developed States, particularly in North Eastern Region, there is very little/nil production of cotton and sugarcane which may involve setting up of high cost industry, attracting higher share of NCDC's assistance, while the States like Punjab, Haryana, Maharashtra are rich in production of such commodities (cotton and sugar). Even though the States in North Eastern Region, Orissa and Jammu & Kashmir are renowned for their handicrafts and village rural crafts, such activities do not at present fall within the charter of NCDC. The Government of India, however, is considering to expand the role of NCDC to cover such activities. These aspects have thus, contributed to the uneven flow of assistance.

3. Keeping in view the problems of some of the cooperatively under-developed States in availing NCDC assistance, NCDC in March, 1984, took a decision to categorise North-Eastern States and Sikkim under the 'Least Developed' category so that assistance upto 95 per cent of the cost of each programme|project could be available from NCDC against 60—80 per cent earlier. Similarly, weaker sections' programmes like fishery, dairy, poultry, etc., would also be eligible for liberal assistance from NCDC upto 95 per cent of the



cost of programme|project. It is expected that these decisions would gradually enable flow of more and more assistance for the development of cooperatives in these States.

[Ministry of Agriculture, Deptt. of Agriculture & Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

### **Recommendation**

The Committee conclude that the cooperative rice mills programme has not been successful. Of the 689 conventional rice mills 184 have become defunct/dormant—76 of these mills are located in Andhra Pradesh and 39 in Maharashtra. The rest are spread over 8 other States including Madhya Pradesh (21), Orissa (16) and Punjab (15). The reasons advanced for these mills becoming dormant/defunct are mainly State Governments paddy/rice procurement policies, rendering the rice milling activity non-viable. It has also led to unfair or unequal competition with the private trade. No. evaluation study of the scheme on all India level has so far been attempted, and even at State level they were undertaken in respect of only 2 States namely Madhya Pradesh and West Bengal. The Committee note that capacity utilisation of some rice mills has been improved from 35.8 per cent in 1975-76 to 70 per cent in 1981-82 as a result of better management and technical advice tendered by the Corporation. This improvement, however, results in their being only marginally above the break-even point which is presumably 60 per cent. In this context, the committee note that out of 369 rice mills in 13 States, 231 mills were earning profits and 113 which constitute about 30.6 per cent, were running at loss.

Taking due note of this fact every effort should be made to remove all such constraints as hamper economic viability of rice mills.

The Committee would also like the Ministry of Agriculture and Cooperation to sort out the issue of millers levy with the Central Government and the State Government concerned at the highest level so that the cooperative rice mills can compete with the private trade on a basis of equality.

[S. No. 21 Appendix III. Para 3.16 of the  
26th Report of the PAC (8th Lok Sabha)]

### **Action taken**

An evaluation study of the scheme relating to the setting up of coop. rice mills has since been initiated by the Corporation. The terms of reference of evaluation study are as under:

- (i) To study the impact of NCDC's scheme of setting up of cooperative Rice Mills on a sample basis; in the light of this, suggest changes in the policies and procedures to improve the impact of NCDC's scheme and commercial viability of Rice processing units, and
- (ii) To analyse factors responsible for losses of 42 rice mills (Reference para No. 3.27 of PAC Report) and suggest remedial measures for improvement in their overall performance.

The Corporation has requested the State Governments to remove constraints hampering economic viability of rice mills.

As desired by the Public Accounts Committee, the Hon. Minister of Agriculture has addressed a D.O. letter to the Hon. Minister for Food and Civil Supplies on 24th July, 1986 requesting him to exempt the cooperative rice mills from imposition of millers levy and to advise the State Governments accordingly.

[Ministry of Agriculture, Deptt. of Agriculture and Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

### **Recommendation**

The Audit Paragraph and the information gathered by the Committee show that a large number of processing units in which heavy investments of NCDC alone are involved had been running at a loss. Thus, of the 24 fruit and vegetable processing units and 5 other units to which Rs. 37.80 lakhs were given as assistance, working reports of 7 units have not been received. Of these 7 units, 4 in Bihar and one in Kerala assisted to the extent of Rs. 23 lakhs had been closed down while in the case of 4 units in Bihar, NCDC sanctioned assistance on the recommendation of the State Government. The assistance to a unit in Kerala was sanctioned after the appraisals found the unit to be economically viable. The units in Bihar have been closed down due to arbitration cases with supplier of machinery soon after their establishment which were resolved only in 1974-75 and lack of interest on the part of societies. The unit in Kerala was closed down due to uneconomic operations. Of the remaining 17 units, 10 units were running at a loss as on 30 June, 1980, their accumulated losses ranged from Rs. 1.87 lakhs to Rs. 233 lakhs. The capacity utilisation of 10 units ranged from 0.25 to 53 per cent of their rated capacity during 1977-78 to 1979-80. A proposal of the Markfed Canneries unit was examined by the Corporation for establishment of a canning and bottling line at Jalandhar. As

it was found to be economically viable, it was sanctioned. The unit however, incurred loss of Rs. 86.45 lakhs during 1981-82, and its accumulated losses upto 30 June, 1982 stood at Rs. 353 lakhs. The corrective steps taken to reduce losses are yet to show any results. In this context, the Committee note that NCDC has been maintaining its own technical personnel to undertake appraisal of the projects for setting up of processing units before sanctioning assistance. The proposals received in the Corporation are subjected to preliminary examination by the concerned Programme Division to establish, prima-facie, technical feasibility of the unit. Thereafter, they are scrutinised, wherever the block cost exceeds Rs. 15.00 lakhs by a team of Officers consisting of the technologists and professional specialists of different disciplines according to the requirement of the project. These proposals alongwith the report of the Appraisal Team are further scrutinised by the Screening Committee which is assisted by the technologists of the concerned disciplines and specialists in finance, costing, economics, civil engineering etc. according to the requirement of each project. Thus, the Corporation subject each proposal to a detailed scrutiny before sanctioning assistance. It is surprising therefore, that even though units are given assistance after such thorough examination by professionals they incur heavy losses. Obviously, there is some factor to which the right weightage is not being given.

[S. No. 29 Appendix III, Para 4.19 of 26th Report of the PAC  
(8th Lok Sabha)]

### Action taken

The appraisal system, adopted for appraising a project covers almost all the areas such as raw material availability—present and projected, and chances of realisation of the projections, marketable surplus, market arrivals and expected market penetration, capabilities of the implementing cooperative to take up the programme and its past performance, scope for creation of additional capacity proposed; *vis-a-vis* available capacity for processing the relevant raw material in the catchment area, technology proposed, locational aspects, marketing of products of processing, economic viability and socio-economic objectives. The appraisal reports also bring out the inherent dangers arising out of the factors like highly vulnerable nature of the oilseed trade, cotton and yarn market and sugar prices etc. through the concept of 'sensitivity analysis'. Thus, the appraisal reports do consider the various aspects in the proper perspective and with right weightage. With the adoption of project approach

and emphasis on the economic size of the units, it is hoped that the managerial and training needs of the units would be adequately met resulting in improvement in the performance of the processing Units.

[Ministry of Agriculture, Department of Agriculture and Cooperation  
O.M. No. L-12011/12/86-I&P dated 12-9-1986]

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Recommendation

The Committee note that the Corporation also took up for modernisation 270 cooperative conventional rice mills out of the 689 and as on 31-3-81 had provided Rs. 39.29 lakhs for the purpose. This made it possible for 205 mills to be modernised by March, 1982. Out of these 205 modernised rice mills, 42 are still incurring losses while the information about profit/loss is not available for 22 mills. Methodology should be evolved to ensure that all the units assisted for modernisation report their performance after modernisation for proper evaluation.

[S. No. 24 Appendix III, Para 3.27 of the  
26th Report of the PAC (8th Lok Sabha)]

#### Action taken

The modernised rice mills have been allotted to the Regional Directors/Project Officers of the NCDC for monitoring their working so as to ensure that modernised rice mills report their performance to the Corporation.

[Ministry of Agriculture, Department of Agriculture and Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

#### Recommendation

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

[S. No. 24 Appendix III, Para 3.28 of the 26th Report of the PAC  
(8th Lok Sabha)]

#### Action taken

A study for identifying the reasons for losses and suggesting timely corrective steps in respect of 42 cooperative rice mills specifi-

cally mentioned by the Public Accounts Committee has been entrusted to Evaluation and Statistical Cell of the Corporation. The Committee would be apprised of the action taken on the basis of the study report.

[Ministry of Agriculture, Department of Agriculture and Cooperation  
O.M. No. L-12011/12/86-I&P dated 1-8-86]

NEW DELHI;  
March 20, 1987  
29 Phalgun, 1908 (S)

E. AYYAPU REDDY,  
Chairman,  
Public Accounts Committee.

## PART II

### MINUTES OF THE 47TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 18-3-1987

The Committee sat from 1500 hrs. to 1615 hrs.

#### PRESENT

- Shri E. Ayyapu Reddy—*Chairman*
2. Shri Girdhari Lal Vyas
  3. Shri H. M. Patel
  4. Smt. Prabhawati Gupta
  5. Shri Simon Tigga
  6. Shri M. S. Gurupadaswamy
  7. Shri Virendra Verma

#### SECRETARIAT

1. Shri K. H. Chhaya—*Joint Secretary.*
2. Shri S. M. Mehta—*Senior Financial Committee Officer.*

#### REPRESENTATIVES OF THE C&AG OF INDIA

1. Shri D. K. Chakravorty—*Adtl. Dy. C&AG (Reports-Central).*
2. Shri Baldev Rai—*Director (Reports).*
3. Shri R. Parameswar—*D.A.C. W&M-I*

2. The Committee considered and adopted the following draft Reports with some amendments/modifications as shown in Annexures I and II:

(i) Draft Report on Action Taken on recommendations contained in 26th Report (8th Lok Sabha) relating to National Cooperative Development Corporation.

(ii) \* \* \* \* \*

3. The Committee authorised the Chairman to finalise the draft Reports in the light of the above modifications and other verbal consequential changes arising out of factual verification by the Audit and present them to the House.

*The Committee then adjourned.*

## ANNEXURE

*Amendments/Modifications made by Public Accounts Committee in draft report on action taken by Government on the 26th report (8th Lok Sabha) relating to National Cooperative Development Corporation*

Page	Para	Line(s)	For	Read
1	2	3	4	5
5	5	2	<i>Add</i> (·) after funds.	
5	5	2-3	<i>Delete</i> the words "which were.....towards"	
5	5	3	"agriculturally"	"Agriculturally"
5	5	5	"compared to"	"appear to received a larger share than"
5	5	6	"where"	"whose need for"
5	5	6-7	"were more needed"	"was f r greater"
5	5	10	"trends"	"the efforts"
		11	"on the reverse director"	"to correct this trend"
		11-12	"on the cther hand"	<i>New Para</i> "Curiously, almost as if it was an extenuatory circumstance",
5	5	16	<i>Delete</i> the words "In this Connection"	
		17	"considering to expand"	"examining the possibility of expanding"
		20	"so as to be eligible for"	"to make them eligible for more"
6	5	1-6	"Concious and ..... Vigorously"	"purposive and concrete efforts to ensure the flow of its development funds in a higher proposition to relatively backward States with a view to quickening the pace of their development. The Committee appreciate the steps Government as already taken and trusts that they will pursue them vigorously and give serious consideration to the suggestions made by it."
9	8	5	"study"	"studying"
9	8	6-7	"of the scheme .....and"	"to improve its impact as also the"
9	8	8-9	"The evaluation study will"	"The evaluation study is expected also to"
9	8	13-14	<i>Delete</i> the words	"of time"



<i>Page</i>	<i>Para</i>	<i>Line(s)</i>	<i>For</i>	<i>Read</i>
9	8	15-16	"those findings ....rice mills"	"these findings designed pre- sumably to improve function- ing of the concerned rice mills."
12	11	4-5	"Some of them. .... the Committee had"	"Some of them had had even to close down. it was"
12	11	8	"affairs exists"	"affairs continue to exist"
12	11	13-14	"the economic viability of the Units."	"their economic viability"
	11	14	onwards <i>For</i>	"of this units...corrective mea- sures"
12	11	14	<i>Add</i>	"the Committee is for precisely these reasons surprised that so many units have failed to achieve the right economic results in spite of such careful appraisal. The Com- mittee would, therefore, suggest that Government should make a deeper study of the working of these units for the pur- pose of setting out corrective measures."

## APPENDIX

### Summary of Conclusions/Recommendations

S. No.	Para No.	Ministry/ Deptt. Concerned	Recommendations/Conclusions
1	2	3	4
1	1.6 & 1.7	Agriculture & Rural Dev.	It was point out by the Committee in their earlier report that there was an uneven blow of NCDC funds. Agriculturally developed States like Punjab, Haryana and Maharashtra appear to receive a larger share than the less developed States including Bihar, Orissa, West Bengal and J&K whose need for development funds was far greater. Government have stated in reply that this has been largely due to overall level of agricultural development and cropping pattern in these areas. It is precisely for this reason that the Committee had observed that the efforts should have been to correct this trend.

Curiously, almost as if it was an extenuatory circumstance, the Ministry has stated that even though the States in North-eastern Region, Orissa and Jammu & Kashmir are renowned for their handicrafts and village rural crafts, such activities do not at present fall within the charter of the NCDC. The Committee have been informed that Government of India is examining the possibility of expanding the role of NCDC to cover such activities. Government has also decided to categories North Eastern States and Sikkim under 'Least Developed' category to make them eligible for more liberal assistance from

NCDC i.e. upto 95% of the cost of the programme/project. The Committee wish to re-emphasise that NCDC which is an effective instrument for planning and development through cooperation, should make more purposive and concrete efforts to ensure the flow of if its development funds in a higher proportion to relatively backward States with a view to quickening the pace of their development. The Committee appreciate the steps Government has already taken and trusts that they will pursue them vigorously and give serious consideration to the suggestions made by it.

2 1.10

Do.

The Committee note that an evaluation study of the scheme relating to setting up of cooperative rice mills has been initiated by the National Cooperative Development Corporation with a view to studying the impact of this scheme and also to suggest modifications in the policies and procedures to improve its impact as also the commercial viability of rice processing units. The evaluation study is expected also to analyse factors responsible for losses of 42 rice mills as pointed out in the earlier recommendations and suggest remedial measures for improvement in their overall performance. The Committee would like to know, in due course, the findings of the evaluation study and action taken on the findings designed presumably to improve functioning of the concerned rice mills.

3 1.13

Do.

The Committee had noted in their earlier report that a large number of processing units in which NCDC had made heavy investments were running at huge losses. Some of them had had even to close down. It was noted further that the corrective

steps taken had yet to show results. The Committee find that this state of affairs continue to exist despite the fact that NCDC has its own technical personnel for approval of the projects for setting up the processing units and in fact the reply of the Government indicates that an elaborate system exists for appraisal of the projects to ascertain their economic viability. The Committee is for precisely these reasons surprised that so many units have failed to achieve the right economic results in spite of such careful appraisal. The Committee would therefore, suggest that Government should make a deeper study of the working of these units for the purpose of setting out corrective measures.

The Committee desire that the final replies in respect of the recommendations included in Chapter V, may be furnished duly vetted by Audit, to the Committee at an early date.

Do.

1.14