FINAL REPORT OF THE STUDY TEAM ON CO-OPERATIVE AGRICULTURAL CREDIT INSTITUTIONS IN MAHARASHTRA

RESERVE BANK OF INDIA

BOMBAY

FINAL REPORT OF
THE STUDY TEAM ON CO-OPERATIVE AGRICULTURAL CREDIT INSTITUTIONS
IN
MAHARASHTRA

RESERVE BANK OF INDIA
AGRICULTURAL CREDIT DEPARTMENT

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INTRODUCTION

THE question of ensuring adequate credit support for the agricultural development programmes of Maharashtra and the inadequacies of the co-operative credit agencies in the state in that behalf had been engaging the attention of the state government as also the Reserve Bank of India. The factors inhibiting the growth of co-operative credit institutions in the state were of such magnitude that the whole issue needed a study in depth with a view to throwing light on the extent of the malady and the remedial measures to be adopted. The Governor of the Reserve Bank of India, therefore, in consultation with the Chief Minister of Maharashtra appointed a Study Team on 28 December 1972 as under:

Dr C. D. Datey Executive Director Reserve Bank of India	Chairman
Shri N. S. Sapkal[1] Chairman Maharashtra State Co-operative Bank	Member
Shri K. S. Bawa[2] Joint Secretary Ministry of Agriculture Department of Co-operation Government of India	Member
Shri L. N. Bongirwar Additional Development Commissioner and Secretary Planning Department Government of Maharashtra	Member

[1] Shri N. S. Sapkal has since been appointed State Minister for Co-operation, Rural Development and Buildings and Communications, Government of Maharashtra.

[2] Shri K. S. Bawa has since taken over as Managing Director, National Co-operative Development Corporation.

Shri H. Nanjundiah[1] Secretary Co-operation Department Government of Maharashtra	Member
Shri L. S. Lulla Secretary Agriculture Department Government of Maharashtra	Member
Dr M. V. Hate Joint Chief Officer Agricultural Credit Department Reserve Bank of India	Member-Secretary

2 Sarvashri A. K. Dutt, Joint Secretary to the Government of India, Ministry of Finance, Department of Banking and P. R. Kulkarni, Deputy Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, were co-opted by the Study Team as members. On the appointment of Shri L. N. Bongirwar as a member of the State Planning Board, Shri V. Subramanian, Secretary to the Government of Maharashtra, Planning Department, was nominated by the state government as a member in his place. The Commissioner for Co-operation and Registrar of Co-operative Societies, Maharashtra and the Managing Director, Maharashtra State Co-operative Bank attended the meetings of the Team as special invitees. Accordingly, the two incumbents to the post of Commissioner for Co-operation and Registrar of Co-operative Societies, viz., Sarvashri M. S. Palnitkar and J. G. Kanga, and Dr W. C. Shrishrimal, Managing Director, Maharashtra State Co-operative Bank, participated in the deliberations of the Team. Shri R. Srinivasan, Director (Credit), Department of Rural Development, Ministry of Agriculture and Irrigation, Government of India, attended some of the meetings of the Team on behalf of Shri Bawa.

[1] Shri H. Nanjundiah has since been appointed Additional Chief Secretary to the Government of Maharashtra.

Terms of Reference

3 The terms of reference to the Team were as follows:

(i) to examine the financial and organizational situations of the state co-operative bank and central co-operative banks in Maharashtra and to suggest a unit-wise programme for re-organization and rehabilitation where necessary, keeping in view the long-term objective of maintaining the three-tier structure of co-operative credit;

(ii) to identify district-wise areas of agricultural development and examine whether the co-operative credit structure in those areas will be in a position in the near future to meet the requirements of agricultural credit and if not, to suggest alternative institutional stop-gap arrangements in this behalf which may include (a) state co-operative bank or commercial banks financing primary agricultural credit societies by-passing the central co-operative banks, (b) central co-operative banks financing the individual agriculturists directly by-passing the primary agricultural credit societies; and (c) the commercial banks financing individuals directly through their branches and also to identify, district-wise, the areas where one or more of these alternatives may be adopted;

(iii) to examine the position of overdues at the various levels of the co-operative credit structure with a view to considering the feasibility of, and the financial assistance required for, re-scheduling the overdues in respect of non-wilful defaulters so that the line of credit to institutions and individuals is re-opened and to suggest measures necessary for recovery of the overdues from wilful defaulters;

(iv) to examine the lending policies of the state and central co-operative banks in regard to the provision of production and investment credit and to suggest modifications where necessary in the interest of ensuring soundness and adequacy of credit facilities *vis-a-vis* the developmental programmes in the state;

(v) to examine the policy of the state and central co-operative banks in financing big processing units such as co-operative sugar factories;

(vi) to examine with reference to such data as may be collected, the organization at the primary level of the three-tier co-operative credit structure and the arrangements for supervision and to suggest the lines on which re-organization may be done;

(vii) to suggest the nature and extent of financial and administrative assistance that may be necessary from the state government, the Government of India and the Reserve Bank of India in the matter of re-organization and rehabilitation of the co-operative credit structure in the state; and

(viii) to make any other recommendations which may be considered incidental to the above terms of reference or relate to the arrangements for distribution of inputs and marketing of agricultural produce.

Interim Report

4 In the context of the urgency and need for extending institutional credit support to the agricultural development programmes in the state, the Team had accorded priority to those aspects of the terms of reference which had a bearing on matters relating to the need for relief to those cultivators who had been affected by successive drought conditions prevailing in the state during 1970-71 to 1972-3 as also to those who had not been able to pay their dues to societies for certain reasons and lost their eligibility for fresh finance. Accordingly, the Team submitted its interim report in March 1973 on the terms of reference (iii) and (vii) above with a view to enabling all concerned to complete action in good time for ensuring extension of adequate credit facilities to farmers for the *kharif* 1973 season. The recommendations made in the interim report were on the four specific issues, viz., (i) stabilization/relief arrangements in the years of successive natural calamities, (ii) rehabilitation of non-wilful defaulter-members of primary agricultural credit societies, (iii) lending programme for the year 1973-4 and its financial implications and (iv) operational aspects of the recommendations concerning the above issues.

Special Studies

5 The consideration of the other terms of reference necessitated undertaking of certain on-the-spot studies. The working of 25 primary agricultural credit societies in 4 districts was studied in detail with a view to assessing the performance of societies with an independent full-time secretary *vis-a-vis* the societies classified as viable in a group and placed under the charge of a group-secretary. Besides, studies of seven co-operative sugar factories and four spinning mills in the state were undertaken mainly with a view to (i) ascertaining the manner in which the required block capital was raised by these institutions and (ii) examining in general the lending policies of the state and central co-operative banks in financing big processing units. The studies were undertaken by the officers of the Special Studies Division

and the Bombay Regional Office of the Reserve Bank's Agricultural Credit Department. The officers of the Maharashtra State Co-operative Bank were also associated in the studies of co-operative sugar factories/spinning mills.

Meetings of the Team

6 The Team finalized its interim report at its fourth meeting held on 24 March 1973. The Team thereafter held in all five meetings. The draft of the final report prepared by the Member-Secretary was considered at the eighth meeting held on 24 February 1975. The report was finalized and signed by the members at the ninth meeting held on 24 March 1975.

Acknowledgements

7 We are grateful to the Government of Maharashtra and their officers especially of the Co-operation Department, the Maharashtra State Co-operative Bank, the central co-operative banks, co-operative sugar factories and co-operative spinning mills for having extended their co-operation and for furnishing information and data sought for from them.

8 We appreciate the hard work put in by the officers and staff of the Regional Office of the Reserve Bank's Agricultural Credit Department at Bombay in the collection of data and in carrying out the studies required by us. We also thank the staff and officers of the Special Studies Division of the Reserve Bank's Agricultural Credit Department, which functioned as the secretariat of our Team, in particular Sarvashri B. K. Godbole, A. G. Sule and H. N. Bhobe, Assistant Chief Officer, Rural Credit Officer and Staff Officer respectively, for assisting in the processing of data, preparation of notes for the meetings and the preliminary draft report. The Team is grateful to Shri R. Sundaravaradan, Deputy Chief Officer, for his valuable assistance in drafting the report.

9 Finally, the rest of us would like to place on record our sincere appreciation for the services rendered by our Member-Secretary, Dr M. V. Hate, Joint Chief Officer, Agricultural Credit

Department. His wide experience and knowledge enabled us to study the various aspects of the terms of reference in depth and give concrete shape to our findings and recommendations.

CHAPTER I

FOLLOW-UP ACTION ON THE INTERIM REPORT

1.1 RECOGNIZING the need for urgent action on the terms of reference relating to measures for the rehabilitation of non-wilful defaulters and opening the line of credit for the co-operative credit institutions and individual farmers, the Team submitted an Interim Report on 24 March 1973 which was later published by the Reserve Bank of India. The intention was that if action on the recommendations was taken quickly, finance for *kharif* 1973 would commence in time. While forwarding a copy of the Interim Report to the Chief Minister, Government of Maharashtra, on 9 April 1973, the Governor of the Reserve Bank observed that the recommendations of the Team had the approval of the Bank. Action on almost all the recommendations had to be taken by the state government, the state and central co-operative banks in the state.

1.2 The recommendations mainly concerned extension of relief to cultivators affected by successive natural calamities, rehabilitation of non-wilful defaulters and recovery of dues from wilful defaulters. The Team had also recommended that fresh finance be provided to all cultivators including non-wilful defaulters so rehabilitated to the full extent of their eligibility. Since the implementation of the above recommendations called for co-ordinated effort on a fairly large scale on the part of all concerned, immediate action was necessary to grant conversion facilities to cultivators affected by successive drought under the norms laid down by the Study Team, to identify the non-wilful category of defaulters for relief under the scheme of rehabilitation and to ensure appropriate administrative and supervisory arrangements. Besides, steps were required to be simultaneously taken to create a favourable climate for recovery, which involved coercive measures being taken against a large number of wilful defaulters. The follow-up action taken to implement the recommendations contained in the Interim Report is given in the following paragraphs commencing with the scheme of rehabilitation of non-wilful defaulters which satisfied an urgent need and had a far-reaching significance.

Rehabilitation of non-wilful defaulters

1.3 The taluka/block level committees which were set up by the state government with a view to screening the cases of all defaulter-members of the primary agricultural credit societies and extending rehabilitation facilities to those who could be classified as non-wilful defaulters as per the norms set out by the Team, completed their work by June 1973. It may be noted here that the Team had in its Interim Report taken note of the defaults under short-term loans alone for the purpose of the rehabilitation facility. It was, however, brought to the notice of the Reserve Bank of India that the grant of the facility of conversion of a short-term loan would not be adequate if the person had taken a medium-term loan and was unable to pay the instalment due under it because of the famine conditions as such a person would continue to be treated as defaulter and ineligible for any credit facilities from a co-operative society. The Reserve Bank, therefore, advised that a defaulter considered eligible for conversion of the short-term loan due from him should be extended the facility of conversion of his medium-term loans. The position regarding the total number of defaulters in each district and the number of defaulters who were considered as non-wilful for the purpose of the rehabilitation facilities, etc., is given in Annexure 1. It may be observed that about 4.58 lakh defaulters forming 43 per cent of the total defaulters at 10.75 lakhs at the primary level as on 30 June 1972 accounting for overdues amounting to Rs 36 crores, i.e., nearly 50 per cent of the total overdues at Rs 74 crores, were non-wilful and eligible for relief. This indicated incidentally that prompt action for recovery of dues from a large body of wilful defaulters was necessary, an account of which is given subsequently. Quick studies were taken up by the Reserve Bank's Agricultural Credit Department as well as the Maharashtra State Co-operative Bank in a few districts with a view to examining the implementation of the programme of rehabilitation for non-wilful defaulters. The studies revealed that, by and large, identification of non-wilful defaulters was in conformity with the norms set out by the Team.

1.4 The state government had, however, intended to issue *tac-*

cavi loans to such of those defaulters as were denied the rehabilitation facility. The Reserve Bank pointed out that the proposal of the government would undermine the basic recommendations of the Team confining relief only to the non-wilful defaulters and emphasizing coercive action against wilful defaulters. The Bank also stressed that the financing of wilful defaulters would put a premium on default and vitiate the climate for prompt repayment. Although the state government withdrew these orders, it made a provision of Rs 5 crores in terms of G.R. No. *KAPUS* 5172/138447-A.III dated 8 May 1973 for issuing *taccavi* loans in the form of inputs, viz., seeds and fertilizers to cultivators willing to participate in the programme of cultivation of H4 cotton if they were unable to obtain the required credit from the co-operative agency or the nationalized banks. This move of the state government was at variance with the recommendations of the Team. The amount of *taccavi* loans actually disbursed was of the order of Rs 514.30 lakhs in respect of 18 districts. The district-wise position is given at Annexure 2. The share of some districts like Buldana, Yeotmal, Amravati and Akola appeared to be disproportionately high.

1.5 We had noted in our Interim Report that in times of natural calamity, as a matter of policy, both the state and central co-operative banks had curtailed the credit entitlements of crop loans for the borrowers who had been granted conversion loans. This defeated one of the twin objectives of the stabilization arrangement, viz., provision of adequate credit for the current agricultural operations. It was against this background that we had urged provision of full finance to all non-wilful defaulters who had been granted rehabilitation loans for enabling them to undertake the agricultural operations afresh. It was, however, observed that though this suggestion was accepted by the state and central banks, some central banks had restricted the amount of fresh short-term loan so as to keep the burden of repayment of such a loan and the instalment of the rehabilitation loan with the interest thereon within the repaying capacity of the borrower assuming the same at 33 per cent of the value of gross produce as against 58.33 per cent recommended by the Team. Such action was not in keeping with our recommendation regarding provision of full fresh finance to the rehabilitated non-wilful defaulter-members. These banks have thus been unduly conservative. As a result the agricultural production in their areas may not have received the support envisaged by the Team and the government.

1.6 In this connexion, the position of overdues under the short-term and medium-term loans as on 30 June 1972, the amount of overdue loans re-scheduled into rehabilitation loans during 1972-3 and fresh short-term loans issued for *kharif* 1973 to non-wilful defaulters is given in Annexure 3 in respect of 12 central banks for which the relevant data were available. It would be seen therefrom that while the rehabilitation loans granted by these banks aggregated Rs 1548 lakhs, fresh finance issued by them for *kharif* 1973 in respect of rehabilitated borrowers was Rs 382 lakhs only, i.e., 25 per cent of the rehabilitation loans. Even granting that some of the non-wilful defaulters might not have approached for fresh finance for *kharif* 1973 or some of them had availed of such finance for the subsequent *rabi* crop, it would appear that the non-wilful defaulters were, by and large, either not issued fresh loans or the loans issued to them were not to the full extent of their eligibility as determined by per acre per crop scales of finance inasmuch as the amount of fresh loans issued for *kharif* 1973 in respect of the rehabilitated borrowers was far less than the amount of overdue loans re-scheduled under the rehabilitation programme in all the 12 central banks. This assessment would hold good even after making an allowance for the fact that a part of the overdue loans re-scheduled would be in respect of defaults under medium-term loans as the defaults of the latter type formed hardly 10 per cent of the total overdues as on 30 June 1972 at the level of the 12 banks in question.

1.7 The Team had further recommended that under certain circumstances the interest and/or a part of the principal amount in default should be recovered before extending the facility of rehabilitation to a non-wilful defaulter in respect of the balance amount in default. It was observed, for instance, that the Jalgaon central bank recovered the prescribed amount of interest or principal from out of the fresh finance provided to the borrowers covered by the rehabilitation programme. The recoveries so made were reportedly of the order of Rs 14 lakhs. The action of the bank was contrary not only to the financial and banking discipline, but also the spirit behind the recommendations of the Team. The recovery of interest and/or part of the principal amount in default from out of fresh finance in effect reduced the quantum of finance made available for fresh agricultural operations.

1.8 The Team had recommended re-scheduling of the conversion loans into 7 years if the debt burden could not be accommodated within a period of 5 years in the case of those who had suffered on account of natural calamity for three successive years. It was, however, found that in most of the cases, as anticipated by the Team itself, this facility was not required.

Action for recovery

1.9 The Team had suggested that action for recovery of dues should be launched from the harvesting season of *kharif* 1973. As a first step, the government countermanded on 1 October 1973 their earlier circulars imposing a blanket ban on coercive action for recovery of dues from cultivators affected by the famine conditions prevailing in the state. Besides, with a view to increasing the quantum of recovery out of the guaranteed price payable to a cotton grower under the scheme of monopoly procurement of cotton, the government issued an Ordinance in October 1973 permitting deductions towards recovery of co-operative dues (including those of the land development bank) at 60 per cent of the value of *kapas*, i.e., initially at 48 per cent of the 'guaranteed price', the initial payment to the tenderer of *kapas* being limited to 80 per cent of the 'guaranteed price'. In the case of growers indebted to the land development bank, deductions in excess of 40 per cent of the price were to be adjusted towards repayment of the instalment of the long-term loan. Thus, in such cases the amount available for adjustment of short and medium-term dues was limited to 40 per cent of the price paid instead of 50 per cent as requested by the state co-operative bank. However, as the scheme itself was suspended by the state government soon after its commencement in the year 1973-4 the expectation of the Team about automatic recovery of the dues did not materialize. The scheme was, however, re-introduced in 1974-5 and in terms of the Government Resolution No. KPS-1174/34856-C-6 dated 11 September 1974 the recovery of dues and adjustments thereof are to be as under:

(i) The total recoveries in respect of all co-operative loans, i.e., short-term, medium-term as well as long-term would be limited to 50 per cent of the 'guaranteed price' payable or the actual dues, whichever is less.

(ii) Eighty per cent of the 'guaranteed price' would be paid as advance, but 50 per cent of the 'guaranteed price' would be recovered from out of the advance towards the co-operative dues.

(iii) The balance of 20 per cent of the 'guaranteed price' would be adjusted in full, if necessary, at the time of final payment towards co-operative dues.

(iv) The recoveries effected in the above manner would be applied towards repayment of the dues of primary credit societies and the land development bank in the ratio of 2 : 1. Further, while apportioning such recoveries towards repayment in the above manner, if the dues of one agency are fully repaid by a portion of such recovery, the balance should be utilized for repayment of the dues of the other agency.

1.10 The progress under the rehabilitation programme launched on the basis of the recommendations in the Interim Report with special reference to the action against wilful defaulters was reviewed in February 1974. A statement showing the number of defaulters identified as wilful as on 30 June 1973, the amount due from them, the position of issue and disposal of revenue recovery certificates and the average charge of cases per recovery officer, as on 31 January 1974 is given in Annexure 4. It would be seen therefrom that the number of wilful defaulters identified as such as on 30 June 1973 was 4.73 lakhs owing as much as Rs 30 crores. As on 31 January 1974, out of 4.73 lakh defaulters, revenue recovery certificates had been obtained against 3.52 lakh defaulters involving a sum of about Rs 23 crores against the total defaulted amount of Rs 30 crores. As against this, recoveries effected aggregated Rs 3 crores only. The Team had expected that coercive measures against wilful defaulters would be taken without any mercy. However, it was observed that hardly any action had been taken against wilful defaulters to attach their crops, their movable properties, or the lands mortgaged or charged in favour of the primary societies. Although revenue recovery certificates were obtained in respect of a large number of wilful defaulters, the pace of actual realization of dues from them had been slow. One of the reasons appeared to be the inadequacy of recovery officers. The average number of defaulters per recovery officer as on 31 January 1974 for the state as a whole was about 1700. The position, however, differed from bank to bank. Thus, the number of special recovery officers in position was very small in each district and although the number had been increased after June 1973 in some districts, the total in each case was grossly inadequate for the coercive action contemplated against such a large number of wilful defaulters. It was evident that, by and large, the wilful defaulters had not been firmly dealt with. In the circumstances, the Reserve Bank decided on the following remedial steps and communicated the same in March 1974 to the state government and the state and central co-operative banks:

(i) A non-wilful defaulter whose overdue loan had been rescheduled under the rehabilitation programme failing to repay the first instalment of rehabilitation loan in the year 1973-4 should be immediately taken out from the list of non-wilful defaulters and included in that of wilful defaulters. Consequently, the entire outstanding of the rehabilitation loan against him should be recalled and, if unpaid, treated as overdue.

(ii) For the purpose of audit classification of a central co-operative bank, the overdues should be reckoned as above and the eligibility of the bank for credit limit for 1974-5 determined on the basis of such audit classification irrespective of the government guarantee.

(iii) The apex bank would be allowed to operate on the credit limits sanctioned by the Reserve Bank on behalf of the central banks for the year 1973-4 only after the concerned bank had brought down the outstandings of borrowings from the state co-operative bank to nil or a certain specified proportion of the maximum outstandings which was generally one-third of the maximum and the latter had also similarly cleared the outstandings of borrowings as on date from the Reserve Bank on behalf of that central bank.

Recovery performance

1.11 The action taken by the Reserve Bank seemed to have had the desired effect, inasmuch as efforts for effecting recoveries were intensified both by the state government and the co-operative banks. The strength of recovery officers attached to the twenty-five central banks in the state was increased from 271 as on 31 January 1974 to 410 as on 30 June 1974 and further to 706 as on 31 December 1974. As on 31 December 1974, the average number of defaulters per recovery officer for the state as a whole was about 670. A statement showing the central bank-wise position of the recovery performance as on 30 June 1974 in respect of the rehabilitation loans and other agricultural loans separately is given in Annexure 5. It would be seen therefrom that as against the total demand for the year at Rs 132 crores, recoveries were of the order of Rs 82 crores forming 61 per cent of the demand. While working out the percentage of recoveries to demand, however, the instructions issued by the Reserve Bank to treat the entire amount of rehabilitation loan as overdue should the first instalment of the loan be defaulted, had not been followed. It may be seen from the Annexure that the recoveries in respect of rehabilitation loans aggregated Rs 544 lakhs as against the demand of Rs 821 lakhs, the amount overdue being Rs 277 lakhs. Assuming that the overdues at Rs 277 lakhs were in respect of rehabilitation loans for a period of 3 years (although a part of them might be for a period of 5 years), the subsequent two instalments of these loans amounting to Rs 554 lakhs (Rs 277 lakhs x 2) should have been treated as fallen due for repayment and defaulted. In that case the demand in respect of rehabilitation loans would have increased to Rs 1375 lakhs (Rs 821 lakhs + Rs 554 lakhs) and correspondingly the recovery percentage in respect of such loans would then be 39 and not 50. However, considering the fact that a concerted drive for recoveries was undertaken only in March 1974, the overall recovery performance at the level of central banks as on 30 June 1974 could be deemed as satisfactory with the exception of seven banks, viz., Bhandara, Bhir, Buldana, Chanda, Nanded, Parbhani and Osmanabad. We would urge on the state government and the state and central co-operative banks to keep up the tempo for the recovery of the co-operative dues so as to ensure better results by the end of June 1975. Special attention would have to be given for improving appreciably the recovery performance of the above mentioned seven central banks.

Action on credit support by the Reserve Bank

1.12 The Reserve Bank was expected to re-schedule the conversion loans earlier granted by it to the state co-operative bank in the context of successive crop failures and sanction short-term limits to it on behalf of central banks to the extent of about Rs 112 crores and loans to the state government for contributing to the share capital of some banks from the Long-term Operations Fund to sustain the larger borrowing programmes of these banks. The Reserve Bank had earlier sanctioned conversion limits aggregating Rs 1752 lakhs to 14 central banks in 1970-71, Rs 1235 lakhs to 10 central banks in 1971-2. As against these limits, the drawals by 11 banks were Rs 1202 lakhs and Rs 822 lakhs by 10 banks during 1970-71 and 1971-2 respectively. Rephasement limits aggregating Rs 638 lakhs were also sanctioned to 6 central banks in 1971-2 but were utilized by only 3 banks to the extent of Rs 305 lakhs. In 1972-3 which was the third year of calamity, limits aggregating Rs 997 lakhs and Rs 390 lakhs were sanctioned to 12 and 5 central banks respectively to facilitate rephasing and re-scheduling of the conversion loans. The utilization of these limits was by 10 banks to the extent of Rs 673 lakhs and by 5 banks to the extent of Rs 311 lakhs respectively. Central bank-wise details of sanctions and drawals are given in Annexure 6. Besides, the Reserve Bank sanctioned conversion limits of Rs 1929 lakhs in 1972-3 for 20 banks of which Rs 1564 lakhs were availed of.

1.13 To sustain the normal and special agricultural programmes of 1973-4, the outside borrowings of the central co-operative banks were estimated by the Team at Rs 118 crores inclusive of Rs 112 crores from the Reserve Bank. This estimate was based on three important assumptions. Firstly, the rehabilitation and conversion facility would be extended to all those eligible as per the Study Team's recommendations. Secondly, the member-cultivators especially those who were given the rehabilitation or conversion loans would be issued in 1973-4, unlike in the previous years, short-term loans to the full extent of their eligibility and thirdly the agricultural programme of covering about 24 lakh hectares under hybrid or high yielding varieties would be achieved. As we have seen earlier, the relief to those affected by natural calamities either by way of rehabilitation or conversion loans was, by and large, provided by the central banks. We have also observed that the state and central co-operative banks had continued their restrictive policy of denying full finance to the cultivators at a crucial time when, following consecutive crop failures, they needed it most. Although the target of 24 lakh hectares was reportedly more than achieved as may be seen from the statement at Annexure 7, the state government had themselves issued *taccavi* loans for inputs under the H4 cotton programme for over Rs 5 crores. Besides, a very substantial increase in the deposits of the central banks, i.e., about Rs 50 crores was recorded in 1972-3. For these reasons it was not necessary for the Reserve Bank to sanction short-term credit limits exceeding Rs 70 crores for 1973-4 as against Rs 112 crores estimated earlier by us. The bank-wise details of the limits sanctioned are given in Annexure 8. The maximum amount outstanding against the limits sanctioned was Rs 39 crores.

1.14 The other recommendation related to the sanction of loans to the state government out of the National Agricultural Credit (Long-Term Operations) Fund for contribution to the share capital of the central banks so that the banks had the necessary borrowing power. The state government had applied for loans for contribution to the share capital of the Kolaba and Osmanabad banks and a loan of Rs 3 lakhs was sanctioned in respect of the Kolaba bank. As regards the Osmanabad bank, it was found that apart from the overdues position continuing to be unsatisfactory, it had sufficient borrowing power for meeting a reasonable lending programme.

Lessons for the future

1.15 The implementation of the recommendations in our Interim Report particularly in regard to relief to non-wilful defaulters had helped the primary credit societies and central banks to project a better image of their recovery performance than in the last few years as may be seen from the position of overdues for the last three years given in the following table:

Rs Crores

Year	Outstandings	Overdues	Percentage of (3) to (2)
(1)	(2)	(3)	(4)
Primary agricultural credit societies			
1970-71	164.83	61.84	38
1971-2	168.37	73.87	44
1972-3	173.83	34.73	20
Central co-operative banks			
1970-71	178.46	49.00	27
1971-2	181.95	58.92	32
1972-3	195.45	27.33	14

The percentage of overdues to demand at the end of June 1972-3 was thus almost one-half of what it was in 1970-71 at both the levels of the co-operative credit structure. While the re-scheduling of overdues under the rehabilitation programme should have enabled the non-wilful defaulters to receive finance at the full scales, this did not happen as some banks continued to follow their earlier restrictive policies. Further, not only the coercive action against the wilful defaulters for recovery had been slow at least until as late as February 1974, even the government provided *taccavi* loans to them in some districts. Thus the non-wilful defaulters failed to receive the full benefit of the rehabilitation scheme recommended by the Team while the wilful defaulters escaped lightly as against the merciless action suggested by the Team. The net effect of the action taken on the recommendations of the Team was a major reduction in the amounts considered overdue—a result which was far from the mind of the Team. The Study Team on Overdues of Co-operative Credit Institutions 1974 while recommending a similar programme of rehabilitation for non-wilful defaulters all over the country, has observed that the other state governments could draw on the Maharashtra experience and introduce such additional reforms as might be necessary in implementing the programme in their states.

1.16 We would like to indicate for their guidance that the programme of rehabilitation of non-wilful defaulters has to be implemented in its entirety simultaneously and not in piecemeal according to the convenience of any of those who are a party to it. Relief to non-wilful defaulters and stern action against wilful defaulters are the two inseparable aspects of the programme intended to revive the working of the co-operative credit institutions. If wilful defaulters are shown mercy which they do not deserve, the fear of default will not bother anybody thus spoiling the climate for recovery. We would rather not have the other states adopt the programme of rehabilitation of non-wilful defaulters if the government and the co-operatives cannot implement it in all its aspects or have reservations about providing full finance afresh to non-wilful defaulters or about showing no mercy to the wilful defaulters. If the action expected of the government and the co-operatives is not forthcoming, we feel that the Reserve Bank may not be held responsible if it decides to restrict its own credit facilities in the event of failure to take action on the recommended lines.

CHAPTER II

INSTITUTIONAL ARRANGEMENTS FOR FILLING CREDIT GAPS

2.1 THE need for providing institutional credit facilities for the development of agriculture has assumed considerable significance in recent years in the context of achieving self-sufficiency in agricultural produce and more particularly in the foodgrains. As in the other parts of the country, the Government of Maharashtra have launched special programmes in this behalf such as Intensive Agricultural Areas Programme, High-Yielding Varieties Programme, etc. The government's agricultural programme for 1973-4 included the extension of intensive cultivation of hybrid/ high-yielding crops to cover 24 lakh hectares. The Sub-Group on Co-operative Credit of the Maharashtra State Planning Board has projected the coverage under the different programmes as under to be achieved by 1978-9, i.e., by the end of the Fifth Plan period:

	Lakh Hectares
(i) High-yielding varieties	70.00
(ii) Intensive cultivation of oil seeds and cotton ..	5.64
(iii) Non-intensive cultivation	77.89
	153.53

The state government have subsequently revised these figures and the aggregate coverage under the different programmes has been fixed at 177 lakh hectares. The crop-wise details are given in Annexure 9. It will be seen therefrom that the area under high-yielding/intensive programmes has been reduced to about 69 lakh hectares and under non-intensive cultivation increased to 108 lakh hectares.

2.2 The Working Group on Co-operation appointed by the Ministry of Agriculture for the formulation of the Fifth Five Year Plan has estimated that the credit needs for the entire country for seasonal agricultural operations would go up to

Rs 3000 crores in 1978-9 on the basis of Rs 250 per hectare for irrigated lands and Rs 125 per hectare for the dry lands. On the same basis the short-term credit needs for Maharashtra could be placed at Rs 240 crores for 1971-2. As against this, the short-term loans outstanding against individuals from the primary agricultural credit societies were Rs 127 crores as on 30 June 1972. The district-wise gaps and the number of blocks where credit gaps exceed 50 per cent are given in Annexure 10. Although the figure is inclusive of the overdues, we may go by it as the amount of credit provided by the co-operative credit institutions in the state, as even those who had not repaid their dues could be said to have enjoyed the benefit of co-operative credit during the year. Against the credit potential of Rs 240 crores estimated on the *ad hoc* basis for 1971-2, the credit supply of Rs 127 crores by the co-operatives during that year would form 53 per cent of the potential. The Sub-Group of the State's Planning Board has estimated the total credit needs in 1978-9 at Rs 893 crores for the acreages assumed for the intensive and non-intensive cultivation programmes on the basis of scales of finance required for applying full doses of fertilizers, etc. This estimate would not alter much due to the revised targets now fixed by the state government as the reduction in the targeted area under intensive/high-yielding varieties programme has been compensated by a much higher increase in the area under non-intensive programme. An attempt has been made to estimate the outlays on the different crops on the basis of average per hectare scales of finance for the different crops adopted by the central banks in 1972-3. The details are given in Annexure 11 according to which the cash outlays aggregate Rs 949 crores for the state of Maharashtra. The Sub-Group's figure is based on the application of full doses of the inputs. This may not happen especially with the rising cost of inputs like fertilizers. The cash outlay figure given in Annexure 11 cannot be taken as the figure of credit requirements as the farmer is expected to plough back a part of his savings in the business. Moreover, every farmer in need of credit may not necessarily resort to institutional agencies. Taking all these aspects of the matter into account and making due allowance for the recent increase in the prices of fertilizers, we feel that the short-term credit needs during 1978-9 may reasonably be placed at not less than Rs 450 crores.

2.3 The co-operative credit institutions in Maharashtra have admittedly done much better than their counterparts in many other states in the provision of crop loans to farmers. They account for a respectable proportion of the total credit supplied by all agencies put together. The internal resources of the co-operative banking system as a whole are sizeable and, as we have pointed out later in the next chapter, the state and central co-operative banks should be able to deploy a larger proportion of their resources for short-term agricultural loans by according to such loans the extent of attention they deserve. The deposit growth in the banks has been steady and this can be expected to be maintained. Taking into account these aspects, we feel that it should not be difficult for the banks to maintain a 10 per cent annual growth in the short-term agricultural loans over the level of Rs 127 crores of outstanding loans on 30 June 1972. On this basis, the level could reach Rs 250 crores by 1978-9, leaving a credit gap of Rs 200 crores as per the potential estimated by us in paragraph 2.2 above.

2.4 It is obvious from the above that the co-operatives alone will not be able to meet the agricultural credit needs of the state and that, therefore, their efforts will have to be supplemented by other institutional agencies, if the production programmes of the state are not to suffer for want of the required credit support. The All-India Rural Credit Review Committee 1969 had also felt that the task of providing adequate institutional support for agriculture was so vast that no single agency was likely to handle it by itself and suggested that all institutional credit agencies be pressed into service for the same. The only other institutional source available is that of the commercial banks and we feel that they could be involved to a much greater extent than at present.

Commercial banks in Maharashtra

2.5 Maharashtra is served by a good net-work of branches of the commercial banks as may be seen from Annexure 12. As on 30 June 1974, there were 2004 offices of commercial banks in the state of which 451 (23 per cent) were located in rural centres and 505 (25 per cent) in semi-urban centres. The direct loans outstanding against cultivators in the state increased from Rs 10 crores in June 1969 to Rs 48 crores in June 1972, to Rs 58 crores in June 1973 and further to Rs 68 crores in

December 1973. Of the total outstandings, the short-term loans amounted to Rs 24 crores and the balance of Rs 44 crores were medium and long-term loans. The total number of beneficiaries of direct loans was 1.52 lakhs. The point for consideration is whether the commercial banks should supplement the efforts of the co-operative banks by expanding substantially their direct loans or choose the medium of primary agricultural credit societies for the purpose. We have noted that an enactment to facilitate the operations of the commercial banks in the sphere of agricultural credit on the lines recommended by the Talwar Committee has since been passed by the State Legislature which would certainly remove the various impediments in the way of their providing agricultural credit directly to farmers in the state.

Future policy directions

2.6 We understand that a Group headed by Shri T. A. Pai, Union Minister for Industries and Civil Supplies, recently went into the question of defining and organizing the most appropriate institutional structure for meeting the requirements of the farmers, particularly the small and marginal ones, for credit, inputs and services. The Group was of the view that the commercial banks would face almost insurmountable difficulties in reaching the large body of farmers without incurring heavy expenditure on the staff and the other infrastructure required for the administration of the business and supervision over the end-use of credit. Rural branches of commercial banks could hope to serve the rural community around them more extensively and effectively through a local intermediary like a primary credit society and secure the advantages of local knowledge and supervision making the extension of credit facilities possible, particularly to the small and marginal farmers at a relatively low cost. Moreover, it was now increasingly realized that credit was only one of the inputs of agriculture and that it had to be accompanied by supplies of fertilizers, high-yielding seeds, insecticides and also guidance to farmers which could be provided by a primary credit society and not a branch of a commercial bank, as the latter was not allowed by law to combine trading with banking. The Group, therefore, recommended that the most appropriate institutional structure for agricultural credit would be a farmers service society as recommended by the National Commission on Agriculture or a viable primary credit society which integrated credit with supplies and services, mobilized rural savings and assisted the farmers in the marketing of their agricultural produce, linked with a commercial bank or a central co-operative bank. The Group, therefore, recommended re-organization of the primary agricultural credit societies on the above lines and that in the future the commercial banks might, instead of opening rural branches below the *mandi* level consider operating through farmers service societies/re-organized viable primary agricultural credit societies. The recommendations of the Group have since been accepted by the Government of India who, in terms of the circular dated 7 February 1975 from the Ministry of Agriculture and Irrigation, Department of Rural Development, have advised the state governments that the areas in which the central co-operative banks are capable of meeting the credit needs should be carefully identified in order that they and the public sector banks together implement the programme in full cognizance of their respective responsibilities.

2.7 The advice of the Government of India thus confirms the desirability of continuing with greater vigour the scheme of commercial banks financing primary agricultural credit societies which the Reserve Bank had initiated in 1970 in five states in the areas of weak central co-operative banks which, for various reasons, were incapable of providing adequate support to the affiliated primary credit societies. The essential features of the scheme introduced in 1970 were as under:

(i) A commercial bank would undertake to finance 10 societies within a radius of about 10 miles from one of its branches.

(ii) The banks would take over only the current liabilities of the societies and overdues only on the merits of each case.

(iii) The banks would adopt the crop loan system and provide credit on the scales of finance per acre per crop to meet the full requirements of the farmers.

(iv) The banks would meet the credit needs of the non-agriculturists in the same manner as a central co-operative bank.

(v) The banks would also provide credit facilities to the societies for their business in inputs of agriculture and consumer goods.

(vi) The banks would provide medium-term loans for agricultural purposes.

(vii) The banks would charge interest on the loans to societies as advised by the Reserve Bank from time to time.

(viii) The banks would refrain from providing agricultural credit directly to farmers residing within the areas of the societies taken over by them.

2.8 The scheme has been under review by the Government of India from time to time. The Union Finance Minister had convened a meeting of representatives of the commercial banks, the co-operative banks and the state governments on 15 November 1973 wherein the various aspects of the scheme were discussed and it was decided to continue the scheme and extend its scope further.

2.9 The Reserve Bank's Standing Committee on Co-ordination between Commercial and Co-operative Banks reviewed the scheme at their meeting held on 30 July 1974. The consensus was as follows:

(i) Commercial banks might finance primary agricultural credit societies in a compact area having a potential loan business of about Rs 20 lakhs, i.e., roughly Rs 2 lakhs per society. If any of the existing societies in the area were dormant or otherwise unsuitable, the area of operations of the neighbouring society might be extended to cover the villages served by the former society.

(ii) Each of the societies financed by a commercial bank should have a full-time paid secretary.

(iii) The selection of the areas where the commercial banks might be invited to finance primary agricultural credit societies should be left to the state governments.

Scheme in Maharashtra

2.10 The Government of Maharashtra were the first to subscribe to the view, which was later endorsed in the Finance Minister's meeting of 15 November 1973 and the policy circular of 7 February 1975 from the Government of India, that the commercial banks might provide credit through primary agricultural credit societies not necessarily in the areas of weak central co-operative banks, but in every district in the areas where large credit gaps existed. At a meeting of the representatives of the state government, the commercial banks and the Reserve Bank held in March 1973, 77 blocks in 18 districts and the names of commercial banks taking over societies in those blocks were finalized. (Please see Annexure 13 for details). Unfortunately not much progress was made thereafter for one or more of the following reasons:

(i) delay in the identification of societies to be transferred;
(ii) reluctance on the part of some central banks to transfer societies to the commercial banks;
(iii) reluctance of some societies themselves to switch over to the commercial banks; and
(iv) delay on the part of some commercial banks in taking over societies because of absence of delegation of authority to do so to branch managers or because of some other procedural grounds.

However, the discussions on the subject continued as a result of which a small beginning had been made. As on 31 August 1974, 7 commercial banks had selected 268 societies in 15 districts and 3 banks had issued loans to the extent of Rs 18.86 lakhs to 27 societies in six districts as shown below:

Rs Lakhs

Commercial Bank	District	Block	No. of societies		Loans issued	
			Selected	Financed	Short-Term	Medium-Term
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Bank of India	Kolaba	Alibag Nagaon	16	13	3.10	—
	Chandrapur	Sironcha	10	2	0.06	—
	Bhandara	Tumsar	9	N.A.	1.95	—
	Wardha	Seloo	10	3	1.76	—
		Wardha	15	—	—	—
		Karanja	10	—	—	—
	Poona	Junnar	10	—	—	—
		Purandhar	10	—	—	—
	Nagpur	Katol	9	—	—	—
		Bhivapur	2	—	—	—
	Sholapur	Mangalwedha	6	—	—	—
		Sholapur	6	—	—	—
		Barshi	4	—	—	—
			117	18	6.87	—
2 Bank of Maharashtra	Chandrapur	Mul	2	—	—	—
	Yeotmal	Wani	17	3	1.76	—
			19	3	1.76	—

(1)	(2)	(3)	(4)	(5)	(6)	(7)
3 Central Bank of India	Aurangabad	Gangapur	4	—	—	—
		Aurangabad	3	—	—	—
		Jalna	5	—	—	—
	Poona	Junnar	1	—	—	—
	Osmanabad	Latur	8	—	—	—
	Sholapur	Barshi	5	—	—	—
			26	—	—	—
4 State Bank of India	Nagpur	Ramtek	4	—	—	—
	Sholapur	Karmala	15	—	—	—
	Wardha	Deoli	3	—	—	—
	Yeotmal	Ner	7	—	—	—
	Bhandara	Sihore	3	—	—	—
		Tumsar	1	—	—	—
	Ahmednagar	Akola	1	—	—	—
			34	—	—	—
5 State Bank of Hyde-rabad	Aurangabad	Gangapur	5	—	—	—
	Bhir	Paithan	4	—	—	—
	Nanded	Manjlegaon	5	—	—	—
	Osmanabad	Kinwat	6	—	—	—
		Tuljapur	7	—	—	—
		Omerga	3	—	—	—
		Ahmedpur	4	—	—	—
	Parbhani		22	—	—	—
			56	—	—	—
6 Union Bank of India	Dhulia	Saksi	6	6	9.77	0.46
			6	6	9.77	0.46
7 United Com-mercial Bank	Nagpur	Kalmeshwar	10	—	—	—
			10	—	—	—
			268	27	18.40	0.46

Future course of action

2.11 We have referred at length to the policies indicated by the Government of India and the Reserve Bank because we feel that the commercial banks may have to be invited to finance the large number of cultivators in the state through primary agricultural credit societies. We have estimated the total credit needs at Rs 450 crores and that the co-operatives may be able to meet them to the extent of Rs 250 crores by the end of the Fifth Five Year Plan. The gap of Rs 200 crores can, to some extent, be met if the commercial banks undertake to provide credit through societies as direct financing may not at all help them much in bridging this wide gap. The primary consideration in this behalf should be the extent of the credit gaps block by block and not by districts as the estimates for the district as a whole may not give a correct picture of the gaps existing within the different areas of a district. In the absence of data relating to the areas under the different crops in each block, it was not possible for us to estimate the credit needs on the basis of appropriate scales of finance and a reasonable coverage of the cultivating families by institutional agencies and hence we have adopted the *ad hoc* basis of Rs 250 per hectare for irrigated lands and Rs 125 per hectare for unirrigated lands for estimating the credit needs of each block. The supply of credit through the co-operative societies in the block gives an idea of the credit gap in relation to the potential as assessed above. The details for all the 295 blocks in the 25 districts (other than Bombay District) are given in Annexure 14.

2.12 A closer scrutiny of the Annexure brings out the following very interesting features:

(i) Of the total number of 295 blocks in the state, the credit gaps exceed 75 per cent in 68 and are between 50 per cent and 75 per cent in 107, so that the credit gaps are 50 per cent or more in 175 blocks forming more than 60 per cent of the total.

(ii) Districts with five or more blocks with credit gaps exceeding 75 per cent are as under:

Sr. No.	District	Total No. of blocks	No. of blocks with credit gaps exceeding 75%
(1)	(2)	(3)	(4)
1	Aurangabad	12	5
2	Bhir	7	6
3	Chandrapur	18	8
4	Poona	13	10
5	Ratnagiri	15	13

It is surprising to find more than 75 per cent of the blocks in the area of a relatively strong central co-operative bank of Poona having more than 75 per cent credit gaps. It appears that agricultural credit has not so far received enough attention from that bank.

(iii) Districts where the credit gaps are between 50 per cent and 75 per cent in five or more blocks are as under:

Sr. No.	District	Total No. of blocks	No. of blocks with credit gaps between 50% and 75%
(1)	(2)	(3)	(4)
1	Akola	13	5
2	Amravati	13	6
3	Aurangabad	12	6
4	Bhandara	13	10
5	Buldana	13	11
6	Chandrapur	18	5
7	Nagpur	13	7
8	Nanded	18	5
9	Nasik	13	5
10	Osmanabad	11	8
11	Sholapur	11	5
12	Thana	12	6
13	Yeotmal	14	6

(iv) The size of the credit gaps varies from block to block. In certain districts like Kolaba, Ratnagiri, Thana and Wardha, although the percentage of the credit gap is high, the amount of the gaps is not that large and is less than Rs 25 lakhs, whereas in many blocks in certain districts the gaps exceed Rs 100 lakhs. Thus, out of the total of 175 blocks with credit gaps exceeding 50 per cent, there are 21 blocks with credit gaps exceeding Rs 120 lakhs, 32 between Rs 80 lakhs and Rs 120 lakhs and 57 between Rs 40 lakhs and Rs 80 lakhs.

(v) From the point of credit support, the Kolhapur bank ranks first as it has not a single block in its area with more than 50 per cent credit gap. Next comes the Jalgaon bank with only one block with more than 50 per cent gap. The Sangli bank has one with more than 75 per cent gap and two with more than 50 per cent but less than

75 per cent. The Satara bank has also only three blocks with more than 50 per cent credit gap.

2.13 It is desirable that the commercial banks went in the areas with the widest credit gaps both for direct as well as indirect financing. It has been indicated earlier that commercial banks may have to adopt an area which has a business potential of Rs 20 lakhs so that the area can sustain about 10 primary credit societies. In carving out an area from a block, care may be taken to see that the remaining area will enable the central co-operative bank to profitably maintain its own branch. Taking these aspects into account we recommend as follows:

(i) Only the blocks with credit gaps exceeding in amount Rs 40 lakhs and in percentage 50 of the credit potential may be selected for the commercial banks financing primary agricultural credit societies.

(ii) The actual coverage in terms of loan business by a commercial bank in each of the above blocks may be as under:

(a) where the credit gap exceeds Rs 120 lakhs, to the extent of Rs 60 lakhs which could be handled through three branches;

(b) where the gap exceeds Rs 80 lakhs, but is less than Rs 120 lakhs, to the extent of Rs 40 lakhs which could be handled by two branches in the block; and

(c) where the gap exceeds Rs 40 lakhs, but is less than Rs 80 lakhs, to the extent of Rs 20 lakhs which could be handled by one branch in the block.

According to the data in Annexure 14, the number of blocks in category (a) is 21, in category (b) 32 and category (c) 57. Thus, 110 out of the total of 295 blocks in the state could be identified as blocks with wide credit gaps. The details of the blocks are given in Annexure 15.

(iii) Out of 25 districts in the state, the credit gap was negligible in the blocks of four districts. In Kolhapur, none of the blocks had credit gaps exceeding 50 per cent. In Kolaba, Ratnagiri and Thana districts where the credit gap in some blocks exceeded 50 per cent, the quantum was less than Rs 40 lakhs in each case. In four more districts also, viz., Ahmednagar, Jalgaon, Sangli and Satara, the central banks concerned have sizeable resources and are enjoying comfortable financial position. Besides, these district central banks have already met the requirements to more than 50 per cent of the credit potential in the majority of the blocks in their respective districts. In another two districts, viz., Dhulia and Wardha, the blocks with large credit gaps were only one or two. We, therefore, suggest that all the ten districts mentioned above, viz., Ahmednagar, Dhulia, Jalgaon, Kolaba, Kolhapur, Ratnagiri, Sangli, Satara, Thana and Wardha may be left out of the scheme. The central banks themselves would have to make up the deficits in the blocks in their respective areas by re-allocating their existing resources or by deploying a much larger proportion of the additional resources mobilized by them through deposits or borrowings from the apex bank to the provision of short-term and medium-term agricultural credit. Thus the commercial banks may, at the most, be entrusted with the task of financing societies in 96 blocks in the remaining 15 districts—20 blocks in category (a), 28 in category (b) and 48 in category (c). The total number of branches of commercial banks that may take up the responsibility would come to 164—60 in category (a), 56 in category (b) and 48 in category (c) (Please see Annexure 16). At the rate of Rs 20 lakhs per branch, the credit potential will be Rs 32.80 crores.

(iv) The actual allocation of the areas in each block should be done in the District Level Committee in which both the commercial and co-operative banks may be represented. The Collector of the district may act as Chairman of the Committee. Alternatively, the Lead Bank of the district may take the initiative in convening the meetings to determine the allocation and to attend to subsequent problems. The allocation should be placed before the State Level Committee for ratification.

(v) Once the allocation is finalized no one should be allowed to alter it unilaterally. Thus the central co-operative bank should be compelled to part with the area and the societies to obtain credit facilities from the commercial banks. Past experience shows that unless the matter is dealt with firmly no progress is likely to be made. The contention of the central banks that they will be able to meet the credit gap themselves is not tenable against the background of the assessment made above.

(vi) Each society should have a minimum business potential of Rs 2 lakhs. For this purpose there will have to be a time-bound programme of re-organization of the societies on the lines we have recommended in Chapter V.

(vii) Each of the societies must have a full-time paid secretary drawn from the cadre of secretaries maintained by the District supervision societies. The posting of the secretaries and their transfer should not be done without consulting the commercial bank in the matter.

2.14 We have identified the blocks and also specified the number of branches which may be entrusted with the responsibility for financing through primary agricultural credit societies. This would ensure a systematic and planned extension of the scheme to the areas where the widest credit gaps exist and where, therefore, the commercial banks would have sufficient scope for extending credit facilities for agriculture. We hope that the more detailed exercise about identifying the specific branches and the societies that may be transferred would be completed very quickly. If the intention of enlarging the institutional credit support to agriculture is to be fulfilled, the commercial banks will have to accept the challenge with the full sense of responsibility. We need not emphasize too much the need for the banks to equip the branches saddled with the responsibility to finance primary credit societies with adequate staff trained in the job. The branch managers themselves may have to show a lot of initiative and drive in the expansion of membership and extension of credit facilities to them. The authorities of the banks may like to review their recruitment and training programmes so that the branches do not suffer from want of the necessary manpower. If the commercial banks cannot possibly provide the necessary staff to do full justice to the financing of societies, we suggest the phasing of the programme covering 164 branches in 15 districts over a period of three years at the rate of at least 50 branches in a year. In such a phased programme preference may be given to the selection of blocks with greater credit gaps, viz., those with 75 per cent or above, for financing in the first year. Of the 96 blocks listed out in Annexure 16 there are 36 blocks with gaps of 75 per cent or above. Once the societies are taken over, the performance of the banks will be judged on the basis of the expansion of credit facilities to a larger number of farmers in their areas. If the scale of operations of the societies does not undergo a substantial increase over the existing position, the very objective of inviting the commercial banks would be defeated. It is, of course, presumed that the societies would be reorganized on the lines recommended by us in Chapter V and that the banks would follow the crop loan system recommended by the Reserve Bank and adopt scales of finance which are necessary to meet the requirements of the farmers for credit in cash and kind.

The Reserve Bank of India has issued detailed guidelines to commercial banks for financing agricultural credit societies. We expect the commercial banks, the co-operatiive banks, the co-operative societies and the Registrar of Co-operative Societies to bear them in mind on the transfer and financing of the societies by the commercial banks.

2.15 Mention has been made earlier that in pursuance of an earlier exercise made in 1973, 77 blocks in 18 districts were identified for the commercial banks financing primaries. The branches of the banks that were to take up the responsibility were also indicated as shown in Annexure 13. However, the progress under this arrangement has been very limited as outlined in paragraph 2.10. While in future the selection of the areas for the purpose should be from among the 96 blocks listed in Annexure 16, we would not like to disturb the progress that may have been made in pursuance of the earlier decision. We would also not stand in the way of the commercial banks agreeing to finance societies in the 77 blocks, some of which do not find a place in the list of 96 blocks proposed to be brought under the scheme. In other words, the societies taken over in these blocks should be treated as in addition to those that may be taken up in the future in keeping with our recommendations in the earlier paragraph.

2.16 We have referred so far to the manner in which the commercial banks may come in to meet the credit gaps. For some reasons, which are not easily understandable, the feeling in some quarters is that co-operative societies should have dealings with co-operative banks only. We would not, however, like to take such a narrow view of the problem, as we are concerned primarily with meeting the credit gaps which cannot obviously be fully met by the co-operative banking system, even assuming the most favourable circumstances. We, therefore, endorse the policy direction given by the Government of India and the Reserve Bank. At the same time, we would welcome the Maharashtra State Co-operative Bank itself going into some of the 96 blocks with a view to financing primary agricultural credit societies directly, by-passing the central co-operative bank of the district. Such a measure has been commended by the All-India Rural Credit Review Committee as well as the Banking Commission. We recommend the step to the state co-operative bank and also recommend that if the bank decides to step in, the Reserve Bank of India may permit it to open its branches in those areas and also consider providing refinance facilities on behalf of the societies. The state co-operative bank should, as in the case with commercial banks, adopt an area with a business potential of at least Rs 20 lakhs and about 10 primary societies per branch. The blocks that may be allotted to the state co-operative bank may, however, be decided by the State Level Co-ordination Committee.

2.17 The commercial banks may no doubt show preference to lending through primary agricultural credit societies rather than directly to farmers because of the various advantages the former arrangement has over the latter. However, our recommendation would enable them to do so in only 96 blocks out of a total of 295 blocks. Even in these blocks the idea is that the banks would cover not the entire area of a block but only a portion. Thus the commercial banks may be free to lend directly to the farmers other than members of societies in a substantial portion of the state, i.e., in the whole of 199 blocks (295-96) and of the remaining 96 blocks in the state in the areas other than those of the societies taken up for financing by the commercial banks themselves. We expect that with the removal of the several difficulties in the way of direct lending with the passing of legislation on the lines recommended by the Talwar Committee, their role will expand considerably in the future. The point for consideration is whether the banks should continue to lend directly to farmers even in the areas of societies which are attached to them for financial accommodation. We have been informed that when the scheme of financing primary credit societies was first introduced in 1970, the farmers in need of credit and residing within the area of operation of the societies affiliated to the commercial banks were expected to join the societies as the banks were advised not to finance such farmers directly. The restriction was later removed and the banks were permitted to lend directly to farmers. The idea in stipulating the earlier restriction was to enable the primary credit societies to attain viability as quickly as possible. Further, it is important that the provision of credit is coupled with that of supplies and services which the societies will be able to provide. We are of the view that these considerations are very important and have been well emphasized in the policy circular of the Government of India of 7 February 1975. We, therefore, recommend that the commercial banks should not lend directly to farmers residing within the jurisdiction of the societies financed by them. Such of those farmers who are already receiving credit facilities directly from the commercial banks may be persuaded to join the society of their area within a reasonable period of time after which the financial accommodation to them may even be denied if they do not want to join the society.

2.18 As against the credit potential of Rs 450 crores, we have estimated that the co-operatives might be able to reach Rs 250 crores by 1978-9 leaving a gap of Rs 200 crores to be met. We have recommended that the scheme of financing primary credit societies may be introduced in 164 branches of commercial banks/ state co-operative bank in 96 blocks in 15 districts. Each branch is to have a potential of credit business of Rs 20 lakhs calculated on the *ad hoc* basis of Rs 250 per hectare for irrigated lands and Rs 125 per hectare for dry lands. The credit potential of Rs 450 crores has, however, been worked out on the basis of realistic scales of finance per acre per crop and on the assumption that 50 per cent of the requirements would flow through institutional sources. The corresponding figure for the credit potential calculated on the *ad hoc* basis is Rs 240 crores. The credit supply at the rate of Rs 20 lakhs per branch for the 164 branches will come to Rs 32.80 crores. However, calculated on the basis of financing to the full extent of the realistic scales of finance to be adopted by the commercial banks, the banks may be able to step up their short-term credit support through the societies to about Rs 60 crores, just as the co-operatives are expected to take their finance from the level of Rs 127 crores in 1971-2 to Rs 250 crores by 1978-9. The commercial banks had provided direct loans to the farmers in December 1973 to the extent of Rs 68 crores of which short-term crop loans formed Rs 24 crores. We feel that there should be no difficulty in these banks stepping up their direct short-term loans from Rs 24 crores at the end of December 1973 to Rs 40 crores by 1978-9 assuming a rate of expansion of about 10 per cent annually. The short-term agricultural loans issued by the commercial banks to the farmers directly and through the primary credit societies may, therefore, reach Rs 100 crores by 1978-9. The commercial banks operating in Marahashtra should not find it difficult to achieve lending programme of this order by 1978-9 on the basis of our estimate which is indicated in Annexure 17, on the assumption that (i) the commercial banks would earmark 7.5 per cent of their loanable funds for agriculture which is the existing ratio, (ii) their deposit-credit ratio would be 100:70 and (iii) their deposits would grow at an annual rate of 15 per cent.

2.19 If the credit supply from the co-operatives of the estimated order of Rs 250 crores is added, we get a total of Rs 350 crores for the supply of credit through institutional sources. This will still leave a gap of Rs 100 crores to be met. We do not see how this can be met because we cannot think of any agencies other than the co-operatives and the commercial banks which can effectively handle short-term agricultural credit. We may have to put up with the continuance of this gap and hope that it will be wiped out in the Sixth Five Year Plan. We would like to emphasize, at the same time, that the above achievements will be feasible only if all concerned give their wholehearted co-operation in implementing the programme of the commercial banks/state co-operative bank financing primary credit societies in 96 blocks as recommended by us. All concerned must look at it from the point of the programmes of agricultural production in the state and the urgency of meeting the credit gaps through institutional agencies. Given the measure of response which is necessary, we are confident that the co-operative and commercial banks will be able to meet the credit gaps substantially and in a co-ordinated manner. We envisage that the two wings of the banking system will supplement each other's efforts for achieving the common national objective of stepping up agricultural production and attaining self-sufficiency. We also suggest that the progress in the implementation of the scheme in the state be reviewed at suitable intervals by the Reserve Bank's Standing Committee on Co-ordination between Commercial and Co-operative Banks.

CHAPTER III

LENDING POLICIES OF THE STATE AND CENTRAL CO-OPERATIVE BANKS

3.1 As part of the national policy, deliberate measures were adopted by the government and the Reserve Bank in the last two decades for strengthening and expanding the co-operative credit institutions so that they may provide adequate support to the programmes of agricultural development incorporated in the five year plans. It is, therefore, expected that the lending policies pursued by the state and central co-operative banks are oriented towards extending the maximum support to the programmes of agricultural production. This is not to suggest that these banks should confine their activities to the financing of agricultural production alone. As higher financing agencies, they have the responsibility to cater to the needs of activities like marketing and processing of agricultural produce which no doubt includes sugarcane as also the consumer, industrial and urban societies in the co-operative sector. What is important is the priority accorded by these banks in deploying their available resources among the different sectors of the co-operative movement. Further, in so deploying particularly the deposit resources, a bank has to ensure that the interests of the depositors are not adversely affected. The provisions of the Banking Regulation Act (As Applicable to Co-operative Societies) 1949 that a bank should be able to pay its present and future depositors as and when their claims accrue, embodies an important banking principle, viz., a bank should not borrow short and lend long. Similarly, another important principle is that bank should have as diversified a loan portfolio as possible and avoid undue concentration in one sector or industry. We have examined in the following paragraphs the position obtaining in these respects in the Maharashtra State Co-operative Bank and some of the central co-operative banks in the state.

MAHARASHTRA STATE CO-OPERATIVE BANK

3.2 The distribution of the advances portfolio of the bank for the period 1967-8 to 1972-3 is given in detail in Annexure 18. The break-up is briefly indicated on the following page.

Rs Lakhs

Type of advance	1967-8	1968-9	1969-70	1970-71	1971-2	1972-3
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 For seasonal agricultural operations	3879 (47)	4083	4701	4885	3564	1684 (10)
2 Medium-term agricultural (Normal)	291 (4)	299	400	472	366	275 (2)
3 Medium-term conversion	—	—	—	1359	1850	3326 (20)
4 Total agricultural outstanding advances	4170 (51)	4382	5101	6716	5780	5285 (32)
5 Medium-term non-agricultural loans (to processing societies)	510 (6)	660	771	1083	1076	968 (6)
6 Interim/temporary/working capital finance to processing societies	1902 (23)	3327	4510	4790	5374	4721 (29)
7 Other non-agricultural advances	1616 (20)	2205	2557	1602	2620	5487 (33)
8 Total non-agricultural advances	4028 (49)	6192	7838	7475	9070	11176 (68)
9 Grand total of outstanding advances (4+8)	8198 (100)	10547	12940	14190	14850	16461 (100)

N.B.: Figures in brackets show the percentage to total outstanding advances.

It will be seen from the table that the total outstanding advances of the bank have shown a steadily increasing trend. The total outstandings at Rs 81.98 crores as on 30 June 1968 increased by over 100 per cent to Rs 164.61 crores as on 30 June 1973. The purpose-wise distribution of the advances, however, did not show the same trend over the period. The outstandings under seasonal agricultural operations as on 30 June 1968 at Rs 38.79 crores increased to Rs 48.85 crores as on 30 June 1971 and then declined to Rs 35.64 crores as on 30 June 1972 and further to Rs 16.84 crores as on 30 June 1973 primarily because of the large-scale conversion of short-term loans into medium-term loans, following scarcity conditions in the state. Consequently, the percentage of advances for seasonal agricultural operations to total outstandings, declined continuously from 47 per cent as on 30 June 1968 to just 10 per cent as on 30 June 1973, but the total agricultural advances (outstanding), however, increased from Rs 41. 70 crores as at the end of 1967-8 to Rs 67.16 crores at the end of 1970-71 and then declined to Rs 52.85 crores at the end of 1972-3.

3.3 These wide fluctuations in the bank's involvement out of its own resources in agricultural loans indicate that its role in this sphere is that of the lender of the last resort. From Annexure 29 it will be seen that the total loans outstanding against individual members of societies increased from Rs 105.11 crores in 1967-8 to Rs 173.83 crores in 1972-3, i.e., by over Rs 68 crores. The share capital of the societies increased by about Rs 17 crores and the deposits by about Rs 2 crores during the same period. Since the apex bank's contribution from its own resources was not large, the substantial increase in the loans at the society level was on account of the lendings of central banks out of their own resources.

3.4 The bank's non-agricultural advances, however, showed a continuous increase from Rs 40.28 crores at the end of 1967-8 to Rs 111.76 crores at the end of 1972-3, i.e., an increase of over 275 per cent. The non-agricultural advances which formed 49 per cent of the total advances increased to 68 per cent during this period. Purpose-wise, the outstandings for procurement at Rs 11.45 crores on 30 June 1968 forming 14 per cent of the total advances had increased to Rs 39.83 crores forming 24 per cent of the total advances as on 30 June 1973. It may be mentioned that during 1972-3, the bank financed the scheme of monopoly procurement of cotton undertaken by the Maharashtra State Co-operative Marketing Federation as agent of the government for which the bank enjoyed substantial credit facilities from the Reserve Bank as well as some commercial banks. The advances to urban banks and salary earners' societies at Rs 1.18 crores forming 1 per cent of total loans in 1967-8 increased to Rs 5.10 crores forming 3 per cent of total advances in 1971-2, but thereafter declined to Rs 3.97 crores forming 2 per cent of the total advances at the end of June 1973. Loans for other purposes including co-operative housing have also similarly increased from Rs 2.67 crores forming 3 per cent of total loans in 1967-8 to Rs 9.63

crores forming 6 per cent in 1972-3.

3.5 A very substantial portion of the non-agricultural loans or for that matter, even of the total advances of the bank was accounted for by the bigger processing units such as co-operative sugar factories and spinning mills. The advances to processing societies at Rs 24.12 crores forming 29 per cent of the total outstandings as on 30 June 1968 increased steadily to Rs 64.50 crores forming 43.5 per cent as on 30 June 1972 and declined to Rs 56.89 crores forming 35 per cent as on 30 June 1973. The bank's own involvement in non-agricultural loans was 91.6 per cent of the total advances inclusive of 55.8 per cent in processing societies as at the end of June 1970 vide Annexure 19. This had, however, come down to about 70 per cent in June 1974, inclusive of 37 per cent in processing societies.

3.6 While the advances for agricultural purposes are reimbursable to a substantial extent from the Reserve Bank as and when necessary, there is, by and large, no such refinance facility available in respect of most of the bank's non-agricultural advances. Thus, for instance, the bank has to accommodate urban banks, housing societies, consumers stores, industrial societies, etc., almost entirely out of its own resources. Interim or block capital or working capital loans provided to sugar factories, spinning mills, etc., cannot also be reimbursed from the Reserve Bank. With the continuous expansion of the portfolio of non-reimbursable advances, a large part of which were of a medium-term nature or turned out to be so, the pressure on the bank's resources was mounting steadily. At the end of February 1971, its surplus in liquid assets under Section 24 of the Banking Regulation Act was only Rs 69 lakhs. In addition, the bank had Rs 6.25 crores invested in call deposits with commercial banks. These funds were, however, insufficient to meet the demands for loans from the sugar factories against the security of stocks of sugar during the next two months of the production season. To some extent the slow movement of sugar from the factories over which they had little control, as the issues were regulated by the Government of India, was responsible for the situation. But this is something which has to be taken as a normal feature of financing sugar factories and a bank has to take due note of it in assessing the likely burden on its resources. The future increase in the demand from the factories for meeting their working capital needs as the crushing season advances cannot be ignored while providing term loans in the early part of the season. However, the bank found itself in the situation in which it would have had difficulty in meeting the legitimate demands of the factories. This would have delayed payment of cane price and affected the credit structure adversely. Hence to relieve the pressure on the bank and facilitate advances to sugar factories the Reserve Bank sanctioned as a special case, a limit of Rs 7.50 crores to the apex bank against the guarantee of the state government. Besides, on the advice of the Reserve Bank, the Government of Maharashtra provided a ways and means advance of Rs 2 crores to the bank. Further, with a view to avoiding the recurrence of a similar situation the Reserve Bank advised the state co-operative bank as under in terms of its letter dated 16 April 1971:

(i) the bank should refrain from making any more block capital loans and/or interim advances to processing societies until the outstandings under such loans were brought down to the level of 10 per cent or less of the total demand and time liabilities;

(ii) the bank should not in future provide any interim accommodation in any form to a processing society except where the Industrial Finance Corporation or any other appropriate agency had at least tentatively agreed to provide long-term finance; and

(iii) the bank should seek the Reserve Bank's approval before locking up more than 10 per cent of its total demand and time liabilities in block capital loans or interim accommodation to any processing societies.

3.7 The bank could not, however, comply with the above advice as it had to accommodate sugar factories under the letters of credit already opened on their behalf. Consequently the outstandings under such loans exceeded 15 per cent throughout the period April 1971 to September 1972 as indicated below:

Rs Crores

Date	Total time and demand liabilities	Outstandings to processing societies	Percentage of col. 3 to col. 2
(1)	(2)	(3)	(4)
31- 3-1971	86.23	14.97	17
30- 6-1971	91.78	14.45	15
30- 9-1971	89.75	14.40	16
31-12-1971	93.77	16.91	18
30- 3-1972	100.53	17.43	17
30- 6-1972	107.15	17.34	16
30- 9-1972	103.86	19.01	18

3.8 The bank requested the Reserve Bank in September 1972 that in order to enable it to meet the credit requirements of the new processing units, the restrictions imposed on the investment of its funds in block capital and interim loans should be lifted for a period of five years. The Reserve Bank agreed with the bank's request only partially and advised on 4 May 1973 that its investments in block capital loans to the processing societies out of its own resources by way of term loans, temporary loans, interim loans, etc., should not exceed Rs 21 crores during the calendar year 1973. The outstandings to such societies in excess of Rs 21 crores at any time during the year, were required to be matched by corresponding borrowings from the State Bank of India and/or other commercial banks. It may be stated that the State Bank of India had sanctioned in July 1972 a clean demand cash credit limit of Rs 5 crores to the bank to be utilized for meeting the block capital expenditure of sugar factories, pending sanction of the loans for the same purpose by the Industrial Finance Corporation. Later, in August 1973, the Reserve Bank further advised the bank that the ceiling of Rs 21 crores referred to above would also cover accommodation provided by the bank to co-operative housing societies out of its own resources. The bank had complied with these restrictions as may be seen from the data given below:

Rs Crores

	Outstandings as on					
	30-6-1973		30-9-1973		31-12-1973	
	No. of units	Amount	No. of units	Amount	No. of units	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
A *Sugar factories*						
(i) Medium-term loans	6	1.28	6	1.33	7	1.62
(ii) Interim loans against IFC loans	13	11.15	13	11.35	14	12.93
(iii) Temporary loans	12	2.97	13	3.82	17	4.24

	(1)	(2)	(3)	(4)	(5)	(6)
B *Spinning mills*						
(i) Medium-term loans	10	2.70	10	2.42	10	2.34
(ii) Interim loans against IFC loans	3	0.89	4	1.08	4	1.27
(iii) Temporary loans	3	0.06	3	0.03	3	0.02
C Medium-term loans to other processing societies	57	1.01	57	0.97	57	0.93
D Interim accommodation to housing societies	NA	—	4	0.27	3	0.27
Total		20.06		21.27		23.62
Less: (i) Borrowings from the State Bank of India	—			2.00		2.00
(ii) Accommodation in lieu of Government share capital to new factories	—			—	4	1.21
				2.00		3.21
Grand Total		20.06		19.27		20.41

3.9 The bank's total involvement in term loans as at the end of August 1974 continued to be around Rs 20 crores forming nearly 14 per cent of the total demand and time liabilities. The commitments under letters of credit opened by it on behalf of co-operative sugar factories and spinning mills were in addition to the above actual investment. Although, the letters of credit did not mean immediate involvement of funds, it was a contingent liability which the bank would have to meet in the event of the concerned factory failing to raise funds to pay for plant and machinery supplied against these letters. About this time, six new sugar factories had been organized in the state and these had approached the state co-operative bank for opening letters of credit on their behalf. With a view to restricting the involvement of the bank to Rs 21 crores, the Reserve Bank issued a directive on 1 July 1974 prohibiting it from opening any letter of credit or providing any other kind of accommodation to any processing societies either directly or through the central banks for the purchase of plant and machinery without the prior approval of the Reserve Bank.

Subsequently, in consultation with the Government of Maharashtra, the Reserve Bank permitted the bank to open letters of credit on behalf of five sugar factories subject to the condition that the bank would not provide any loan except for meeting the commitment under the letters of credit and that the government would execute a default guarantee for the repayment of the loans in two or three instalments.

3.10 The availability of long-term resources is one of the deciding factors of a bank's involvement in block capital loans. Mention has been made earlier of an important principle that a bank should be able to meet its liability towards its depositors as and when it falls due. It follows from this that the term loans of a bank should be within its term resources so that its short-term deposit resources are not locked up in longer duration loans and advances. It is, therefore, relevant to examine whether the Maharashtra State Co-operative Bank's accommodation to the processing units, etc., of a medium or long-term nature conformed to this basic principle. For this purpose, the bank's term resources might be taken to comprise its owned funds, borrowings of medium and long-term nature, fixed and other deposits maturing after 3 years or above, after deducting the liquid assets at the optimum level, i.e., at 35 per cent, which the bank would normally maintain in respect of such deposits. As for commitments, the term lendings of the bank may be taken to include the interim and temporary loans to the processing units as the studies of individual units (details of which are given in Chapter IV) had brought out that the lendings of the above type, though meant to be a stop-gap arrangement, tended to result, for various reasons, in an involvement of a medium or even long-term nature. The overdues and the bad and doubtful assets (other than bad and doubtful debts) should also be treated as a term commitment. Accordingly, a statement showing the position of medium and long-term commitments of the bank *vis-a-vis* its available resources for the purpose as at the end of the six years from 1967-8 to 1973-4, is given in Annexure 20. It will be seen therefrom that the involvement of the bank in term advances had been in excess of its term resources, the excess at Rs 2.94 crores as on 30 June 1968 rising to Rs 12.13 crores as on 30 June 1972. The term lendings were within the term resources as on 30 June 1973 and 30 June 1974. However, the term loans again exceeded the term resources by Rs 2.61 crores as on 27 December 1974. The imbalance between term lendings and term resources did not perhaps receive sufficient attention because the bank may have gone by sizeable fixed deposits for periods between 1 and 3 years. Such deposits ranged from Rs 21.26 crores in 1970-71 to Rs 44.44 crores in 1972-3. We, however, feel that for this purpose, account may be taken of only deposits for periods exceeding 3 years as many of the term loans go up to 10 years.

3.11 We have referred earlier to another banking principle that a bank may avoid concentration of loans and advances to one sector or industry and have as diverse a loan portfolio as possible. It is unsafe to put all eggs in one basket. The co-operative sugar factories in the state have claimed a large share of the total advances of the state co-operative bank. The total financial accommodation (including for working capital) outstanding against the co-operative sugar factories amounted to Rs 12.23 crores as on 30 June 1968 and formed 15 per cent of the total advances. It increased to Rs 49.11 crores as on 30 June 1974, forming 29 per cent of the total advances and 32 per cent of the total time and demand liabilities. As on 31 January 1975, the bank's advances to sugar factories directly and indirectly through central banks increased to Rs 66 crores exclusive of the commitments of the order of Rs 10 crores under the letters of credit opened on behalf of the factories. All these taken together would form over 50 per cent of the total time and demand liabilities. There has been a substantial increase in the production of sugar this year. To meet this at least partially the Reserve Bank has sanctioned to the bank a credit limit of Rs 10 crores against the guarantee of the state government. The bank had to restrict its accommodation to the factories. Even then it is expected that the accommodation of all types to the sugar factories may touch the record level of Rs 90 crores.

3.12 We have referred to the permission granted by the Reserve Bank to the Maharashtra State Co-operative Bank to open letters of credit (Rs 210 lakhs to Rs 275 lakhs in each case) on behalf of five sugar factories, viz., Kadwa and Nasik (Nasik), Belganga and Madhukar (Jalgaon) and Jai Bhavani (Bhir). Some of these are expected to have their trial season in 1976. A number of existing factories have undertaken or carried out an expansion of their installed capacity. Besides, the Government of Maharashtra have an ambitious programme of setting up a large number of sugar factories in the Fifth Five Year Plan. If the burden of meeting the interim or medium-term financial requirements of the new factories or the working capital needs of all the co-operative sugar factories were to be shouldered by the state co-operative bank it may well go beyond its capacity to bear. But even if its resources were to increase substantially to cope with the increased demand from sugar factories, this would lead to a further concentration of the bank's advances to this industry. Apart from the departure this would mean from the sound banking principle of having as widely diversified loan portfolio as possible, it might make it difficult for the bank to give adequate attention to the development of equally important activities in the co-operative sector.

CENTRAL CO-OPERATIVE BANKS

3.13 The data relating to the purpose-wise distribution of outstanding loans obtaining in five central banks in the state, viz., Ahmednagar, Nanded, Sholapur, Thana and Yeotmal, selected at random from the various divisions in the state, are set out bankwise in Annexure 21. The main trends of the advances as between agricultural and non-agricultural sectors during the last five years showing *inter se* their relative proportion is briefly indicated in the following paragraphs.

3.14 The break-up of the advances of the five central banks for agricultural and non-agricultural purposes for the years 1967-8 to 1971-2 was as in the table given on page 45. It will be seen from the table that the total of advances of all the banks for agricultural purposes had increased from Rs 25.42 crores in 1967-8 to Rs 34.49 crores in 1970-71 and then slightly declined in 1971-2 to Rs 33.06 crores. As a percentage to the total loans, the agricultural advances, however, declined from 78 in 1967-8 to 71 in 1971-2. Individually the agricultural loans in quantum showed an upward trend in respect of two banks, viz., Ahmednagar and Sholapur, while in the case of Nanded, Thana and Yeotmal banks they had declined from the year 1970-71. In terms of percentage of agricultural loans to

Rs Lakhs

Bank	1967-8		1968-9		1969-70		1970-71		1971-2	
	A	NA	A	NA	A	NA	A	NA	A	NA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1 Ahmednagar	955	337	1073	449	1111	852	1343	830	1381	743
	(74)	(26)	(71)	(29)	(57)	(43)	(62)	(38)	(65)	(35)
2 Nanded	651	50	657	64	700	67	694	63	561	67
	(93)	(7)	(91)	(9)	(91)	(9)	(92)	(8)	(89)	(11)
3 Sholapur	352	191	436	198	453	238	536	211	558	237
	(65)	(35)	(69)	(31)	(66)	(34)	(72)	(28)	(70)	(30)
4 Thana	135	108	155	141	157	183	147	163	145	211
	(56)	(44)	(52)	(48)	(46)	(54)	(47)	(53)	(41)	(59)
5 Yeotmal	449	26	505	25	444	27	729	53	661	82
	(95)	(5)	(95)	(5)	(94)	(6)	(93)	(7)	(89)	(11)
	2542	712	2826	877	2865	1367	3449	1320	3306	1340
	(78)	(22)	(76)	(24)	(68)	(32)	(72)	(28)	(71)	(29)

N.B.: A —Agricultural advances NA — Non-agricultural advances.

Figures in brackets indicate percentages to total loans for the respective year total loans, a declining trend was observed in respect of all the banks excepting Sholapur.

3.15 The non-agricultural advances of these banks increased from Rs 7.12 crores in 1967-8 to Rs 13.67 crores in 1969-70 but declined to Rs 13.20 crores in 1970-71, rising again in 1971-2 to Rs 13.40 crores. In terms of percentage to total advances similar trend was observed—the percentage which stood at 22 in 1967-8 increased to 32 in 1969-70 declining to 28 in 1970-71 and increasing again to 29 in 1971-2. All the central banks, individually, showed an increasing trend in non-agricultural advances during the period 1967-8 to 1971-2. In terms of percentage to total loans, the bank-wise position showed an increasing trend except in the case of Sholapur bank where the percentage of non-agricultural loans to total loans slightly declined from 35 in 1967-8 to 30 in 1971-2. In the case of Ahmednagar bank though the percentage of non-agricultural loans to total loans had declined to 35 in 1971-2 as compared to the percentages at 43 and 38 respectively for the years 1969-70 and 1970-71, it was higher than the percentage of 1967-8, viz., 26 per cent.

3.16 The existence of a fair proportion of non-agricultural advances in the total loan portfolio should be considered a healthy sign. Firstly, it means that the central co-operative bank is conscious of the responsibility towards the non-agricultural societies. Secondly, loans to such societies enable a bank to earn a higher return on its investments helping it thereby to reduce the rate of interest on agricultural loans. What is important, however, is to see that a bank does not neglect its responsibility towards short-term agricultural production credit which has to be accorded the highest priority from the point of increased agricultural production. From Annexure 16 showing the number of blocks with wide credit gaps, it appears that Ahmednagar central bank with five such blocks could have perhaps devoted more attention to meeting them. That is the reason why we have left out that district from the purview of the scheme of financing primary credit societies by commercial banks.

3.17 The purpose-wise distribution of total advances, bank-wise, is given in Annexure 22. The distribution of the non-agricultural advances is given on the next page.

Rs Lakhs

Purpose	1967-8	1968-9	1969-70	1970-71	1971-2
(1)	(2)	(3)	(4)	(5)	(6)
1 Medium-term non-agricultural loans	72 (10)	173 (20)	246 (18)	208 (16)	167 (12)
2 Production and marketing of handloom cloth	—	2	2	16 (1)	25 (2)
3 Procurement operations	—	3	5	9 (1)	7 (1)
4 Urban banks and salary earners' societies	18 (3)	70 (8)	67 (5)	52 (4)	66 (5)
5 Processing societies	266 (37)	396 (45)	804 (59)	793 (60)	814 (61)
6 Other purposes	356 (50)	233 (27)	243 (18)	242 (18)	261 (19)
Total non-agricultural loans	712	877	1367	1320	1340

N.B.: Figures in brackets indicate percentage to total for the respective year

It will be seen from the above table that the major portion of the non-agricultural advances was given to the processing societies. The advances to processing societies which were at Rs 2.66 crores in 1967-8 shot up to Rs 8.14 crores in 1971-2 and their respective percentages to the total non-agricultural loans had also increased from 37 to 61. Of the total advances of Rs 8.14 crores of these five banks, the Ahmednagar central bank alone accounted for Rs 5.14 crores or 65 per cent as will be seen from Annexure 22. It may be mentioned that the Ahmednagar district has the largest number of co-operative sugar factories in the state and the central bank has been enjoying throughout a comfortable deposit position.

3.18 We have indicated above the desirability of a central bank having a fair proportion of non-agricultural loans in the total loans portfolio. Apart from the considerations mentioned earlier, it is desirable also from the point of a balanced and diversified loan portfolio. We would consider 20 per cent for the non-agricultural loans to the total as the optimum and 25 per cent as not too high. The proportion of the agricultural and non-agricultural loans to the total in the central banks in the state is given region-wise for the past four years in the table on page 48.

Rs Lakhs

Division	1971-2		1972-3		1973-4		1974-5 (31-12-74)	
	Agri.	Non-agri.	Agri.	Non-agri.	Agri.	Non-agri.	Agri.	Non-agri.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Western Maharashtra	7103 (69)	3169 (31)	8276 (70)	3439 (30)	10379 (72)	4009 (28)	12022 (78)	3541 (22)
Marathwada	3542 (92)	284 (8)	3717 (93)	284 (7)	4422 (95)	203 (5)	4483 (94)	307 (6)
Vidarbha	3413 (87)	511 (13)	3244 (88)	446 (12)	3795 (89)	508 (11)	4822 (89)	580 (11)
Total	14058 (78)	3964 (22)	15237 (78)	4169 (22)	18596 (80)	4720 (20)	21327 (83)	4428 (17)

Note: Figures in brackets indicate the percentage to total loans outstanding

It will be seen that during 1971-2, 1972-3 and 1973-4 the non-agricultural loans constituted more than 20 per cent but less than 25 per cent for the whole state. At the end of December 1974, however, the proportion had come down to 17 per cent. The banks in the Marathwada region with the non-agricultural loans constituting less than 10 per cent in all these years would have to go a long way to reach the optimum of 20 per cent. To some extent this will also apply to the banks in the Vidarbha region where the proportion of non-agricultural loans is more than 10 per cent but less than 15 per cent.

ADVANCES TO SMALL FARMERS

3.19 The lending policies of the co-operative credit institutions, which are best suited to serve persons of small means, should be oriented to meet the needs of weaker sections of the rural community. However, the weaker sections of cultivators have been receiving only limited benefit from co-operative credit. The following observation made by the All-India Rural Credit Review Committee 1969 in this connection is significant:

> Our conclusion is, therefore, that though in the last few years, especially since 1964-5, some progress has been made in relaxing various restrictive practices—a process which began and had gone farthest in the I.A.D.P. districts—the small cultivators continue to be handicapped from the co-operatives because of one or more factors, viz., exclusion from membership, insistence on landed security, and restriction on the size of loan which may be made to tenants. . . . An unfortunate feature, from the point of view of production, was that tenants and small cultivators were not, in many parts of the country, able to obtain the credit required by them for modern inputs. (page 176)

3.20 In the above context and with a view to ensuring that as many small and economically weak farmers are encouraged to become members of co-operatives and that their credit requirements are met to the maximum possible extent, the Reserve Bank, in April 1971, decided to earmark a part of the short-term credit limit sanctioned in favour of a central co-operative bank specifically for financing small and economically weak farmers. To start with, the central banks were required to show at least 10 per cent of the outstandings of borrowings from the concerned state co-operative bank on 30 June 1971 as covered by the outstandings of short-term agricultural loans to societies against small and economically weak farmers. The small or marginal or economically weak farmer was defined as one having land holdings up to 3 acres each and in exceptional cases, such as those in backward areas or in the hilly terrain, up to 5 acres subject to the specific approval of the Reserve Bank. The relevant percentage was raised to 20 in 1971-2 and from 1972-3, an additional condition was imposed in the case of central banks in some selected states, including Maharashtra, in terms of which the drawals made by the state co-operative bank from the Reserve Bank on behalf of a central bank in excess of 80 per cent of the sanctioned limit were required to be matched by corresponding advances outstanding against small farmers. The condition was further modified in 1973-4. Accordingly, 70 per cent of the limit sanctioned to a central bank was to be treated as free portion of the limit and the state co-operative bank could approach the Reserve Bank for drawals in excess of the free portion of the limit on behalf of a central bank only after ensuring that the concerned bank had observed the condition regarding financing of small and economically weak farmers with reference to its borrowings from the state co-operative bank. Besides, with a view to ensuring strict compliance and also flow of adequate credit to the weaker sections, the Reserve Bank, for the year 1974-5, has reduced the free portion of the limit from 70 per cent to even 60 per cent in the case of such banks as had not taken the necessary steps to finance adequately the small and economically weak farmers.

3.21 The performance of central banks in Maharashtra in ensuring even the prescribed low minimum involvement in advances to the small and economically weak farmers had been somewhat disappointing, in spite of the fact that the state government have been making, as an incentive to the financing of small farmers, outright grants to the special bad debt reserves of both the central banks and the primary societies, the aggregate of which stood at about Rs 124 lakhs at the end of June 1973. During the year 1971-2, no central bank had reported the position of its short-term agricultural advances outstanding against small and economically weak farmers. In the year 1972-3, only 9 out of 24 reporting central banks had complied with the requirement. A statement showing the performance of central banks in Maharashtra in the financing of small and economically weak farmers during 1973-4 is given in Annexure 23.

3.22 It will be seen therefrom that in the case of only six banks, viz., Bhandara, Kolaba, Kolhapur, Ratnagiri, Satara and Sholapur, the involvement in advances to small and economically weak farmers was 20 per cent or above of the maximum borrowings during the year from the state co-operative bank, the excess over 20 per cent being very nominal in the case of the Kolhapur and Sholapur banks. The Thana bank had not borrowed from the state co-operative bank. The remaining 18 banks had not satisfied the condition. Hardly 5 per cent of the advances in 9 central banks and 10 per cent in 3 other central banks had been made in 1973-4 to this category of farmers.

3.23 The parameter unless revised by the Reserve Bank had been fixed at three acres. Many central banks had not undertaken surveys to find out the proportion of the holdings of small farmers satisfying the above definition to the total to represent to the Reserve Bank for an upward revision where it was justified. The stipulation that drawals beyond 70 per cent of the sanctioned limit would be permitted if the prescribed proportion of loans to small farmers is maintained compelled the banks to undertake quick surveys. The insistence on the part of the state co-operative bank in this behalf also helped considerably. As a result of these representations and the assurances given by the banks that they would strictly comply with the conditions, the parameters were for the time being suitably revised upward in most cases to 5 acres. The percentage was also reduced in some cases to 15 or even 10 subject to it being raised to 20 in the next two years or so. As a result, 12 out of the 18 central banks referred to above, viz., Ahmednagar, Aurangabad, Bhir, Buldana, Dhulia, Jalgaon, Nagpur, Nanded, Osmanabad, Sangli, Wardha and Yeotmal got the benefit of the revised parameters and/or reduced percentages. The latest position shows that three banks in Marathwada and five in the Vidarbha region have still to comply with the condition.

3.24 The above analysis has amply brought out the inadequacy of action on the part of the central banks in Maharashtra in meeting the credit requirements of the weaker sections of agriculturists. Unless deliberate steps are taken by the central banks to persuade the affiliated primary agricultural credit societies to enlarge their effective coverage of small and economically weak farmers, it may not be possible for the banks to ensure financing of the weaker sections of the rural community adequately. We would, therefore, urge on the managements of the central banks to take earnest steps so as to ensure fulfilment of the discipline imposed by the Reserve Bank. It is also imperative for the Co-operation Department of the state government and its officers at the district level to actively associate themselves with the central banks in their efforts for achieving the desired objective, especially in enlarging the coverage of small and marginal farmer-members of the primary agricultural credit societies. Mention has been made of the contributions to the special bad debt reserves of societies and central banks made by the government in relation to the loans advanced to small farmers. The government may examine the adequacy of these contributions and consider the question of stepping them up, if any extra incentive is warranted. We would also at the same time suggest that not only the Reserve Bank but also the state co-operative bank should take a serious view of the non-compliance of the discipline by the central banks by curtailing or even denying credit to the erring banks. We understand that the state co-operative bank has already initiated action in that direction.

Concluding Remarks

3.25 From the brief review of the deployment of resources by the state and some of the central co-operative banks in the state it appears that there has been no conscious attempt by any one of them in directing the flow of their funds to the different sectors to ensure a balanced growth of activities in the various co-operative fields and to secure social justice. The processing societies seem to have received a large share of attention from the state as well as one or two central banks. The policy of the state government to organize as large a number of sugar factories as possible has in no small measure governed the direction of the funds from the banks to them. It is also possible that the role played by the apex bank earlier in the establishment of many a successful co-operative sugar factory in the state made it take a somewhat liberal view of the response from the canegrowers to set up new factories with the active support of the government, although, as will be seen from the account given in the next chapter, many of the factories established in the last five years, belied these expectations. The result has been that the state and central banks had to provide term loans to bridge the gap between the resources mobilized through share capital and term loans from the Industrial Finance

Corporation (IFC) and the requirements of block capital. Further, what the banks provided as bridging finance pending contribution to share capital by growers and the government and the release of long-term loans by the IFC became in practice accommodation for a fairly long duration because of the failure of the growers and the government to meet their commitments in time and of the refusal of the IFC to release the sanctioned loans on account of the failure of the factories to comply with the conditions laid down by it. This situation has brought about the continuously growing involvement of the apex bank and some central banks in medium and long-term loans to processing societies, straining in the process their term resources to the maximum. As the factories commenced production and started working to full capacity and as some of the existing factories expanded their installed capacity the apex bank had to provide larger clean, hypothecation and pledge cash credit limits to them the size of which also went on increasing steadily because of the rise in the prices of raw materials and sugar. This had led to further allocation of resources by the state co-operative bank to this sector.

3.26 It is a sound and well recognized principle that a bank should have a fairly widely dispersed loan portfolio. If the loans are concentrated in one industry or business the bank's fortunes get closely linked with those of that industry/business and the problems and difficulties of the latter become the problems of the bank. This is exactly what seems to be the case of the Maharashtra State Co-operative Bank in that it is now forced to carry with it, at least for some more years, a number of sick sugar factories and spinning mills and draw up programmes for their rehabilitation and revival an account of which is given in the subsequent chapter. While it is inadvisable from a purely banking point of view for a bank to give too high a priority to one industry or activity, it is the responsibility of a state co-operative bank as well as of a central bank to bring about a balanced development of the various activities in the co-operative sector. A bank has also to serve some social objectives. The nationalization of major commercial banks was done primarily because it was felt that they were not paying enough attention to the removal of regional imbalances or to certain priority sectors. The co-operatives are essentially associations of people of small means. The state co-operative bank as the leader of the co-operative banking structure should take initiative in developing co-operative ventures in the different spheres and may not get engrossed in developing only one sector of activity. Marketing of agricultural produce, dairying and poultry-keeping on a co-operative basis are some of the spheres of activity which are not well developed in Maharashtra. The apex bank can play a positive role in promoting this development as it did a good deal of pioneering work in the development of co-operative sugar factories. The government have a scheme of monopoly procurement of cotton in the state. In 1972-3 it could provide accommodation for the purpose depending on the accommodation from Reserve Bank and some commercial banks. During the current year (1974-5), the apex bank will not be able to provide enough resources in the absence of the support from the Reserve Bank and commercial banks. Apart from the marketing of cotton, the other avenues of investment for the state co-operative bank are fertilizer distribution, food procurement, marketing and processing of oil seeds, working capital needs of powerloom and handloom units and urban co-operative banks. A number of new urban banks have come into existence in the last few years. They could be assisted initially by the state and central banks in developing their business so that they could attain viability as quickly as possible. We undersand that the apex bank has already started action in the matter following the directives issued recently by the Reserve Bank for controlling the operations of these banks. There are thus many spheres of activity in the development of which the apex bank can take the necessary initiative. We are confident of its capacity to do so.

3.27 In making this suggestion we do not want to belittle in any manner the extremely important part which the apex bank has played in the establishment of a large number of co-operative sugar factories and spinning mills. But for its initiative Maharashtra would not have achieved such a distinctive position on the sugar map of India. We do not also want to belittle the importance of developing the sugar industry particularly when there is a large export market for it. All that we would like to emphasize is that its past role in the establishment of the co-operative sugar factories and the present need for developing the sugar industry in the state in the larger interest of the nation should not mean that the responsibility in that behalf must fall necessarily and exclusively on the Maharashtra State Co-operative Bank and the central co-operative banks. The dimensions of the requirements of the sugar industry have become too large to be shouldered by the co-operative banking structure alone. Just as in the sphere of agricultural production credit we have recommended certain role to commercial banks, the responsibility for meeting the financial requirements of the co-operative sugar industry in the state may have to be shared by the state co-operative bank with the commercial banks.

3.28 In the light of what is stated above we feel that it is time that the state co-operative bank deferred for sometime its further involvement in loans and advances particularly of a long-term nature to sugar factories and spinning mills. A beginning could be made right now so that the present imbalance in the term loan portfolio of the bank is remedied over a period of years. In other words, what we want to suggest here is the urgency of the apex bank drawing a long-term credit plan for the next five years and do credit planning every year to attain the objectives of that plan. What is true of the apex bank is true equally of the central co-operative banks and, therefore, we would strongly recommend to all these banks that they introduce some amount of credit planning in their business keeping in view primarily the sound banking principles and also the broad objectives of co-operative and social policies. In so drawing a plan priority should be given by the central banks to reduce the gaps in agricultural production credit in their respective areas and also by the state co-operative bank in the areas where it is expected to step in as indicated in Chapter Two, besides adequately supporting the efforts of the central banks. Simultaneously, the state government may start a dialogue with the commercial banks so that the proposed sugar factories and spinning mills in the co-operative sector may be assured of the required credit facilities.

CHAPTER IV

FINANCING OF BIGGER CO-OPERATIVE PROCESSING UNITS

4.1 ONE of the terms of reference requires us to examine the lending policies of the state and central co-operative banks in respect of the bigger co-operative processing societies like sugar factories and spinning mills. With a view to examining the question in all its aspects, a study of five co-operative sugar factories and four co-operative spinning mills was undertaken by the Reserve Bank's Agricultural Credit Department and another two sugar factories by the Maharashtra State Co-operative Bank at the request of the Team.

PART A—FINDINGS OF THE STUDY OF CO-OPERATIVE SUGAR FACTORIES

4.2 The salient features of the working of each of the seven co-operative sugar factories, viz., (1) Panchaganga (Kolhapur), (2) Ashok (Ahmednagar), (3) Vishwas (Sangli), (4) Bhuinj (Satara), (5) Vinayak (Aurangabad), (6) Vasant (Yeotmal) and (7) Marathwada (Parbhani) are given in Annexures 24(a) to (g). Some of the common and principal features noticed in the working of the factories were as under:

(a) The potential for the development of sugarcane was inadequate in many cases as compared to the installed capacity of the factories. In the case of some, there was no planning for the development of sugarcane in the area of operations of the factories.

(b) The members were not, by and large, loyal in bringing their cane to the factory for crushing.

(c) The price paid to non-members for the purchase of sugarcane was much higher than that paid to members of the factories.

(d) The collection of share capital from growers was found to be inadequate although the facility of medium-term loans for the purpose was available to them out of loans from the Reserve Bank.

(e) There had been considerable delays in the sanction/disbursement of long-term loans by the the IFC in the absence of fulfilment of some of the conditions of sanction by the factories.

(f) Delays in setting up the factories resulted in an increase in their capital cost, particularly of the civil works.

(g) Non-availability of adequate sugarcane for crushing and higher price of cane paid to non-members for the supply of cane led to considerable losses in some of the factories.

4.3 A few other features noticed in individual cases of the factories are given below:

(i) The factory had itself sponsored lift irrigation schemes and the beneficiaries were required to cultivate sugarcane and pay water charges as also the instalments of loans to the state government/state land development bank from the cane price (Panchaganga).

(ii) Expansion (not only once but twice) was undertaken in spite of the fact that supply of sugarcane by members was not adequate in the context of keen competition for sugarcane from other factories (Ashok).

(iii) Selection of a wrong site, with no good roads; difficulties in acquiring land for the factory which was requisitioned from as many as 105 landholders; defective contract with suppliers of machinery leading to undue delay in supply thereof. All these had unduly prolonged the period of construction and increased the cost (Vishwas).

(iv) The proposal for establishing the factory appeared to have been cleared in haste and without proper assessment of the potential for cane development (Bhuinj).

(v) The factory had inadequate water supply and it was estimated that an additional sum of Rs 25 lakhs might be required for completion of a water supply scheme which again was not free from allied problems such as acquisition of land, etc. (Vinayak).

4.4 Thus, in short, the studies clearly revealed that if a factory was licensed and subsequently set up without existence of adequate acreage under sugarcane in its area of operation or without the area having enough potential for the development of the cane crop by the time the factory went into full production, it experienced several difficulties, firstly in the collection of share capital from the grower-members, secondly in securing the sanction and release of funds from the long-term financing agency and thirdly in attaining a viable status after it was commissioned. Such a factory had to face the problem of increasing costs due to an unduly prolonged period of construction. This created problems for the state co-operative bank as well which had opened a letter of credit on its behalf and allowed interim finance. The problems faced by the bank were particularly acute in the case of sugar factories set up during or after 1968-9.

4.5 It may be that the government relaxed the usual standards in view of its concern to remove regional imbalances as some of these factories were located in less developed areas in the state. But the fact remained that many factories set up during this period were recommended for issue of a licence by the state government and subsequently actually licenced by the Government of India on the basis of a somewhat liberal assessment of the availability of sugarcane or the potential for the development of cane in their area. These factories have been working far below their rated capacity. A statement showing the installed capacities of the co-operative sugar factories and the quantities of cane actually crushed by them during the year 1973-4 is given as Annexure 25. It will be seen that out of the 40 installed units in the co-operative sector in the state, five factories, viz., Siddheshwar-Kumthe (Sholapur), Sahyadri (Satara), Bhuinj (Satara), Shetkari-Killari (Osmanabad) and Kalambar (Nanded) had not undertaken any crushing during 1973-4. Five other factories, viz., Vishwas (Sangli), Balasaheb Desai (Satara), Terna (Osmanabad), Vasant (Yeotmal) and Jijamata (Buldana) had not utilized even 20 per cent of their optimum capacities. Four others, viz., Ashok (Ahmednagar), Gangapur (Aurangabad), Shrigonda (Ahmednagar) and Saswad Mali (Sholapur) had utilized their capacities to the extent of 25 to 50 per cent. Thus 14 out of 40 or about one-third of the installed units in the state had kept their capacity idle to the extent of at least 50 per cent. However, we understand that during the current season, i.e., 1974-5, the performance of the factories seems to have in general improved as many of the idle or near idle units have reportedly crushed sizeable quantities of cane. To some extent the increased supply of cane is on account of the relatively low prices of jaggery.

Financial accommodation by the state co-operative bank

4.6 The Maharashtra State Co-operative Bank has been extending various types of credit facilities to the co-operative sugar factories as follows:

(i) Opening of letters of credit in favour of the suppliers of machinery.

(ii) Interim loans pending sanction and release of funds by the long-term financing agency such as the IFC. The facility was being mostly used to meet the bills drawn under the letters of credit opened by the bank.

(iii) Temporary loans against government share capital contribution and/or growers' share capital.

(iv) Temporary loans to meet working expenses.

(v) Medium-term loans to meet a part of block capital requirements.

(vi) Cash credits (pledge, hypothecation and clean) to meet the working capital requirements.

4.7 Besides, the bank had also sanctioned long-term loans under the debenture scheme to three co-operative sugar factories which were, in terms of a condition contained in the letter of intent issued by the Government of India, prohibited from approaching the IFC or the Industrial Development Bank of India (IDBI) for block capital requirements. The resources for the purpose were raised by collection of debenture deposits at the rate of Rs 2 per tonne from the cane price payable to grower-members and transferred to the bank.

4.8 As on 31 December 1973, the outstandings under the medium-term, interim and temporary loans sanctioned by the bank to co-operative sugar factories (including temporary loans against government share capital covered by default guarantee of the state government) amounted to Rs 18.79 crores. To this may be added the sum of Rs 4.46 crores outstanding against three sugar factories to which the bank had sanctioned accommodation under the debenture scheme. Besides, a sum of Rs 14.73 crores was outstanding on 31-12-1973 under various types of cash credit limits sanctioned by the bank to meet the working capital requirements of the co-operative sugar factories. The loans and advances under the above three categories thus aggregated Rs 37.98 crores. The borrowings of the apex bank against these amounted to Rs 3.00 crores under the debentures and Rs 2.00 crores from other sources. Consequently, the bank's involvement out of its own resources amounted to Rs 32.98 crores, forming 22 per cent of its owned funds and deposits put together. This involvement was exclusive of its commitments under letters of credit opened by it in favour of the manufacturers/suppliers of machinery. As on 31 December 1974 the outstandings against sugar factories increased to Rs 51.00 crores as under:

		Rs Crores
(i)	Interim finance, term loans, etc.	19.89
(ii)	Term loans against debentures	4.42
(iii)	Working capital loans	26.69
	Total	51.00

Having regard to the debenture liability and the borrowings from other sources, we find that the net involvement of the bank was Rs 48 crores as on 31 December 1974 forming 29 per cent of the bank's own resources consisting of deposits and owned funds. Thus the bank's advances to this sector increased in absolute terms as well as in terms of their proportion to the total internal resources.

4.9 Although the co-operative sugar industry had a large share of the internal resources of the state co-operative bank which in turn had boosted its earning capacity greatly, the bank had not created a Technical Cell in its Agro-Industries Department comprising sugar technologists, agricultural officers with experience of sugarcane development, etc., to assess the technical and economic feasibilities of the co-operative sugar units approaching it for financial assistance. It had solely relied for the purpose on the feasibility reports of outside consultants. Some of these reports were found to be inaccurate in many respects. Although we have suggested in the previous chapter that the bank may not for sometime to come, accept the responsibility to finance new sugar factories or spinning mills, we feel that the creation of a Technical Cell as above would be of great value in attending to the problems of the factories which it will continue to finance and strongly recommend it to the bank. Against the above background we offer comments on each type of credit facility extended by the bank to co-operative sugar factories in the following paragraphs.

Letters of credit and interim loans against IFC sanction, etc.

4.10 The studies of Vishwas, Vasant, Marathwada and Vinayak sugar factories revealed that, for various reasons, they had taken unduly long periods to obtain sanction for the long-term loan from the IFC and the actual release of funds under the sanction. Consequently, the bank's interim finance for block capital requirements had remained locked up for as long as four years. If the bank is to ensure reimbursement within a reasonable period, it should, even before opening a letter of credit on behalf of a factory, satisfy itself that the factory would be in a position to generally comply with the conditions stipulated by the Industrial Finance Corporation. Once a letter of credit is opened, the bank is obliged to provide interim accommodation, which is utilized to meet the bills drawn by the suppliers of machinery and also extend various other credit facilities. We would, therefore, recommend that if at all the bank entertains proposals for opening letters of credit on behalf of any new factories, it should first satisfy itself about the technical and economic feasibilities of the project as well as the ability of the management to comply with the conditions stipulated generally by the term lending agencies. Instead of relying on outside organizations to report on the economic and technical feasibilities, the bank should undertake the examination itself through the proposed Technical Cell. Some of the other usual safeguards, which the bank should insist on, would include:

(i) deposit of title deeds to its site by the factory,

(ii) application of long-term loan to the IFC/Life Insurance Corporation (LIC), etc., as required,

(iii) indication by the term lending agency to consider the application, and

(iv) default guarantee and not just a guarantee from the government, to secure their active participation in the successful completion of the project including adequate acreage under sugarcane belonging to members. Simultaneously, we recommend that the IFC or the concerned term lending agency should give, *prima facie*, an indication of its willingness to consider the proposal for term loan and expedite the consideration thereof once the proposal is submitted according to the prescribed requirements.

Temporary loans

4.11 The state co-operative bank sanctioned temporary loans against the state government's guarantee to co-operative sugar factories against the anticipated contributions to share capital from the state government or the growers. The guarantee not being a guarantee against default would not have ensured repayment of the loans on the due dates as the guarantee could be enforced only after the bank's failure to recover the loans first from the factory itself. Such a contingency would arise only after the liquidator had realized all the assets of a factory. Recognizing this difficulty, the Reserve Bank permitted the bank to sanction loans to some sugar factories against the anticipated government's share capital only on the basis of a default guarantee. In the case of Bhuinj factory, the state co-operative bank had gone out of the way to extend a default guarantee for a loan of Rs 30 lakhs made available to the factory by the Bank of Maharashtra for completing certain civil works. The necessity for raising the loan had arisen because of the shortfall in the collection of growers' share capital. The Maharashtra State Co-operative Bank had extended the default guarantee even though the progress in the collection of growers' share capital was not satisfactory and had to, therefore, eventually sanction a temporary loan of equivalent amount to meet the default under the guarantee.

4.12 The bank also sanctioned temporary loans mainly to enable the factories to make final payment of cane price, pay interest on members' deposits or meet liabilities to other creditors. The need for such loans had arisen because the factories were unable to utilize their full capacity, although they did receive non-member cane from out of their area of operation. For such cane the factories had to pay higher cane price and incur heavy transport costs which affected greatly their liquid position.

4.13 Thus, shortfall in the collection of the growers' share capital and inability to operate up to the maximum capacity were the two main reasons which compelled the sugar factories to seek temporary loans from the state co-operative bank, and since these shortfalls were not made up quickly, the accommodation became actually for a term of 3 to 5 years.

Medium-term loans

4.14 As on 31 December 1973, the state co-operative bank had outstanding medium-term loans against 9 factories (including a distillery) aggregating Rs 325.75 lakhs. These loans were sanctioned to fill up the gap between the block capital expenditure and the aggregate amount of share capital from all sources and the long-term loan. In the case of Vasant factory selected for on-the-spot study, the IFC, in terms of its letter dated 4 March 1974, had as a condition precedent to the release of long-term loan, demanded an undertaking from the bank that it would sanction a term loan to meet the excess of capital expenditure over and above the aggregate of the long-term loan sanctioned by IFC and share capital raised by the factory from the government and the grower members. According to the revised estimates of the project cost and the resources to meet the same, the Vinayak factory had planned to raise a medium-term loan of Rs 15 lakhs from the state co-operative bank. But it had as yet not even approached the bank for the purpose. In the case of this factory as also the Marathwada and Vishwas factories, the IFC might eventually insist on the Maharashtra State Co-operative Bank undertaking to sanction a medium-term loan to bridge the gap between the total project cost and the resources raised by way of share capital and the long-term loan. All the above four factories were not likely to attain a viable status within a period of 4-5 years from the date of commencing commercial production making timely repayment of the instalments of medium-term loans when sanctioned by the bank doubtful. Thus, it may be observed that, the commitment made by the state co-operative bank in respect of these factories by opening letters of credit in favour of the suppliers of machinery without properly assessing (i) the possibility of raising adequate share capital from the growers in the area, (ii) the potential for the development of sugarcane in the area of the factory, and (iii) also the other technical points such as suitability of the site for the factory, etc., had led to further commitments by the bank first in the form of interim/temporary accommodation and later medium-term loans which for various reasons became in fact long-term loans.

Long-term loans under debenture scheme

4.15 As indicated earlier, in 1968-9, the Government of India issued letters of intent to three factories, viz., Walva-Sangli, Bhuinj-Satara and Siddheshwar-Sholapur, with the condition that the promoters would find the necessary finance for implementation of the project from sources other than the IFC or IDBI. The Maharashtra State Co-operative Bank had, therefore, met the long-term credit needs of two factories, viz., Walva and Bhuinj by sanctioning them long-term loans of Rs 150 lakhs each. The resources for the purpose were raised by the bank by floating debentures for Rs 3 crores with maturity of 15 years to which subscriptions were received from the grower-members of all established sugar factories in Maharashtra. The bank was required to create a sinking fund for the redemption of the debentures on maturity, the balance under which was Rs 24 lakhs as on December 1973 (Rs 47 lakhs as on 31 December 1974). The long-term credit needs of the third factory, viz., Siddheshwar-Sholapur were also met by the bank by sanctioning to it a temporary loan of Rs 150 lakhs to be converted into a long-term loan after floatation of the second series of debentures for which the bank had, as on 31 December 1973, collected debenture deposits of Rs 233.76 lakhs (Rs 370.35 lakhs as on 31 December 1974). It may be mentioned that grower-members of the established sugar factories allowed Rs 2 per tonne of cane delivered to the factories to be deducted from the cane price payable to them towards debenture deposits.

4.16 The working of the Bhuinj factory, which had availed of long-term loan under the scheme, was studied. The deficiencies noticed are in brief summarized below:

(i) On 29 June 1971, when the long-term loan was sanctioned, serious doubts about the factory's ability to raise the projected members' share capital of Rs 65 lakhs had already arisen because since 30 June 1970, the share capital collected from members had increased by a mere Rs 0.25 lakh to Rs 43.41 lakhs. Like the IFC, the bank should have insisted on the collection of the bulk of share capital from growers before releasing the long-term loan.

(ii) The factory also suffered from inadequate supply of sugarcane as the acreage under cane in its area of operation during 1970-71 was reported to be merely 2641 acres with average yield per acre of hardly 21 tonnes. The IFC would have withheld release of loan for this reason alone.

(iii) The loan was not covered by a default guarantee of the state government.

(iv) The due date for repayment of the instalments was fixed as 31 March, the repayment being due in 14 annual instalments during the years 1973 to 1986. The due date should not have been 31 March, but 31 July (as is stipulated by the IFC) as, at the end of March, every sugar factory faces the problem of liquidity as bulk of the sugar stocks remain unsold.

(v) There was no condition for charging penal interest in case of default.

(vi) The bank had not stipulated a condition that the state government's share capital would not be withdrawn till its long-term loan was repaid.

(vii) The bank had not insisted on creation of a suitable organization for the development of cane in the area of the factory either by the factory or the state government.

It appeared that the bank had sanctioned and released the long-term loan merely to convert the interim and temporary loans already made available by it to the factory. The factory had defaulted in the repayment of the first two instalments aggregating Rs 20 lakhs due on 31 March 1973 and 31 March 1974 respectively. The contributions to the sinking fund for the amortization of the debentures had, therefore, to be made by the bank from its own resources. The position of another factory accommodated under the scheme, viz., Siddheshwar-Sholapur was not different as it had not worked at all during 1973-4 season due to non-availability of cane from its area.

Working capital assistance

4.17 The bank sanctioned pledge, hypothecation and clean cash credit limits to enable a factory to meet its working capital needs. A bulk of the accommodation was made available by way of pledge cash credit facilities. Since 1972-3, drawals under the pledge limits were allowed per bag of sugar pledged for two distinct purposes, viz., (i) payment of cane price and (ii) meeting conversion costs which included harvesting and transport costs, payment of salaries and wages as also the cost of manufacturing stores. Hypothecation limits were being sanctioned to stock stores and spares. Clean cash credit limits for comparatively small amounts were allowed to enable the factories to meet pre-crushing expenses like advances to harvesters and transport operators. In the case of Bhuinj factory it was observed that the bank recovered interest on interim/temporary/long-term loans allowed to the factory by debit to pledge account and, therefore, the balance of Rs 9.72 lakhs outstanding under the pledge account as on 20 April 1974 was covered by sugar stocks valued at Rs 0.12 lakh only. Besides, a sum of Rs 2 lakhs drawn by the factory on 23 November 1973 under the clean cash credit limit continued to be outstanding. In the case of Vasant factory, the balance of Rs 3.96 lakhs which was outstanding as on 30 June 1973 under the hypothecation limit of Rs 7 lakhs was secured by stores and spares valued at Rs 5.84 lakhs indicating a shortfall in the prescribed margin of 40 per cent by Rs 0.46 lakh. The difficulties of the above type were largely due to the inability of the factories to work to their full capacity for want of adequate cane from members.

Overdraft facility by Satara Central Co-operative Bank

4.18 The Satara Central Co-operative Bank had sanctioned to the Bhuinj factory an overdraft limit of Rs 13 lakhs for the period up to 30 June 1974. Initially, the limit sanctioned in January 1971 was Rs 1 lakh, but the same was enhanced from time to time at the request of the factory to Rs 13 lakhs. The outstanding balance under the limit as on the date of visit by officer was Rs 7.55 lakhs. Since the undrawn portion of the limit was the only source of the factory for meeting its management expenses, the limit was expected to be fully utilized. On the other hand, it was evident that the factory might not be in a position to make any repayments at least for some years to come. It was inadvisable for the central bank to have sanctioned the facility and allowed enhancement from time to time especially when the state co-operative bank, while sanctioning the long-term loan to the factory, had prohibited the latter from borrowing from other sources.

Major problems of co-operative sugar factories

4.19 Thus what has gone wrong with the establishment of the factories was primarily the neglect of cane development in the area, poor response from cane-growers to become members and contribute to the share capital and disloyalty of the members evidenced by failure to deliver their cane to the factories. The bank had not also fully assessed the implications of these shortcomings before opening letters of credit in favour of the suppliers of machinery. Every one seemed more concerned with ordering machinery from the suppliers and obtaining credit from the state co-operative bank than with enrolment of membership, development of cane, communications and ensuring the loyalty of the members. We have to draw some lessons from the past experience. We feel that a co-operative sugar factory should be regarded as an integrated project involving in the first instance the development of the area for cultivation of cane by the extention of irrigation where necessary, then the development of quality cane and the means of communications. Secondly, the capacity of the institutional credit agencies to provide adequate credit facilities for the development of irrigation sources and cultivation of cane must be strengthened where necessary. The basic infrastructure must be assured first. Thirdly, active involvement of the growers in the project should be ensured even before the issue of licence and certainly before the bank opens the letter of credit. Fourthly, the letter of credit itself should not be opened by the bank unless all the conditions on which the IFC is likely to sanction loans for block capital are satisfied. Finally, because of the considerable financial stake of the state government in the form of contribution to share capital and the guarantees extended to lending agencies, they have to be concerned not only about the successful completion of the factory but also about its operating to its full capacity once the erection is completed. This takes us to the consideration of three important problems confronting the sugar factories in Maharashtra, viz., rehabilitation of sick sugar factories, weaning away even the cane belonging to members of some factories by the well established factories by offering higher cane prices and mobilization of resources for meeting the much larger block capital needs of new sugar factories. Our views and recommendations on these issues are given in the following paragraphs.

Rehabilitation of sick units

4.20 As indicated in paragraph 4.5 above, 14 out of 40 installed units in the co-operative sector in Maharashtra had kept their capacity idle to the extent of 50 per cent and above during the year 1973-4 season for want of adequate sugarcane. The state co-operative bank had identified 13 co-operative sugar factories (including Ashok, Bhuinj and Vishwas selected for on-the-spot studies) needing rehabilitation. The objective of any programme of rehabilitation would no doubt be to ensure adequate supply of sugarcane from its members to the concerned factory within the next 2-3 years. We, therefore, suggest that an intensive programme for the development of cane should be drawn for each of the factories identified for rehabilitation so that it will have by the 1977-8 season at least 8,000 acres under sugarcane belonging to its members if the average yield is 25 tonnes per acre. If the average is only 20 tonnes, as will be the position of factories in Vidarbha and Marathwada areas, the area under sugarcane belonging to members may have to be as much as 10,000 acres. Each factory should appoint a special officer drawn from the Co-operative Department or the state/central bank to attend exclusively to the work of enrolment of membership and securing them medium-term loans for the purchase of shares in the factory, short-term loans for cane production and long-term loans for development of irrigation. If any re-organization of the primary agricultural credit societies in the area is necessary for ensuring the required credit support it should be taken on hand immediately and entrusted to the above officer. The agriculture department of the factory should also be strengthened by appointment of a qualified specialist to look after the technical side of the cane development programme. Since the financial position of the factories is known to be weak, the government or the state co-operative bank should between them subsidise the cost of the two officers. The cost of the co-operative officer may be provided by the apex bank and the agriculture officer by the government.

4.21 The factories may be classified into three broad categories, viz.,

(A) those which are likely to crush 1.50 lakh tonnes or more of cane during the forthcoming 1975-6 season;
(B) those which may crush between 1 lakh and 1.50 lakh tonnes during 1975-6; and
(C) those which may not be able to crush even 1.00 lakh tonnes in the year 1975-6.

It is obvious that very special efforts will be needed in the case of factories falling in category (C) so that they may reach the objective of crushing about 2 lakh tonnes of cane in 1977-8. The task in the case of the factories in (A) category will be relatively easy and the aim should be to see that in their case the target of 2 lakh tonnes is reached in 1975-6 itself, i.e., within one year.

4.22 All the impediments in the expansion of cane acreage should be removed e.g., restrictions on the use of canal water or the water from the wells dug with assistance from the government or the land development bank in irrigating the cane belonging to a member of a sick sugar factory. The restrictions may continue to apply to those who are not members of the factory or who have not entered into a firm contract to supply cane to it. The members of the factory should be assured of fertilizers for cane cultivation and also, if possible, for other crops raised by them. A non-member canegrower, besides being denied the facilities mentioned above, should not be given more than the minimum price fixed by the Government of India. In other words, there should be sufficient incentives for ensuring the loyalty of members and disincentives for non-members continuing to remain so.

4.23 Besides the State Level Committee which has been proposed to be set up, there should be a committee for each factory under rehabilitation to constantly review the progress of cane development and also of the programme of rehabilitation of the factory. The State Level Committee should review, from time to time, the progress of all the factories and advise on the general questions of policy.

4.24 A realistic assessment should be made of the quantity of cane that is likely to be crushed during the first year of the rehabilitation programme by each of the factories, with a view to preparing an estimate of the following items of expenditure:

(i) harvesting and transportation costs of cane belonging to members;
(ii) conversion cost;
(iii) interest on short-term loans against hypothecation of gunny bags, raw materials needed in the manufacturing process, stores, etc., and against pledge of sugar;
(iv) interest on the term loans from the IFC, the LIC and the Maharashtra State Co-operative Bank;
(v) interest on any other loan;
(vi) depreciation on machinery and buildings;
(vii) purchase tax of the state government; and
(viii) miscellaneous.

An estimate of the income from the levy and non-levy sugar should then be made assuming the ruling price structure and the proportion between levy and non-levy sugar. To this may be added the income from the sale of molasses, etc., and the miscellaneous income to get the figure of the total income. The excess of income over the items of expenditure would be the amount available for payment of cane price. Non-members should be paid at a rate not exceeding the minimum cane price stipulated by the Government of India. The cane price payable to non-members will be the first charge on the income. The balance will be available for payment of cane price to the members, provided the non-refundable deposits collected from members at a minimum of Rs 5 per tonne together with the amount provided under depreciation are sufficient to pay the instalment of the long-term loan due to the financing agency. If there is a deficit, that also will have to be adjusted against the amount available for disbursement as cane price to the members.

4.25 If the resultant price is not less than the minimum fixed by the government, the working results of the factory should be considered as satisfactory. Even where the working results justify the payment of cane price above the minimum, such payment has to be deferred until the factory is in a position to provide the normal margins for the bank advances against hypothecation and pledge of stores and sugar. Initially, the bank may have to relax the margins, but this facility cannot be expected to continue year after year. In order that the factory may be in a position to provide the prescribed margins within a course of, say, 2 to 3 years, it should set aside a part of the income in these 3 years for the purpose.

4.26 If the working results of a factory show that after meeting the outlay on various items, the balance is not sufficient to pay to non-members and members even the minimum price fixed by the Government of India, the solution to meet this commitment, in our opinion would be firstly in the government deferring or even waiving the purchase tax, secondly the state co-operative bank reducing the interest burden by 2 to 3 per cent and thirdly in approaching the IFC/LIC to re-schedule the debt burden.

4.27 The utmost economy in expenditure will have to be ensured in each factory. For this purpose it should be made obligatory for each of the sick factories to prepare its annual budget which may be thoroughly scrutinized by the Directorate of Sugar and the state co-operative bank before it is approved by the former. Any new outlay or expenditure in excess of that provided for in the budget should not be incurred without prior approval of the Directorate.

4.28 In view of the unsatisfactory financial position which may continue for some years and the inability of the factory to pay prices comparable to those paid by the well-established factories, no deductions should be made from the price payable to a member except towards (i) the non-refundable deposit, (ii) the instalment of the term loan, if any, taken for the purchase of shares in the factory and (iii) the repayment of the short-term loan taken by a person from a primary agricultural credit society. Similarly, the factory should not be called upon to make any contributions to any public purposes or to invest in small savings, etc.

4.29 A capital budget should be prepared for each of the sick factories. The studies of sugar factories have indicated that there is, in each case, a wide gap between the projected capital outlay and the actual which has arisen primarily on account of the delay in erecting a factory caused by inadequacy of resources resulting from the failure to raise the projected share capital from the growers and the government. As a result, the expenditure on some items e.g., office building, staff quarters or even the minimum number of godowns had to be deferred by many factories. The outlay cannot be postponed indefinitely, if sufficient amenities have to be provided to the staff and the factory itself has to function efficiently. It will be prudent to plan for meeting the outlay primarily from the share capital. The debt equity ratio may be assumed at 65 : 35 and equity should be raised at least to the minimum. If the number of canegrowers enrolled as members is made to rise steadily to cover 8,000 to 10,000 acres under cane, the growers' share in the capital would rise to Rs 80 lakhs or Rs 100 lakhs. Correspondingly, the share capital contributed by the government should also rise and it is suggested that the contribution may go up to Rs 60 lakhs in each case. Contributions by the government in excess of the present level may be made only on a matching basis. Full advantage should be taken of the facilities offered by the Reserve Bank for the purchase of shares of sugar factories and an eligible grower may be persuaded to take a medium-term loan so as to fulfil his commitment. If, however, a member is not willing to borrow a medium-term loan for paying the full price of his share, he may be required to contribute the amount equivalent to a medium-term loan or the deficit in his share capital contribution whichever is less, in equal annual instalments not exceeding 3 to 5 years, i.e., the period that would have been required to repay the medium-term loan if he had taken the same. This condition should be provided in the byelaws of the factory as well as in a separate agreement with a view to enabling a factory to make compulsory deductions from the cane price payable to him.

4.30 If a comprehensive programme of rehabilitation of each of the sick factories is drawn up keeping in view the various suggestions made above, the question of financial arrangements facilitating the operations of the factory during the first year would have to be considered. Most of the factories do not have any liquid funds from which they could provide the prescribed margins for bank credit. The normal margins are 25 per cent against pledge and 40 per cent against hypothecation credit. The margins may be reduced to 5 per cent and 10 per cent respectively provided the government guarantees the difference in the margins to the extent of 20 per cent and 30 per cent respectively. An initial clean cash credit of Rs 10 lakhs and in deserving cases even of Rs 15 lakhs may also have to be sanctioned by the state co-operative bank against government guarantee so as to enable the factory to enter into contracts for harvesting and transportation of cane and pay the salaries and wages of the staff in time.

4.31 Some of the factories were having outstanding liabilities like payment of cane price for the cane delivered by members and non-members. As a rule no special credit facilities should be provided by the Maharashtra State Co-operative Bank or the central co-operative bank, as the case may be, for discharging these liabilities. Exception may, however, be made in respect of the cane price payable to the canegrower members of primary agricultural credit societies or to those who have borrowed from commercial banks on the assurance of the factory that the loan amount will be deducted out of the cane price. Payment should be limited to the minimum price fixed by the Government of India. If that has been already paid, no credit should be provided by the state or central co-operative bank to pay a price over and above the minimum.

4.32 The foregoing suggestions regarding the rehabilitation of sick units were discussed by Dr Datey, Executive Director of the

Reserve Bank with the Minister of Co-operation of the state government at a meeting held on 20 August 1974. It was agreed that concrete proposals based on the various aspects of the rehabilitation programme suggested above should be prepared by the state co-operative bank and placed before the State Level Committee under the Chairmanship of the Minister for Co-operation. We note that the state co-operative bank has already appointed five officers to help the identified sick units in matters like increasing membership, provision of medium-term loans for purchase of shares to intending members, etc. The state government had also set up a district level committee for each of the 13 sick units with the Collector of the district as chairman and the managing director of the concerned factory as the member-secretary as also a state level committee to review the progress of rehabilitation of sick units. Besides, just recently, a committee has been set up under the auspices of the Maharashtra Rajya Sahakari Sakhar Karkhana Sangh with representation to the apex bank and the Directorate of Sugar to scrutinise and approve the capital and revenue budgets of the sick units and to keep control on their financial working. We would, however, urge on the state co-operative bank and the state government to pursue the effective implementation of the programmes of rehabilitation for each of the sick units on the lines suggested by us.

Diversion of sugarcane to established factories

4.33 Another major problem faced by the sick units is the diversion of sugarcane from their area even by their members to the adjoining established factories which are in a position to offer comparatively higher cane prices. For instance, the Ashok factory in Ahmednagar district was not in a position to pay cane price to its members at the rates offered by the adjoining Pravara and Rahuri factories. A large number of its members had, therefore, found it beneficial to divert their cane to the other factories. During the year 1973-4, 643 members of the factory had reportedly diverted approximately 44,000 tonnes of cane to the other factories. In an effort to make good the short-fall, the factory itself had procured cane from areas of other factories by paying a higher cane price *vis-a-vis* the price paid to its members. This mutual purchase of cane from the members of other factories had thus encouraged disloyalty among the members of the sugar factories generally. The problem of diversion of cane was also being faced by the Bhuinj (Satara) and Vishwas factories.

4.34 Diversion of cane should be effectively tackled in the interest of the sick or new units. In Maharashtra, there is no legislation to regulate cane supplies nor is there a large official machinery, as in Uttar Pradesh, for the purpose. Reliance till now has been on voluntary action on the part of various factories in regulating cane supplies. However, in view of the large scale diversion of sugarcane that has been taking place, we understand that the state government are contemplating to pass a law to prevent (i) the movement of cane from the villages falling within the jurisdiction of a factory and (ii) conversion of cane into *khandsari* or *gur*. We recommend that this should be done preferably before the commencement of the next crushing season. If such a legislation is enacted, it follows that the government will build up the necessary administrative machinery to enforce compliance with the legislation. The problem is not so easy as has been demonstrated by the agitation of the growers of cotton against their freedom to sell their cotton outside the state. However, given the determination it should be possible for the government to enforce the discipline envisaged in the legislation. If, however, there are some constitutional problems in passing such a legislation or if the government are somewhat diffident about enforcing the legislation, we suggest that, government may consider fixing for all sugar factories a uniform advance cane price they may pay to canegrowers between 1 October and 30 April every year so that the unhealthy competition that now exists among co-operative or private sugar factories for cane will be checked. If, however, there are practical problems in enforcing strict adherence to the above discipline, particularly in an area where private and co-operative sugar factories function side by side, it should be possible to enforce strict compliance with the above condition, if the state and central co-operative banks which provide financial accommodation to the factories stipulated as a condition of their sanctions that the factory will not pay by way of advance price anything more than the minimum guaranteed price to any canegrower whether he is a member or not. The payment of any amount over and above the minimum will be on the basis of the final price fixed in the Chief Minister's meeting which is convened annually after the crushing season is over. A distinction can be made between a member and a non-member in the final price to be paid. It goes without saying that there will be no written or unwritten contracts between the managements of the factories and the canegrowers about the final price they may be paid. If such contracts are allowed the whole purpose of fixing the uniform cane price to be paid in advance will be defeated.

Problems of new factories

4.35 While the measures suggested above are calculated to put a stop to the cut-throat competition which the recently established or expanded factories have to face from the old and well established factories, those may not be sufficient to solve the problems which the former category of factories have to face. As compared to the factories established before 1965, those organized after that date and particularly after 1969 had to incur a considerably higher capital outlay. The block capital costs are expected to go up further for the factories that may come into being after 1975. The burden will be heavier still on account of the increase in the rates of interest on the term loans that have taken place in the last one year or so. The newer factories will thus be permanently at a disadvantage as compared to the older ones in the matter of payment of final cane price to the canegrower, even after their present difficulties about inadequate cane are solved partly by the elimination of the unequal competition initially by the fixation of a uniform cane price to be paid in advance, but largely by the increase in the area under sugarcane. It is reported that the Government of India are examining the possibility of removing the inequality between the old and the new factories by granting some tax reliefs as suggested by the Sampath Committee. While any such reliefs granted on an all-India basis will be most welcome to the factories newly established or to be established hereafter, the Government of Maharashtra, the state co-operative bank and the non-official leaders of the co-operative movement can themselves consider the matter in the larger interest of the development of the co-operative sugar factories in the state particularly in the Marathwada and Vidarbha regions where the initiative and response from the people themselves are somewhat lukewarm and there is danger of these disappearing completely if the factories, because of very heavy capital investment are unable to pay for many years to come, perhaps even the minimum price fixed by the Government of India and in any case a price comparable to the well established factories in the neighbouring or even the same district. This will aggravate the problem of the factories getting adequate cane and becoming viable units as early as possible. It is always difficult for the canegrowers to understand why they should not get more or less the same price which others in the state are getting merely because their factories could not be established earlier, particularly when the growers of cotton are entitled to receive the same price for the same variety irrespective of the time when, and the place where, they sell their produce under the Government of Maharashtra's scheme of monopoly procurement of cotton. It is in this context we would like to make certain suggestions for serious consideration by all concerned.

4.36 The disability from which the new factories suffer on account of their higher capital outlay than the older ones can be removed by charging a fairly high purchase tax on the latter and exempting the former from it completely. Thus if an old factory is called upon to pay such tax at the rate of Rs 10 per tonne and the new one is exempted from it, the latter will be able to pay Rs 10 per tonne more as cane price and it is possible that, as a result, the difference in the prices of cane in the two factories will narrow down considerably or may even disappear completely Alternatively, the old factories may be required to make deductions from the cane price paid by them towards compulsory non-refundable deposits at a rate higher by, say, at least Rs 10 per tonne than the rate at which the new factories are required to make such deductions so that the effective cane price paid by the old factories will get reduced and the possibility of inequality in the prices of the two types of factories may not exist. With the availability of larger own resources, the older factories can be asked to provide much higher margins for bank credit so that what could have been appropriated towards payment of a higher cane price is perforce invested in the business. The various measures suggested above could be adopted with advantage to neutralize the advantages which the older factories have over the newer ones on account of the relatively lower block capital costs of the former.

Sampath Committee

4.37 In this context it will be relevant to refer to the recommendations of the committee appointed by the Government of India under the Chairmanship of Shri S. V. Sampath, Joint Secretary (Sugar), Department of Food, Ministry of Agriculture, to examine matters relating to economic viability of new sugar factories. The Committee has estimated the present cost of a complete sugar plant having an initial capacity of 1250 T.C.D. at about Rs 650 lakhs. The Committee felt that unless some suitable incentives were given by the government, it would not be possible to establish new sugar factories at this high project cost and make them viable units. In regard to the extension of incentives, the Committee observed as under:

> . . . the Committee recommends that rebate on excise duty at Rs 40.00 per quintal on sugar produced and limited to a particular ceiling of sugar production by the new sugar factories would be the most appropriate and equitable mode of incentive. The Committee also suggests a formula for fixing the quantum of sugar production which should be eligible for rebate on excise duty in the case of each new sugar factory.
>
> The Committee further suggests that different State Governments may be moved to exempt the new sugar factories from payment of purchase tax on sugarcane required to produce such quantity of sugar as will be eligible for excise duty rebate as recommended above. (pages 14-15)

4.38 On the basis of a debt equity ratio of 65 : 35 a new sugar factory will have to raise a term loan of about Rs 400 lakhs and share capital of about Rs 250 lakhs. In view of the obvious difficulties in raising the resources of the above order from the term lending institutions such as the IFC, the LIC, etc., as well as the likely short-falls in the share capital contributed by the grower members and the government, the factories might approach the state and central co-operative banks for interim accommodation for the purchase of plant and machinery and other block capital requirements. In some cases they might approach the state co-operative bank for term loans for bridging the gap between the block capital resources made available by other agencies and the short-fall in the share capital. In view of the uncertainty regarding the economic feasibility of the new factories pending decisions on rebate on excise duty, exemption from purchase-tax, etc., which are reported to be under the active consideraion of the Government of India, we do not consider it appropriate that the state and central co-operative banks should at this stage make available finance to the new sugar factories or make any commitment in regard thereto either in the

form of block capital requirements or providing interim finance.
4.39 The next question that would automatically follow would be the manner in which the necessary block capital should be raised for the new sugar plants once a decision about extension of the incentives recommended by the Sampath Committee, is taken. Despite the estimate of the project cost of a new plant made by the Sampath Committee, the Government of Maharashtra, it is reported, have recently approved the following pattern for the purpose of assistance in the form of the state government's share capital to new co-operative sugar factories:

Rs Lakhs

	Developed areas	Under-developed areas
(i) Members' share capital	100	80
(ii) State Government's capital	60	80
(iii) Long-term assistance	290	290
Total	450	450

Thus, the state government have estimated the project cost of a new plant at Rs 450 lakhs as against Rs 650 lakhs estimated by the Sampath Committee. The latter estimates should be taken as more realistic. If the debt equity ratio is maintained at 65 : 35 share capital of the order of Rs 230 lakhs would have to be raised to qualify for term loans for the balance of Rs 420 lakhs. If the proportion between the individual canegrowers' capital and that of the government were maintained as above, the former would have to raise as much as Rs 140 lakhs. If the acreage under cane attached to a factory with 1250 tonnes capacity varies between 8,000 and 10,000, the growers would be called upon to contribute anywhere between Rs 1400 and Rs 1800 per acre. The collection of share capital from the growers on the above scale will be almost impossible and hence we feel that the share of the growers may be kept at not more than Rs 100 lakhs and consequently, the government may contribute as much as Rs 130 lakhs per factory, i.e., more than twice they did under the old pattern.

4.40 The raising of resources of the order of Rs 100 lakhs from the growers as their capital would necessitate location of the factory in an area which offers a good potential for the development of sugarcane and also where the cultivators are interested in the project. The state government will have also to find resources to provide as their share capital Rs 130 lakhs per factory. Since the entire long-term assistance of about Rs 420 lakhs might not be available from the IFC/LIC, the banking sector would have to be approached to meet the short-fall. The involvement of the Maharashtra State Co-operative Bank in co-operative sugar factories being already disproportionately large, we recommend that the public sector banks may be approached for meeting the short-fall in the long-term assistance available from the IFC/LIC. Unless there is a clear understanding on the possibility of meeting the balance of the credit requirements for block capital by public sector banks or by other long-term credit agencies like the Industrial Credit and Investment Corporation of India (ICICI), the proposal for setting up the factory may not be cleared by the state government.

4.41 With the increased investment involved, a co-operative sugar factory should hereafter be regarded, as we have suggested elsewhere, as a comprehensive project of which provision of credit facilities for development of irrigation, cane cultivation and for purchase of shares should be treated as an integral part. The need to have a project approach in this behalf can hardly be over emphasized. Every new sugar factory should be made the nucleus of development and the whole project should be put under the charge of a very senior official of the state government who would draw an integrated programme for the development of irrigation, of cane cultivation and of communications. Unless a project approach is adopted, it is likely that the factories may come into being, but may not attain viability for want of the required tonnage of cane during the year. This aspect of the matter should in our view receive the highest priority.

PART B—CO-OPERATIVE SPINNING MILLS

4.42 The study in this behalf related to 4 co-operative spinning mills in the state with different types of membership, viz., the Deccan (powerloom weavers), the Kolhapur Zilla—Ichalkaranji (growers of cotton and powerloom weavers), the Amravati (growers of cotton) and the Nagpur (handloom weavers). A brief account of each spinning mill is given in Annexure 26. The main findings are given in the following paragraphs.

4.43 The spinning mills encountered difficulties in the collection of share capital from the prospective members in the initial stages. This was due to the fact that the setting up of co-operative spinning mills was a new type of project and also that the members did not have sufficient resources for the purchase of shares. This was true not only in respect of growers' but also for the weavers' societies. The difficulty was overcome by sanction of loans to the mills by the state government for advances to prospective members for the purchase of shares. The loans were repayable in five equal instalments commencing from the fourth year, but of the four mills studied, 3 mills excluding the Deccan which had been sanctioned share capital loans by the government, defaulted in repayment of instalments. The fault on the part of the mills was mainly due to non-recovery of instalments from the members. As on 30 June 1974, the amount of default in respect of the 3 mills aggregated Rs 24 lakhs.

4.44 As indicated earlier, each of the mills had a different type of membership. The Kolhapur and Amravati mills had growers of cotton as members. At the time of enrolment, the members of the Kolhapur mill were not actually undertaking cotton cultivation. But the mill popularised cultivation of long staple cotton and the area under cotton cultivation by members of the mill was on the increase. The Amravati mill, on the other hand, had no link with its members. Though the members were required to sell their cotton to the mill, in relation to their share holdings, they sold it to traders and the mill purchased its requirements from the open market. The Deccan and Kolhapur mills had powerloom owners as members and the entire production of these mills was consumed by them. In fact, these mills were not in a position to meet the full requirements of their members.

Block capital

4.45 A statement indicating the project cost and the sources from which the funds were raised by the four mills is given in Annexure 27. It will be observed therefrom that the IFC, the IDBI and the State Trading Corporation were the long-term lending institutions which provided the bulk of the block capital requirements of these mills. The IFC was granting loans subject to the condition that it would release 60 per cent of the project cost only after the mill involved its funds to the extent of the balance of 40 per cent. The loan was for a period of 9-12 years. The IDBI provided finance under the scheme of rediscounting of suppliers' bills against the guarantee of the Maharashtra State Co-operative Bank or other credit agency. The bills drawn by suppliers of machinery were accepted by the state co-operative bank and the bills discounted by suppliers with their bankers were rediscounted by the IDBI and presented to the bank for payment on due dates. The State Trading Corporation provided accommodation for the purchase of imported machinery under its deferred payment scheme against government guarantee. The amount covered under the agreement was repayable in 10 years. A statement indicating the amounts outstanding under the term loans and the overdues of the four mills is given in Annexure 28. It will be observed therefrom that while the Deccan and Kolhapur mills had repaid the instalments on due dates, the Amravati and Nagpur mills had defaulted under the State Trading Corporation loans. The Corporation invoked the government guarantees on default by the mills and till June 1973 the government had paid Rs 49.59 lakhs and Rs 9.85 lakhs on behalf of these mills to the Corporation. These were as yet to be recovered by the government from these mills.

4.46 Out of the 20 spinning mills in Maharashtra, 10 units received block capital to the extent of Rs 5.36 crores from the IFC. Some of the mills, however, found it difficult to fulfil the condition of 40 per cent involvement of the project cost and approached the Maharashtra State Co-operative Bank for medium-term loans for the purpose. The apex bank sanctioned Rs 4.31 crores to the 10 remaining units. As on 31 December 1973, Rs 2.34 crores were outstanding from these 10 mills. The Maharashtra State Co-operative Bank provided only medium-term loans repayable in 5 years. The block capital loans call for long-term accommodation repayable in 10 years or more. It is unlikely that the spinning mills would be in a position to liquidate the loans within a period of 5 years. The medium-term finance provided by the apex bank would, therefore, tend to be long-term in practice. Of the four mills, Amravati and Nagpur mills had been sanctioned Rs 50 lakhs and Rs 65 lakhs by the apex bank for block capital requirements. As on 30 June 1973, Rs 32.21 lakhs and Rs 33.10 lakhs respectively were outstanding against these mills. While the overdues as on 30 June 1973 of the Amravati mill, on account of principal and interest amounted to Rs 20.62 lakhs and Rs 17.98 lakhs respectively, those of the Nagpur mill were Rs 29.34 lakhs and Rs 32.97 lakhs respectively. However, as on 31 December 1974, the two mills had reportedly cleared their defaults.

Interim finance

4.47 In the case of the four spinning mills studied, it was observed that a time lag of about 5 to 6 years existed between the date of licence and the date of commercial production. In the initial stages, collection of share capital from prospective members was time consuming. This, in turn, delayed the fulfilment of the IFC's condition of 40 per cent involvement by the mill before approaching it for the balance. Delay in furnishing the government guarantee and in conveying sanction by the IFC are some of the factors contributing to the time lag. The major factor, however, was the delay in the mills applying to the IFC. Except in the case of the Deccan mill, a delay of between 3 and 7 years between the date of licence and application for block capital loan was observed. This resulted in obtaining interim finance by the mills from the apex bank pending sanction of long-term loans by the IFC. Out of the 10 mills which were sanctioned loans by the IFC, 9 mills obtained interim finance to the extent of Rs 2.81 crores from the apex bank. As on 31 December 1973, Rs 1.27 crores were still outstanding against 3 mills in respect of the interim finance. The apex bank also provided temporary finance to the extent of Rs 41 lakhs for meeting the urgent needs of the mills. Of this amount Rs 32 lakhs were outstanding as on 31 December 1973.

Guarantees under letters of credit and deferred payment

4.48 As indicated earlier, the Maharashtra State Co-operative Bank accepted the bills drawn by suppliers of machinery under the IDBI's scheme of rediscounting of bills. Under this scheme 14 spinning mills had been provided accommodation to the extent of Rs 2.48 crores. The Maharashtra State Co-operative Bank required the mills to pay the amount of bills in advance in instalments to enable it to pay the bills on the due dates. As against the guarantees of Rs 3.21 crores on account of principal and interest, the mills had paid to the Maharashtra State Co-operative Bank instalments aggregating Rs 2.50 crores while Rs 62 lakhs were receivable from 11 mills.

Working capital

4.49 The working capital needs of 14 out of 20 mills in the state were directly met by the state co-operative bank while the remaining 6 mills were financed by the central co-operative banks. The central banks were reimbursed by the state co-operative bank upto 90 per cent in the case of pledge limit (repledge of stocks) and the special clean limit (margin money).

Pledge credit

4.50 Pledge credit was sanctioned to the mills for stocking of cotton and yarn. The Deccan mill was financed for working capital by the Kolhapur District Central Co-operative Bank while the other three were financed directly by the Maharashtra State Co-operative Bank. For imported cotton, the Kolhapur District Central Co-operative Bank sanctioned clean limits to the Deccan mill which were subsequently converted into pledge credit on receipt of cotton bales. The imported cotton of the Kolhapur mill was taken possession of by the Maharashtra State Co-operative Bank directly by debiting 75 per cent of the cost to pledge credit, 20 per cent to special clean credit (margin money) and 5 per cent to the current account of the mills. Due to better resources position of these two mills, the limits sanctioned to them proved to be adequate. The Amravati mill also did not find the credit inadequate as it had not stocked large quantities of cotton. The Nagpur mill, however, experienced difficulty with the limit sanctioned to it. The financial position of the mill being very poor and with the increasing prices of cotton, the mill could not make bulk purchases in the season when cotton prices were low. It could not also make its purchases from the Marketing Federation which demanded cash payment. It had, therefore, to obtain its requirements from merchants every month or 2 months at higher prices which raised the cost of yarn and affected its profitability.

Special Clean Credit (for margin money)

4.51 The mills were required to maintain a margin for pledge and hypothecation credit at 25 and 40 per cent respectively. Due to unsatisfactory financial conditions some of the mills were not in a position to maintain the prescribed margins. The Maharashtra State Co-operative Bank provided special clean limits out of the funds provided by the state government to such mills for the purpose, to the extent of 20 per cent in the case of pledge limit and 35 per cent in the case of hypothecation limit.

CONCLUDING REMARKS

4.52 From the position discussed above, it may be observed that the debt equity ratio being 60 : 40, collection of share capital from the members was proving a difficult task and hence in two of the four mills the government had to contribute a very high proportion of the share capital. The account of the spinning mills studied specially for the Study Team also brings out that most of the mills like the co-operative sugar factories have been set up without adequate preparation and response from the prospective members whether they were weavers or growers of cotton. Everybody seemed to be anxious to set up the physical facilities on the assumption that the developments in the field will look after themselves once the spinning mill was erected. The experience of both the sugar factories and the spinning mills in the state has demonstrated to the cost of everyone concerned, viz., the government, the bank and the members, the paramount need to pay much greater attention to preparing the ground adequately. The sugar factory/spinning mill should be the culmination of these efforts and not the beginning. If the preparation is not adequate both the government and the bank find it impossible to leave the project half way through and have, therefore, to adopt measures to rehabilitate the concerns even before they had an opportunity to function. The co-operative processing societies like the co-operative sugar factories/spinning mills have, somehow acquired a status symbol for an area and, therefore, once construction of these undertakings commences, the government find it extremely difficult, politically, to abandon it. Similarly, the bank also cannot extricate itself from the venture once it enters into firm commitments in the form of opening of letters of credit. The need for adequacy of preparation emphasizes the point made by us earlier in the discussion on the co-operative sugar factories that each one of the processing societies must be regarded as an integrated project and developed as such. We hope that the past experience in this behalf would make the government, the people and the apex bank appreciate the various suggestions made by us and take necessary steps to initiate action on them.

CHAPTER V

PRIMARY AGRICULTURAL CREDIT SOCIETIES—RE-ORGANIZATION AND ARRANGEMENTS FOR SUPERVISION

5.1 PRIMARY agricultural credit societies form the very foundation of the co-operative credit structure and it is but natural that measures for strengthening these institutions should be an integral part of the co-operative development plans in the country. In the initial stages, the emphasis was on having a co-operative credit society for every village for the supply of credit. The All-India Rural Credit Survey Committee 1954, however, favoured the organization of large-sized societies at this level. To quote the Committee:

> The future line of development of co-operative credit at the level of the village should be unhesitatingly in the direction of bigger societies covering larger areas. Primary agricultural credit societies should hereafter be established, or wherever necessary existing ones re-organized, so as to cover, according to local conditions, groups of villages with a reasonably large membership and reasonably adequate share capital. The headquarters of the larger-sized primary credit society, new or reorganized, should be conveniently situated for the people of the villages comprised in its jurisdiction. If there is a marketing centre in the area it should, if possible, be located at that centre. As a rule, the area of operation of the society should be such as to provide it with adequate business. (page 555)

Although this recommendation was generally accepted and a beginning was made in that direction, there was a shift in the policy, following the National Development Council's resolution on Co-operative Policy in November 1958, towards the organization of primary societies with the village as the basic unit. Again, in 1960 when the measures for enabling the co-operative credit institutions to support agricultural production were reviewed, the question of the size of the co-operative at the primary level came to the fore and the Committee on Co-operative Credit 1960 emphasized the concept of viability of the primary unit which had also been the objective underlying the organization of large-sized societies.

5.2 The Conference of the State Ministers of Co-operation held in 1964 endorsed the concept of viability and it was envisaged that the primary credit structure in the country should be re-organized on this basis and the entire programme of re-organization be completed by 1966-7 so as to reduce the total number of primary agricultural credit societies to 120 thousands. However, the programme of re-organization made little headway particularly in Maharashtra where, as a matter of fact, the number of societies registered an increase from 19,938 in 1963-4 to 20,073 in 1966-7 and remained almost the same at 19,965 in 1972-3. This was largely due to the policy of 'one village one society' pursued in the state. In furtherance of this policy, the government also brought out a scheme of 'group viability' under which if a group of two or more societies had a combined loan and non-credit business of Rs 1.00 lakh they could be considered viable and instead of an independent secretary for each society, one common secretary for a group of such societies was appointed.

5.3 We have in this chapter examined the position in regard to viability of primary agricultural credit societies, appointment of an independent full-time paid secretary for each of the units at the primary level, arrangements regarding control over the secretaries and supervision over the primary credit structure and made our recommendations for the re-organization of, and supervision over, the primary credit structure in Maharashtra. This chapter has been divided into three sections. Whereas Section I gives an idea of the present position of primary credit structure in the state, Sections II and III deal with the re-organization of primary credit structure and arrangements for supervision over the societies respectively.

SECTION I

PROGRESS OF PRIMARY SOCIETIES

5.4 A statement showing the overall progress of primary agricultural credit societies in the state, for the 6 years ended 1972-3 is given in Annexure 29. It may be seen therefrom that as on 30 June 1973 there were 19,965 societies with a membership of 3.5 million serving about 34,500 villages (the total in the state being 35,778) with a population of 25 million. The effective membership, i.e., borrowing membership was 1.6 million forming 46 per cent of the total membership and 30 per cent of the rural families.

5.5 The paid-up share capital of the societies increased from Rs 38 crores to Rs 54 crores and the loans outstanding from Rs 105 crores to Rs 174 crores during these five years. The loans advanced had steadily increased from Rs 83 crores in 1967-8 to Rs 161 crores in 1972-3 except in 1971-2 when they declined to Rs 111 crores from Rs 115 crores in 1970-71. Of the loans advanced in 1972-3, about 23 per cent were in respect of tenants, agricultural labourers and those with land holdings up to 5 acres. The number of societies advancing loans had come down from 18,994 in 1967-8 to 18,260 in 1971-2, but increased to 19,215 in 1972-3. The number of borrowing members had declined from 1.5 million in 1967-8 to 1.3 million in 1970-71 but increased to 1.6 million in 1972-3. The overdues which had increased from Rs 43 crores in 1967-8 to Rs 74 crores in 1971-2 forming 44 per cent of the outstandings at Rs 168 crores at the end of 1971-2 declined to Rs 35 crores, forming 20 per cent of the outstandings at Rs 174 crores at the end of 1972-3. The all-round improvement in regard to loaning operations as well as decline in overdues in 1972-3 was obviously due to the rehabilitation of non-wilful defaulters, following our recommendations made in the Interim Report. It may, however, be noted here that as far as overdues over three years were concerned, there was no improvement as such overdues which were Rs 17 crores in 1971-2 had increased further to Rs 20 crores in 1972-3. This clearly shows that whereas full advantage was taken of the scheme of rehabilitation for non-wilful defaulters, coercive action was not taken simultaneously to effect recoveries from the wilful defaulters.

5.6 Of the total number of societies as at the end of 1972-3, viz., 19,965, 10,254 societies, including those in a group, were having full-time paid secretaries (strictly speaking services of group secretaries are not available full-time for each society in the group) and 9,711 part-time secretaries including honorary secretaries. Separate information regarding full-time paid secretaries to societies in a 'group' was not available. The state partnered societies were only 3,096. About 30 per cent of the societies had undertaken distribution of farm and domestic requisites. During 1972-3, 5,762 societies supplied agricultural inputs valued at Rs 20 crores whereas 6,358 societies supplied consumer goods of the order of Rs 50 crores.

5.7 The average per society as on 30 June 1973 worked out to Rs 27,228 for share capital, Rs 2,680 for deposits, Rs 1,22,599 for working capital and Rs 87,067 for loans outstanding. These averages, except that for deposits, were above the all-India averages for the year 1972-3 at Rs 16,010, Rs 5,451, Rs 94,519 and Rs 63,281 for share capital, deposits, working capital and loans outstanding respectively. The societies in Maharashtra which worked at a profit were 10,895 whereas 8,804 societies worked at a loss during 1972-3.

SECTION II

RE-ORGANIZATION OF PRIMARIES

5.8 The Government of India had emphasized, as far back as 1968, that all the state governments should give a serious thought to the re-organization of primary agricultural credit societies so as to make them viable units. The Government of Maharashtra reportedly did not resort to the amalgamation of societies "against the wishes of the people". Instead, the government had formulated a scheme in 1969 for the re-organization of primary agricultural credit societies based on the concept of 'group viability'. Under the scheme, agricultural credit societies were to be classified into 5 groups, i.e., (i) viable societies, (ii) potentially viable societies, (iii) societies with group viability, (iv) societies for backward areas and (v) societies which could not be classified into any of the above four groups. This scheme was stated to have been formulated to satisfy to a large extent the criteria of viability by the appointment of a secretary to a single society whereever feasible or to a group of societies.

5.9 The definitions adopted by the state government for the purpose of classification of societies into viable and potentially viable were as under:

(i) Viable society

A society having loan outstandings of Rs 1.00 lakh and over as on 30 June 1969.

(ii) Potentially viable society

A society having loan outstandings of Rs 0.75 lakh or above but less than Rs 1.00 lakh as on 30 June 1969 provided such a society has not incurred any loss during the year 1968-9.

(iii) Non-viable society

A society not falling in the category of either (i) or (ii) above.

The information in regard to loan business of the societies as on 30 June 1972 as furnished by the Registrar of Co-operative Societies is given at Annexure 30. It would be seen from the Annexure that of the 19,854 societies, 9,659, i.e., almost 50 per cent were having loan business below Rs 0.50 lakh in each case, which obviously even according to the norms of viability adopted by the state government were non-viable. Further, 5,232 societies were having a loan business ranging between Rs 0.50 lakh and Rs 1.00 lakh and of this, even assuming that half of them were having loan business of Rs 0.75 lakh to Rs 1.00 lakh, the remaining would not be even potentially viable. Thus about 60 per cent of the societies in the state as on 30 June 1972 could be considered non-viable as per the definition adopted by the state government.

Expert views on viability

5.10 The need for organizing viable units at the primary level had been emphasized by the All-India Rural Credit Survey Committee 1954 and a number of committees appointed thereafter, particularly by the Committee on Co-operative Credit 1960. The Conference of State Ministers of Co-operation held in 1964 laid down the minimum criteria of viability as the ability to appoint a full-time paid secretary, set up a regular office in a building owned or hired, contribute to statutory and other reserves on the scales considered necessary and pay a reasonable dividend and suggested that area-wise standards of quantum of business—credit and non-credit—necessary for attaining viability might be worked out and a survey carried out for the re-organization of the societies on these lines. It was also recommended that all governmental assistance, viz., share capital participation, subsidies, advances for godowns, etc., should be restricted to the societies selected for being developed into viable units. The All-India Rural Credit Review Committee 1969 had observed that, "the functioning of strong and viable units at the primary level was an urgent need as much for the sound working and health of the entire co-operative credit structure, as for the successful implementation of agricultural programmes" (page 979).

5.11 The working Group on Co-operation for the Fifth Five Year Plan 1973 in its Report had observed that unless the viability programme was implemented, the credit structure would continue to be weak and inefficient. It further noted that "while the need for re-organization of societies into viable units had been largely recognized by the states, concrete action to put the policy into practice had been lacking" (page 34). The Group, therefore, suggested that action might be taken on the following lines:

(i) The first priority may be given for taking into liquidation all dormant societies and for expanding the area of operation of neighbouring societies to cover villages now in the jurisdiction of all the societies taken into liquidation.

(ii) Amalgamation may be resorted to in the case of societies where the credit potential on the basis indicated earlier is estimated at less than Rs 2 lakhs per annum. (page 35)

As regards viability, the Working Group indicated the following norms:

> . . . It is advisable that for determining the jurisdiction and the viability standards of societies, the 'Credit Potential' of the area under its jurisdiction should be the prime consideration. It is suggested that an average of Rs 125 per hectare of dry land and Rs 250 per hectare of irrigated land under cultivation may be taken as the standard for working out the credit potential of an area. This figure is far below the scales of finance adopted by the co-operatives. However, all cultivators are not members of the co-operative societies. Some members do not borrow and some borrow less than the scale of finance. Again some cultivators will borrow from the commercial banks. Considering all these aspects, the suggested norm is fairly elastic.
>
> The expenditure on maintaining a secretary and an office for primary societies has been steadily increasing as a result of inflationary pressure. It may be estimated at about Rs 2,500 per year, under conditions likely to prevail in the Fifth Plan. A society can become viable only when it has a credit business of Rs 2 lakhs. Assuming an average margin of 1½ per cent to 2 per cent on its credit business, this will give the society an income of about Rs 3,000—Rs 4,000. Where non-credit business is undertaken, additional staff and other facilities such as godowns would be required and the income from non-credit business

would require to be appropriated for this purpose. Therefore, it is suggested that societies with potential credit business of Rs 2 lakhs on the basis of Rs 125 per hectare of dry land and Rs 250 per hectare of irrigated land in its jurisdiction and an actual credit business of not less than Rs 1 lakh may be considered potentially viable and efforts concentrated on increasing the business in its area. The present (1970-71) level of disbursement of co-operative short-term loan is only Rs 32 per hectare. It is likely to be little more than Rs 75 per hectare in the last year of the 5th Plan as compared to the standard of Rs 125/250 per hectare adopted as the norm for credit potential. Thus, on the suggested basis a large number of potentially viable societies will not be actually viable even at the end of the 5th Plan. But they will have a reasonably good chance of becoming viable units in subsequent years. (pages 33-34)

5.12 The Conference of the Registrars of Co-operative Societies held in September 1972 and also of the State Ministers of Co-operation held in January 1973 endorsed this view. More recently, the Study Team on Overdues of Co-operative Credit Institutions 1974 had also endorsed the recommendations of the Working Group and urged the state governments to initiate action to ensure that re-organization of the primary level on the basis of the norm of potential loan business of Rs 2 lakhs per society was completed by the end of the Fifth Plan.

5.13 Apart from the above Committees at the all-India level, the Evaluation Committee for Secretaries Caderization Scheme 1973 (Kore Committee) appointed by the Government of Maharashtra had also supported the concept of viability. The Committee was primarily concerned with the evaluation of the working of the Caderization scheme since its inception in July 1971 and improvements in its working. The Committee, however, pertinently observed that "the question of wage structure is inextricably linked with the other cognate questions like the viability or otherwise of the primary societies themselves, the control and supervision over the primary secretaries, their avenues of promotions and even the question of basic norms and guidelines in regard to their recruitment" (page 1).

5.14 The Kore Committee had taken a firm view that "agricultural activity is essentially a commercial activity and, therefore, any planning or any programme of development in relation to such an activity must take into account considerations of viability of the primary activity itself" (page 3). The Committee also categorically stated that it could not subscribe to the concept of 'group viability'. As for the norms of viability, the Committee said that "it would be improper to consider merely the extent of agricultural credit operations, and instead, it would be more realistic to take into consideration the overall impact of business transacted by the primary societies, of all descriptions" (page 4). In the matter of re-organization of primary agricultural credit societies in the context of sustaining the cost of qualified secretaries the Committee made the following recommendations:

(a) Primaries having minimum agricultural credit business of short-term and medium-term of the order of Rs 2 lakhs and minimum non-credit business of the order of Rs 1 lakh to be termed as commercially viable.

(b) Where, within a radius of 5 miles or so, the number of societies is more than one and having credit and non-credit business of less than Rs 3 lakhs individually, programme of amalgamation of such societies should be carried out forthwith.

(c) Due to geographical factors, if it is not possible to amalgamate such societies, within a radius of five miles, the societies should be retained, in suitable groups for the present. (page 52)

While recommending different grades to the secretaries, the Committee classified the societies into three categories depending on the credit and non-credit business as under:

Grade	Category of primary societies	Minimum qualifications
III Grade Rs 125–5–150–5–200–EB–8–232	Society having not more than Rs 2 lakhs of loan outstandings and Rs 1 lakh of other business	S.S.C. without L.D.C. to start on Rs 125/- and with L.D.C. on Rs 150/-
II Grade Rs 200–10–300–EB–15–360	Society having loan outstanding between Rs 2 lakhs and Rs 5 lakhs and turnover of other business below Rs 10 lakhs	B.Com. or B.Sc. (Agri.). Passing of H.D.C. within 2 years
I Grade Rs 300–20–500–EB–25–600	Society having loan outstandings of Rs 5 lakhs and above and turnover of other business up to Rs 20 lakhs	B.Com. or B.Sc. (Agri.) in II class. Passing of G.D.C. & A. within 3 years

The Committee further recommended that the position of all marginal and non-viable societies should be reviewed and societies which were incapable of attaining the viability standards (presumably as above) within three years should be merged into bigger societies. The Committee had no objection to a longer gestation period of five years in the case of non-viable societies located in tribal, coastal or traditionally under-developed areas.

5.15 The Government of Maharashtra had themselves recognized the need for the re-organization of the primary co-operative credit structure as was evident from the agenda note submitted by them to the Conference of the Registrars of Co-operative Societies and the State Ministers of Co-operation held in September-October 1970. In this regard, the following observations were made by the state government:

> There are 20,090 primary societies (excluding those in Greater Bombay) in Maharashtra distributed on an average at 90 primaries in a taluk as on 30 June 1968. Of this, about 57 per cent of the societies are non-viable. A time bound programme to reorganize these societies and form potentially viable units is to be implemented over a period of 2 years so that roughly 30 primary societies per taluk are ultimately in operation. . . . (page 243)

The state government, however, had not been able to make any headway in the re-organization of the societies as their number which was 20,106 at the end of June 1968 almost remained at 19,965 even by the end of June 1973.

5.16 The need for re-organizing the primary credit structure in Maharashtra on the basis of viability is obvious. What is not realized is that the viability concept is invariably linked with the provision of an independent full-time paid secretary for each and every such society. As early as in 1969, the All-India Rural Credit Review Committee observed on the Maharashtra Government's concept of 'group viability' as under:

> We have not been able to obtain any clear idea of the approach of the Maharashtra Government to the problem of reorganization of agricultural credit societies in the context of viability or more specifically, with reference to the recommendations of the State Ministers' Conference in Hyderabad referred to earlier. It appears to us that while sharing the general objective, the Maharashtra Government does not favour amalgamation as a means of achieving viability. Its view seems to be that amalgamation or liquidation should be undertaken only after the Co-operation Department is satisfied that the society has

been in existence long enough for justifying the conclusion that it is unable to achieve the minimum level of business required for viability. It also appears that the State Government considers it a satisfactory arrangement to place a number of societies in the charge of a full-time paid secretary, common for the whole group. This arrangement, we are told, is related to the concept of 'group viability'. We do not share the view and are unable to subscribe to the concept. It is the general experience, at any rate in the co-operative field, that one who is simultaneously employed by many masters can successfully evade serving any of them. If the ability of a particular society to employ competent staff and give orders to it is one of the tests of viability, then 'group viability' of a number of societies is a contradiction in terms. We doubt whether any arrangement on the lines apparently favoured by Maharashtra can at all work satisfactorily and also whether all this can be considered to be anything more than merely trusting to the normal course of development for the emergence of viable units over a period of years. (pages 449 & 454)

5.17 The Study Team on Overdues of Co-operative Credit Institutions 1974 had on the basis of elaborate data collected in this regard, observed that there was evidence of a specific and positive relationship between overdues and full-time paid secretary for the society in that the overdues were significantly lower in societies having full-time paid secretaries. The Study Team on Overdues had, therefore, recommended that simultaneously with the re-organization of societies as viable/potentially viable units, steps should be taken to see that each of the re-organized society had a full-time, qualified and trained secretary. The relevant recommendation of the Study Team on Overdues is as under:

Our special studies of select primary societies in different states have confirmed the view that where the majority of the societies are having full-time paid secretaries, the recoveries are, by and large, better and the overdues at the central bank level comparatively less. In this context, it may be stated that while a full-time paid secretary may not himself be held solely responsible for recovery of dues, he will be of great help in sending the demand notices where necessary, in preparing and filing, in good time, arbitration/execution cases against recalcitrant members, in making available the list of indebted members to the marketing society, market committee, etc., for facilitating recovery out of sale proceeds of produce, in reminding borrowing members in advance of the due dates, etc. By virtue of being connected with the affairs of a single institution, the secretary will be in a position to maintain frequent contacts with the borrowers and provide necessary assistance in the matter of recovery to the managing committee members. But, if a secretary has to manage the affairs of a group of 3 or 4 societies, because of divided attention and loyalty and at times the greater workload involved, he may be bogged down with routine work and not be in a position to effectively play his role in the field of recovery in any of them. He tends to be un-accountable to any of the managing committees. The advantages of having a full-time paid secretary cannot be over emphasized. (page 162)

5.18 These views were well corroborated by the on-the-spot study of a few primary credit societies in Maharashtra undertaken at our instance by the Reserve Bank's Agricultural Credit Department, the findings of which are given in brief in Annexure 31. The group-societies had a comparatively smaller area of operation and lower coverage of cultivating families than those of single-societies. The average volume of credit business done by them was lower even reckoning the aggregate of the business of all the societies in the group. They did not undertake, by and large, non-credit business. The profits of the group-societies were also relatively small. The chances of these societies becoming viable in the near future were rather remote. Further, a group-secretary was not in a position to provide benefits which a single-society got from its full-time paid secretary such as exclusive and dedicated service, prompt attention to the needs of members either for loans or for supply of inputs and other services, in the matter of recovery of loans and in promotional activities like enlargement of membership and expansion of business. The group-secretary, because of his divided attention and loyalty got bogged down in routine work and could not obviously be expected to play his role effectively in certain important aspects of the societies' working.

5.19 The Maharashtra State Co-operative Council at its meeting held on 28 June 1974 also considered the question of re-organization of societies on the basis of viability. The Council noted that the experience of the present policy of 'one society one village' and 'group viability' showed that the societies had failed to achieve viability. It, therefore, recommended the following criteria for re-organization of societies.

(i) Those societies which have at present a minimum loan (short-term and medium-term) business of Rs 0.75 lakh with a potential to develop the same up to Rs 2 lakhs in the next five years (from 1974-5) may be considered as potentially viable.

(ii) In regard to the societies in a group, if each of the society in a group or any society in a group has a loan (short-term and medium-term) business of less than Rs 0.75 lakh with no prospects of increasing the same up to Rs 2 lakhs may be re-organized as under:

(a) The area of operation of a society from the same group or of another nearby independent society may be merged to have minimum loan business of Rs 0.75 lakh with a potential to increase the same up to Rs 2 lakhs in the next five years from 1974-5.

(b) In the case of societies to be re-organized, legal measures such as amalgamation, liquidation, as necessary, may be taken.

Besides, the Council endorsed the policy of confining the area of operation of a society to ten miles and special consideration shown to societies situated in hilly, forest or tribal areas.

5.20 We recommend that the Government of Maharashtra should undertake the re-organization of primary agricultural credit societies in the state on the basis of viability or potential viability and with an independent qualified and full-time paid secretary for every such society. The following criteria of viability may be adopted for the purpose.

(i) A primary agricultural credit society which is having at present (1973-4) a minimum loan business of Rs 2 lakhs may be considered as viable.

(ii) A primary agricultural credit society which is having at present (1973-4) a loan business of Rs 0.75 lakh with a potential to increase the same up to Rs 2 lakhs in the next five years from 1974-5 may be considered as potentially viable.

(iii) All other societies, whether in a group or otherwise should be deemed non-viable and eliminated either by amalgamation or liquidation as may be warranted.

(iv) In the case of societies which are in forest and hilly areas as also in the tribal areas a longer gestation period, say 7 years, may be allowed for their attaining a viable status.

If re-organized on the above basis, the number of societies at 19,965 as on 30 June 1973 would be reduced to about 10,000 as over 9,000 societies had less than even Rs 0.50 lakh of loan business as given on page 98.

Loan business (Rs lakhs)		No. of societies
(i) less than 0.30		5976
(ii) 0.30 to 0.50		3823
(iii) 0.50 to 1.00		5253
(iv) 1.00 to 2.00		3162
(v) 2.00 to 3.00		942
(vi) 3.00 to 5.00		567
(vii) 5.00 to 10.00		200
(viii) 10.00 and above		42
	Total	19965 @

@ Of these societies, 1288 societies were outside the caderization scheme.

5.21 The re-organizaiton of the primary agricultural credit societies has been inordinately delayed in Maharashtra. Hence, with a view to avoiding further delay in the matter we consider it necessary to have a time bound programme in this behalf. We commend in this connexion the procedure recommended by the Study Team on Overdues for the speedy re-organization of the primary credit structure. The recommendation of the Study Team is as follows:

> At the same time it has to be admitted that the process of reorganization of the primary credit structure by liquidation of weak units and organization of new societies by amalgamation, voluntary or compulsory, of two or more existing societies into a strong unit is time consuming. Experience has shown that efforts in this direction have not yielded the desired results. The better alternative is to allow the dormant and weak units a slow and natural extinction. The Registrar of Co-operative Societies of every State/Union Territory should draw up an action programme to identify dormant or financially weak and non-viable primary credit societies which have high level of overdues, say above 60 per cent of the demand, consecutively for two or more years. Such societies should be denied fresh credit by central banks and the area of an adjoining society may be extended to cover the areas of the dormant and weak societies for meeting the credit requirements of non-defaulters and new members from the area. (pages 247-8)

5.22 We would urge the Government of Maharashtra to adhere to the following time schedule for the programme of re-organization of societies:

(i) Identification of societies to be liquidated/amalgamated should be completed by 30 June 1975 by the Registrar in consultation with the concerned central banks. After obtaining the approval of the state government to the programme, necessary instructions to the concerned institutions should be issued by the Registrar by that date.

(ii) The societies identified for liquidation or amalgamation should be allowed one year's time, i.e., 1 July 1975 to 30 June 1976 to do so on a voluntary basis.

(iii) If the societies failed to even initiate action within the stipulated time, the Co-operation Department should use their statutory powers to bring about the required re-organization and central banks should deny fresh finance to such societies. The entire programme of re-organization should be completed within a year thereafter, i.e., by 30 June 1977. The Co-operation Department with the assistance of the concerned banks and societies should make an exercise block by block and plot out on a map the new re-organized societies as well as those that are to remain, so that the identification of the units and implementation of the scheme of re-organization becomes easy. We understand that such an exercise has been attempted in four districts in Karnataka and, therefore, suggest that the results thereof may be made available by the Reserve Bank to the Department and the banks.

5.23 With a view to ensuring the availability of fresh finance to the cultivators from the areas of societies marked for liquidation/amalgamation, the following action should be taken:

(i) The society marked for going out of existence either by amalgamation with the society to be retained or by liquidation should not admit any new members or issue finance to those who had not borrowed in the previous year. Simultaneously, the area of operation of the society identified to be retained should have its jurisdiction extended to cover the area of the societies marked for liquidation or amalgamation to enable the former to finance non-borrower members of the latter societies. Those who are not members of any of the societies should be admitted only to the societies marked for retention.

(ii) Consequently, the society marked for liquidation/amalgamation should be denied fresh finance after 30 June 1976 if it does not agree to amalgamate or is not taken into liquidation. With a view to ensuring that a non-defaulting member of such a society gets fresh finance and that too without requiring him to pay share capital again in the required proportion for the borrowing from the new society (in case the old society refuses to transfer his share capital amount to the new society), he might be required to pay only a nominal amount by way of share capital for fresh borrowings from the new society pending transfer of his share capital from the old society. In this context the feasibility of partial transfer of assets of the non-defaulting members from the old society to the new society might be considered in the light of the existing legal provisions.

5.24 On the recommendation of the National Commission on Agriculture, the Government of India have advised the state governments to organize a few farmers service societies in each state on an experimental basis. Two models have been suggested in this behalf—one which would cover the entire area of a block and the other to cover an area with approximately 10,000 rural population. The former is expected to reach, in five years, a loaning business—short-term, medium-term and long-term—of Rs 100 lakhs and the latter about Rs 10 lakhs. As the former society would cover a wide area, it will have an appropriate number of branches for effective service to, and the convenience of, farmers, whereas the latter having a limited jurisdiction will have no branches. Each of the societies will have a highly qualified and paid Managing Director whose salary and other allowances would be met for an initial period of at least three years by the financing bank. The commercial banks have agreed to do so in respect of the societies that may be financed by them. There is no objection to a central co-operative bank undertaking to finance a farmers service society, provided it also agrees to meet the cost of the Managing Director. We understand that the Reserve Bank does not consider a central bank as capable of shouldering the responsibility unless it has been paying a minimum dividend of 5 per cent. Each of the societies must have at least three technical personnel whose cost would be borne by the government on a tapering basis for a period of five years. The block level society will have, appropriate to its wider jurisdiction, more than three technical personnel. The technical staff is intended to provide guidance to the members of the societies and must be under the exclusive control of the Managing Director. The managing committee of the farmers service society must provide for a majority of the representatives of small farmers. The idea is that the interest of the small farmers should receive the necessary attention which, as we have seen earlier, is not the case in many districts of Maharashtra. The society will provide not only short-term and medium-term agricultural credit, but also long-term development credit which is at present provided by the land development banks. It will also undertake the supply of agricultural inputs and the distribution of consumer goods. The society is also expected to help its members in the marketing of their agricultural produce. With a view to giving the society scope to develop its business on a large scale, so that it may become a viable unit during the course of five years, it has to be given exclusive jurisdiction over its area of operation, whether it is a block or an area covering approximately 10,000 population. It follows, therefore, that the primary agricultural credit societies within its area must be amalgamated with it or liquidated. Pending this, a decision should be taken to starve the other societies of fresh finance by the central co-operative bank or the commercial bank.

5.25 No action appears to have been taken by the Government of Maharashtra or the commercial or co-operative banks for organizing farmers service societies. These societies have two distinctive features. Firstly, they will integrate credit not only with supplies, but also with technical guidance and services. Secondly, the societies will have a distinct bias in favour of small farmers who have so far not received adequate attention from the institutional credit agencies as well as the extension departments. We would strongly recommend that one farmers service society may be organized in each of the four regions of the state, viz., West Maharashtra, Konkan, Marathwada and Vidarbha and these may be an integral part of the programme of re-organization of the primary credit structure we have recommended above. It will only mean that these societies would have a business potential of at least Rs 10 lakhs as against Rs 2 lakhs envisaged for the normal societies. It would not necessarily mean an area five times larger than the viable societies recommended by us. It may mean, perhaps, an area twice as much, because the farmers service society will handle long-term credit business and also cover the area more extensively and intensively with the assistance provided by the larger complement of staff it will have. We have recommended that in 96 blocks the commercial banks may be invited to finance primary credit societies. One or two societies may be organized in these blocks to be financed by them. In addition, two of the stronger central banks may be persuaded to organize the remaining two societies which is of vital significance for the country's programmes of agricultural development in the Fifth Five Year Plan.

5.26 There are pockets in some twelve districts of Maharashtra where sizeable *adivasi* (tribal) population is concentrated. In pursuance of a direction given by the Government of India, the Government of Maharashtra are engaged in drawing a Tribal Sub-Plan for comprehensive social and economic development of the tribals of which institutional arrangement for credit facilities to them will form an integral part. We understand that the Reserve Bank had recently convened a meeting of those concerned where a concensus was reached that while the responsibility to provide the required credit facilities would have to be shouldered at the base level by primary agricultural credit societies, there would be no societies exclusively for the benefit of the tribals primarily because such a society might not have the chance of ever becoming viable, if it were to have a reasonably compact area of operations to be of effective service to its members. It was also recognized that the society meant for the benefit of the tribals would have to pay special attention to their peculiar needs. First of all, the highest priority has to be accorded to raising the level of cultivation of the tribals, because it is only by raising their income from agriculture that one can hope to free them from the clutches of moneylenders or moneylender-cum-traders. The tribals would need a considerable amount of guidance in taking to more intensive and diversified agriculture. As in the case of farmers service societies, this can be ensured by placing the services of some agricultural extension staff at the disposal of the societies meant for the tribals. It is observed that the tribals resort to traders-cum-moneylenders for getting the essential consumer goods like salt, kerosene, cloth, sugar, foodgrains, etc. The society will have to make arrangements for the supply of domestic requirements to the tribals as part of their credit entitlement in addition, of course, for the supply of agricultural inputs like fertilizers, insecticides and high-yielding variety seeds. The tribals will have to be assisted in securing a better market for their agricultural produce or the products of animal husbandry, dairying and poultry-keeping. Finally, the society may have to take care of, at least to some extent, the credit needs of the tribals for meeting their social obligations in birth, marriage and death ceremonies.

5.27 It was agreed at the above meeting that steps would be initiated to organize special types of societies by amalgamation/ liquidation of some of the existing societies in the tribal areas which would integrate credit for productive and non-productive purposes with supplies of agricultural inputs and consumer goods, technical guidance for intensive cultivation and assistance in the marketing of agricultural and forest produce. Obviously such a society would require a larger complement of staff than even the farmers service societies. At the same time, owing to the existing low level of economic activity in the tribal areas, it may take a longer gestation period for the societies in these areas to become viable units. Even then, it is clear that the societies of the above type would have to cover areas similar to those of the farmers service societies. We recommend that the general programme of re-organization of primary agricultural credit societies recommended by us should include the programme of re-organization of societies for the tribals on the lines indicated above. We also recommend that the government may provide for subsidizing the cost of management of the societies, though on a tapering basis, throughout the Fifth and the Sixth Plan periods. The funds for the purpose may be provided in the Tribal Sub-Plan which the state government are drawing for approval of the Government of India.

5.28 On the basis of certain criteria indicated in paragraph 5.20, we estimated that the total number of primary agricultural credit societies in Maharashtra may come down to 50 per cent of what it is to-day, i.e., to about 10,000. If primary societies in the tribal areas are re-organized on the lines recommended by us above, perhaps, the number of primary societies in the state may come down to even 9,000. Incidentally, the Government of Maharashtra had, in their memorandum submitted to the Conference of Registrars of Co-operative Societies and the Conference of Ministers for Co-operation held in New Delhi in 1970, envisaged the number of societies to come down to 30 per taluka as against 90 at present, i.e., to one-third the existing number. We feel that in the present context it will be sufficient if the programme of re-organization is pushed through with vigour to reduce the number to about 9,000 all over the state inclusive of the farmers service societies and special societies in the tribal belt.

Control over secretaries

5.29 Till July 1971, the Taluka Co-operative Supervising Unions were exercising control over the secretaries through their *ad hoc* committees. According to the arrangement in vogue then, an independent secretary was appointed for a big society having a sizeable turnover and a group-secretary for a group of 2 or 3 smaller societies. Selection and appointment of these secretaries were made by the *ad hoc* committees of the Taluka Co-operative Supervising Unions. The *ad hoc* committees consisted of the Chairman of the Taluka Union, a representative of the Co-operation Department, usually the taluka sub-auditor or the extension officer and a representative of the central financing agency, usually the branch inspector of the area. All the societies affiliated to the Taluka Union were required to contribute at the rate of 1½ per cent to 2 per cent of their working capital to a fund called the "Joint Expenditure Account". The cost towards the salaries, etc., of the secretaries was met from out of this "Account". In most cases no rules were framed regulating the services of secretaries.

5.30 With the introduction of the caderization scheme in July 1971, the district co-operative supervision society in each district replaced the *ad hoc* committees taking over their functions including selection, appointment, promotion, transfer, punishment, dismissal and regulation of the wage structure. The district supervision society was to take over the control of all the secretaries in the regular employment of the primary agricultural credit and seva societies as on 1 February 1969 and absorb them in three different grades. The scheme was to have been extended to the secretaries of other types of societies as and when the government considered this necessary. The composition of the district co-operative supervision society was as under:

1	Chairman of the district central co-operative bank	—	Chairman
2	Deputy Registrar of Co-operative Societies of the district	—	Member-Secretary
3	Chairman of the district land development bank	—	Member

4	Chairman of the Co-operative Committee of the Zilla Parishad	—	Member
5	Chairman of the District Co-operative Board	—	Member
6	A representative each of marketing and primary credit societies nominated by the state government	—	Members
7	Two representatives of the taluka co-operative supervising unions nominated by the government	—	Members

5.31 In order to implement the scheme in each district, a complement of staff (Assistant Registrar of Co-operative Societies, Accountant, 3 clerks and a peon) was appointed by the government to assist the District Deputy Registrar and the cost thereof was borne by the state government. The cost of operating the scheme was met out of contributions from the institutions, which were fixed at 1.75 per cent to 2.25 per cent of the maximum outstandings under the short-term and medium-term loans during the previous year with a provision to charge extra contribution at 0.25 per cent in special circumstances. As for the deficits in the cost of maintaining the cadre, the state government agreed to pay a grant-in-aid limited to 50 per cent of the deficit or Rs 20 lakhs, whichever was less, spread over a period of 3 years. The balance of deficit was to be met by special contributions by the Maharashtra State Co-operative Bank and the district central co-operative banks on a 50 : 50 basis. Deficits were expected in the first 3 to 4 years of the introduction of the cadre scheme. Recovery of the contributions was provided for in the by-laws of the district supervision co-operative society to which the primary societies would be affiliated. The central co-operative bank would recover the contributions from the societies by debiting their loan accounts and pass on the amounts to the credit of the district societies.

5.32 It may be noted here that the Taluka Co-operative Supervising Unions were also to continue to function divested of the functions of their *ad hoc* committees and steps were to be taken to make them more effective as advisory and promotional bodies.

5.33 The Kore Committee, earlier referred to, had pointed out certain deficiencies in the scheme which were briefly as given on page 106.

(i) The District Supervision Societies had become more or less, arbitrary controlling bodies over a large number of primary societies without a direct access to intimate information and knowledge regarding the day-to-day working of the primary societies and in turn their secretaries.

(ii) The scheme no doubt envisaged certain minimum standards of qualifications for new entrants to the cadre of primary secretaries, but did not provide for weeding out the totally unqualified and obviously inefficient secretaries.

(iii) The scheme had firmly and permanently placed the primary secretaries into an unconnected single cadre providing no avenues whatsoever for their betterment.

(iv) The Board of Management of a primary society had very little actual say in the matter of disciplining a recalcitrant primary secretary and as such the direct answerability of the primary secretary to the primary society had eroded very sharply. On the other hand, the Chairman of the district central co-operative bank, who was the ex-officio chairman of the District Supervision Society alongwith Member-Secretary, carried a lion's share of prestige and power as against the other members of the District Supervision Society.

(v) Since the contributions receivable towards the cost of secretary, etc., from the primary societies were pooled into a district fund, anomalous situation had arisen inasmuch as while the affluent districts had surpluses the under-developed districts continued to carry deficits of varying degrees.

(vi) The scheme envisaged that every district central co-operative bank would debit the account of primary society concerned with the annual contribution payable by the society and credit it to the district fund. In practice, this provision had been, to a very large extent, evaded by the district central co-operative banks fearing that any reduction in the funds of the primary societies would adversely affect the totality of funds against which the bank could make a drawal for refinance. This resulted in increase in arrears of contributions in many districts.

5.34 As for recovery of the annual contribution by debiting the loan account referred to under item (vi) in paragraph 5.33 above, it may be stated that such a procedure would inflate the outstandings against societies enabling the banks to seek reimbursement from higher financing agencies on the basis of these inflated figures and result in these agencies contributing to the cost of supervision. It is, however, understood that the state government have suggested the maintenance of separate account in respect of the supervision costs to be recovered from the societies.

5.35 The Working Group on Co-operation for the Fifth Five Year Plan favoured the caderization of secretaries of primary societies and made the following recommendations in regard to the Cadre Fund and Cadre Authority.

> *Cadre Fund*: In order to organize secretaries of primary societies into a cadre, the constitution of a cadre authority and a cadre fund is absolutely essential. Every society covered by the cadre scheme should have a full-time paid secretary. The secretary may be of two grades, grade I for larger societies and grade II for the smaller societies. The emoluments may be fixed with reference to local conditions. Contributions to the cadre fund should be made by the societies, central co-operative banks and the apex co-operative bank.
>
> The primary societies should contribute to the cadre fund 75 per cent of the interest income earned by them, subject to the maximum of the cost of the secretary. The central co-operative banks should also contribute a percentage of their income to the cadre fund. This should be calculated as percentage of their outstanding loans to the society and the percentage may be determined with reference to whether the cadre includes the supervisors of the central banks or only the secretaries of the primary societies. The apex bank may also contribute a percentage of its net profits for the year to the cadre funds. The cost of training of the staff may also be debited to the cadre fund. The deficit in the cadre fund, if any, should be made good by an appropriate subsidy from the State Government.
>
> In order to ensure that the cadre scheme is implemented by the societies and central banks, all subsidies from the State Governments and share capital contribution may be made conditional to the society/bank accepting the cadre scheme.
>
> *Cadre Authority*: The cadre authority may normally consist of the following:
>
> (i) Chief Executive of the Central Co-operative Bank.
> (ii) The Assistant Registrar or Deputy Registrar of the District.
> (iii) The District Development Officer or equivalent Officer to be appointed in consultation with the Collector or a representative of the commercial banks if they are involved in loaning to primary societies, or a representative of the Apex Co-operative Bank. (pages 36-37)

5.36 More recently, the Study Team on Overdues in the context of its recommendation of automatic cessations of managing committees of primary credit societies in the event overdues going beyond certain stipulated levels has stated that " . . . in the case of primary credit societies, the secretary should be answerable to the managing committee and in some way also to the central bank. The duties and responsibilities of the secretary should be clearly defined. It should be his specific duty to assist the supervisors of the central bank visiting the society for recovery of loans and also in preparing and submitting arbitration/execution cases for the orders of the managing committee" (pages 163-164).

Although the Study Team wanted the secretary to be responsible in some way to the central bank, it had not suggested any direct control over the secretaries by the central banks.

5.37 As we have seen earlier, a caderization scheme for secretaries of primary credit societies has been in vogue in Maharashtra for quite some time. Since the credit system in Maharashtra was of a pyramidal nature, the Kore Committee felt that the administration of the scheme may vest similarly with appropriate bodies at the state level, the regional level, and the district level. While the State Level Authority would be concerned with matters of policy, administration of the Caderization Fund, etc., the Regional Level Authority would serve as an appellate body to hear appeals against the orders of the District Supervision Societies. The Committee emphasised that it was vital for the maintenance of reasonable standards of operational efficiency of primary societies that their board of management should have some effective say in the administration and control of the secretaries. The Committee, therefore, felt that in the matter of granting increments, permission to cross efficiency bar, promotions from lower grade to the upper grade, the important consideration should be the evaluation of the work of the secretaries as made annually by the board of management of the primary society in the form of confidential reports. Further, the primary society should also have power to move the relevant controlling authority to start disciplinary action against a recalcitrant secretary whose behaviour was not acceptable to it. Thus the Kore Committee rightly favoured immediate control over the secretary in his day-to-day work in the society being exercised by the society's board of management. As for the central cooperative banks, the Kore Committee observed that while the co-operative banking system should have substantial role to play in the overall control system, there should be, side by side, strong representation at various levels to the primary societies, the Registrar of Co-operative Societies and the state government. The relevant recommendations of the Kore Committee in regard to the arrangements for control over secretaries are given in Annexure 32.

5.38 The Government of Maharashtra have accepted the recommendations of the Kore Committee regarding the three-tier system of administration of the caderization scheme and finalized the composition of various authorities vide their resolution No. CDR. 1073/24293/C-1 dated 2 August 1974 (Annexure 33). As for the district level authority, the board of directors of the district supervision society has been reconstituted as under:

(1)	The Chairman of the District Central Co-operative Bank	— Chairman
(2)	The Local Director of the Maharashtra State Co-operative Land Development Bank	— Vice-Chairman
(3)	The Chairman of District Co-operative Board	— Member
(4)*	Two representatives of the Primary Agricultural Credit Societies in the District	— Members
(5)	The Local Officer of the Maharashtra State Co-operative Bank	— Member
(6)*	A representative of the Secretaries in District who shall be from amongst the working secretaries	— Member
(7)	The District Deputy Registrar of Co-operative Societies	— Member-Secretary
(8)	The Manager, District Central Co-operative Bank	— Member-Joint Secretary

5.39 Opinion is, by and large, in favour of creation of a cadre authority to administer the scheme which in some form is already in vogue in Maharashtra. We endorse its continuance with the three-tier system of control as recommended by the Kore Committee. As for the composition of the board of directors of district supervision societies, our recommendations are given in the following paragraphs.

5.40 A secretary of a primary credit society not only handles credit but also other types of business including distribution of agricultural inputs and other services. His services would require to be well co-ordinated with a view to meeting the challenges of the multi-purpose nature of the work involved. This can better be achieved through the district body representing the various

*The members at Sr. Nos. 4 and 6 will be nominated by the government.

interests of the credit and supply agencies at the higher level. While thus the secretary should directly be responsible for his day-to-day work to the managing committee of the concerned primary credit society, the overall co-ordination of his activities should vest with the district supervision society. Since the central co-operative banks have a vital stake in the efficient administration of the societies, it is essential to give them a strong voice in the management of the district supervision society. We have in Chapter II envisaged an important role for the commercial banks in the financing of primary credit societies in 96 blocks in 15 districts. It will be necessary to have one representative of the commercial banks nominated by government on the management of the district supervision society. We would, therefore, recommend the following composition for the board of directors of the district supervision societies. There may be no representative of commercial banks in the ten districts where they are not to finance primary credit societies as per our recommendations. The reconstitution of the boards as recommended by us may be brought about as early as possible.

(i) The District Deputy Registrar of Co-operative Societies who is at present the Member-Secretary of the board of the district supervision society should be made Vice-Chairman.

(ii) The local director of the Maharashtra Land Development Bank should be made a member instead of vice-chairman provided the land development bank agreed to pay contribution to the supervision fund in a certain proportion to the recoveries of the instalments of long-term loans effected by the primary credit societies through monopoly procurement or through the marketing/processing agency.

(iii) Two representatives of the primary credit societies to be nominated by the state government from among the elected members of the board of directors of the central co-operative bank, representing primary agricultural credit societies.

(iv) One representative of commercial banks financing primary societies to be nominated by the government.

(v) The Manager of the central co-operative bank who is at present the Joint Member-Secretary should be made the Member-Secretary.

5.41 Presently the member-secretary of the supervision society is assisted by a complement of staff (an Assistant Registrar of Co-operative Societies, Accountant, Head Clerk, 2 junior clerks and a peon) and the cost of the staff (estimated at Rs 7.50 lakhs for all the 25 districts) is being borne by the state government. This arrangement may be continued.

5.42 As for the Taluka Co-operative Supervising Unions, which were found to be redundant in the changed context by the Kore Committee, it is noted that the state government have taken a decision in terms of their Resolution dated 2 August 1974 to abolish them. As a consequence, the state government should also discontinue the collection of supervision fees from the societies which at present are 0.25 per cent of the loan business.

Cadre Fund

5.43 Presently contributions are collected by the district supervision societies and the deficit in meeting the cost of the scheme is shared by the state government limited to 50 per cent of the deficit or Rs 20 lakhs whichever is less and the balance by the state co-operative bank and district central co-operative banks on a fifty-fifty basis. This obviously would affect the profit position of the co-operative banks having deficits in the district supervision funds. The Kore Committee observed that "it would have been in the fitness of things that surpluses arising from affluent districts should have been used to subsidise losses in lesser developed areas so as to balance out the differences in development in the various areas and afford a better opportunity of a more balanced development" (page 15). The Committee recommended the creation of a common State Caderization Fund instead of district funds. The relevant recommendations of the Committee are as under:

> The State Caderization Fund shall be maintained in a separate account with the Maharashtra State Co-operative Bank and any operation thereupon shall be under a joint signature of the Controller and the Chief Executive Officer of the Authority.
> The entire expenditure incurred by the State Level Authority, the Regional Level Authority and the District Level Authority shall be a charge on the State Caderization Fund. (page 67)

The state government have accepted this recommendation and also initiated action in respect of constitution of, and contribution to, the State Caderization Fund, etc., as per their Resolution dated 2 August 1974 (Annexure 33).

5.44 We endorse the creation of the State Caderization Fund. As for the procedural aspects of collection and utilization of the Fund, the following suggestions are made:

(i) With a view to avoiding any legal objection to the pooling of contribution from the districts in the State Level Fund, the district supervision societies should be made agents of the State Level Caderization Authority for the collection of contributions from the primary credit societies. The district supervision societies should only act as disbursing authorities in regard to payment of salary, etc. to the secretaries.

(ii) The present procedure of collecting contributions by debiting the loan accounts of the society is faulty. With a view to ensuring prompt recovery, these contributions should be styled as 'caderization fees' and given precedence over the recovery of interest, etc., as in the case of audit fees and should have a first charge on the remittances by a society to the central bank. Thus by an appropriate provision in its byelaws, the central bank should have the right to recover first the caderization fees from out of the payments made by a society. If necessary, statutory provision may be made in the Maharashtra Co-operative Societies Act itself.

5.45 Fifty per cent of the deficit in the cost of caderization, i.e., in the current expenditure is to be shared equally by the Maharashtra State Co-operative Bank and the central co-operative banks. While the state government would meet its share by way of grant-in-aid subject to a particular amount, i.e., Rs 20 lakhs, the co-operative banks would meet the deficit by way of special contributions. We have already, endorsed the view of the Kore Committee that affluent districts should subsidise losses in lesser developed areas. In view of this, we have no objection to all the central co-operative banks sharing the deficit in operating the scheme for the state as a whole. In the districts where the commercial banks have joined the central co-operative banks in the financing of primary credit societies, the burden of the cost may be shared between the central bank and the concerned commercial banks in the proportion of the outstanding loans of the societies financed by the former and the latter banks.

5.46 The Kore Committee in its interim report had made recommendations regarding the revision of pay scales of the secretaries and the state government gave effect to these scales from 1 July 1971. Accordingly, the arrears payable to the secretaries for the years 1971-2 and 1972-3 aggregated Rs 120.59 lakhs.

The government estimated that for payment of these arrears a sum of Rs 127.93 lakhs would be available after pooling the district caderization funds (including contributions receivable) in the State Fund. The position in this behalf is given in Annexure 34. The government, however, estimated a deficit of Rs 5.45 lakhs on the basis that 10 per cent of the estimated surplus in the State Fund would be irrecoverable. Although this deficit could be considered nominal, the crux of the problem would appear to be really the large arrear contributions for these two years which were Rs 77.95 lakhs as on 30 June 1974.

5.47 The district-wise position for the years 1971-2 and 1972-3 in respect of contributions recoverable from the primary societies, expenditure on salaries, etc., during the year, excess/shortfall during the year and defaults in the recovery of contributions have been furnished in Annexure 35. In the case of District Supervision Society, Dhulia, for instance, it was observed that as against the estimated surplus of Rs 2.14 lakhs as on 30 June 1973 (Annexure 34) the arrear contributions for these two years were Rs 3.39 lakhs as at the end of June 1974. The society was meeting its expenditure with the help of a cash credit limit of Rs 2.00 lakhs sanctioned by the central co-operative bank and subsidy sanctioned by the government. The position at the state level was also similar. This could be summarized as under:

Rs Lakhs

	Item	1971-2	1972-3	Total (2+3)
	(1)	(2)	(3)	(4)
1	Excess of contribution recoverable from societies over annual expenditure in 21 districts in 1971-2 and 22 districts in 1972-3	62.21	65.72	127.93
2	Subsidy receivable under the caderization scheme from 1 July 1971 towards the deficit at district level (50% from the Government and 50% from the concerned central co-operative bank)	3.39	4.04	7.43

	Item	1971-2	1972-3	Total (2 + 3)
3	Deficit (i.e., excess of annual expenditure over contributions recoverable) in 4 districts in 1971-2 and 3 districts in 1972-3	3.39	4.04	7.43
4	Net overall surplus (1+2—3) ..	62.21	65.72	127.93
5	Contributions treated as unrecoverable (10% of item 4) ..	6.22	6.57	12.79
6	Surplus available for payment of arrears as calculated by the Co-operation Department (item 4–5)	55.99	59.15	115.14
7	Burden of arrears of pay etc., to be paid to secretaries of primary societies	58.21	62.38	120.59
8	Deficit for payment of arrears as worked out by the Department to be shared equally by the government, the state co-operative bank and the central banks (item 7–6)	2.22	3.23	5.45
9	Contributions from societies defaulted and remaining unrecovered as on 30 June 1974	38.81	39.14	77.95
10	Real surplus available at the state level for payment of arrears at the end of June 1974 (item 4–9)	23.40	26.58	49.98
11	Actual deficit for payment of arrears as at the end of June 1974 (item 7–10)	34.81	35.80	70.61

Thus, the Co-operation Department had worked out the position on the assumption that contributions from the societies to the extent of only Rs 12.79 lakhs (item 5 above) would ultimately be not recovered out of the total arrears of Rs 77.95 lakhs as on 30 June 1974 (item 9 above). This would appear to be an under-estimate in view of the fact that 8,800 out of 19,950 primary societies in the state had worked at loss during the year 1972-3 and the bulk of the arrears of Rs 77.95 lakhs (item 9 above) could be expected to be due from the societies in loss. It may be added that of the arrears as on 30 June 1974, a sum of Rs 55.12 lakhs was due from the societies in the 5 districts of the Marathwada region and Amravati, Buldana, Chandrapur and Nagpur districts of Vidarbha region as below:

Rs Lakhs

	District	Arrears of contribution for the years 1971-2 and 1972-3 as on 30 June 1974
	(1)	(2)
1	Aurangabad	12.84
2	Parbhani ..	8.21
3	Bhir ..	6.99
4	Nanded ..	4.15
5	Osmanabad	7.60
6	Buldana ..	4.21
7	Amravati ..	3.63
8	Nagpur ..	4.53
9	Chandrapur	2.96
		55.12

5.48 As for the year 1973-4, it is the estimate of the state government that the scheme would be self-supporting and no deficit would be involved. The district-wise position in this regard is given in Annexure 36. The overall position could be summarized as under:

Rs Lakhs

1	Estimated contributions recoverable from primary societies	296.87
2	Total expected expenditure as per revised scales ..	279.43

3	Surplus in 14 districts	32.28
4	Deficit in 10 districts	14.84
5	Net surplus (item 3-4)	17.44
6	Actual arrears in the recovery of contributions for the year 1973-4 as on 30 June 1974 ..	110.71
7	Deficit at the end of June 1974 (item 6-5)	93.27

N.B. (It was expected that in Buldana district there would be neither surplus nor deficit).

Thus there will be no deficit (i.e., for the year 1973-4) only if the arrears of contribution for the year 1973-4 as on 30 June 1974 at Rs 110.71 lakhs (item 6 above) are recovered at least to the extent of Rs 93.27 lakhs.

5.49 The share of the state and central co-operative banks in meeting the deficit on the basis of old pay scales for the years 1971-2 and 1972-3 and for payment of arrears for the two years as per the revised scales as per calculations of the state government would be as given below:

		Rs Lakhs
1	Fifty per cent of the deficit in 4 districts in 1971-2 and 3 districts in 1972-3 as per old scales to be borne by the concerned central co-operative banks	3.71
2	Two-thirds of the deficit for payment of arrears for the years 1971-2 and 1972-3 as per revised scales to be borne by the state and central co-operative banks	3.64
		7.35

According to the state government, there would be no deficit for the year 1973-4 if salaries were paid as per the revised scales. However, the actual quantum of past deficit as also the current deficit would entirely depend on the recovery of arrears of contributions as on 30 June 1974 for the three years, viz., 1971-2, 1972-3 and 1973-4, in all aggregating Rs 188.66 lakhs.

5.50 Presently, because of the short-fall in the recovery of contributions, the district supervision societies are drawing on the clean cash credit limits sanctioned by the respective central banks for payment of salaries to the secretaries as also for incurring other administrative expenditure. The payment of arrears of pay, etc., for the years 1971-2 and 1972-3 to the secretaries when made would warrant sanction of higher cash credit limits by the central banks. It is reported that the arrears of pay for these years have since been paid. The quantum of accommodation provided by the state government as well as the co-operative banks was, however, not available. The fees at rates levied at present are just adequate to meet the cost of secretaries at the revised pay scales, provided there are no arrears in collection (Annexure 36).

5.51 If the procedure of automatic recovery of the caderization fees by the central banks along with audit fees, interest on loans, etc., on a priority basis, out of the recoveries from the affiliated primary agricultural credit societies, is introduced during the year 1974-5, the problem of arrears could be avoided. As regards the arrears of contribution for the years 1971-2 to 1973-4 amounting to Rs 188.66 lakhs as on 30 June 1974, we would make the following recommendations:

(i) The share of the state and central co-operative banks in meeting the past deficit might be limited to Rs 7.35 lakhs and the same might be borne by the state co-operative bank alone without going into the question of deciding the share of each central bank.

(ii) The district supervision societies might be given time up to 30 June 1975 for the recovery of arrears of contribution for the years 1971-2 to 1973-4 amounting to Rs 188.66 lakhs as on 30 June 1974. The Co-operation Department as also the central bank should help in every possible way in recovering the arrears to the maximum extent possible. Any deficit that might arise after 30 June 1975 due to the non-recovery of the above mentioned arrears might be made good by the state government by sanction of subsidy.

5.52 We recommend that the State Level Authority for the Caderization Scheme may undertake a review of the working of the scheme after one year and modify the scheme in the light of the experience gained.

SECTION III

ARRANGEMENTS FOR SUPERVISION OVER SOCIETIES

5.53 The supervision over societies is a function of the inspectorial/supervisory staff of the central banks. The All-India Rural Credit Survey Committee 1954 had suggested that supervision over primary credit societies should vest in the central co-operative banks. To quote the Committee:

> Supervision, in our opinion, should be invariably treated as the legitimate function of apex banks and co-operative central banks. They are well fitted for this role because of the intimate relations which may be expected to exist between them and the societies. Besides, as financiers of the societies they have to safeguard their own interests and ensure the soundness of the operations and solvency of the societies. The criticism that the financier's interest is likely to preponderate over the interests of societies which are to be supervised loses its force when the financing bank consists, as it should, largely of representatives of the societies to be supervised. (pages 462-3)

The Committee on Co-operative Administration 1963 endorsed the views of the Committee on Co-operative Credit 1960 that the central banks are the appropriate agencies to assume responsibilities for supervision of primary credit societies. Recently, the All-India Rural Credit Review Committee 1969 recommended that the central financing agencies may be entrusted with the financial supervision of agricultural credit societies. More recently, the Study Team on Overdues of Co-operative Credit Institutions 1974 observed in this behalf as follows:

> It has been the experience that wherever the supervision over the primary societies is handled by the Co-operative Department either directly or through the supervision unions, the supervisors have become largely an agency for collecting data needed by the government and for passing on to the societies the targets and programmes laid down by the government departments. The plea put forth by the officials of the Co-operative Department is that if supervision is transferred to the central banks, the Department will have no control over and contact with the primaries. This contention is baseless as the needed contact with the primaries can be maintained by the Department either through the central banks or by means of its own staff concerned with the co-operative extension and development and who will have as much access to the books of accounts, etc., as a supervisor/inspector. All that is meant by transfer is the transfer of financial supervision over the societies which, among other things, involves periodical inspections, verification of compliance to the terms and conditions of loans and their dis-

> bursements, utilization and recoveries besides, of course, proper maintenance of books and account. . . . We, therefore, endorse the view . . . that financial supervision should be the responsibility of the central co-operative banks and hence the control over supervisory staff should vest in the banks. (pages 160-61)

5.54 The All-India Rural Credit Review Committee 1969 had recommended that the accepted policy of entrusting the central financing agency with the 'financial supervision' of agricultural credit societies as defined above, should be completed without delay. While taking note of the position in Maharashtra that the central banks had their inspectors and the taluka unions their own supervisors, the Committee had recommended that the respective duties of the Union/Departmental supervisors and those of the bank should be clearly defined so as to avoid duplication and overlapping. As we have noted earlier the taluka unions will be dissolved. The functions of the district supervision societies will be confined to co-ordinating the activities of the secretaries of primary credit societies which has nothing to do with financial supervision. It is, therefore, for the central co-operative banks through their inspectors to ensure proper supervision over societies on their own. For this it is necessary to have adequate supervisory staff at the disposal of each central co-operative bank. Further, each inspector should have a manageable number of societies under his charge. The position regarding the field staff of the central co-operative banks *vis-a-vis* the position regarding recovery (percentage of overdues to demand) for the five-year period 1967-8 to 1971-2 is given in Annexure 37. It would be seen from the statement (for the period 1967-8 to 1969-70 only) that the average charge of societies per inspector varied between 12 (Sangli and Kolhapur banks) and as high as 30 (Chanda and Ratnagiri banks). It is seen generally in the banks where the charge of societies per inspector was around 15, the recovery performance was comparatively better as for example, the percentages of overdues to demand were lower in the case of banks like Ahmednagar, Bhandara, Kolaba, Kolhapur, Nagpur, Osmanabad, Sangli and Sholapur. As against this, where the charge per inspector was 20 and above the level of overdues was generally high e.g., the banks in Amravati, Bhir, Chanda, Dhulia, Jalgaon, Nanded, Ratnagiri, Thana and Wardha. Further, it would be seen from Annexure 38 where the banks are grouped on the basis of the charge of societies per inspector and percentage of overdues to demand, that in the case of majority of the banks where the charge of societies per inspector exceeded 20, the percentage of overdues to demand exceeded 30. The strength of inspectors continued to be inadequate in many banks as may be seen from Annexure 39. As on 31 December 1974, the average charge of societies per inspector worked out to 15 or below in respect of only eight banks, viz., Kolaba, Nanded, Osmanabad, Parbhani, Poona, Sangli, Satara and Yeotmal.

5.55 In this connexion, the observations and recommendations made by the Study Team on Overdues are reproduced below:

> It is for the central banks which are presently having inadequate staff to augment the staff for the purpose. Of the 301 central banks for which information was available, the charge per supervisor was 10 societies or less in respect of only 100 central banks. The average number of societies per supervisor varied from 10 to 15 in 71 central banks. In about one-third of the central banks in the country (130 out of 341), the charge per supervisor was more than 15 societies. The staff of these central banks should be suitably strengthened. As an interim measure, the staff of the Co-operative Department should be either additionally placed at the disposal of the central banks accountable to their board of directors or the state government may in the initial years subsidise appropriately the cost of additional supervisors. ... (page 161)

We recommend that the inspectorial staff of the central banks in Maharashtra may be adequately strengthened so as to keep the charge of societies per inspector between 10 and 15 depending on the volume of business of societies under his charge.

5.56 If and when this is done, there will be no need to maintain any supervisory staff by the district supervision societies and the byelaws of the said societies may also be amended to remove a reference to the inspection of primary societies. The district supervision societies should be purely administrative and co-ordinating bodies for the caderization scheme. To call them as supervision societies would be anomalous. They may instead be called District Cadre Administration Co-operative Societies.

SUMMARY OF RECOMMENDATIONS

Chapter I: Follow-up Action on the Interim Report

1 The Study Team on Overdues of Co-operative Credit Institutions 1974, while recommending a programme similar to the one recommended in the interim report for the rehabilitation of non-wilful defaulters in the country had observed that the other state governments could draw upon the Maharashtra experience and introduce such additional refinements as might be necessary in implementing the programme in their states. It has been observed that the non-wilful defaulters failed to receive the full benefit of the rehabilitation scheme recommended by the Team as they were denied, by and large, fresh credit or denied the full scales of finance while the wilful defaulters escaped lightly the strong action suggested by the Team in the form of coercive measures to step up the recovery performance. Any programme of rehabilitation of non-wilful defaulters has to be implemented in its entirety. Relief to non-wilful defaulters and stern action against wilful defaulters are the two inseparable aspects of the programme intended to revive the working of the co-operative credit institutions. If, on the other hand, wilful defaulters are shown mercy which they do not deserve, the fear of default will not bother anybody, thus spoiling the climate for recovery. We would urge on the state government and the state and central co-operative banks to give special attention to recovery in respect of seven central banks, viz., Bhandara, Bhir, Buldana, Chanda, Nanded, Parbhani and Osmanabad. We would recommend a similar programme of rehabilitation to the other states only if the government and the co-operatives can implement it in all its aspects or have no reservations about providing full finance afresh to the non-wilful defaulters or about showing firmness in dealing with the wilful defaulters.

Chapter II: Institutional Arrangements for filling Credit Gaps

2 The short-term agricultural credit needs by the end of the Fifth Plan, i.e., 1978-9 for the whole state may reasonably be placed at not less than Rs 450 crores. It is estimated that the co-operatives may be able to meet them to the extent of Rs 250

crores. The gap of Rs 200 crores can, to some extent, be met if the commercial banks undertake to provide credit through societies, as direct financing may not help them much in bridging the wide gap.

3 Of the total number of 295 blocks in the state, the credit gap in 175 blocks was 50 per cent or more including 68 blocks with more than 75 per cent gap. Of these 175 blocks, 110 blocks in 21 districts could be identified as those with wide credit gaps exceeding Rs 40 lakhs in each case and 50 per cent of the credit potential. In 21 of these 110 blocks, the credit gap exceeded Rs 120 lakhs (category—a), in 32 blocks it ranged between Rs 80 lakhs and Rs 120 lakhs (category—b) and in 57 blocks between Rs 40 lakhs and Rs 80 lakhs (category—c). These blocks could be identified as suitable for the extension of the scheme of financing primary agricultural credit societies by commercial banks.

4 However, ten districts of the State, viz., Ahmednagar, Dhulia, Jalgaon, Kolaba, Kolhapur, Ratnagiri, Sangli, Satara, Thana and Wardha may be left out of the scheme as the deficits in them are of small magnitude and as the central banks in these districts having sizeable internal resources of their own may be relied upon to make up the shortfall by reallocating their existing resources or by deploying a much larger proportion of the additional resources mobilized by them through deposits or borrowings from the apex bank to the provision of short and medium-term agricultural credit.

5 Thus, the commercial banks may at the most be entrusted with the task of financing the societies in 96 blocks in the remaining 15 districts, viz., Akola, Amravati, Aurangabad, Bhandara, Bhir, Buldana, Chandrapur, Nagpur, Nanded, Nasik, Osmanabad, Parbhani, Poona, Sholapur and Yeotmal, i.e., 20 blocks in category (a), 28 in category (b) and 48 in category (c). The total number of branches of commercial banks that may take up the responsibility would come to 164—60 in category (a), 56 in category (b) and 48 in category (c) at the rate of 3, 2 and 1 branches respectively in the three categories. At the rate of Rs 20 lakhs per branch, the minimum credit potential for the commercial banks will be Rs 32.80 crores.

6 The actual allocation of the areas in each block should be

done in the District Level Committee in which both the commercial and co-operative banks may be represented. The Collector of the district may act as the Chairman of the Committee. Alternatively, the Lead Bank of the district may take the initiative in convening the meetings to determine the allocation and to attend to subsequent problems. The allocation should be placed before the State Level Committee for ratification.

7 Once the allocation is finalized, no one should be allowed to alter it unilaterally. Thus the central co-operative bank should be compelled to part with the area and the societies to obtain credit facilities from the commercial banks.

8 Each society should have a minimum business potential of Rs 2 lakhs. For this purpose there will have to be a time bound programme of re-organization of the societies on the lines recommended in Chapter V of the report.

9 Each of the societies must have a full-time paid secretary drawn from the cadre of secretaries maintained by the District Supervision Societies. The posting of the secretaries and their transfer should not be done without consulting the concerned commercial bank in the matter.

10 We have identified 96 blocks in the state and also indicated that commercial banks could finance the societies through 164 branches. The commercial banks will have to accept this challenge with a full sense of responsibility if institutional credit for agriculture is to be enlarged. The banks have to equip the branches taking up the responsibility to finance primary credit societies with adequate staff trained in the job. The branch managers themselves may have to take a lot of initiative and drive in the expansion of membership and extension of credit facilities to them. If the commercial banks cannot provide their branches with adequate staff, the extension of the scheme to 96 blocks in the 15 districts may be phased out over a period of 3 years at the rate of at least 50 branches in a year. In so phasing the programme preference may be given to the selection of areas from the blocks with credit gaps of 75 per cent and above of the credit potential for financing in the first year. There are 36 such blocks.

11 The Reserve Bank of India has issued detailed guidelines to commercial banks for financing primary agricultural credit societies. The commercial banks, the co-operative banks, the co-operative societies and the Registrar of Co-operative Societies should bear these guidelines in mind on the transfer and financing of the societies by the commercial banks.

12 While in future the selection of the areas for the purpose of the scheme should be from among the 96 blocks, the commercial banks may continue to finance the societies already taken up by them in the 77 blocks earlier selected by the government for this purpose.

13 The Maharashtra State Co-operative Bank also could go into some of the 96 blocks with a view to financing primary agricultural credit societies directly by-passing the central co-operative bank of the district. If the state co-operative bank decides to step in, the Reserve Bank of India may permit it to open its branches in those areas and also consider providing refinance on behalf of the societies. The state co-operative bank should, as in the case of commercial banks, adopt an area with a business potential of at least Rs 20 lakhs and about 10 primary societies per branch. The blocks that may be allotted to the state co-operative bank may be decided by the State Level Co-ordination Committee.

14 The commercial banks may be free to lend directly to the farmers other than members of primary credit societies in a substantial portion of the state, i.e., in the whole of 199 blocks and of the remaining 96 blocks in the state in the areas other than those of societies taken up for financing by them. It is expected that with the removal of the several difficulties in the way of direct lending with the passing of legislation on the lines recommended by Talwar Committee, their role will expand considerably in the future.

15 The commercial banks should not, however, lend directly to the farmers residing within the jurisdiction of the societies financed by them. Such of those farmers who are already receiving credit facilities directly from the commercial banks may be persuaded to join the society of their area within a reasonable period of time, after which the financial accommodation to them may even be denied if they do not want to join the society.

16 The short-term credit supply by the commercial banks through the primary credit societies may be Rs 32.80 crores at the rate of Rs 20 lakhs per branch for the 164 branches. However, on the basis of financing to the full extent of the realistic scales of finance to be adopted by the commercial banks, they may be able to step up their short-term credit support through the societies to about Rs 60 crores by 1978-9. The commercial banks may also be in a position to increase their direct short-term loans to the farmers from Rs 24 crores at the end of December 1973 to Rs 40 crores by 1978-9, assuming a rate of expansion of about 10 per cent annually. Thus, the short-term agricultural loans issued by commercial banks to the farmers directly and through primary credit societies will reach Rs 100 crores by 1978-9. If the credit supply from the co-operatives of the estimated order of Rs 250 crores is also taken into account, the aggregate supply of short-term credit through institutional sources will be Rs 350 crores. This will still leave a gap of Rs 100 crores which may be expected to be covered in the Sixth Five Year Plan.

17 It is envisaged that the two wings of the banking system, viz., the co-operatives and the commercial banks will supplement each other's efforts for achieving the common national objective of stepping up agricultural production and attaining self-sufficiency. It is also recommended that the progress in the implementation of the scheme in the state may be reviewed at suitable intervals by the Reserve Bank's Standing Committee on Co-ordination between Commercial and Co-operative Banks.

Chapter III: Lending Policies of the State and Central Co-operative Banks

18 The wide fluctuations in the state co-operative bank's involvement out of its own resources in agricultural loans indicate that its role in this sphere is that of the lender of the last resort. In view, however, of the existence of large credit gaps observed in several districts and the specific role assigned to the bank in filling up these gaps, the state co-operative bank would be required to maintain a fairly high level of involvement of its own resources in short-term loans.

19 The availability of long-term resources is one of the deciding factors of a bank's involvement in block capital loans. Besides,

a bank should be able to meet its liability towards its depositors as and when it falls due. It follows from this that the term loans of a bank should be within its term resources so that its short-term deposit resources are not locked up in longer duration loans and advances. The involvement of the state co-operative bank in term advances had been in excess of its term resources, the excess being Rs 2.94 crores as on 30 June 1968, Rs 12.31 crores as on 30 June 1972 and Rs 2.61 crores as on 27 December 1974. The imbalance between term lendings and term resources did not seem to have received sufficient attention of the bank.

20 A bank is expected to avoid concentration of loans and advances to one sector or industry and have as diverse a loan portfolio as possible. The co-operative sugar factories in the state have, however, claimed a large share of the total advances of the state co-operative bank. As on 31 January 1975, the bank's advances to sugar factories directly or indirectly through the central banks increased to Rs 66 crores exclusive of the commitments of the order of Rs 10 crores under the letters of credit opened on behalf of the factories, which taken together formed over 50 per cent of its total time and demand liabilities. If the burden of meeting the interim or medium-term financial requirements of the new factories or the working capital needs of all the co-operative sugar factories was to be shouldered by the state co-operative bank alone, it may well go beyond its capacity to bear. Apart from the departure this would mean from the sound banking principle of having as widely diversified loan portfolio as possible, it might make it difficult for the bank to give adequate attention to the development of equally important activities in the co-operative sector.

21 It is desirable for a central co-operative bank also from the standpoint of a balanced and diversified loan portfolio to have a fair proportion of non-agricultural loans in the total loans portfolio. We would consider 20 per cent for the non-agricultural loans to the total as the optimum and 25 per cent as not too high.

22 The performance of the central banks in Maharashtra in ensuring the prescribed minimum involment in advances to the small and economically weak farmers has been somewhat disappointing. During 1973-4 only in six central banks the

involvement in advances to small and economically weak farmers was 20 per cent or above of the maximum borrowings during the year from the state co-operative bank. One central bank had not borrowed from the state co-operative bank but the remaining 18 banks had not satisfied the condition. The latest position showed that 3 banks in Marathwada and 5 in Vidarbha did not satisfy the condition even after relaxation of the parametres for the time being. Deliberate steps should be taken by the central banks to persuade the affiliated primary agricultural credit societies to enlarge their effective coverage of small and economically weak farmers. The managements of the central banks should ensure fulfilment of the discipline imposed by the Reserve Bank. The Co-operation Department of the state government and its officers at the district level should also actively associate themselves with the central banks in their efforts for achieving the desired objective, especially in enlarging the coverage of small and marginal farmers of the primary agricultural credit societies. The Reserve Bank and the state co-operative bank should take a serious view of the non-compliance of the discipline by the central banks by curtailing or even denying the credit to the erring banks.

23 The government have been making contributions to the special bad debt reserves of the societies and central banks in relation to their advances to small farmers. The government may examine whether as an extra incentive any enhancement in the rate at which these contributions are made will be warranted.

24 The state co-operative bank as the leader of the co-operative banking structure should take the initiative in developing co-operative ventures in the different spheres and may not get engrossed in developing only one sector or activity. Marketing of agricultural produce, dairying and poultry keeping on a co-operative basis are some of the spheres of activity which are not well developed in the state. The government have also a scheme of monopoly procurement of cotton in the state. Apart from the marketing of cotton, the other avenues of investment for the bank are fertilizer distribution, food procurement, marketing and processing of oil seeds, working capital needs of powerloom and handloom units and urban co-operative banks. A number of new urban banks have come into existence in the

last few years. They could be assisted initially by the state and central banks in developing their business so that they could attain viability as quickly as possible. There are thus many spheres of activity in the development of which the apex bank could take the necessary initiative.

25 The state co-operative bank has played an important part in the establishment of a large number of co-operative sugar factories and spinning mills. The need for developing the sugar industry in the state cannot also be denied particularly when there is a large export market for it. We would, however, emphasize that this should not mean that the responsibility in that behalf must fall necessarily and exclusively on the Maharashtra State Co-operative Bank and the central co-operative banks. The dimensions of the requirements of the sugar industry have become too large to be shouldered by the co-operative banking structure alone. Just as in the sphere of agricultural production credit we have recommended a certain role to commercial banks, the responsibility for meeting the financial requirements of the co-operative sugar industry in the state may have to be shared by the state co-operative bank with the commercial banks.

26 The state co-operative bank should defer for some time its further involvement in loans and advances particularly of a long-term nature to spinning mills and sugar factories. A beginning could be made right now so that the present imbalance in the term loan portfolio of the bank is remedied over a period of years.

27 We would strongly recommend that the state and central banks should introduce some amount of credit planning in their business, keeping in view primarily the sound banking principles and also the broad objectives of co-operative and social policies. In so drawing a plan, priority should be given by the central banks in reducing the gaps in agricultural production credit in their respective areas and also state co-operative bank in the areas where it is expected to step in besides adequately supporting the efforts by the central banks. Simultaneously, the state government may start a dialogue with the commercial banks so that the proposed sugar factories and spinning mills in the co-operative sector may be assured of the required credit facilities.

Chapter IV: Financing of Bigger Co-operative Processing Units

28 Although the co-operative sugar factories had a large share of the internal resources of the state co-operative bank, it had not created a Technical Cell in its Agro-Industries Department comprising sugar technologists and agricultural officers with experience of sugarcane development to assess the technical and economic feasibilities of the units. The creation of such a Cell would be of great value in attending to the problems of the sugar factories.

29 If and when the bank entertains proposals for opening letters of credit on behalf of any new sugar factories, it should first satisfy itself about the technical and economic feasibility of the project and also the ability of the management to fulfil the conditions generally stipulated by the term lending agencies. The bank should undertake the examination of the project through its own Technical Cell. The other safeguards which it should insist upon would include:

(i) deposit of title deeds relating to the site;

(ii) application of long-term loan to the IFC/LIC, etc.;

(iii) indication by the term lending agency to consider the application; and

(iv) default guarantee from the government.

Simultaneously, we recommend that the IFC or the concerned term lending agency should give *prima facie*, an indication of its willingness to consider the proposals for term loan and expedite the consideration thereof once the proposal is submitted according to the prescribed requirements.

30 The problems faced by some of the sugar factories in the state were primarily due to the neglect of cane development in the area, poor response from cane growers to become members and contribute to the share capital and disloyalty of the members evidenced by failure to deliver their cane to the factories. A co-operative sugar factory should be regarded as an integrated project. Firstly, the development of the area for cane cultivation by the extension of irrigation where necessary, the development of quality cane thereafter as also the means of communication, etc., should be planned and executed. Secondly, the capacity of the institutional credit agency to provide adequate credit

facilities for the development of irrigation sources and cultivation of cane must be strengthened where necessary. Thirdly, active involvement of the growers in the project should be ensured even before the issue of licence or the opening of letter of credit. Fourthly, the letter of credit itself should not be opened by the bank unless all the conditions of the IFC are likely to be satisfied as the interim finance given by the bank is likely to get blocked as was the position in the case of many factories financed by it. Finally, because of the considerable financial stake of the state government in the form of contribution to share capital and the guarantees extended to lending agencies, they have to be concerned not only with the successful completion of the factory but also with its operating to the full capacity thereafter.

31 An intensive programme for the development of cane should be drawn up in each of the 13 factories identified for rehabilitation so that it will have by the 1977-8 season at least 8,000 acres under sugarcane belonging to its members. If the average yield is around 20 tonnes, the area may have to be as much as 10,000 acres. Every factory should appoint a special officer drawn from the Co-operation Department or the state or central co-operative bank to attend exclusively to the work of enrolment of members, securing of medium-term loans for the purchase of shares in the factory, short-term loans for cane production and long-term loans for the development of sugarcane. The Agriculture Department of the factory should also be strengthened by appointment of qualified specialist to look after the technical side of the cane development. The cost of these two officers may be subsidised by the state co-operative bank and the state government.

32 The impediments in the expansion of cane acreage should be removed e.g., restrictions on the use of canal water, etc., in irrigating the cane belonging to a member of a sick sugar factory. Such restrictions may continue to apply to non-members. The members should be assured of fertilizers for cane cultivation and also if possible for other crops raised by them. A non-member canegrower besides being denied the facilities mentioned above should not be given more than the minimum price fixed by the Government of India. In other words, there should be sufficient incentives for ensuring the loyalty of members and disincentives for non-members continuing to remain so.

33 Besides the State Level Committee, there should be a committee for each factory under rehabilitation to constantly review the progress of cane development and also of the programme of rehabilitation. The State Level Committee should review, from time to time, the progress of all the factories and advise on the general questions of policy.

34 Based on a realistic estimate of the quantity of cane expected and on the ruling price of levy and non-levy sugar, the income and expenditure account should be worked out for each factory. The excess of income over the items of expenditure would be the amount available for payment of cane price. The cane price payable to non-members will be the first charge on the income. The balance will be available for payment of cane price to the members, provided the non-refundable deposits collected from members and the amount provided under depreciation are sufficient to pay the instalment of the long-term loan due to the financing agency. If there is a deficit, the cane price to the members would be reduced correspondingly. Even where the working results justify the payment of a cane price above the minimum, such payment has to be deferred until the factory is in a position to provide the normal margins for the bank advances against hypothecation and pledge of stores and sugar.

35 If the working results of a factory show that after meeting the outlay on various items, the balance is not sufficient to pay to non-members and members even the minimum price fixed by the Government of India, the solution would be firstly in the government deferring or even waiving the purchase tax, secondly the state co-operative bank reducing the interest burden by 2 to 3 per cent and thirdly in approaching the IFC or LIC to reschedule the debt burden.

36 The utmost economy in expenditure will have to be ensured in each factory. Its annual budget may be thoroughly scrutinized by the Directorate of Sugar and the state co-operative bank before it is approved by the former. No deductions should be made from the price payable to a member except towards (i) the non-refundable deposit, (ii) the instalment of the term loan, if any, taken for the purchase of shares in the factory and (iii) the repayment of the short-term loan taken from the credit society.

Similarly, the factory should not be called upon to make any contributions to any public purposes or to invest in small savings, etc.

37 A capital budget should be prepared for each of the sick factories. The debt equity ratio may be assumed at 65 : 35 and equity should be raised at least to the minimum. If the number of canegrowers enrolled as members is made to rise steadily to cover 8,000 to 10,000 acres under cane, the growers' share in the capital would raise to Rs 80 lakhs or Rs 100 lakhs. Correspondingly, the share capital contributed by the government may go up to Rs 60 lakhs in each case. Contributions by the government in excess of the present level may be made only on a matching basis. Eligible growers may be persuaded to take a medium-term loan from credit societies so as to fulfil his commitment for the purchase of shares. If, however, a member is not willing to borrow a medium-term loan, he may be required to contribute the share amount in equal annual instalments not exceeding 3 to 5 years. This condition should be provided in the byelaws of the factory as well as in a separate agreement with a view to enabling a factory to make compulsory deductions from the cane price payable to him.

38 Another major problem faced by the sick units is the diversion of sugarcane from their area even by their members to the adjoining established factories which are in a position to offer comparatively higher cane prices. Diversion of cane should be effectively tackled in the interest of the sick or new units. It is understood that the state government are contemplating to pass a law to prevent (i) the movement of cane from the villages falling within the jurisdiction of a factory and (ii) conversion of cane into *khandsari* or *gur*. This should be done preferably before the commencement of the next crushing season. If such a legislation is enacted, it follows that the state government will build up the necessary administrative machinery to enforce compliance with the legislation.

39 Alternatively, it is suggested that the government may consider fixing for all sugar factories a uniform advance cane price they may pay to canegrowers between 1 October and 30 April every year so that the unhealthy competition that now exists among

co-operative and private sugar factories for cane will be checked. It should be possible to enforce strict compliance with the above condition, if the state and central co-operative banks which provide financial accommodation to the factories stipulated a condition that the factory should not pay by way of advance price anything more than the minimum guaranteed price to any canegrower whether he is a member or not. The payment of any amount over and above the minimum will be on the basis of the final price fixed in the Chief Minister's meeting which is convened annually. A distinction can be made between a member and a non-member in the final price to be paid. There will be no written or unwritten contracts between the managements of the factories and the canegrowers about the final price that may be paid to them.

40 The disability from which the new factories suffer on account of their higher capital outlay than the older ones can be removed by charging a fairly high purchase tax on the latter and exempting the former from it completely. Alternatively, the older factories may be required to make deductions from the cane price paid by them towards compulsory non-refundable deposits at a rate higher by, say, at least Rs 10 per tonne than the rate at which the new factories are required to make such deductions so that the effective cane price paid by the old factories will get reduced and the possibility of inequality in the prices of the two types of factories may not exist.

41 The state government have estimated the project cost of a new plant at Rs 450 lakhs as against Rs 650 lakhs estimated by the Sampath Committee. The latter estimate should be taken as more realistic. If the debt equity ratio is maintained at 65:35 the share capital of the order of Rs 230 lakhs would have to be raised to qualify for term loans for the balance of Rs 420 lakhs. At the existing proportion between the individual canegrowers capital and that of the government, the former would have to raise as much as Rs 140 lakhs. Each grower would be called upon to contribute anywhere between Rs 1400 and Rs 1800 per acre. This may be difficult. It is felt that the share of the growers may be kept at not more than Rs 100 lakhs and consequently the government may have to contribute as much as Rs 130 lakhs per factory.

42 The entire long-term assistance of about Rs 420 lakhs may not be available from the IFC or LIC. The involvement of the Maharashtra State Co-operative Bank in co-operative sugar factories being already disproportionately large, we recommend that the public sector banks may be approached for meeting the shortfall in the long-term assistance. Unless there is a clear understanding on the possibility of meeting the balance of the credit requirements for block capital by pubilc sector banks or other long term credit agencies like ICICI, the proposal for new factory should not be cleared.

43 With the increased investment involved, a co-operative sugar factory should hereafter be regarded as a comprehensive project of which provision of credit facilities for development of irrigation, cane cultivation and for purchase of shares should form an integral part. Every new sugar factory should be made the nucleus of development and the whole project should be put under the charge of a very senior official of the state government who would draw an integrated and comprehensive programme for the development of irrigation, of cane cultivation and of communications. Unless a project approach is adopted, it is likely that the factories may not attain viability. This aspect of the matter should receive the highest priority.

44 The experience of both the sugar factories and the spinning mills in the state has demonstrated the paramount need for paying much greater attention to preparing the ground adequately. The sugar factory/spinning mill should be the culmination of these efforts and not the beginning. If the preparation is not adequate, both the government and the bank find it impossible to leave the project half way through and have, therefore, to adopt measures to rehabilitate the concerns even before they had an opportunity to function. Co-operative processing societies like the co-operative sugar factories/spinning mills have, somehow acquired a status symbol for an area and, therefore, once construction of these undertakings commences, the government find it extremely difficult to abandon it. Similarly, the bank also cannot extricate itself from the venture once it enters into firm commitments in the form of opening of letters of credit. It is hoped that the past experience in this behalf would make the government, the apex bank and the people appreciate the various

suggestions made by us and take necessary steps to initiate action on them.

Chapter V: Re-organization of Societies and Supervision

45 The Government of Maharashtra should undertake the re-organization of primary agricultural credit societies in the state on the basis of viability or potential viability and with an independent qualified and full-time paid secretary for every such society. The following criteria of viability may be adopted for the purpose:

(i) A primary agricultural credit society which is having a minimum loan business of Rs 2 lakhs may be considered as viable.

(ii) A society which is having a loan business of Rs 0.75 lakh with a potential to increase the same up to Rs 2 lakhs in the next five years may be considered as potentially viable.

(iii) All other societies, whether in a group or otherwise should be deemed non-viable and eliminated either by amalgamation or liquidation as may be warranted.

(iv) In the case of societies which are in forest and hilly areas as also in the tribal areas, a longer gestation period, say, 7 years, may be allowed.

46 The re-organization of the primary agricultural credit societies has been inordinately delayed. With a view to avoiding further delay in the matter, it is necessary to have a time bound programme in this behalf. We commend in this connexion the procedure recommended by the Study Team on Overdues for the speedy re-organization of the primary credit structure. Besides, the following time schedule for the programme is suggested:

(i) Identification of societies to be liquidated/amalgamated should be completed by 30 June 1975 by the Registrar in consultation with the concerned central banks.

(ii) The societies identified for liquidation or amalgamation should be allowed one year's time, i.e., 1 July 1975 to 30 June 1976 to do so on a voluntary basis.

(iii) If the societies failed to even initiate action within the stipulated time, the Co-operation Department should bring about the required re-organization by using their statutory powers and the central banks should deny fresh finance to such societies. The entire programme of re-organization should be completed within a year thereafter, i.e., by 30 June 1977.

47 With a view to ensuring the availability of fresh finance to cultivators from the areas of societies marked for liquidation/ amalgamation, the following action should be taken:

(i) The society marked for going out of existence either by amalgamation with the society to be retained or by liquidation should not admit any new member or issue finance to those who had not borrowed in the previous year. Simultaneously, the area of operation of the identified society to be retained should have its jurisdiction extended to cover the area of the societies marked for liquidation or amalgamation to enable the former to finance non-borrower members of the latter societies. Those who are not members of any of the societies should be admitted only to the societies marked for retention.

(ii) Consequently, the society marked for liquidation or amalgamation should be denied fresh finance after 30 June 1976 if it does not agree to amalgamate or is not taken into liquidation. A non-defaulting member of such a society might be required to pay only a nominal amount by way of share capital for fresh borrowings from the new society, pending transfer of his share capital from the old society.

48 No action appears to have been taken by the Government of Maharashtra or the commercial or co-operative banks for organizing farmers service societies. These societies have two distinctive features. Firstly, they will integrate credit not only with supplies but also with technical guidance and services. Secondly, the societies will have a distinct bias in favour of small farmers who have so far not received adequate attention from the institutional credit agencies as well as the extension departments. It is strongly recommended that one farmers service society may be organized in each of the four regions of the state, viz., West Maharashtra, Konkan, Marathwada and Vidarbha. These may form an integral part of the programme of re-organization of the primary credit structure. We have earlier recommended that in 96 blocks the commercial banks may be invited to finance primary credit societies. One or two societies may be organized in these blocks to be financed by them. In addition, one or two of the stronger central banks may be persuaded to organize the remaining two societies.

49 It was agreed at a meeting convened by the Reserve Bank of India that steps would be initiated to organize special types

of societies by amalgamation of some of the existing societies in the tribal areas which would integrate credit for productive and non-productive purposes with supplies of agricultural inputs and consumer goods, technical guidance for intensive cultivation and assistance in the marketing of agricultural and forest produce. Such a society would require a larger complement of staff than even the farmers service society. Owing to the existing low level of economic acitvity in the tribal areas, it may take a longer gestation period for the societies to become viable units. Even then, the societies of the above type would have to cover areas similar to those of the farmers service societies. The general programme of re-organization of primary agricultural credit societies recommended by us should also include re-organization of societies for the tribals on these lines. The government may also provide for subsidizing the cost of management of the societies, though on a tapering basis, throughout the Fifth and Sixth Plan periods. The funds for the purpose may be provided in the Tribal Sub-Plan.

50 In the present context, it will be sufficient if the programme of re-organization of primary agricultural credit societies is pushed through with vigour to reduce the number to about 9,000 all over the state inclusive of the farmers service societies and special societies in the tribal belt.

51 The recommendations of the Kore Committee for vesting appropriate powers in the state, regional and district level authorities to administer the caderization scheme are endorsed. The composition of the district authority, viz., the board of district supervision society may, however, be modified as under:

(i) The District Deputy Registrar may be made vice-chairman.

(ii) The local director of the Maharashtra Land Development Bank should be made a member.

(iii) Two representatives may be nominated by the state government from among the elected members of the board of the central co-operative bank representing primary agricultural credit societies.

(iv) One representative of the commercial banks financing societies to be nominated by the state government (in the 15 districts under the scheme).

(v) The Manager of the central bank may be made the member-secretary.

52 We endorse the creation of the State Caderization Fund. However, as for the procedural aspects of collection and utilization of the Fund, the following suggestions are made:

(a) With a view to avoiding any legal objection to the pooling of contribution from the districts in the State Level Fund, the District Supervision Societies should be made agents of the State Level Authority for the collection of contributions from the primary credit societies. The District Societies should act only as disbursing authorities in regard to payment of salary, etc., to the secretaries.

(b) The contribution should be styled as 'caderization fees' and given precedence over the recovery of interest, etc., as in the case of audit fees and should have a first charge on the remittances by a society to the central bank. Thus by an appropriate provision in its byelaws, the central bank should have the right to recovery first the caderization fees from out of the payments made by a society. If necessary, provision for this purpose may be made in the Maharashtra Co-operative Societies Act itself.

53 Fifty per cent of the deficit in the cost of caderization, i.e., in the current expenditure is to be shared equally by the Maharashtra State Co-operative Bank and the central co-operative banks. While the state government would meet their share by way of grant-in-aid up to Rs 20 lakhs, the co-operative banks would meet the deficit by way of special contribution. All the central co-operative banks would share the deficit in operating the scheme for the state as a whole. In the districts where the commercial banks join the central co-operative banks in the financing of primary credit societies, the burden of the cost may be shared between the central bank and the concerned commercial banks in the proportion of the outstanding loans of the societies financed by the former and the latter banks.

54 As regards the arrears of contribution for the years 1971-2 to 1973-4 estimated at Rs 188.86 lakhs as on 30 June 1974, the following recommendations are made:

(i) The share of the state and central co-operative banks in meeting the past deficit might be limited to Rs 7.35 lakhs and the same might be fully borne by the state co-operative bank itself.

(ii) The district supervision societies might be given time up to 30 June 1975 for the recovery of arrears of contribution for the years 1971-2 to 1973-4 amounting to Rs 188.66 lakhs as on

30 June 1974. The Co-operation Department as also the central banks should help in every possible way in recovering the arrears to the maximum extent possible. Any deficit that might arise after 30 June 1975 due to the non-recovery of the above mentioned arrears might be made good by the state government by sanction of subsidy.

55 We recommend that the State Level Committee for the caderization scheme may undertake a review of the working of the scheme after one year and modify the scheme in the light of the experience gained.

56 The functions of the district supervision societies will be confined to administering the caderization scheme and co-ordinating the activities of the secretaries of primary credit societies which have nothing to do with financial supervision. It is, therefore, for the central co-operative banks through their inspectors to ensure proper supervision over societies on their own. For this it is necessary to have adequate supervisory staff at the disposal of each central co-operative bank. Further, each inspector should have a manageable number of societies under his charge. We therefore, recommend that the inspectorial staff of the central banks in Maharashtra may be adequately strengthened so as to keep the charge of societies per inspector between 10 and 15 depending on the volume of business of societies under his charge.

57 If and when this is done, there will be no need to maintain any supervisory staff by the district supervision societies and the byelaws of the said societies may also be amended to remove a reference to the inspection of primary societies. The district supervision societies should be purely administrative and co-ordinating bodies for the caderization scheme. To call them as supervision societies would be a misnomer. They may, instead, be called District Cadre Administration Co-operative Societies.

Chairman:	C. D. Datey
Members:	N. S. Sapkal, K. S. Bawa, A. K. Dutt, H. Nanjundiah, V. Subramanian, L. S. Lulla, P. R. Kulkarni
Member Secretary:	M. V. Hate

Bombay
24 March 1975

ANNEXURES

ANNEXURE 1

District-wise Position of Defaulters in the State as on 30 *June* 1972 *and those considered eligible for Rehabilitation Facilities by the Taluka/Block Level Committees during* 1972-3

Rupees Lakhs

	District	Defaulters in the District as on 30-6-72		Of col. (1) Cases considered prima-facie eligible for Rehabilitation and examined during 1972-3		Cases declared ineligible during 1972-3		Defaulters ultimately found eligible for inclusion in Rehabilitation Programme	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)
1	Ahmednagar	66,000	733.00	48,816	566.30	822	38.18	47,994	528.11
2	Akola	47,000	328.00	26,548	173.91	8,013	43.62	18,535	130.28
3	Amravati	45,000	305.00	19,493	184.98	1,773	23.58	17,720	161.40
4	Aurangabad	42,000	322.00	27,597	274.90	8,758	86.39	18,839	188.51
5	Bhandara	41,000	179.00	16,166	85.50	59	0.57	16,107	84.93
6	Bhir	31,000	179.00	13,517	119.22	111	2.34	13,406	116.88
7	Buldana	56,000	286.00	16,630	112.78	944	11.20	15,686	101.58
8	Chandrapur	32,000	213.00	18,289	24.45	236	0.77	18,053	23.67
9	Dhulia	49,000	267.00	15,138	107.02	604	6.65	14,534	100.36
10	Jalgaon	64,000	519.00	23,020	226.61	4,151	37.42	18,869	189.18
11	Kolaba	45,000	106.00	20,938	72.85	9,071	27.00	11,867	45.85
12	Kolhapur	49,000	285.00	25,242	142.38	10,487	96.57	14,755	45.81
13	Nagpur	17,000	116.00	10,337	70.25	480	5.18	9,857	65.07
14	Nanded	41,000	607.00	25,629	301.66	1,879	46.92	23,750	254.73
15	Nasik	54,000	476.00	31,955	291.80	672	12.57	31,283	279.23
16	Osmanabad	47,000	429.00	30,615	316.15	5,845	64.14	24,770	252.00
17	Parbhani	28,000	257.00	23,389	209.84	3,533	19.16	19,856	190.67
18	Poona	41,000	283.00	17,952	95.84	1,845	9.20	16,107	86.63
19	Ratnagiri	41,000	57.00	4,861	6.33	19	0.08	4,842	6.24
20	Sangli	39,000	233.00	27,698	204.54	5,310	17.56	22,388	186.97
21	Satara	35,000	270.00	19,148	197.01	970	30.20	18,178	166.81
22	Sholapur	39,000	351.00	23,858	252.29	3,693	80.62	20,165	171.66
23	Thana	42,000	109.00	12,030	41.54	403	2.54	11,627	39.00
24	Wardha	27,000	137.00	9,177	72.94	526	6.48	8,651	66.46
25	Yeotmal	57,000	340.00	25,253	199.66	4,690	35.86	20,563	163.80
	Total	10,75,000	7387.00	5,33,296	4350.75	74,894	704.80	4,58,402	3645.83

ANNEXURE 2

Statement showing the Value of Inputs issued in Kind for H-4 Cotton Cultivation Programme during 1973-4 in the form of Tagai Loans

Rupees Lakhs

	District	Tagai (Taccavi) Loan disbursed
1	Ahmednagar	5.29
2	Akola	54.34
3	Amravati	64.89
4	Aurangabad	32.55
5	Bhir	21.39
6	Buldana	90.50
7	Chandrapur	2.23
8	Dhulia	15.55
9	Jalgaon	48.72
10	Nagpur	8.79
11	Nanded	26.98
12	Nasik	0.54
13	Osmanabad	5.17
14	Parbhani	39.96
15	Poona	0.09
16	Sholapur	0.10
17	Wardha	32.99
18	Yeotmal	64.22
		514.30

ANNEXURE 3

Statement showing the Position at Central Banks' Level in respect of the Overdue Loans of Non-wilful Defaulters re-scheduled (i.e., Rehabilitation) Loans) and fresh finance for kharif 1973 issued to them

Rupees Lakh

Bank	Overdues as on 30.6.72			Overdue loans re-scheduled	Fresh Finance for kharif 1973 issued
	S.T.	M.T.	Total		
(1)	(2a)	(2b)	(2c)	(3)	(4)
1 Ahmednagar	416.26	55.33	471.59	352.78	44.73
2 Dhulia	175.06	10.59	185.65	80.09	33.41
3 Jalgaon	343.01	4.16	347.17	97.71	60.75
4 Nasik	295.96	9.23	305.19	212.54	59.27
5 Sangli	144.75	25.79	170.54	128.12	24.82
6 Aurangabad	254.39	22.64	277.03	140.68	7.40
7 Nanded	386.39	43.24	429.63	169.65	21.61
8 Amravati	312.73	23.72	336.45	123.27	73.55
9 Bhandara	150.44	16.07	166.51	67.59	4.45
10 Buldana	291.60	68.14	359.74	85.13	11.96
11 Chanda	167.95	18.66	186.61	55.00	35.90
12 Nagpur	70.70	25.76	96.46	35.01	3.77
Total	3009.24	323.33	3332.57	1547.52	381.62

ANNEXURE 4

District-wise Position of Defaulters identified as Wilful as on 30 *June* 1973 *and Progress of Recovery of Dues from them, etc., as on* 31 *January* 1974

Rupees Lakhs

Bank	Wilful Defaulters identified as on 30–6–73		Revenue Recovery Certificates obtained		Amount recovered (upto 31–1–74) against Revenue Recovery Certificates	Wilful defaulters against whom Revenue Recovery Certificates are to be obtained		Recovery Officers as on		Average Charge per Recovery Officer	
	No.	Amount	No.	Amount		No.	Amount	30-6-73	31-1-74	30-6-73	31-1-74
(1)	(2a)	(2b)	(3a)	(3b)	(4)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
Ahmednagar	29447	249.21	18347	147.45	13.25	11069	101.76	13	11	2265	2677
Akola	20502	133.40	20502	133.40	18.97	Nil	Nil	11	11	1864	1864
Amravati	17019	172.47	17019	172.47	89.62	Nil	Nil	9	6	1891	2836
Aurangabad	13487	128.15	12952	124.01	2.28	379	2.96	14	21	963	642
Bhandara	23147	83.00	23147	83.00	4.73	Nil	Nil	7	14	3307	1653
Bhir	11315	62.28	10100	54.96	9.97	1215	7.32	7	10	1616	1131
Buldana	22882	103.00	22882	103.00	0.13	Nil	Nil	5	12	4572	1907
Chanda	20927	113.00	20927	113.00	17.08	Nil	Nil	6	8	3488	2616
Dhulia	25266	117.17	N.A.	N.A.	10.75	N.A.	N.A.	4	12	6316	2105
Jalgaon	41476	326.76	27788	240.16	29.83	13688	86.60	13	13	3190	3190
Kolaba	15623	36.80	15623	36.80	11.80	Nil	Nil	6	6	2604	2604
Kolhapur	29456	158.25	17547	96.01	4.68	11909	62.24	15	15	1963	1963

(1)	(2a)	(2b)	(3a)	(3b)	(4)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
Nagpur	7116	50.00	7116	50.00	1.57	Nil	Nil	4	6	1779	1186
Nanded	17637	174.49	17637	174.49	8.61	Nil	Nil	8	15	2205	1109
Nasik	19714	127.09	N.A.	N.A.	25.76	N.A.	N.A.	8	14	2464	1408
Osmanabad	11219	107.18	8327	65.41	1.57	2892	41.77	5	12	2244	935
Parbhani	11516	66.16	10815	64.35	5.08	701	1.81	8	8	1439	1439
Poona	26776	189.02	19294	131.18	17.46	7482	57.84	25	25	1071	1071
Ratnagiri	12003	34.02	N.A.	22.02	9.28	N.A.	9.28	3	3	4001	4001
Sangli	18733	85.42	9186	34.07	2.66	9547	51.35	11	11	1703	1703
Satara	7562	93.79	7090	69.56	1.37	472	24.23	7	5	1080	1512
Sholapur	19508	200.21	15223	142.94	6.82	4284	50.45	9	9	2167	2167
Thana	23026	53.35	23026	53.35	11.19	Nil	Nil	7	7	3289	3289
Wardha	8530	36.00	8530	36.00	5.80	1342	7.45	3	3	2843	2843
Yeotmal	18828	121.00	18828	121.00	8.96	Nil	Nil	6	14	3139	1345
Total	472715	3021.22	351906	2268.63	319.22	64980	505.06	214	271	2209	1744

ANNEXURE 5

Position of Rehabilitation Loans and Recovery at the level of Central Co-operative Banks in Maharashtra as on 30 June 1974

Rupees Lakhs

Bank	Amt. of Rehabilitation Loans	Demand under all types of Loans	Of col. 2 Demand in respect of first instalment	Amount recovered		Amount overdue		% of Overdues to Demand	
				Total	Against the Demand in col. 4	Total	Under Rehabilitation Loans	Total (col. 7 to col. 3)	Rehabilitation Loans (col. 8 to col. 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
POONA DIVISION									
1 Ahmednagar	352.78	1201.54	105.64	1059.09	87.60	144.45	18.04	12.0	17.0
2 Kolhapur	43.31	777.86	19.54	743.40	18.17	34.96	1.37	5.0	7.0
3 Poona	56.56	424.10	16.40	248.75	11.99	164.72	8.37	29.0	51.0
4 Sangli	128.12	716.57	39.54	539.81	27.30	176 85	12.24	25.0	31.0
5 Satara	115.49	532.98	34 97	456.02	30.59	80.90	4.74	15.0	14.0
6 Sholapur	100.90	443.97	33.63	272.51	22.90	182.35	30.69	41.0	91.0
Total	797.16	4097.02	249.72	3319.58	198.55	784.23	75.45	19.0	30.0
BOMBAY DIVISION									
7 Dhulia	80.09	658.17	26.26	476.32	15.86	201.23	26.62	31.0	101.0
8 Jalgaon	97.71	747.27	29.51	505.62	20.62	236.83	8.64	32 0	29.0
9 Kolaba	41.12	229.84	13.27	127.24	10.53	102.59	2.74	45.0	21.0
10 Nasik	212.54	860.31	65.32	711.58	52 94	148.73	12.38	17.0	19.0
11 Ratnagiri	2.67	108.85	0.88	73.58	0.68	44.76	0.35	41.0	34.0
12 Thana	24.94	177.38	8.77	108.47	7.69	68.91	1.08	39.0	12.0
Total	459.07	2781.82	144.01	2002.81	108.32	803.05	51.81	29.0	36.0

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
MARATHWADA DIVISION									
13 Aurangabad	140.68	600.60	43.95	323.15	27.28	278.48	56.55	46.0	126.0
14 Bhir	143.91	307.78	28.92	130.75	10.31	174.31	18.32	57.0	63.0
15 Nanded	169.65	429.37	40.53	156.69	26.29	270.03	14.23	63.0	35.0
16 Osmanabad	222.82	687.47	64.02	50.99	2.90	626.36	61.12	91.0	96.0
17 Parbhani	144.83	422.94	48.10	210.16	32.72	248.32	46.14	59.0	96.0
Total	821.89	2448.16	225.52	871.74	99.50	1597.50	196.36	65.0	87.1
NAGPUR DIVISION									
18 Akola	79.01	602.92	22.00	350.02	18.57	304.19	27.38	50.0	124.0
19 Amravati	123.27	672.43	40.46	383.06	34.02	316.75	6.44	43.0	16.0
20 Bhandara	67.59	413.87	19.55	163.24	4.12	262.73	18.51	62.0	94.0
21 Buldana	85.13	471.83	29.86	196.19	16.89	282.54	12.97	60.0	43.0
22 Chanda	55.00	338.46	20.93	165.77	18.67	175.78	2.26	52.0	11.0
23 Nagpur	35.01	393.69	11.67	234.26	8.72	172.28	2.95	44.0	25.0
24 Wardha	49.91	226.06	16.37	139.45	15.57	86.61	0.80	38.0	5.0
25 Yeotmal	126.76	707.75	40.83	392.80	21.01	326.54	19.82	46.0	49.0
Total	621.68	3827.01	201.67	2024.79	137.57	1927.42	91.13	50.0	45.0
Grand Total	2699.80	13154.01	820.92	8218.92	543.94	5112.20	414.75	39.0	50.5

ANNEXURE 6

Conversion, Rephasement and Re-schedulement Limits granted to Central Co-operative Banks in Maharashtra

Rupees Crores

	Bank	1970-71		1971-2				1972-3					
		Conversion Limit sanctioned	Drawals	Conversion Limit sanctioned	Drawals	Rephasement Limit sanctioned	Drawals	Conversion Limit sanctioned	Drawals	Rephasement Limit sanctioned	Drawals	Re-schedulement Limit sanctioned	Drawals
	(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
1	Ahmednagar	0.85	—	1.49	0.99@	—	—	1.25	—	0.99	0.66	—	—
2	Amravati	2.18	2.08@	0.38	0.29	0.45	—	0.50	—	0.75	0.28	0.25	0.16
3	Aurangabad	1.87	1.81	1.50	1.27@	1.81	—	1.62		1.27	1.24	—	—
4	Bhandara	—	—	—	—	—	—	0.55		—	—	—	—
5	Bhir	1.16	1.11	1.09	1.01@	1.11	1.11@	0.47		1.01	0.95	1.11	1.05
6	Buldana	1.50	1.70@	0.99	0.68	0.85	—	0.20		0.95	0.57	0.60	0.36
7	Chanda	—	—	—	—	—	—	0.51		—	—	—	—
8	Dhulia	0.50	0.02	—	—	—	—	0.50		—	—	—	—
9	Jalgaon	0.25	—	1.30	0.85	—	—	—		0.20	—	—	—
10	Kolaba	—	—	—	—	—	—	0.48		—	—	—	—
11	Kolhapur	—	—	—	—	—	—	0.78		—	—	—	—
12	Nagpur	0.99	0.49	—	—	—	—	0.55	Not available	0.32	0.12	—	—
13	Nasik	—	—	1.42	0.44@	—	—	2.00		0.40	0.25	—	—
14	Parbhani	1.46	1.26	1.95	1.70	1.00	0.88@	0.95		1.70	1.20	0.87	0.60
15	Poona	0.24	0.08	—	—	—	—	—		—	—	—	—
16	Osmanabad	2.85	1.16	1.91	0.99	1.16	1.07@	1.10		0.99	0.99	1.07	0.94
17	Sangli	—	—	—	—	—	—	3.22		—	—	—	—
18	Satara	—	—	0.32	—	—	—	1.85		—	—	—	—
19	Sholapur	1.00	—	—	—	—	—	1.77		—	—	—	—
20	Thana	—	—	—	—	—	—	0.20		—	—	—	—
21	Yeotmal	1.87	1.73	—	—	—	—	0.64		1.00	0.47	—	—
22	Wardha	0.80	0.58	—	—	—	—	0.15		0.39	—	—	—
	Total	17.52	12.02	12.35	8.22	6.38	3.05	19.29	15.64	9.97	6.73	3.90	3.11

@ Includes drawals made during subsequent co-operative year.

ANNEXURE 7

Statement showing the Targets and Achievements of the Hybrid and High-yielding Varieties Programme for the year 1973-4

Lakh Hectares

Crop	Target for 1973-4		Achievement during the year
Paddy (Kharif)	3.80		3.70
Jowar -do-	5.00		5.09
Bajra -do-	6.00	(9.60)*	7.64
Jowar (Rabi)	0.25		0.31
Maize (Kharif)	0.08		0.07
Wheat (Rabi)	3.60		3.52
Maize (Rabi)	0.04		0.01
Paddy (Summer)	0.09		0.23
Cotton (H-4)	2.66		2.52
Cotton (intensive)	2.32		2.34
	23.84	27.44*	25.43

* Revised target.

ANNEXURE 8

Short-term Credit Limits for Seasonal Agricultural Operations sanctioned by the Reserve Bank of India to Central Co-operative Banks

Rupees Lakhs

	Bank	1973-4
1	Ahmednagar	800
2	Akola	350
3	Amravati	300
4	Aurangabad	300
5	Bhandara	175
6	Bhir	125
7	Buldana	150
8	Chanda	150
9	Dhulia	300
10	Jalgaon	350
11	Kolaba	100
12	Kolhapur	750
13	Nagpur	175
14	Nanded	75
15	Nasik	550
16	Osmanabad	300
17	Parbhani	250
18	Poona	125
19	Ratnagiri	25
20	Sangli	550
21	Satara	400
22	Sholapur	200
23	Thana	70
24	Wardha	150
25	Yeotmal	300
	Total	7020

ANNEXURE 9

Estimated Credit Requirements—1978-9

Crop	Area (lakh hectares)	Rate (full dose) Rs	Amount (Rs lakhs)	Revised Estimates (lakh hectares)
H.Y.V.P.				
1 Paddy	10.00	815	8150.00	10.00
2 Wheat	7.00	939	6573.00	7.00
3 Kharif Jowar	20.00	729	14580.00	15.00
4 Rabi Jowar	5.00	926	4630.00	5.00
5 Bajra	20.00	432	8640.00	15.00
6 Maize	2.00	692	1384.00	1.00
7 Kharif pulses	4.00	198	792.00	–
8 Rabi pulses	2.00	198	396.00	–
Total	70.00		45145.00	53.00
Non-intensive				
1 Paddy	3.24	177	573.00	3.28
2 Kharif Jowar	4.84	150	726.00	10.32
3 Bajra	1.23	84	103.00	5.34
4 Wheat	1.37	204	279.48	1.80
5 Rabi Jowar	25.45	150	3817.50	28.54
6 Kharif pulses	–	–	–	20.61
7 Rabi pulses	–	–	–	5.82
8 Others	–	–	–	3.66
Total	36.13		5498.98	79.37
Cash Crops				
1 Oil-seeds				
Intensive	2.72	500	1360.00	4.00
Non-intensive	15.28	175	2674.00	11.00
2 Cotton				
Intensive (Irrigated)	1.00	1750	1750.00	9.00
(Unirrigated)	1.92	840	1613.00	
Non-intensive	24.08	750	19264.00	18.00
3 Sugar-cane	2.40	5000	12000.00	2.40
Total	47.40		38661.00	44.40

Abstract

H.Y.V.P.	Rs 45145.00
Non-intensive	Rs 5498.98
Cash Crops	Rs 38661.00
	Rs 89304.98

ANNEXURE 10

Statement showing Credit Potential, Co-operative Loans Outstanding, Credit Gaps, etc., in the various districts

Rupees Lakhs

District	No. of Blocks	Agricultural Credit Potential	Co-op. Loans Outstanding as on 30-6-72	Credit Gap (col. 3—col. 4)	No. of Blocks where Credit Gap is: between 50-75% of col. 3	75% and above	Blocks allotted to Commercial Banks: Number: Total	With Credit gap, above 50%	Credit Gap
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1 Ahmed-nagar	13	1326	1449	–	4	1	4	3	274
2 Akola	13	779	442	337	5	–	–	–	–
3 Amravati	13	1012	392	620	6	3	–	–	–
4 Aurangabad	12	1760	503	1257	6	5	5	5	712
5 Bhandara	13	832	364	468	10	–	4	4	189
6 Bhir	7	1044	235	809	1	6	–	–	–
7 Buldana	13	763	317	446	11	-	2	1	65
8 Chandrapur	18	857	265	592	5	8	5	5	280
9 Dhulia	10	965	563	402	1	3	5	2	297
10 Jalgaon	13	1142	861	281	1	–	–	–	–
11 Kolaba	14	172	185	–	2	–	2	–	10
12 Kolhapur	12	218	1149	–	–	–	–	–	–
13 Nagpur	13	738	226	512	7	3	5	5	326
14 Nanded	8	911	525	386	4	–	5	3	310
15 Nasik	13	1210	871	339	5	2	–	–	–
16 Osmanabad	11	1470	493	977	8	2	6	6	618
17 Parbhani	8	1202	340	862	4	4	4	4	438
18 Poona	13	1447	440	1007	1	10	5	5	519
19 Ratnagiri	15	343	65	278	2	13	3	3	77
20 Sangli	8	873	796	77	2	1	5	3	329
21 Satara	11	990	738	252	3	–	–	–	–
22 Sholapur	11	1592	722	870	5	1	5	5	646
23 Thana	12	384	138	246	6	4	4	4	131
24 Wardha	7	295	190	105	2	–	5	1	81
25 Yeotmal	14	1226	463	1163	6	2	3	2	153
	295	23951	12732	12286	107	68	77	61	5455

ANNEXURE 11

District-wise Position of Cropped Area, Estimated Cash Outlay on the basis of Scales of Finance adopted by Central Co-operative Banks, Credit Requirements of Members, Credit Gaps, etc.

Rupees Lakhs

	District	Gross Cropped Area (in hectares)	Cash Outlay as per Scales of Finance adopted by Central Co-operative Banks	Credit Requirements of Members @ 50 per cent of column 3	Loans Outstanding at the Primary Level as on 30-6-72	Credit Gap (col. 4—col. 5)	Percentage of col. 6 to col. 4
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Ahmednagar	1326,550	5427.42	2713.71	1449.37	1264.34	46.6
2	Akola	847,767	4432.71	2216.35	442.35	1774.00	80.0
3	Amravati	801,054	4418.44	2209.22	392.22	1817.00	82.2
4	Aurangabad	1332,459	5688.12	2844.06	502.60	2341.46	82.3
5	Bhandara	804,443	2311.47	1155.73	364.33	791.40	68.5
6	Bhir	813,976	3060.85	1530.42	235.48	1294.94	84.6
7	Buldana	750,808	3864.52	1932.26	316.56	1615.70	83.6
8	Chandrapur	666,651	2757.04	1378.52	264.55	1113.97	80.8
9	Dhulia	693,977	2584.48	1292.24	562.88	729.36	56.4
10	Jalgaon	839,239	3803.44	1901.72	860.68	1041.04	54.7
11	Kolaba	225,022	868.02	434.01	184.87	249.14	57.4
12	Kolhapur	406,369	2273.41	1136.70	1149.35	–	–
13	Nagpur	1415,406	5664.66	2832.33	225.69	2606.64	92.0
14	Nanded	1758,794	7332.28	3666.14	524.67	3141.47	85.7
15	Nasik	887,738	3577.43	1788.71	870.50	918.21	51.3
16	Osmanabad	1069,570	3700.04	1850.02	492.75	1357.27	73.4
17	Parbhani	933,673	4346.00	2173.00	339.76	1833.24	84.4
18	Poona	1035,459	3501.76	1750.88	440.15	1310.73	74.9
19	Ratnagiri	261,560	774.34	387.17	64.91	332.26	85.8
20	Sangli	631,228	2677.75	1338.87	795.72	543.15	40.6
21	Satara	751,877	2318.57	1159.28	737.61	421.67	36.4
22	Sholapur	1115,471	3762.08	1881.04	721.99	1159.05	61.6
23	Thana	302,954	1061.88	530.94	137.68	393.26	74.1
24	Wardha	520,403	1929.96	964.98	190.11	774.87	80.3
25	Yeotmal	3218,734	12804.30	6402.15	462.82	5939.33	92.8
	Total	23411,182	94940.97	47470.45	12729.60	34763.50	73.2

Note: Average per hectare scales of finance adopted by the central co-operative banks:—

Paddy—Rs 475; Jowar and Bajra—Rs 405; Wheat—Rs 525; Cotton—Rs 750; Sugarcane—Rs 2500; Groundnut—Rs 375.

(Cash outlay for other crops worked out @ Rs 200 per hectare).

ANNEXURE 12

District-wise distribution of Commercial Bank's Offices in Maharashtra as on 30 June 1974

	District	Number of Offices					Population per bank Office ('000)
		Rural	Semi-urban	Urban	Metropolitan/ Port Towns	Total	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Greater Bombay	–	–	–	655	655	9
2	Ahmednagar	25	15	9	–	49	46
3	Akola	3	12	11	–	26	58
4	Amravati	6	13	11	–	20	51
5	Aurangabad	27	13	18	–	58	34
6	Bhandara	10	17	–	–	27	39
7	Bhir	4	12	–	–	16	81
8	Buldana	2	18	–	–	20	63
9	Chandrapur	16	12	–	–	28	59
10	Dhulia	10	14	12	–	36	46
11	Jalgaon	7	33	9	–	49	43
12	Kolaba	21	25	–	–	46	28
13	Kolhapur	23	26	28	–	77	27
14	Nagpur	10	12	62	–	84	23
15	Nanded	11	4	12	–	27	52
16	Nasik	22	24	24	–	70	34
17	Osmanabad	8	18	–	–	26	73
18	Parbhani	7	18	–	–	25	60
19	Poona	48	37	122	–	207	15
20	Ratnagiri	35	23	–	–	58	34
21	Sangli	29	21	17	–	67	23
22	Satara	46	32	–	–	78	22
23	Sholapur	16	27	24	–	67	34
24	Thana	52	42	34	–	128	18
25	Wardha	8	16	–	–	24	33
26	Yeotmal	5	21	–	–	26	55
	Total	451	505	393	655	2004	25

ANNEXURE 13

Statement showing the Blocks in various districts allotted to Commercial Banks

Rupees Lakhs

Name of the block	Agricultural Credit Potential in the Block	Credit Gap	Percentage of col. 3 to col. 2	Name of the Commercial Bank
(1)	(2)	(3)	(4)	(5)
Ahmednagar District				
1 Akola	92.69	55.07	59	Union Bank
2 Nagar	114.32	50.37	44	Central Bank
3 Parner	143.74	115.11	80	State Bank
4 Pathardi	98.31	53.38	54	State Bank/ Bank of Maharashtra
Aurangabad District				
5 Vaijapur	194.28	122.02	63	State Bank of Hyderabad/Bank of Maharashtra
6 Gangapur	156.36	100.99	65	State Bank of Hyderabad
7 Aurangabad	156.81	132.00	84	Central Bank
8 Paithan	173.05	137.81	80	State Bank of Hyderabad
9 Ambad	267.76	219.59	82	Bank of Maharashtra
Bhandara District				
10 Gondia	81.29	56.83	70	Bank of India
11 Tirora	82.25	50.95	62	State Bank
12 Tumsar	74.02	42.53	57	Bank of India/ State Bank
13 Sakoli	67.56	38.97	58	State Bank
Buldana District				
14 Malkapur	50.00	34.49	69	State Bank
15 Khamgaon	32.38	—	—	Central Bank
Chandrapur District				
16 Bhadravati	67.71	46.20	68	Bank of Maharashtra
17 Mul	75.02	61.60	82	Bank of Maharashtra
18 Armori	61,12	42.82	70	State Bank
19 Sironcha	34.73	31.87	92	-do-
20 Rajura	111.10	97.80	88	Bank of India/ State Bank

(1)	(2)	(3)	(4)	(5)
Dhulia District				
21 Dhulia	166.40	62.00	37	Central Bank
22 Nandurbar	143.19	85.48	60	Bank of Baroda
23 Sakri	158.30	69.36	44	State Bank/ Union Bank
24 Sindkheda	132.26	30.93	23	State Bank
25 Navapur	62.68	48.84	78	Union Bank
Kolaba District				
26 Alibag	21.75	4.68	22	Bank of India
27 Mangaon	20.03	5.23	26	-do-
Nagpur District				
28 Kamptee	156.47	145.46	93	State Bank
29 Ramtek	43.31	31.32	72	-do-
30 Umred	56.25	35.26	63	-do-
31 Bhiwapur	29.00	18.28	63	Bank of India
32 Katol	121.81	95.28	78	-do-
Nanded District				
33 Billoli	156.98	74.47	47	State Bank of Hyderabad
34 Begloor	75.40	41.21	55	-do-
35 Hadgaon	136.30	86.97	64	-do-
36 Kinwat	122.17	74.67	61	-do-
37 Nanded	111.31	33.11	30	-do-
Osmanabad District				
38 Osmanabad	145.29	103.79	71	State Bank of Hyderabad
39 Tuljapur	139.09	99.94	72	-do-
40 Omerga	174.45	97.35	56	-do-
41 Latur	172.06	124.75	72	Central Bank
42 Udgir	142.64	93.24	65	Bank of Maharashtra
43 Ahmedpur	158.71	98.82	62	State Bank of Hyderabad
Parbhani District				
44 Parbhani	161.69	120.99	75	Union Bank/ State Bank of Hyderabad
45 Jintur	145.46	98.28	68	State Bank of Hyderabad
46 Basmat	146.99	95.35	65	-do-
47 Hingoli	156.48	123.62	79	State Bank of Hyderabad/ Bank of Maharashtra

(1)		(2)	(3)	(4)	(5)
Poona District					
48	Junnar	127.40	105.52	83	Bank of India
49	Shirur	211.01	180.00	85	State Bank
50	Purandhar	115.30	92.60	80	Bank of India
51	Bhor	59.93	55.45	93	Bank of Maharashtra/ State Bank
52	Daund	111.91	85.44	76	Central Bank
Ratnagiri District					
53	Dapoli	33.20	30.31	91	Union Bank
54	Chiplun	30.00	16.97	57	Bank of India
55	Sawantwadi	33.50	29.40	88	Bank of Maharashtra
Sangli District					
56	Jath	197.74	137.26	69	Bank of Maharashtra
57	Kharapur	144.93	90.24	62	Bank of India/ State Bank
58	Atpadi	81.70	65.89	81	Bank of India
59	Shirala	59.51	18.77	33	-do-
60	Kavathe-Mahankal	64.79	15.53	24	-do-
Sholapur District					
61	Akkalkot	163.85	104.10	64	State Bank
62	Karmala	215.66	159.64	74	Bank of India
63	South Sholapur	130.03	79.89	61	-do-
64	Barshi	215.03	147.95	69	Bank of India/ State Bank/ Central Bank
65	Mangalwedhe	201.82	154.24	76	Bank of India
Thana District					
66	Kalyan/Ulhasnagar	44.00	38.62	88	Bank of Maharashtra
67	Shahapur	36.65	18.33	50	State Bank
68	Palghar	50.88	33.96	67	Bank of Maharashtra
69	Dahanu	49.22	39.59	80	-do-
Wardha District					
70	Wardha	71.71	43.92	61	Bank of India
71	Deoli	28.08	8.08	29	State Bank
72	Seloo	23.75	—	—	Bank of India
73	Karanja	64.52	27.40	42	-do-
74	Arvi	33.24	1.48	4	State Bank
Yeotmal District					
75	Ner	123.05	98.82	80	State Bank
76	Ghatanji	34.69	—	—	Bank of Maharashtra
77	Digras	96.50	54.54	57	State Bank

ANNEXURE 14

Block-wise Particulars of Cropped Area, Estimated Credit Requirements, Credit Gaps, etc.

Rupees Lakhs

Block	Gross Cropped Area (hectares)	Credit Requirements	Loans Outstanding as on 30-6-72	Credit Gap (col. 3-col. 4)	Percentage of col. 5 to col. 3	Percentage of Borrowing Members to Cultivating Families
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Ahmednagar						
1 Nagar*	114,339	114.32	63.95	50.37	44	32
2 Akola*	92,698	92.69	37.62	55.07	59	33
3 Jamkhed	80,476	80.46	21.93	58.53	73	33
4 Karjat	109,514	109.51	49.35	60.16	55	32
5 Kopargaon	89,064	89.04	552.95	—	—	29
6 Newasa	118,313	118.30	70.33	47.97	41	66
7 Parner*	143,648	143.74	28.63	115.11	80	41
8 Pathardi*	98,322	98.31	44.93	53.38	54	19
9 Rahuri	69,253	69.24	38.15	31.09	45	67
10 Sangamner	117,379	117.36	127.62	—	—	76
11 Shrirampur	67,200	67.18	295.67	—	—	34
12 Sheogaon	100,962	100.04	53.15	46.89	47	35
13 Shrigonda	125,382	125.37	65.09	60.28	48	32
	1326,550	1325.56	1449.37	578.85	44	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Akola						
1 Akola	178,928	90.06	49.21	40.85	45	70
2 Barshitakli	56,907	70.95	35.79	35.16	50	38
3 Balapur	45,354	70.92	37.97	32.95	46	49
4 Patur	33,070	16.95	28.19	—	—	NA
5 Washim	44,775	46.76	32.90	13.86	30	23
6 Malegaon	66,980	84.56	38.16	46.40	55	70
7 Risod	63,483	82.12	38.66	43.46	53	60
8 Akot	68,117	34.21	26.04	8.17	24	27
9 Telhara	59,969	41.49	35.90	5.59	13	8
10 Murtizapur	35,647	35.66	28.24	7.42	21	5
11 Karanja	62,874	80.84	31.17	49.67	61	57
12 Mangrulpir	79,697	58.73	34.41	24.32	41	48
13 Manora	51,966	65.96	25.71	40.25	61	28
	847,767	779.21	442.35	348.10	45	
Amravati						
1 Amravati	64,646	81.03	28.90	52.13	64	43
2 Chandur Rly.	82,645	103.54	46.27	57.27	55	52
3 Achalpur	53,348	68.38	41.97	26.41	39	47
4 Bhatkuli	129,886	161.53	20.07	141.46	88	34
5 Chandur Bazar	53,308	66.97	44.70	22.27	33	49
6 Tersa	63,075	79.12	31.74	47.38	60	46
7 Nandgaon Kh.	88,044	110.36	18.78	91.58	83	53
8 Warud	54,400	75.38	45.59	29.79	40	35
9 Anjangaon	59,429	75.92	28.59	47.33	62	28
10 Chikaldara	10,689	13.53	2.55	10.98	81	23
11 Daryapur	59,600	73.89	32.82	41.07	56	48
12 Dharni	16,287	20.17	7.05	13.12	65	27
13 Morshi	65,700	81.70	43.19	38.51	47	38
	801,054	1011.52	392.22	619.30	61	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Aurangabad						
1 Kannad	106,029	137.32	59.29	78.03	57	12
2 Sillod	129,599	143.23	59.13	84.10	59	12
3 Soyegaon	36,765	47.59	29.35	18.24	38	10
4 Bhokerdan	107,529	145.43	44.26	101.17	70	13
5 Jaferabad	58,237	71.28	17.30	53.98	76	12
6 Khultabad	39,259	42.73	14.46	28.27	66	10
7 Vaijapur*	142,414	194.28	72.26	122.02	63	6
8 Gangapur*	116,834	156.36	55.37	100.99	65	13
9 Aurangabad*	107,628	156.81	24.81	132.00	84	14
10 Jalna	165,975	223.83	42.96	180.87	81	10
11 Paithan*	122,947	173.05	35.24	137.81	80	8
12 Ambad*	199,245	267.76	48.17	219.59	82	14
	1332,459	1759.67	502.60	1257.07	71	
Bhandara						
1 Bhandara	36,839	56.19	26.52	29.67	53	37
2 Mohadi	39,129	57.49	29.04	28.45	49	26
3 Pauni	46,121	63.65	22.89	40.76	64	36
4 Tumsar*	322,002	74.02	31.49	42.53	57	38
5 Sakoli*	38,704	67.56	28.59	38.97	58	41
6 Morgaon-Arjuni	40,133	80.84	44.41	36.43	45	47
7 Lakhandur	42,409	59.14	27.17	31.97	54	62
8 Deori	46,668	64.14	40.60	23.54	37	47
9 Gondia*	52,395	81.29	24.46	56.83	70	28
10 Tirora*	47,147	82.25	31.30	50.95	62	32
11 Goregaon	39,078	64.37	29.87	34.50	54	29
12 Salekasa	33,698	49.90	15.42	34.48	69	30
13 Amgaon	20,120	31.57	12.57	19.00	60	13
	804,443	832.41	364.33	468.08	56	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bhir						
1 Bhir	108,388	114.70	25.30	89.40	78	36
2 Patoda	96,614	132.75	26.09	106.66	80	63
3 Kaij	137,460	176.12	36.90	139.22	79	47
4 Ambejogai	114,714	148.85	36.76	112.09	75	29
5 Manjlegaon	124,654	159.94	32.43	127.51	80	33
6 Georai	131,203	164.56	52.02	112.54	68	39
7 Ashti	100,943	147.14	25.98	121.16	82	50
	813,976	1044.06	235.48	808.58	77	
Buldana						
1 Buldana	120,130	63.06	19.98	43.08	68	49
2 Chikhli	55,000	79.77	23.21	56.56	71	62
3 Deulgaon-Raja	63,052	76.47	24.85	51.62	67	49
4 Mehkar	60,589	77.05	34.67	42.38	55	65
5 Lonar	57,313	77.50	32.26	45.24	58	51
6 Sindkhed-Raja	59,920	62.47	31.48	30.99	50	68
7 Khamgaon*	62,770	32.38	32.56	—	—	73
8 Shegaon	64,640	43.28	20.00	23.28	54	49
9 Malkapur*	40,001	50.00	15.51	34.49	69	36
10 Nandura	37,790	27.74	17.05	10.69	39	50
11 Motala	55,317	73.52	28.54	44.98	61	29
12 Jalgaon	39,036	50.82	21.42	29.40	58	68
13 Sangrampur	38,250	48.77	15.03	33.74	69	20
	750,808	762.83	316.56	446.45	59	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Chandrapur						
1 Chandrapur	37,598	10.93	11.02	—	—	20
2 Gondpipri	17,268	26.04	10.84	15.20	58	24
3 Mul*	43,403	75.02	13.42	61.60	82	42
4 Warora	27,970	35.77	37.09	—	—	53
5 Bhadravati*	51,037	67.71	21.51	46.20	68	32
6 Chimur	52,749	37.04	25.15	11.89	32	34
7 Brahmapuri	30,285	45.58	26.98	18.60	41	15
8 Nagbhid	27,901	49.82	26.98	22.84	46	41
9 Sindewahi	25,358	52.48	22.75	29.73	57	50
10 Gadchiroli	16,966	30.69	9.76	20.93	68	27
11 Armori*	39,041	61.12	18.30	42.82	70	51
12 Kurkheda	28,595	40.92	8.59	32.33	79	34
13 Dhanora	44,211	97.10	4.92	92.18	95	42
14 Chamorshi	35,609	45.70	8.52	37.18	81	8
15 Sironcha*	35,758	34.73	2.86	31.87	92	27
16 Aheri	46,077	24.24	1.83	22.41	92	16
17 Etapalli	18,069	11.16	0.73	10.43	93	8
18 Rajura*	88,756	111.10	13.30	97.80	88	17
	666,651	857.15	264.55	594.01	69	
Dhulia						
1 Dhulia*	118,658	166.40	104.40	62.00	37	21
2 Sakri*	108,945	158.30	88.94	69.36	44	36
3 Nawapur*	50,589	62.68	13.84	48.84	78	14
4 Nandurbar	105,300	143.19	57.71	85.48	60	25

(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Sindkheda*	98,824	132.26	101.33	30.93	23	26
6 Shirpur	44,763	61.92	55.79	6.13	10	16
7 Shahada	94,811	146.61	112.25	34.36	23	14
8 Taloda	24,130	33.01	19.94	13.07	39	16
9 Akkalkuva	32,400	41.00	6.27	34.73	85	9
10 Akrani-Mahal	15,557	19.46	2.41	17.05	88	43
	693,977	964.83	562.88	401.95	42	
Jalgaon						
1 Jalgaon	58,318	75.08	54.21	20.87	28	20
2 Bhusaval	58,574	76.91	62.88	14.03	18	51
3 Jamner	100,664	129.13	123.75	5.38	4	58
4 Edlabad	37,392	49.46	30.35	19.11	39	35
5 Raver	54,470	95.17	56.39	38.78	41	20
6 Yawal	56,566	79.03	37.97	41.06	52	15
7 Chalisgaon	88,314	117.19	96.00	21.19	18	35
8 Pachora	66,059	86.52	78.17	8.35	10	51
9 Bhadgaon	38,643	54.60	39.61	14.99	27	35
10 Parola	60,293	83.22	61.80	21.42	26	51
11 Erandol	84,790	118.72	83.35	35.37	30	34
12 Chopda	63,840	81.60	69.08	12.52	15	34
13 Amalner	71,316	95.38	67.12	28.26	30	36
	839,239	1142.01	860.68	281.33	25	
Kolaba						
1 Alibag*	23,838	21.75	17.07	4.68	22	40
2 Pen	16,383	17.04	13.63	3.41	20	35
3 Panvel	23,231	19.56	21.59	—	—	52

(1)		(2)	(3)	(4)	(5)	(6)	(7)
4	Uran	7,447	8.02	3.70	4.32	54	32
5	Karjat	19,850	18.58	33.07	—	—	59
6	Khalapur	19,313	9.94	16.04	—	—	57
7	Sudhagad	8,046	6.66	8.66	—	—	52
8	Roha	22,180	15.32	20.88	—	—	61
9	Mangaon*	32,480	20.03	14.80	5.23	26	41
10	Mahad	20,742	15.72	13.81	1.91	12	42
11	Poladpur	7,844	4.52	4.59	—	—	53
12	Mhasala	9,699	4.39	1.81	2.58	59	21
13	Shriwardhan	7,726	5.17	5.35	—	—	33
14	Murud	6,243	5.44	9.87	—	—	72
		225,022	172.14	184.87	22.13	13	
Kolhapur							
1	Chandgad	35,864	18.94	54.83	—	—	Not Available
2	Ajara	27,321	14.09	33.63	—	—	
3	Gadhinglaj	40,153	21.61	66.40	—	—	
4	Panhala	29,740	17.08	90.58	—	—	
5	Shahuwadi	32,161	17.46	34.98	—	—	
6	Gagan Bawada	13,707	7.28	13.35	—	—	
7	Radhanagari	27,901	15.98	134.94	—	—	
8	Bhudargad	23,429	12.62	73.04	—	—	
9	Kagal	42,340	22.59	81.04	—	—	
10	Karvir	44,613	18.33	275.47	—	—	
11	Shirol	44,182	25.24	131.23	—	—	
12	Hatkanangale	44,958	26.90	159.86	—	—	
		406,369	218.12	1149.35	—	—	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Nagpur						
1 Nagpur	76,961	43.35	9.61	33.74	78	47
2 Hingna	58,868	30.36	20.40	9.96	33	42
3 Kamptee*	220,069	156.47	11.01	145.46	93	10
4 Ramtek*	61,433	43.31	11.99	31.32	72	37
5 Parshioni	49,702	26.35	11.93	14.42	55	45
6 Mouda	42,104	27.64	15.02	12.62	46	36
7 Umred*	110,000	56.25	20.99	35.26	63	50
8 Bhivapur*	5,456	29.00	10.72	18.28	63	36
9 Kuhi	133,622	71.33	22.06	49.27	69	49
10 Saoner	97,085	51.00	21.27	29.73	58	42
11 Kalameshwar	64,349	43.29	17.48	25.81	60	57
12 Katol*	121,815	121.81	26.53	95.28	78	41
13 Narkhed	63,537	37.40	26.68	10.72	29	55
	1415,406	737.56	225.69	511.87	69	
Nanded						
1 Bhokar	172,892	88.21	36.56	51.65	59	51
2 Billoli*	307,999	156.98	82.51	74.47	47	26
3 Degloor*	145,537	75.40	34.19	41.21	55	15
4 Hadgaon*	265,468	136.30	49.33	86.97	64	61
5 Kandhar	264,546	137.27	150.42	—	—	57
6 Kinwat*	241,824	122.17	47.50	74.67	61	61
7 Mukhed	163,853	83.61	45.96	37.65	45	14
8 Nanded*	194,675	111.31	78.20	33.11	30	54
	1758,794	911.25	524.67	399.73	44	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Nasik						
1 Niphad	87,768	128.64	165.89	—	—	
2 Kalwan	56,628	69.63	50.08	19.55	28	
3 Chandwad	66,718	97.14	48.15	48.99	50	
4 Dindori	74,984	103.76	27.48	76.28	74	
5 Igatpuri	53,767	65.51	21.36	45.15	68	
6 Satana (Baglan)	87,474	122.39	143.98	—	—	
7 Nasik	64,811	80.63	41.08	39.55	49	
8 Nandgaon	62,276	79.47	32.71	46.76	59	
9 Peint	31,750	39.96	7.14	32.82	82	
10 Yeola	59,654	122.16	53.54	68.62	52	
11 Surgana	31,126	40.15	1.91	38.24	95	
12 Malegaon	119,525	151.75	194.19	—	—	
13 Sinnar	91,257	127.70	82.99	44.71	35	
	887,738	1229.89	870.50	460.67	37	
Osmanabad						
1 Osmanabad*	116,234	145.29	41.50	103.79	71	10
2 Tuljapur*	92,665	139.09	39.15	99.94	72	6
3 Omerga*	131,510	174.45	77.10	97.35	56	9
4 Parande	55,816	75.27	20.00	55.27	73	13
5 Bhoom	62,335	87.05	11.96	75.09	86	13
6 Kallam	105,833	140.93	32.59	108.34	77	8
7 Latur*	98,740	172.06	47.31	124.75	72	6
8 Ausa	68,724	93.36	49.30	44.06	47	30
9 Nilanga	104,532	140.88	64.55	76.33	54	11
10 Udgir*	111,163	142.64	49.40	93.24	65	17
11 Ahmedpur*	122,018	158.71	59.89	98.82	62	11
	1069,570	1469.73	492.75	976.98	66	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Parbhani						
1 Parbhani*	126,098	161.69	40.70	120.99	75	32
2 Gangakhed	116,346	146.26	52.40	93.86	64	18
3 Pathri	128,941	163.36	34.53	128.83	79	37
4 Partur	126,618	163.26	37.03	126.23	77	39
5 Jintur*	114,607	145.46	47.18	98.28	68	35
6 Basmat*	106,442	146.99	51.64	95.35	65	24
7 Kalamnuri	94,965	118.10	43.42	74.68	63	25
8 Hingoli*	117,646	156.48	32.86	123.62	79	5
	933,673	1201.60	339.76	861.84	72	
Poona						
1 Mulshi	66,046	83.10	1.84	81.26	98	15
2 Mhasal	63,038	87.70	5.93	81.77	93	13
3 Khed	99,098	91.38	27.70	63.68	70	25
4 Junnar*	99,261	127.40	21.88	105.52	83	11
5 Shirur*	153,918	211.01	31.01	180.00	85	15
6 Indapur	107,686	160.55	96.31	64.24	40	19
7 Purandhar*	82,580	115.30	22.70	92.60	80	15
8 Baramati	113,092	188.59	163.78	24.81	13	42
9 Daund*	56,778	111.91	26.47	85.44	76	31
10 Haveli	52,921	72.23	13.59	58.64	81	13
11 Ambegaon	69,551	101.99	22.84	79.15	78	17
12 Bhor*	42,529	59.93	4.48	55.45	93	20
13 Velhe	28,971	36.25	1.62	34.63	96	14
	1035,459	1447.34	440.15	1007.19	70	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Ratnagiri						
1 Mandangad	8,600	11.25	2.07	9.18	82	56
2 Khed	21,280	28.10	6.79	21.31	76	14
3 Dapoli*	23,000	33.20	2.89	30.31	91	27
4 Chiplun*	24,400	30.00	13.03	16.97	57	20
5 Guhagar	12,800	17.60	2.64	14.96	85	24
6 Sangameshwar	22,080	30.70	6.66	24.04	78	22
7 Ratnagiri	17,360	24.70	4.56	20.14	82	22
8 Lanja	12,000	15.50	3.39	12.11	78	13
9 Rajapur	21,200	28.00	3.20	24.80	89	10
10 Deogad	9,200	11.45	2.72	8.73	76	12
11 Kankavli	13,280	18.10	3.67	14.43	80	33
12 Kudal	21,200	12.60	5.52	7.08	56	13
13 Malvan	17,760	23.45	1.11	22.34	95	17
14 Vengurla	10,600	24.95	2.56	22.39	90	7
15 Sawantwadi*	26,800	33.50	4.10	29.40	88	35
	261,560	343.10	64.91	278.19	81	
Sangli						
1 Kavthe-Mahankal*	46,775	64.79	49.26	15.53	24	59
2 Atpadi*	57,736	81.70	15.81	65.89	81	66
3 Tasgaon	83,306	119.98	228.84	—	—	46
4 Shirala*	45,374	59.51	39.74	19.77	33	35
5 Walva	65,219	92.97	207.23	—	—	48
6 Khanapur*	108,957	144.93	54.69	90.24	62	24
7 Miraj	76,858	111.83	139.67	—	—	67
8 Jath*	147,003	197.74	60.48	137.26	69	31
	631,228	873.45	795.72	328.69	38	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Satara						
1 Satara	73,587	58.18	71.43	—	—	22
2 Wai	46,821	51.28	63.75	—	—	33
3 Mahabaleshwar	4,274	5.80	4.06	1.74	30	24
4 Javali	32,988	72.56	25.89	46.67	64	46
5 Khandala	40,632	49.01	15.66	33.35	68	44
6 Phaltan	95,141	216.01	103.37	112.64	52	18
7 Karad	80,800	108.84	170.89	—	—	52
8 Patan	63,782	78.91	58.10	20.81	26	24
9 Koregaon	77,283	100.55	82.69	17.86	18	22
10 Man	115,363	103.41	62.49	40.92	40	33
11 Khatav	121,206	145.08	79.28	65.80	45	NA
	751,877	989.63	737.61	339.79	34	
Sholapur						
1 South Sholapur*	94,302	130.03	50.14	79.89	61	37
2 North Sholapur	54,169	69.58	42.95	26.63	38	19
3 Madha	133,941	122.92	62.22	60.70	49	71
4 Malshiras	93,086	156.90	154.74	5.16	3	23
5 Akkalkot*	124,250	163.85	59.75	104.10	64	29
6 Barshi*	107,679	215.03	67.08	147.95	69	44
7 Mangalwedha*	90,135	201.82	47.58	154.24	76	40
8 Pandharpur	95,761	146.37	86.53	59.84	41	33
9 Mohol	107,281	127.58	63.14	64.44	51	49
10 Karmala*	119,586	215.66	56.02	159.64	74	49
11 Sangola	95,263	39.71	31.84	7.87	20	53
	1115,471	1592.45	721.99	870.46	55	

(1)		(2)	(3)	(4)	(5)	(6)	(7)
Thana							
1	Thana	14,512	16.00	0.71	15.29	96	3
2	Kalyan and Ulhasnagar*	35,164	44.00	5.38	38.62	88	13
3	Bhivandi	26,442	34.22	24.24	9.98	29	38
4	Murbad	30,704	38.81	17.19	21.62	56	48
5	Shahapur*	28,738	36.65	18.32	18.33	50	47
6	Wada	13,704	17.00	21.72	—	—	74
7	Bassein	16,862	21.00	6.32	14.68	70	10
8	Palghar*	40,502	50.88	16.92	33.96	67	45
9	Dahanu*	38,284	49.22	9.63	39.59	80	23
10	Talasari	15,084	18.92	1.85	17.07	90	35
11	Jawhar	26,642	33.00	8.75	24.25	73	49
12	Mokhada	16,356	24.00	6.65	17.35	72	52
		302,954	383.70	137.68	250.74	65	
Wardha							
1	Wardha*	138,062	71.71	27.79	43.92	61	65
2	Deoli*	55,057	28.08	20.00	8.08	29	NA
3	Seloo*	45,082	23.75	29.21	—	—	73
4	Hinganghat	70,040	35.95	23.09	12.86	54	28
5	Samudrapur	74,670	38.24	23.14	15.10	39	58
6	Karanja*	72,546	64.52	37.12	27.40	42	56
7	Arvi*	64,946	33.24	31.76	1.48	4	45
		520,403	295.49	192.11	108.84	37	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Yeotmal						
1 Yeotmal	121,905	62.04	21.09	40.95	66	17
2 Kalambi	92,289	44.54	25.94	18.60	42	2
3 Babhulgaon	113,940	58.03	22.04	35.99	62	54
4 Darwha	116,475	58.96	38.57	20.39	35	64
5 Digras*	189,000	96.50	41.96	54.54	57	127
6 Ner*	244,379	123.05	24.23	98.82	80	45
7 Pusad	1502.000	709.29	45.26	664.03	94	99
8 Pandharkawda	130,912	66.35	24.53	41.82	63	54
9 Umerkhed	156,210	79.46	42.85	36.61	46	50
10 Mahagaon	172,287	87.27	57.08	30.19	35	65
11 Ralegaon	87,424	45.32	24.05	21.27	47	45
12 Ghatanji*	67,334	34.69	41.88	—	—	41
13 Wani	146,338	73.54	23.85	49.69	68	45
14 Maregaon	143,141	86.79	29.49	57.30	66	49
	3218,734	1625.83	462.82	1170.20	72	

* Blocks already allotted to commercial banks.

District-wise Summary

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Ahmednagar	1326,550	1325.56	1449.37	578.85	44	
2	Akola	847,767	779.21	442.35	348.10	45	
3	Amravati	801,054	1011.52	392.22	619.30	61	
4	Aurangabad	1332.459	1759.67	502.60	1257.07	71	
5	Bhandara	804,443	832.41	364.33	468.08	56	
6	Bhir	813,976	1044.06	235.48	808.58	77	
7	Buldana	750,808	762.83	316.56	446.45	59	
8	Chandrapur	666,651	857.15	264.55	594.01	69	
9	Dhulia	693,977	964.83	562.88	401.95	42	
10	Jalgaon	839,239	1142.01	860.68	281.33	25	
11	Kolaba	225,022	172.14	184.87	22.13	13	
12	Kolhapur	406,369	218.12	1149.35	—	—	
13	Nagpur	1415,406	737.56	225.69	511.87	69	
14	Nanded	1758,794	911.25	524.67	399.73	44	
15	Nasik	887,738	1229.89	870.50	460.67	37	
16	Osmanabad	1069,570	1469.73	492.75	976.98	66	
17	Parbhani	933,673	1201.60	339.76	861.84	72	
18	Poona	1035,459	1447.34	440.15	1007.19	70	
19	Ratnagiri	261,560	343.10	64.91	278.19	81	
20	Sangli	631,228	873.45	795.72	328.69	38	
21	Satara	751,877	989.63	737.61	339.79	34	
22	Sholapur	1115,471	1592.45	721.99	870.46	55	
23	Thana	302,954	383.70	137.68	250.74	65	
24	Wardha	520,403	295.49	192.11	108.84	37	
25	Yeotmal	3218,734	1625.83	462.82	1170.20	72	
	Total	23411,182	23970.53	12731.60	13391.04	56	

ANNEXURE 15

Blocks with wide Credit Gaps

Rupees Lakhs

District	Credit Gap of Rs 120 Lakhs and above		Credit Gap between Rs 80 lakhs and Rs 120 lakhs		Credit Gap between Rs 40 lakhs and Rs 80 Lakhs		No. of Branches of Commercial Banks required
	Block	Credit Gap	Block	Credit Gap	Block	Credit Gap	
(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5)
1 Ahmednagar	—	—	1 Parner	115.11	1 Akola	55.07	
					2 Jamkhed	58.53	
					3 Karjat	60.16	
					4 Pathardi	53.38	6
2 Akola	—	—	—	—	5 Malegaon	46.40	
					6 Risod	43.46	
					7 Karanja	49.67	
					8 Manora	40.25	4
3 Amravati	1 Bhatkuli	141.46	2 Nandgaon Kh.	91.58	9 Amravati	52.13	
					10 Chandur Rly.	57.27	
					11 Tersa	47.38	
					12 Anjangaon	47.33	
					13 Daryapur	41.07	10
4 Aurangabad	2 Vaijapur	122.02	3 Bhokerdan	101.17	14 Kannad	78.03	
	3 Aurangabad	132.00	4 Gangapur	100.99	15 Jaferabad	53.98	
	4 Jalna	180.87	5 Sillod	84.10			
	5 Paithan	137.81					
	6 Ambad	219.59					23
5 Bhandara	—	—	—	—	16 Pauni	40.76	
					17 Tumsar	42.53	
					18 Gondia	56.83	
					19 Tirora	50.95	4

(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5)
6 Bhir	7 Kaij	139.22	6 Bhir	89.40	—	—	
	8 Manjlegaon	127.51	7 Patoda	106.66			
	9 Ashti	121.16	8 Ambejogai	112.09			
			9 Georai	112.54			17
7 Buldana	—	—	—	—	20 Buldana	43.08	
					21 Chikhli	56.56	
					22 Deulgaon Raja	51.62	
					23 Mehkar	42.38	
					24 Lonar	45.24	
					25 Motala	44.98	6
8 Chandrapur	—	—	10 Dhanora	92.18	26 Mul	61.60	
			11 Rajeeva	97.80	27 Bhadravati	46.20	
					28 Armori	42.82	7
9 Dhulia	—	—	12 Nandurbar	85.48	29 Nawapur	48.84	3
10 Jalgaon	—	—	—	—	30 Yawal	41.06	1
11 Nagpur	10 Kamptee	145.46	13 Katol	95.28	31 Kuhi	49.27	6
12 Nanded	—	—	14 Hadgaon	86.97	32 Bhokar	51.65	
					33 Degloor	41.21	
					34 Kinwat	74.67	5
13 Nasik	—	—	—	—	35 Chandwad	48.99	
					36 Dindori	76.28	
					37 Igatpuri	45.15	
					38 Nandgaon	46.76	
					39 Yeola	58.62	5

(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5)
14 Osmanabad	11 Latur	124.75	15 Osmanabad	103.79	40 Parande	55.27	
			16 Tuljapur	99.94	41 Bhoom	75.09	
			17 Omerga	97.35	42 Nilanga	76.33	
			18 Kallam	108.34			
			19 Udgir	93.24			
			20 Ahmedpur	98.82			18
15 Parbhani	12 Parbhani	120.99	21 Gangakhed	93.86	43 Kalamnuri	74.68	
	13 Pathri	128.83	22 Jintur	98.28			
	14 Partur	126.23	23 Basmat	95.35			
	15 Hingoli	123.62					19
16 Poona	16 Shirur	180.00	24 Mulshi	81.26	44 Khed	63.68	
			25 Mhasal	81.77	45 Haveli	58.64	
			26 Junnar	105.52	46 Ambegaon	79.15	
			27 Purandhar	92.60	47 Bhir	55.45	
			28 Daund	85.44			17
17 Sangli	17 Jath	137.26	29 Khanapur	90.24	48 Atpadi	65.89	6
18 Satara	—	—	30 Phaltan	112.64	49 Javali	46.67	3
19 Sholapur	18 Barshi	147.95	31 Akkalkot	104.10	50 South Sholapur	79.89	
	19 Mangalwedha	154.24					
	20 Karmala	159.64			51 Mohol	64.44	13
20 Wardha	—	—	—	—	52 Wardha	43.92	1
21 Yeotmal	21 Pusad	664.03	32 Ner	98.82	53 Yeotmal	40.95	
					54 Digras	54.54	
					55 Pandharkawda	41.82	
					56 Wani	49.69	
					57 Maregaon	57.30	10
						Total	184

ANNEXURE 16

Blocks where Commercial Banks may undertake to finance Societies

Rupees Lakhs

District	Credit Gap of Rs 120 Lakhs and above		Credit Gap between Rs 80 Lakhs and Rs 120 Lakhs		Credit Gap between Rs 40 Lakhs and Rs 80 Lakhs		No. of Branches of Commercial Banks required
	Block	Credit Gap	Block	Credit Gap	Block	Credit Gap	
(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5)
1 Akola	—	—	—	—	1 Malegaon	46.40	
					2 Risod	43.46	
					3 Karanja	49.67	
					4 Manora	40.25	4
2 Amravati	1 Bhatkuli	141.46	1 Nandgaon Kh.	91.58	5 Amravati	52.13	
					6 Chandur Rly.	57.27	
					7 Tersa	47.38	
					8 Anjangaon	47.33	
					9 Daryapur	41.07	10
3 Aurangabad	2 Vaijapur	122.02	2 Bhokerdan	101.17	10 Kannad	78.03	
	3 Aurangabad	132.00	3 Gangapur	100.99	11 Jaferabad	53.98	
	4 Jalna	180.87	4 Sillod	84.10			
	5 Paithan	137.81					
	6 Ambad	219.59					23
4 Bhandara	—	—	—	—	12 Pauni	40.76	
					13 Tumsar	42.53	
					14 Gondia	56.83	
					15 Tirora	50.95	4

(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5)
5 Bhir	7 Kaij	139.22	5 Bhir	89.40	—	—	
	8 Manjlegaon	127.51	6 Patoda	106.66			
	9 Ashti	121.16	7 Ambejogai	112.09			
			8 Georai	112.54			17
6 Buldana	—	—	—	—	16 Buldana	43.08	
					17 Chikhli	56.56	
					18 Deulgaon Raja	51.62	
					19 Mehkar	42.38	
					20 Lonar	45.24	
					21 Motala	44.98	6
7 Chandrapur	—	—	9 Dhanora	92.18	22 Mul	61.60	
			10 Rajeeva	97.80	23 Bhadravati	46.20	
					24 Armori	42.82	7
8 Nagpur	10 Kamptee	145.46	11 Katol	95.28	25 Kuhi	49.27	6
9 Nanded	—	—	12 Hadgaon	86.97	26 Bhokar	51.65	
					27 Degloor	41.21	
					28 Kinwat	74.67	5
10 Nasik	—	—	—	--	29 Chandwad	48.99	
					30 Dindori	76.28	
					31 Igatpuri	45.15	
					32 Nandgaon	46.76	
					33 Yeola	58.62	5

(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5)
11 Osmanabad	11 Latur	124.75	13 Osmanabad	103.79	34 Parande	55.27	
			14 Tuljapur	99.94	35 Bhoom	75.09	
			15 Omerga	97.35	36 Nilanga	76.33	
			16 Kallan	108.34			
			17 Udgir	93.24			
			18 Ahmedpur	98.82			18
12 Parbhani	12 Parbhani	120.99	19 Gangakhed	93.86	37 Kalamnuri	74.68	
	13 Pathri	128.83	20 Jintur	98.28			
	14 Partur	126.23	21 Basmat	95.35			
	15 Hingoli	123.62					19
13 Poona	16 Shirur	180.00	22 Mulshi	81.26	38 Khed	63.68	
			23 Mhasal	81.77	39 Haveli	58.64	
			24 Junnar	105.52	40 Ambegaon	79.15	
			25 Purandhar	92.60	41 Bhir	55.45	
			26 Daund	85.44			17
14 Sholapur	17 Barshi	147.95	27 Akkalkot	104.10	42 South Sholapur	79.89	
	18 Mangalwedha	154.24			43 Mohol	64.44	
	19 Karmala	159.64					13
15 Yeotmal	20 Pusad	664.03	28 Ner	98.82	44 Yeotmal	40.95	
					45 Digras	54.54	
					46 Pandharkawda	41.82	
					47 Wani	49.69	
					48 Maregaon	57.30	10
						Total	164

ANNEXURE 17

Estimate of the Lending Programme of Commercial Banks for Agriculture in Maharashtra in 1978-9

		Rupees Crores
1	Deposits of all commercial banks in Maharashtra as on 30th June 1973	2066.00
2	Assuming annual growth at 15 per cent the deposits as on 30-6-79 may be of the order of about	4500.00
3	With deposit-credit ratio of 100 : 70 the total loanable funds during 1978-9 may be about	3000.00
4	If direct and indirect loans for short, medium and long term agriculture and for purposes connected with agricultural activities like extension of electricity, distribution of inputs of agriculture etc., are assumed at 7½ per cent of the total loanable funds/total loans and advances, as against over 10 per cent in some commercial banks even as at present, the amounts available to the commercial banks in 1978-9 will be	225.00
5	Estimated indirect loans to Electricity Boards, fertiliser distributors, etc. (other than to primary agricultural credit societies), as against Rs 24 crores in 1973, may be of the order of about	50.00
6	Direct term loans to farmers may be estimated to increase during 1978-9 from about Rs 44 crores as at the end of December 1973 to	75.00
7	After deducting Rs 125 crores for items 5 and 6 from item 4, the amount available for short-term agricultural purposes may be	100.00
8	In view of the emphasis on loans through primary agricultural credit societies, the proportion between such loans to the loans provided directly to farmers may be 3 : 2 in which case the amount available during 1978-9 for loans through primaries out of total of Rs 100 crores will be	60.00
9	Consequently, the funds available for direct short-term loans to farmers will be	40.00

ANNEXURE 18

Loans and Advances as at the end of the Year
Maharashtra State Co-operative Bank

Rupees Lakhs

	1967-8	1968-9	1969-70	1970-71	1971-2	1972-3
Medium-term disposable resources	3799	4394	4980	6080	7080	—
Loans and advances						
(i) Seasonal agricultural operations	3879 (47.3)	4083 (38.6)	4701 (36.3)	4885 (34.4)	3564 (24.0)	1684 (10.2)
(ii) Marketing of crops	—	—	—	—	—	—
(iii) Short-term agricultural loans (i + ii)	3879 (47.3)	4083 (38.6)	4701 (36.3)	4885 (34.4)	3564 (24.0)	1684 (10.2)
(iv) Medium-term agricultural loans (normal)	291 (3.5)	299 (2.8)	400 (3.1)	472 (3.3)	366 (2.4)	275 (1.7)
(v) Medium-term conversion loans	—	—	—	1359 (9.6)	1850 (12.5)	3326 (20.2)
(vi) Total medium-term agricultural loans (iv + v)	291 (3.5)	299 (2.8)	400 (3.1)	1831 (12.9)	2216 (14.9)	3601 (21.9)
(vii) Total agricultural loans (iii + vi)	4170 (50.9)	4382 (41.4)	5101 (39.4)	6716 (47.3)	5780 (38.9)	5285 (32.1)

	1967-8	1968-9	1969-70	1970-71	1971-2	1972-3
(viii) Medium-term non-agricultural loans	510 (6.2)	660 (6.2)	771 (6.0)	1083 (7.6)	1076 (7.3)	968 (5.9)
(ix) Production and marketing of handloom cloth	86 (1.0)	95 (0.9)	115 (0.9)	152 (1.1)	185 (1.2)	144 (0.9)
(x) Purchase and distribution of chemical fertilisers	—	—	—	—	—	—
(xi) Procurement operations	1145 (14.0)	1433 (13.6)	1569 (12.1)	672 (4.7)	750 (5.1)	3983 (24.2)
(xii) Distribution of agricultural requisites	—	—	—	—	—	—
(xiii) Urban banks and salary earners' societies	118 (1.4)	215 (2.0)	308 (2.4)	552 (3.9)	510 (3.4)	397 (2.4)
(xiv) Processing societies	1902 (23.2)	3327 (31.5)	4510 (34.8)	4790 (33.8)	5374 (36.2)	4721 (28.7)
(xv) Other purposes	267 (3.3)	462 (4.4)	565 (4.4)	226 (1.6)	1175 (7.9)	963 (5.8)
(xvi) Total non-agricultural loans (Total of viii to xv)	4028 (49.1)	6192 (58.6)	7838 (60.5)	7475 (52.6)	9070 (61.1)	11176 (67.9)
(xvii) Total advances (vii + xvi)	8198	10574	12940	14190	14850	16461
(xviii) Overdues	135 (1.6)	156 (1.5)	183 (1.5)	243 (1.7)	386 (2.6)	653 (4.0)

Note: Figures in brackets indicate percentage to total advances.

ANNEXURE 19

Involvement of Internal Resources of the State Co-operative Bank in various types of Advances

Rupees Lakhs

Purpose	30 June 1970			30 June 1971		
	Loans Out-standing	Borrow-ings	Involvement out of Owned Resources (Col. 2a—Col. 2b)	Loans Out-standing	Borrow-ings	Involvement out of Owned Resources (Col. 3a—Col. 3b)
(1)	(2a)	(2b)	(2c)	(3a)	(3b)	(3c)
(i) Short-term credit for seasonal agricultural operations	4701.25	4344.83	356.32 (5.1)	4885.46	3234.69	1650.77 (22.6)
(ii) Short-term credit for marketing of crops	—	—	—	—	—	—
(iii) Medium-term credit for agricultural purposes	400.18	169.43	230.75 (3.3)	471.90	268.82	203.08 (2.8)
(iv) Medium-term conversion/rephasement loans	—	—	—	1358.55	1353.42	5.13 (0.1)
Total agricultural advances outstanding			(8.4)			(25.5)

(1)	(2a)	(2b)	(2c)	(3a)	(3b)	(3c)
(v) Production and marketing of handloom cloth (weavers' societies)	115.50	89.65	25.85 (0.4)	152.25	130.10	22.15 (0.3)
(vi) Purchase and distribution of chemical fertilizers	—	—	—	—	—	—
(vii) Procurement operations	1569.46	372.00	1197.46 (17.0)	671.50	2.00	669.50 (9.2)
(viii) Distribution of agricultural requisites other than fertilizers	—	—	—	—	—	—
(ix) Loans to processing societies—S.T.	4509.57	846.01	3665.56 (52.1)	4789.86	1572.16	3217.70 (44.1)
M.T.	261.57	—	261.57 (3.7)	597.57	—	597.57 (8.2)
(x) Urban banks, salary earners' societies	307.63	—	307.63 (4.4)	552.03	—	552.03 (7.6)
(xi) Medium-term non-agricultural loans	509.40	—	509.40 (7.2)	485.09	—	485.09 (6.6)
(xii) Other purposes	565.33	80.65	484.68 (6.8)	225.72	332.65	Nil
Total non-agricultural			(91.6)			
(xiii) Total outstandings	12939.89	5902.57	7037.32 (100.0)	14189.93	6893.84	7296.09 (100.0)

	30 June 1972			30 June 1973			30 June 1974		
	Loans Outstanding	Borrowings	Involvement out of Owned Resources (Col. 4a — Col. 4b)	Loans Outstanding	Borrowings	Involvement out of Owned Resources (Col. 5a — Col. 5b)	Loans Outstanding	Borrowings	Involvement out of Owned Resources (Col. 6a—Col. 6b)
	(4a)	(4b)	(4c)	(5a)	(5b)	(5c)	(6a)	(6b)	(6c)
(i)	3563.87	2516.41	1047.46 (11.9)	1684.43	1729.30	Nil	4535.36	805.45	3729.91 (29.1)
(ii)	—	—	—	—	—	—	—	—	—
(iii)	365.70	208.17	157.53 (1.8)	275.18	224.19	50.99 (0.5)	217.25	163.54	53.71 (0.4)
(iv)	1850.49	1728.27	122.22 (1.4)	3325.59	3326.98	—	2342.29	2249.89	92.40 (0.7)
			(15.1)			(0.5)			(30.2)
(v)	185.03	117.65	67.38 (0.8)	144.23	86.50	57.73 (0.6)	121.56	67.00	54.56 (0.4)
(vi)	—	—	—	—	—	—	—	—	—
(vii)	749.52	1.00	748.52 (8.5)	3983.23	1.00	3982.23 (38.1)	1536.56	1.00	1535.56 (12.0)

	(4a)	(4b)	(4c)	(5a)	(5b)	(5c)	(6a)	(6b)	(6c)
(viii)	—	—	—	—	—	—	—	—	—
(ix)	5374.32	1164.84	4209.48 (47.8)	4721.25	578.62	4142.63 (39.6)	4799.38	677.86	4121.52 (32.1)
	579.34	—	579.34 (6.6)	538.28	—	538.28 (5.1)	603.42	—	603.42 (4.7)
(x)	509.87	—	509.87 (5.8)	397.10	—	397.10 (3.8)	490.96	—	490.96 (3.8)
(xi)	496.21	—	496.21 (5.6)	429.25	—	429.25 (4.1)	383.81	—	383.81 (3.0)
(xii)	1175.52	306.75	868.77 (9.8)	962.47	55.75	906.72 (8.7)	1889.19	117.41	1771.78 (13.8)
(xiii)	14849.87	6043.09	8806.78 (100.0)	16461.01	6002.34	10458.67 (100.0)	16919.78	4082.15	12837.63 (100.0)

Note: Figures in brackets indicate percentage to total involvement during that year.

ANNEXURE 20

Statement showing the Position of Medium-term Disposable Resources and Investments of the State Co-operative Bank for the Years 1967-8 *to* 1974-5

Rupees Lakhs

	As on 30 June							As on 27 December
	1968	1969	1970	1971	1972	1973	1974	1974
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
A **Medium-term resources**								
(i) Owned funds	1298.85	1462.20	1631.77	1885.06	2068.21	2463.41	2866.87	2870.00
(ii) Fixed deposits over 3 years	1640.00	2013.56	2265.90	3153.30	3523.11	3406.52	4057.46	4048.80
(iii) Total (A),	2938.85	3475.76	3897.67	5038.36	5591.32	5869.93	6924.33	6918.80
B **Medium-term commitments**								
(i) Optimum liquid assets (35% of fixed deposits over 3 years)	574.00	704.75	793.07	1103.66	1233.09	1192.28	1420.11	1417.08
(ii) Reserve Fund and stabilization fund—Investment outside business	478.80	567.40	674.42	761.93	854.08	950.03	1052.57	1052.57
(iii) Actual overdues or 5% of total loans outstanding whichever is more	409.88	528.69	646.99	709.50	742.49	823.05	845.99	1055.51
(iv) Other bad and doubtful assets	15.38	25.85	58.39	67.68	95.77	119.72	203.49	203.49
(v) Other medium-term investments (including building, furniture and fixtures etc.)	235.68	231.30	288.37	248.18	304.92	109.82	206.28	229.93
(vi) Total (B)	1713.74	2057.99	2461.24	2890.95	3230.35	3194.90	3728.44	3958.58

13

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
C **Medium-term disposable resources**								
(i) (A) — (B)	1225.11	1417.77	1436.43	2147.41	2360.97	2675.03	3195.89	2960.22
(ii) Medium-term borrowings	100.55	120.08	169.43	1622.24	1936.44	3551.17	2413.43	1793.00
(iii) Total (C)	1325.66	1537.85	1605.86	3769.65	4297.41	6226.20	5609.32	4753.22
D **Medium-term investments**								
(i) Medium-term agricultural (normal) advances	291.14	299.08	400.18	471.90	365.70	275.18	217.25	163.00
(ii) Medium-term conversion/rephasement loans	—	—	—	1358.55	1850.49	3325.59	2342.29	2251.00
(iii) Medium-term (non-agricultural) advances (excluding to sugar factories)	418.70	500.64	509.40	485.09	496.21	429.25	383.81	412.00
(iv) Medium-term (non-agricultural) advances to sugar factories	90.99	159.29	261.57	597.57	579.34	538.28	603.42	610.00
(v) Interim and temporary accommodation to processing societies	819.14	750.54	1150.54	1804.74	2236.88	1594.21	1893.07	1579.00
(vi) Total (D)	1619.97	1709.55	2321.69	4717.85	5528.62	6162.51	5439.84	5015.00
E Excess (+) or deficit (—) of medium-term disposable resources over medium-term investments	—294.31	—171.70	—715.83	—948.20	—1231.21	+63.69	+169.48	—261.78

ANNEXURE 21

Purpose-wise Distribution of Outstanding Loans as at the end of the Year

(A) Ahmednagar District Central Co-operative Bank

Rupees Lakhs

Loans and advances	1967-8	1968-9	1969-70	1970-71	1971-2
(i) Seasonal agricultural operations	807 (62.5)	930 (61.1)	938 (47.8)	1129 (52.0)	1089 (51.3)
(ii) Marketing of crops	65 (5.0)	—	—	—	—
(iii) Short-term agricultural loans (i + ii)	872 (68.0)	930 (61.1)	938 (47.8)	1129 (52.0)	1089 (51.3)
(iv) Medium-term agricultural loans (normal)	83 (6.0)	143 (9.4)	173 (8.8)	213 (9.8)	165 (7.8)
(v) Medium-term conversion loans	—	—	—	1	127 (5.9)
(vi) Medium-term agricultural loans (iv + v)	83 (6.0)	143 (9.4)	173 (8.8)	214 (9.8)	292 (13.7)
(vii) Total agricultural loans (iii + vi)	955 (74.0)	1073 (70.5)	1111 (56.6)	1343 (61.8)	1381 (65.0)
(viii) Medium-term non-agricultural loans	39 (3.0)	73 (4.8)	107 (5.4)	87 (4.0)	64 (3.0)
(ix) Production and marketing of handloom cloth	—	—	—	—	—
(x) Purchase and distribution of chemical fertilizers	—	—	—	—	—
(xi) Procurement operations	—	1 (0.1)	1 (0.1)	—	—

Rupees Lakhs

Loans and advances	1967-8	1968-9	1969-70	1970-71	1971-2
(xii) Distribution of agricultural requisites	—	63	58	68	76
		(4.1)	(3.0)	(3.1)	(3.6)
(xiii) Urban banks and salary earners' societies	11	14	17	22	26
	(0.8)	(0.9)	(0.8)	(1.0)	(1.2)
(xiv) Processing societies	253	257	634	599	534
	(19.6)	(16.9)	(32.3)	(27.7)	(25.2)
(xv) Other purposes	34	41	35	54	43
	(2.7)	(2.7)	(1.8)	(2.4)	(2.0)
(xvi) Total non-agricultural loans (Total of viii to xv)	337	449	852	830	743
	(26.0)	(29.5)	(43.4)	(38.2)	(35.0)
(xvii) Total advances (vii + xvi)	1292	1522	1963	2173	2124
(xviii) Overdues	90	182	211	174	472
	(7.0)	(12.0)	(10.7)	(8.0)	(22.2)

(B) Nanded District Central Co-operative Bank

(i) Seasonal agricultural operations	602	632	666	525	430
	(85.8)	(87.7)	(86.8)	(69.3)	(68.4)
(ii) Marketing of crops	—	—	—	—	—
(iii) Short-term agricultural loans (i + ii)	602	632	666	525	430
	(85.8)	(87.7)	(86.8)	(69.3)	(68.4)
(iv) Medium-term agricultural loans (normal)	49	24	32	29	25
	(7.1)	(3.3)	(4.2)	(3.9)	(4.1)
(v) Medium-term conversion loans	—	1	2	140	106
		(0.1)	(0.2)	(18.5)	(16.9)

Loans and advances	1967-8	1968-9	1969-70	1970-71	1971-2
(vi) Medium-term agricultural loans (iv + v)	49	25	34	169	131
	(7.1)	(3.4)	(4.4)	(22.4)	(21.0)
(vii) Total agricultural loans (iii + vi)	651	657	700	694	561
	(92.9)	(91.1)	(91.2)	(91.7)	(89.4)
(viii) Medium-term non-agricultural loans	—	29	29	27	23
		(4.0)	(3.7)	(3.5)	(3.7)
(ix) Production and marketing of handloom cloth	—	2	2	2	2
		(0.3)	(0.3)	(0.2)	(0.3)
(x) Purchase and distribution of chemical fertilizers	—	—	—	—	—
(xi) Procurement operations	—	—	—	—	—
(xii) Distribution of agricultural requisites	—	8	8	9	15
		(1.1)	(1.1)	(1.2)	(2.4)
(xiii) Urban banks and salary earners' societies	—	4	5	3	4
		(0.5)	(0.7)	(0.4)	(0.6)
(xiv) Processing societies	—	4	6	7	7
		(0.6)	(0.8)	(1.0)	(1.0)
(xv) Other purposes	50	17	17	15	16
	(7.1)	(2.4)	(2.2)	(2.0)	(2.6)
(xvi) Total non-agricultural loans (Total of viii to xv)	50	64	67	63	67
	(7.1)	(8.9)	(8.8)	(8.3)	(10.6)
(xvii) Total advances (vii + xvi)	701	721	767	757	628
(xviii) Overdues	270	305	386	450	430
	(38.5)	(42.3)	(50.3)	(59.4)	(68.4)

(C) Sholapur District Central Co-operative Bank

Rupees Lakhs

Loans and advances	1967-8	1968-9	1969-70	1970-71	1971-2
(i) Seasonal agricultural operations	349	419	442	516	543
	(64.2)	(66.1)	(63.9)	(69.2)	(68.4)
(ii) Marketing of crops	—	13	8	17	12
		(1.9)	(1.2)	(2.2)	(1.5)
(iii) Short-term agricultural loans (i + ii)	349	432	450	533	555
	(64.2)	(68.0)	(65.1)	(71.4)	(69.9)
(iv) Medium-term agricultural loans (normal)	3	4	3	3	3
	(0.6)	(0.7)	(0.4)	(0.4)	(0.3)
(v) Medium-term conversion loans	—	—	—	—	—
(vi) Medium-term agricultural loans (iv + v)	3	4	3	3	3
	(0.6)	(0.7)	(0.4)	(0.4)	(0.3)
(vii) Total agricultural loans (iii + vi)	352	436	453	536	558
	(64.8)	(68.7)	(65.5)	(71.8)	(70.2)
(viii) Medium-term non-agricultural loans	10	40	72	60	42
	(1.9)	(6.3)	(10.4)	(8.0)	(5.2)
(ix) Production and marketing of handloom cloth	—	—	—	—	—
(x) Purchase and distribution of chemical fertilizers	—	—	—	—	—
(xi) Procurement operations	—	—	1	—	—
(xii) Distribution of agricultural requisites	—	6	6	4	2
		(1.0)	(0.9)	(0.5)	(0.2)
(xiii) Urban banks and salary earners' societies	—	40	33	10	14
		(6.2)	(4.8)	(1.3)	(1.8)
(xiv) Processing societies	—	98	111	126	165
		(15.6)	(16.1)	(16.9)	(20.8)

Rupees Lakhs

Loans and advances	1967-8	1968-9	1969-70	1970-71	1971-2
(xv) Other purposes	181	14	15	11	14
	(33.3)	(2.2)	(2.2)	(1.5)	(1.8)
(xvi) Total non-agricultural loans (Total of viii to xv)	191	198	238	211	237
	(35.2)	(31.3)	(34.5)	(28.2)	(29.8)
(xvii) Total advances (vii + xvi)	543	634	691	747	795
(xviii) Overdues	112	92	119	125	190
	(20.5)	(14..6)	(17.2)	(16.7)	(23.9)

(D) Thana District Central Co-operative Bank

(i) Seasonal agricultural operations	120	126	124	121	115
	(49.2)	(42.5)	(36.5)	(38.8)	(32.4)
(ii) Marketing of crops	—	14	17	10	11
(iii) Short-term agricultural loans (i + ii)	120	140	141	131	126
	(49.2)	(47.2)	(41.6)	(42.1)	(35.5)
(iv) Medium-term agricultural loans (normal)	15	14	15	16	19
(v) Medium-term conversion loans	—	1	1	—	—
(vi) Medium-term agricultural loans (iv + v)	15	15	16	16	19
	(6.4)	(5.2)	(4.6)	(5.3)	(5.3)
(vii) Total agricultural loans (iii + vi)	135	155	157	147	145
	(55.7)	(52.4)	(46.2)	(47.4)	(40.7)
(viii) Medium-term non-agricultural loans	23	31	38	34	31
	(9.4)	(10.5)	(11.0)	(11.0)	(8.8)
(ix) Production and marketing of handloom cloth	—	—	—	1	5
				(0.4)	(1.4)

Rupees Lakhs

Loans and advances	1967-8	1968-9	1969-70	1970-71	1971-2
(x) Purchase and distribution of chemical fertilizers	—	—	—	—	—
(xi) Procurement operations	—	2	3	2	2
		(0.6)	(0.8)	(0.8)	(0.5)
(xii) Distribution of agricultural requisites	—	—	—	—	—
(xiii) Urban banks and salary earners' societies	—	12	12	9	11
		(4.1)	(3.6)	(3.0)	(3.1)
(xiv) Processing societies	—	37	53	47	76
		(12.5)	(15.7)	(15.1)	(21.4)
(xv) Other purposes	85	59	77	70	86
	(34.9)	(19.8)	(22.7)	(22.3)	(24.1)
(xvi) Total non-agricultural loans (Total of viii to xv)	108	141	183	163	211
	(44.3)	(47.6)	(53.8)	(52.6)	(59.3)
(xvii) Total advances (vii + xvi)	243	296	340	310	356
(xviii) Overdues	92	130	130	131	112
	(37.7)	(44.2)	(38.0)	(42.2)	(31.6)

(E) Yeotmal District Central Co-operative Bank

(i) Seasonal agricultural operations	408	480	416	509	463
	(86.0)	(90.6)	(88.3)	(65.2)	(62.3)
(ii) Marketing of crops	6	—	—	—	—
	(1.3)				
(iii) Short-term agricultural loans (i + ii)	414	480	416	509	463
	(87.3)	(90.6)	(88.3)	(65.2)	(62.3)

Loans and advances	1967-8	1968-9	1969-70	1970-71	1971-2
(iv) Medium-term agricultural loans (normal)	35	25	28	14	9
	(7.3)	(4.8)	(6.0)	(1.7)	(1.2)
(v) Medium-term conversion loans	—	—	—	206	189
				(26.4)	(25.5)
(vi) Medium-term agricultural loans (iv + v)	35	25	28	220	198
	(7.3)	(4.8)	(6.0)	(28.1)	(26.7)
(vii) Total agricultural loans (iii + vi)	449	505	444	729	661
	(94.6)	(95.2)	(94.3)	(93.3)	(89.0)
(viii) Medium-term non-agricultural loans	—	—	—	—	7
					(0.9)
(ix) Production and marketing of handloom cloth	—	—	—	13	18
				(1.7)	(2.5)
(x) Purchase and distribution of chemical fertilizers	—	—	—	—	—
(xi) Procurement operations	—	—	—	7	5
				(0.8)	(0.7)
(xii) Distribution of agricultural requisites	—	—	—	—	—
(xiii) Urban banks and salary earners' societies	7	—	—	8	11
	(1.5)			(1.0)	(1.5)
(xiv) Processing societies	13	—	—	14	32
	(2.7)			(1.8)	(4.2)
(xv) Other purposes	6	25	27	11	9
	(1.2)	(4.6)	(5.7)	(1.4)	(1.2)
(xvi) Total non-agricultural loans (Total of viii to xv)	26	25	27	53	82
	(5.4)	(4.6)	(5.7)	(6.7)	(11.0)
(xvii) Total advances (vii + xvi)	475	530	471	782	743
(xviii) Overdues	392	372	334	319	348
	(82.5)	(70.3)	(60.7)	(40.7)	(46.9)

ANNEXURE 22

Details of Non-agricultural Advances (purpose-wise) of five Central Co-operative Banks for the Period 1967-8 *to* 1971-2

Rupees Lakhs

Purpose	1967-8						1968-9					
	A	N	S	T	Y	Total	A	N	S	T	Y	Total
1. Medium-term agricultural loans	39	—	10	23	—	72	73	29	40	31	—	173
2. Production and marketing of handloom cloth	—	—	—	—	—	—	—	2	—	—	—	2
3. Procurement operations	—	—	—	—	—	—	1	—	—	2	—	3
4. Urban banks and salary earners' societies	11	—	—	—	7	18	14	4	40	12	—	70
5. Processing societies	253	—	—	—	13	266	257	4	98	37	—	396
6. Other purposes	34	50	181	85	6	356	104	25	20	59	25	233
7. Total non-agricultural loans	337	50	191	108	26	712	449	64	198	141	25	877

	1969-70						1970-71						1971-2					
	A	N	S	T	Y	Total	A	N	S	T	Y	Total	A	N	S	T	Y	Total
1.	107	29	72	38	—	246	87	27	60	34	—	208	64	23	42	31	7	167
2.	—	2	—	—	—	2	—	2	—	1	13	16	—	2	—	5	18	25
3.	1	—	1	3	—	5	—	—	—	2	7	9	—	—	—	2	5	7
4.	17	5	33	12	—	67	22	3	10	9	8	52	26	4	14	11	11	66
5.	634	6	111	53	—	804	599	7	126	47	14	793	534	7	165	76	32	814
6.	93	25	21	77	27	243	122	24	15	70	11	242	119	31	16	86	9	261
7.	852	67	238	183	27	1367	830	63	211	163	53	1320	743	67	237	211	82	1340

District Central Co-operative Banks

A—Ahmednagar T—Thana
N—Nanded Y—Yeotmal
S—Sholapur

ANNEXURE 23

Performance of District Central Co-operative Banks in the financing of Small and Weak Farmers through Primary Credit Societies during 1973-4

Rupees Lakhs

	Bank	Parameters fixed		Maximum Borrowings Outstanding from Apex Bank		Maximum Advances Outstanding against small Farmers		Percentage of Col. 7 to Col. 5	Remarks
		Size of holdings in acres	Involvement %	Month	Amount	Month	Amount		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Ahmednagar	3	20	June 74	628.00	Feb. 74	80.14	12.90	
2	Akola	3	20	Nov. 73	262.00	Nov. 73	12.68	4.84	
3	Amravati	3	20	Dec. 73	286.90	Oct. 73	13.16	4.59	
4	Aurangabad	3	20	Dec. 73	268.94	June 74	7.46	2.77	Parameter raised to 7.5 acres. Involvement— 10% for 1974-5 15% for 1975-6 20% for 1976-7
5	Bhandara (SFDA)	2.5 to 7.5	20	Nov. 73	206.84	Oct. 73	116.31	56.23	
6	Bhir	3	20	Nov. 73	148.64	Nov./ Dec. 73	2.69	1.81	Parameter raised to 5 acres and involvement fixed at 15% for 1974-5 only.

(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
7	Buldana	5	20	Oct. to Dec. 73	85.81	Nov. 73	14.79	17.23	
8	Chandrapur	3	20	Nov./ Dec. 73	143.86	June 74	6.92	4.83	
9	Dhulia	5	20*	Oct. 73	301.74	June 74	25.21	8.36	*15% for 1974-5—Parameter raised to 7.5 acres for 1974-5 and involvement fixed at 20% for 1975-6.
10	Jalgaon	3	20	June 74	255.50	Sept. 73	34.44	13.48	Parameter raised to 5 acres for 1974-5 only.
11	Kolaba	3	20	Sept./ Oct. 73	100.00	July 73	68.75	68.75	
12	Kolhapur	3	20	Dec. 73	680.00	Feb. 74	140.58	20.67	
13	Nagpur	3	20	Jan. 74	167.20	Mar. 74	17.44	10.43	Parameter raised to 5 acres.
14	Nanded	5	20	Nov. 73	148.90	Aug. 73	7.84	5.27	
15	Nasik (SFDA)	@	20	Dec. 73	475.00	Nov. 73	48.59	10.23	
16	Osmanabad	5	15	Jan. 74	394.50	April 74	15.50	3.93	
17	Parbhani (MFAL)	2 to 5	20	Dec. 73/ Jan. 74	180.00	Nov. 73	6.70	3.72	
18	Poooa	3	20	Feb. 74	75.00	June 74	4.76	6.35	
19	Ratnagiri (SFDA/MFAL)	@	20	Sept./ Oct. 73	30.00	July 73	12.26	40.87	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
20 Sangli	3*	20	June 74	399.04	June 74	76.28	19.12	* Parameter raised to 5 acres for 1974-5 only.
21 Satara (SFDA/ MFAL)	@	20	June 74	371.50	June 74	94.00	25.30	
22 Sholapur	3	20	June 74	162.50	June 74	34.72	21.36	
23 Thana (SFDA)	@	20	—	—	Aug. 73	30.01	—	
24 Wardha	3	20	Aug./ Nov. 73	55.00	Sept. 73	1.99	3.62	Parameter raised to 5 acres.
25 Yeotmal	3	20	Nov./ Dec. 73	320.00	Nov. 73	5.93	1.85	Parameter raised to 7.5 acres for 1974-5. Involvement: 15% for 1974-5 20% for 1975-6

@ 2.5 to 7.5 acres permanently irrigated.
7.5 to 22.5 acres temporarily irrigated.
3 to 9 acres paddy land.
10 to 30 acres 'warkas' land.

ANNEXURE 24

Findings in brief of the study of Co-operative Sugar Factories

(A) Panchganga Sahakari Sakhar Karkhana, Ganganagar (Kolhapur)

1 Area of operations: 102 villages; farthest village—26 miles.

2 Availability of sugarcane: Considered adequate.

Total acreage under sugarcane in the area	Of which cultivated by members	Average yield (in tonnes) per acre	Recovery percentage
(1)	(2)	(3)	(4)
Increased from 12,515 to 27,619	8,000 to 11,000	Around 35	Around 11

Sugarcane crushed (in 000 tonnes)	Of which from members (in 000 tonnes)	Price paid per tonne
(5)	(6)	(7)
Around 460	Around 325	Rs 139 (same to members & non-members)

3 Site of the factory: Convenient from all the viewpoints such as good roads, availability of water, etc.

4 Date of registration and issue of licence:

Registration:	October 1955
Licence:	January 1957
Crushing capacity:	1250 TCD: Initial 2600 TCD: 1st expansion (1968-69) 4000 TCD: 2nd expansion (1972-73)

5 Period taken for trial crushing/commercial production from date of contract for machinery: 2 years: Machinery contract: January 1957
Trial crushing: March 1959
Commercial production: 1959-60

Delay of 8 months on account of delay in shipment of imported machinery.

6 Project cost:

Rs lakhs

	Cost	Resources	
Land	0.35	Share capital:	
Civil works	22.91	Growers	13.89
		Others	1.29
Machinery etc.	100.36	State Government	10.00
Other costs	3.73	IFC (LT)	65.00
		M.S.C. (MT)	36.00
		Deposits	1.17
	127.35		127.35

No difficulties in raising the required resources; repayments made on time and even in advance.

1st expansion—cost Rs 293 lakhs
2nd expansion—cost Rs 203 lakhs

IFC Loan of Rs 80 lakhs and Rs 75 lakhs for 1st and 2nd expansion respectively. Other cost met by raising share capital from growers and out of deposits.

7 Recoveries by factories out of cane price: Compulsory Deposit: Rs 5 per tonne
M.S.C. Bank Debentures Scheme: Rs 2 per tonne.

8 Working capital: Pledge, Hypothecation, and clean limits from the M.S.C. Bank. Operations were satisfactory.

9 Recovery of co-operative dues: was being done.

10 Working at profit (+)/loss (—): Profit—1972-73 Rs 9.66 lakhs

(B) Ashok Sahakari Sakhar Karkhana (Ahmednagar)

1 Area of operations: 37 villages; farthest village—15 miles.

2 Availability of sugarcane:

Total acreage under sugarcane in the area of the factory	Of which cultivated by members	Average yield per acre (in tonnes)
(1)	(2)	(3)
Increased from 2500 to 9000	5000	Around 40

Recovery percentage	Sugarcane crushed (in 000 tonnes)	Of which from members (in 000 tonnes)	Price per tonne
(4)	(5)	(6)	(7)
10-12	Around 280 From 1971-2 200	Until 1971-2 no gatecane was taken— from 1971-2 52 to 95	Rs 115 to members Rs 140 to non-members

1 There are other factories within a radius of 40 miles of the factory. Hence competition for acquiring sugarcane and payment of higher prices for the same. Hence, disloyalty of members.

2 Acreage under sugarcane decreased after 1968-69 due to cut in water supply from Bhandardara dam and drought conditions. So also due to increase in the cost of cultivation of sugarcane land was diverted for other crops.

3 Crushing capacity:

1 In spite of the above facts, factory undertook two expansions raising its capacity to 2600 TCD in 1971-2.

2 Now cane is inadequate to feed the increased capacity.

4 Site of the factory: Convenient from the viewpoint of communication and other facilities.

5 Date of registration and issue of licence: Registration: December 1954
Licence: January 1955

6 Period taken (18 months reasonable) for going into trial crushing/commercial production from date of contract for machinery: 2 years (Marginal delay of 2 months).

Machinery contract: September 1955
Trial crushing: December 1957
Commercial production: 1957-58

7 Project cost:

Estimated (actual in brackets)			Resources (Rs lakhs)	
Cost of land	—	(0.30)	Share capital:	
Civil works	12.13	(14.40)	Growers	15.86
Plant etc.	66.67	(77.27)	Others	0.11
Other costs	—	(3.29)	State Government	10.00
			IFC loan	52.50
			M.S.C. Bank (MT) loan	12.50
			Deposits etc.	4.29
	78.80	(95.26)		95.26

1 Difficulty was experienced only in raising share capital from members due to depressed prices of agricultural commodities.

2 Letter of credit was opened for the machinery for about Rs 40 lakhs and an interim finance of Rs 15 lakhs against IFC loan.

8 Expansion:

1st expansion: 1966-7 to 1968-9

Cost	Resources	Rs Lakhs
159.00	Deferred payment (guaranteed by M.S.C. Bank)	65.51
	M.T. loan by apex bank	40.00
	Deposits	53.66
159.00		159.17

1. M.S.C. Bank loan of Rs 50 lakhs was drawn in July/October 1968 of which Rs 35 lakhs were adjusted against special clean limit.
2. Failed to repay apex bank dues on due dates.
3. In August 1972, apex bank paid Rs 10 lakhs, under its guarantee for deferred payment.

2nd expansion: 1969-70 to 1971-2

Rs Lakhs

Cost	Resources	
164.00 Revised to 229.00	Share capital	42.23
	Owned funds	86.77
	IFC	100.00
229.00		229.00

1 IFC sanctioned loan within 7 months (January-August 1970) but factory failed to get it released until February-November 1972 due to non-fulfilment of conditions regarding raising additional share capital of Rs 55 lakhs from members. It could raise Rs 42.24 lakhs. IFC loans are not being repaid on due dates.

2 M.S.C. Bank sanctioned interim accommodation of Rs 100 lakhs in 1969 to meet bills drawn under letter of credit which was fully utilized. Repaid after 2 years with the release of IFC loan.

9 Financial difficulties: The inability of the factory to raise additional share capital as also inability to get adequate cane and payment of higher prices for gate-cane landed it in financial trouble. M.S.C. Bank sanctioned temporary loan of Rs 50 lakhs in September/November 1972. A further temporary loan of Rs 10 lakhs was sanctioned in July 1971 to repay IFC instalment. Another temporary loan of Rs 50 lakhs in June 1973 to meet working capital deficits. Yet another temporary loan of Rs 10 lakhs in October 1973 to pay interest on deposits to members. Thus the apex bank sanctioned accommodation from time to time ignoring the basic fact of non-availability of sugarcane to feed the factory. A rehabilitation programme has been approved for the factory on the presumption of its crushing of 2.50 lakh tonnes to 3.80 lakh tonnes of sugarcane, mainly from members, in the next 5 years from 1973-4 to 1977-8. It is, however, feared that the factory may not be able to get the required cane. Alternative, therefore, may be to reduce its crushing capacity even by sale of plant.

10 Recoveries by factory—out of cane price:	Non-refundable Deposits	Rs 5 per tonne
	Debenture Deposits	Rs 2 per tonne.

11 Working capital: Provided by the Maharashtra State Co-operative Bank. The operations were generally saitsfactory obviously because it secured temporary accommodation for meeting other liabilities.

12 Recovery of co-operative dues: was being done.

13 Profit/Loss: Working at loss—1972-3 Rs 14.42 lakhs.

(C) Vishwas Sahakari Sakhar Karkhana (Sangli)

1 Area of operations: 64 villages; farthest village—35 miles.

2 Availability of sugarcane: Availability is considered adequate but the difficulty is in ensuring members' loyalty in which the factory has so far miserably failed.

Total acreage under sugarcane	Of which members	Average yield per acre in tonnes
(1)	(2)	(3)
5000-6000	4000	25

Percentage of recovery	Sugarcane crushed in tonnes	Of which members
(4)	(5)	(6)
9	1697 (1973-4 upto 31-3-74)	1017

Cane price paid per tonne
(7)
Members—Rs 115
Non-Members—Rs 153

3 Site of the factory: Is in deep interior and not served by good roads. The land for the site not acquired fully. Difficulty in acquiring site as land belongs to 105 land-holders. Titles could not be cleared.

4 Date of registration and issue of licence:	Registration: May 1967 Letter of intent: March 1966 (applied for in 1963) Licence with crushing capacity: 1250 TCD: August 1969 Non-compliance of condition of letter of intent in regard to raising minimum share capital of Rs 20 lakhs and eventually Rs 45 lakhs as also submission of application to IFC for loan within 6 months. Condition in licence regarding establishment of factory before 1970-71 crushing season not fulfilled.
5 Period taken for taking trial crushing/commercial production from the date of contract:	Contract for machinery: October 1969 Trial crushing: April 1973 Commercial production: 1973-4 In-ordinate delay due to defective contract as also inability to complete other formalities.

6 Project cost:

Rs lakhs

Cost (in brackets revised)			**Resources**		
Land	3.10	(6.28)	Share capital:		
Civil works	37.10		Growers		36.91
Plant & machinery	139.20	(154.05)	Others		0.14
			State Government		45.00
Other costs	40.60	(93.97)	IFC		120.00
			M.S.C. Bank:		
			Interim	68.80	
			Rehabilitation loan	20.00	88.80
	220.00	(310.00)			290.85

Gap of Rs 20 lakhs likely to go up by another Rs 20 lakhs. Additional loan of Rs 45 lakhs (applied for) from IFC.

1 The factory had not been able to raise share capital from growers in spite of the sanction of M.T. loans for purchase of shares by the Reserve Bank of India (limit drawn Rs 15.48 lakhs).

		2 IFC loan applied for in February 1969 and sanctioned in July 1969. However not released till July-December 1973 in view of the inability of the factory to acquire the entire site as well as to mortgage title deeds for the land. Released in July 1973 only after execution of indemnity bond by M.S.C. Bank. Has not been able to pay instalments of IFC. Application for additional loan of Rs 45 lakhs is under consideration of IFC.
		3 M.S.C. Bank opened letters of credit in January 1970 and July 1972 from Rs 97 lakhs and Rs 32 lakhs respectively and also sanctioned interim accommodation of Rs 125 lakhs and Rs 45 lakhs. Delay in repayment as mentioned earlier. A temporary loan of Rs 10 lakhs in December 1973 against additional share capital from the State Government.
7	Financial difficulties:	In view of the increased cost of the project as also the delay in starting the production, the factory has suffered a loss. Its loss balance was Rs 26.65 lakhs as on 30 June 1973. M.S.C. Bank has sanctioned a medium-term loan of Rs 68 lakhs in January 1974 for rehabilitation.
8	Recoveries from sugarcane price:	Compulsory deposit—Rs 5 per tonne.
9	Working capital:	M.S.C. Bank. Operations were generally satisfactory obviously because M.S.C. Bank had helped in meeting other liabilities by way of interim, temporary and medium-term loans etc.
10	Recovery of co-operative dues:	Has agreed.
11	Working at profit/loss:	Loss—Total loss balance Rs 26.65 lakhs in 1972-3.

(D) Satara Sahakari Sakhar Karkhana (Satara)

1	Area of operations:	281 villages; farthest village—32 miles.
2	Availability of sugarcane:	Sugarcane supply at present is considered inadequate. It may increase only when Dhom

project on Krishna river is completed which may take another 4-5 years. Greater reliance on gatecane. Transport cost borne by factory. Disloyalty of members.

Total acreage under sugarcane in the area of operations	Of which members	Average yield per acre in tonnes
(1)	(2)	(3)
2600-2800	1400-1500	22

Percentage of recovery	Sugarcane crushed (000 tonnes)	Of which from members (in 000 tonnes)
(4)	(5)	(6)
10	17 to 119	14 to 16

Cane price paid per tonne
(7)
Members—Rs 115
Non-members—Rs 140

3 Site of the factory: Generally convenient.

4 Date of registration and issue of licence: Registration: October 1968
Letter of intent: August 1968
Licence with crushing capacity of 1250 TCD: August 1969

5 Period taken for going into production from date of contract for machinery: 2 years: Contract for machinery—Feb. 1969
Trial crushing—February 1971
Commercial production—1971-72

Delay in supply of machinery

6 Project cost:

Rs lakhs

Cost (actual in brackets)			**Resources**	
Land	2.50	(1.45)	Share capital:	
Civil works	25.70	(45.15)	Growers	30.47
Plant & machinery	160.00	(173.45)	Others	1.94
			State Government	35.00
Other costs	11.80	(7.91)	IFC	150.00
			Others	11.68
	200.00	(227.96)		229.09

		There was difficulty in raising share capital from members (Rs 65 lakhs) in spite of sanction of medium-term loan by RBI for purchase of shares (Rs 16.20 lakhs drawn from RBI limit). This was attributed to inability of cultivators to pay their own contribution due to drought conditions. In collection of share capital, adjustments were reportedly made out of production loans towards members' contribution. M.S.C. Bank provided long-term finance in May 1970 under debenture scheme. It had earlier in June 1969 opened letter of credit for Rs 120 lakhs. However, the feasibility report was obtained in July 1969. A temporary loan of Rs 30 lakhs was taken in May 1971 from the Bank of Maharashtra under default guarantee by the M.S.C. Bank (on account of shortfall in the share capital collection) to meet expenses for civil work. M.S.C. Bank had to honour the guarantee on default by the factory and it became a loan from the M.S.C. Bank from August 1971-April 1972.
7	Working capital:	Provided by M.S.C. Bank operations not satisfactory and amount has become overdue. District Central Co-operative Bank sanctioned overdraft facility for Rs 13 lakhs in December 1973.
8	Financial difficulties:	In view of the inability to raise own resources by way of share capital from growers and excessive reliance on gatecane due to inadequate cane supply from members, factory and been running in loss. As on 31 March 1974 it had a loss balance of Rs 122.91 lakhs. The factory would need a limit of Rs 50 lakhs to defray its urgent current liability for taking up crushing in 1974-5.
9	Recoveries from cane price:	Non-refundable deposits—Rs 5 per tonne. C.M's Relief Fund—Rs 3 per tonne for 1972-3.
10	Working at Profit/Loss:	Loss—1972-3—Rs 41 lakhs.

(E) Vinayak Sahakari Sakhar Karkhana (Aurangabad)

1	Area of operations:	160 villages; farthest village—35 kms.
2	Availability of sugarcane:	Would be adequate provided the development of sugarcane is ensured.

Total acreage under sugarcane	Of which members	Average yield per acre in tonnes
(1)	(2)	(3)
8000 to 3000 (declining trend)	N.A.	35

3	Site of the factory:	Selection was wrong from the viewpoint of availability of water.
4	Date of registration and licence:	Registration: July 1969 Licence for crushing capacity of 1250 TCD: January 1972 Failed to raise minimum share capital of Rs 20 lakhs and eventually Rs 65 lakhs.
5	Period taken for going into trial crushing from date of contract for machinery:	5 years. Machinery contract: October 1969 Trial season: likely to be in 1974-75 Delay due to late receipt of firm licence, supply of machinery and IFC loan.
6	Project cost:	

Rs Lakhs

	Cost		Resources		
	Estimated	Incurred upto 31-3-74		Estimated	Collected
Cost of land	3.35	0.73	Share capital:		
Civil work	56.60	26.56	Growers	65.00	32.30
Plant & machinery	168.65	137.00	Others	5.00	0.39
			State Govt.	60.00	35.00
Others	61.40	9.75	IFC	150.00	—
			M.S.C. Bank (MT loans)	15.00	
			Interim finance by MSCB	—	91.42
			Temporary from MSCB	—	10.00
			Subsidy	—	5.00
	290.00	174.04		290.00	174.11

The factory had failed to raise the required share capital in spite of sanction of medium-term loans for purchase of shares by the Reserve Bank of India (limit drawn Rs 12.40 lakhs). The State Government also had stopped releasing its further contribution as the factory had not made progress in collection of share capital from growers.

The IFC sanctioned loan of Rs 150 lakhs after 1½ years (January 1972-July 1973) but did not release the same for failure to raise a minimum share capital of Rs 100 lakhs as also appointment of key personnel.

The M.S.C. Bank had opened letters of credit in September 1972 for Rs 120 lakhs and sanctioned interim accommodation of Rs 120 lakhs in July 1972 specially for meeting bills under letter of credit.

Temporary loan of Rs 10 lakhs by M.S.C. Bank in February 1974.

7 Financial difficulties: Inability to raise the required share capital from members has mainly caused the delay in the project. Further, even the availability of cane is insufficient and development potential is also doubtful. The factory may, therefore, still face problems when it takes up crushing.

8 Profit/Loss: N.A.

(F) Vasant Sahakari Sakhar Karkhana (Yeotmal)

1 Area of operations: 340 villages; farthest village—40 miles.

2 Availability of sugarcane: Area under sugarcane is inadequate as the IFC has withheld its disbursement pending the state government's assurance that the allotment of acreage under Pus Project would be increased in order to provide cane for the factory.

Total acreage under sugarcane	Of which members	Average yield per acre in tonnes
(1)	(2)	(3)
2500 to 2800	1600	20

3	Site for the factory:	No comments are offered.
4	Date of registration/ licence:	Registration: July 1969 Licence for crushing capacity of 1250 TCD: November 1970 Failed to raise minimum share capital of Rs 20 lakhs from grower members.
5	Period taken for going into trial crushing/commercial production from the date of contract for machinery:	4 years. Contract for machinery: Oct. 1969 Trial crushing: February 1973 Commercial production: 1973-74 Delay in supply of machinery and completion of civil work for want of cement.

6 Project cost:

Rs lakhs

	Cost			**Resources**	
	Estimated	Expenses (31-12-73)		Estimated	Raised
Land	1.75 (2.90)	2.30	Share capital:		
Plant & machinery	157.49 (165.49)	158.98	Growers	60.00	23.78
Others	97.76 (129.63)	97.20	Others	5.00	1.19
			State Govt.	60.00	55.00
			IFC	150.00	—
			Temporary loan from M.S.C.B.	—	39.29
			Letter of credit by M.S.C.B.	—	132.93
			M.T. loan from M.S.C.B.	23.02	—
			Others	—	1.23
	257.00 (298.02)	258.48		298.02	258.48

The share capital from growers could not be raised in spite of sanction of medium-term limit by Reserve Bank of India for purchase of shares.

IFC sanctioned loan in one year (October 1971-October 1972) but disbursement has been withheld as it wants state government to increase sugarcane acreage under Pus Project.

M S.C. Bank opened letter of credit in November 1970 for Rs 120 lakhs and a temporary loan of Rs 25 lakhs against state government share capital. Special loan of Rs 10 lakhs (purpose not known).

7	Working capital:	Provided by M.S.C. Bank. Generally satisfactory.
8	Financial difficulties:	Inadequate cane supply and not likely to be a viable unit for a period of 4-5 years.
9	Profit/Loss:	Loss—Rs 36.64 lakhs for 1972-73.

(G) Marathwada Sahakari Sakhar Karkhana (Parbhani)

1 Area of operations: 345 villages; farthest village—40 miles.

2 Availability of sugarcane:

Area under sugarcane	Of which members
(1)	(2)
500-5900	500-3600

3 Site for the factory: No comments are offered.

4 Date of registration and issue of licence: Registration: July 1969
Licence: September 1970

Could not raise the required minimum share capital of Rs 20 lakhs from grower members.

5 Period taken for going into production from the date of contract for machinery: Machinery contract: October 1969

Factory is under erection.
Civil work held up till 1973 for want of funds.

6 Project cost:

Rs lakhs

	Estimated	Actual cost (31-3-1974)	Resources	
Land	3.95	1.27	Share capital:	
Plant & machinery	159.07	144.48	Growers	12.76
			Others	0.08
Others	111.98	75.42	State Govt.	45.00
			M.S.C. Bank letter of credit & interim	163.76
	275.00	221.17		221.60

The factory could not raise minimum share capital of even Rs 20 lakhs in-spite of sanction of medium-term loans for purchase of shares by the Reserve Bank of India. Although applied for long-term loan to IFC in September 1971, sanction not received. Thus the factory is not likely to get adequate cane supply to meet its repuirements.

M.S.C. Bank opened in January 1971 letter of credit for Rs 113.50 lakhs and interim finance of Rs 30 lakhs.

7 Profit/Loss: Loss—Rs 6.92 lakhs—1972-3.

ANNEXURE 25

Statement showing Optimum Crushing Capacity per Season of Co-operative Sugar Factories in Maharashtra and the Quantity if Cane actually Crushed by them during 1973-4 Season

Name of Factory	Daily Crushing Capacity (metric tonnes)	Optimum Crushing Capacity per Season (lakh metric tonnes)	Quantity of Cane Crushed during 1973-4 Season (lakh metric tonnes)
(1)	(2)	(3)	(4)
Ahmednagar District			
1 Ashok	2600	4.00	1.92
2 Ganesh	1750	2.75	2.22
3 Pravara	2500	4.00	4.64
4 Sangamner	800	1.28	1.49
5 Kopargaon	1750	2.75	3.02
6 Rahuri	2600	4.00	5.46
7 Sanjiwani-Kopargaon	2000	3.20	2.45
8 Shrigonda	1250	2.00	0.68
Poona District			
9 Chhatrapati-Sansar	1250	2.00	1.55
10 Malegaon	1500	2.40	2.07
11 Someshwar	1000	1.60	1.53
12 Yeshwant-Theur	1250	2.00	2.38
Sholapur District			
13 Yeshwant-Akluj	1750	2.75	2.43
14 Shankar-Malshiras	800	1.28	1.00
15 Siddeshwar-Kumthe	1250	2.00	Nil
16 Saswad Mali	1000	1.60	0.78
Satara District			
17 Krishna-Rethare	2600	4.00	4.37
18 Shriram-Phaltan	1250	2.00	1.87
19 Sahyadri-Shikhade	1250	2.00	Nil
20 Satara-Bhuinj	1250	2.00	Nil
21 Balasaheb Desai-Patan	1250	2.00	0.17

(1)	(2)	(3)	(4)
Nasik District			
22 Girana	1000	1.60	2.06
23 Niphad	2000	3.20	2.42
Kolhapur District			
24 Bhogawati	2000	3.20	3.06
25 Kumbhi-Kasari	1750	2.75	2.45
26 Panchaganga	3250	5.20	3.87
27 Dudhaganga-Vedganga	1750	2.75	1.96
28 Datta-Shirol	1250	2.00	1.01
29 Varana	2000	3.20	1.80
Sangli District			
30 Shetkari	3300	5.25	5.11
31 Valwa	1250	2.00	1.78
32 Vishwas	1250	2.00	0.02
Aurangabad District			
33 Gangapur	1000	1.60	0.43
Osmanabad District			
34 Tarna-Dhoki	2000	3.20	0.62
35 Shetkari Killari	1250	2.00	Nil
Nanded District			
36 Kalambar	1250	2.00	Nil
Dhulia District			
37 Panzarakan	1250	2.00	1.50
38 Satpuda-Tapi Parisar	1250	2.00	2.70
Yeotmal District			
39 Vasant-Pusad	1250	2.00	0.26
Buldana District			
40 Jijamata	1250	2.00	0.06

N.B. (1) The statement gives the position as on 7 May 1974 when reportedly the crushing season of only two factories viz., Niphad (Nasik) and Satpuda-Tapi Parisar (Dhulia) had not ended.

(2) The names of the twenty licensed units under erection in the State have not been included in the statement.

ANNEXURE 26

Findings of the Study of Four Spinning Mills in Maharashtra

I Deccan Co-operative Spinning Mills, Ichalkaranji

Registered in December 1960, it is the first co-operative spinning mill to be set up in Maharashtra. It commenced production on 18-11-1962. Its membership consists predominantly of powerloom owners of Ichalkaranji, which has a well developed textile industry.

1 The installed capacity of the mill was 12,000 spindles when it went into production in 1962. It has since undergone 3 expansions raising its spindleage to 54,520. It has received licence for 25,000 additional spindles, and the work of construction and installation was in progress.

2 Membership of the mill was 194 in 1962-3 and it rose to 424 in 1972-3. The paid-up capital contributed by the primary members rose from Rs 9.70 lakhs in 1962-3 to Rs 46.22 lakhs in 1972-3. The percentage of government contribution (Rs 22.80 lakhs as on 31-3-1974) to the total share capital (Rs 71.53 lakhs) works out to only 31. It has not received government share capital loan.

3 The shares of the mill are in great demand but it cannot admit more members or allot more shares to the existing members as the supply of yarn to them is related to share-holding. Presently, the mill can meet not more than 70 per cent of the members' requirement of yarn; the balance is purchased by them in the open market. Hence the mill's inability to meet the members' yarn demand in full is a limiting factor to its expansion.

4 The mill has been working at profit. The gross and the net profits earned in 1972-3 were Rs 69.68 lakhs and Rs 23.94 lakhs respectively. This has enabled the mill to create handsome reserves and provisions which amounted to Rs 226.87 lakhs as on 31-3-1974. It paid dividend at 4 per cent for 1972-3.

5 The mill has, under the terms of state participation and the terms of IFC loan, been collecting every month compulsory non-refundable deposits from 'A' class members for being utilised to redeem government capital. As on 30-6-1973 the amount of deposits collected and outstanding was Rs 22.94 lakhs. It had also created capital redemption reserve fund of Rs 6.00 lakhs for retirement of government capital.

6 The mill is engaged in the production of super-fine varieties of yarn (80s and 100s) and needs imported varieties of cotton for blending (mixing). The entire product is sold to the powerloom weaver members on cash or on credit. In the former case they are allowed discount of 1 per cent.

7 The mill has succeeded in raising adequate block capital for its initial and expansion projects; IFC and the other corporations have been the main

sources of block capital. It has not borrowed from the Maharashtra State Co-operative Bank. The loan instalments have been repaid to IFC and others on or before the due date/s.

8 On account of its comfortable resources position, the mill is able to keep the working capital borrowings to the minimum. For 1973-4 the pledge and the hypothecation limits sanctioned by Kolhapur District Central Co-operative Bank amounted to Rs 115 lakhs and Rs 15 lakhs.

9 The mill is working on sound lines. Its success lies in the interest evinced by the promoters and its present directors who are themselves weavers and are specialised in the various aspects of the mill's working.

II The Kolhapur Zilla Sahakari Vinkari Sahakari Soot Girni, Ichalkaranji

The mill was registered in August 1964, with consumers of yarn (mostly powerloom weavers) and growers of cotton as members. It commenced production on 26-6-1968. None of the grower members were, it is reported, engaged in the cultivation of cotton, but were mostly sugarcane growers, at the time of their admission to the mill. However, the mill has since popularised the cultivation of long-staple cotton and the area under cotton has been gradually increasing as the crop is found to be more lucrative than sugarcane and as the growers are provided with certain incentives by the mill. With the introduction of the system of monopoly purchase, the cotton produced by them is sold to the state marketing federation, but the latter sells that cotton to the mill, as far as possible. At present, most of cotton produced by the members is consumed by the mill.

1 The installed capacity of the mill was 25,080 spindles, when it was originally set up. It has, in July 1973, received licence for additional 25,000 spindles and the works of installation etc., was in progress.

2 Membership of the mill has been almost stationary since the inception. As on 31-3-1974 it had 1,614 weavers (mostly powerloom) and 4,366 growers of cotton as members. The share amount contributed by them was Rs 12.64 lakhs and Rs 22.74 lakhs. The mill has raised additional capital of Rs 4 lakhs since it went into production. The amount contributed by the government was Rs 43.62 lakhs, i.e., 54 per cent of total paid up capital at Rs 79.86 lakhs. The government had initially granted share capital loan of Rs 10.33 lakhs in 1968, to enable the growers to purchase shares in the mill. These were recoverable in 5 years after the third year and only interest was to be collected for the first 3 years. The amount in default by the members in June 1974 was Rs 2.97 lakhs.

3 The shares of this mill too are in great demand. Like the Deccan mill, it cannot issue more shares as the allotment of yarn is done on the basis of shareholding. At present, the mill is meeting about 25 per cent of the members' requirement of yarn. The percentage is expected to go upto 65 after completion of the expansion project.

4 The mill has been working at profit, the amount of the gross profit and the net profit earned during 1972-3 being Rs 55.36 lakhs and Rs 10.10 lakhs. The reserves and provisions amounted to Rs 91.97 lakhs as on 30-6-1973.

5 This mill has also been collecting non-refundable deposits from members and the amount collected till 30-6-1973 was Rs 3.32 lakhs. The amount to the credit of share capital redemption fund created out of profits for retirement of government capital was Rs 5.70 lakhs.

6 The mill is engaged in the production of medium, fine and super fine varieties of yarn (30s and 80s). Its entire production is sold to members, mostly powerloom weavers of Ichalkaranji, on cash.

7 As the mill could raise adequate block capital resources from IFC and IDBI, it did not approach Maharashtra State Co-operative Bank. Even for the expansion, as against the total outlay of Rs 254 lakhs as much as Rs 115 lakhs were raised from IFC. It has been paying loan instalments regularly.

8 For 1973-4, Maharashtra State Co-operative Bank had sanctioned a pledge limit of Rs 35 lakhs and a hypothecation limit of Rs 2.50 lakhs. As the mill had built up sufficient resources, it could keep borrowings for working capital to the minimum. However, its surplus resources are deposited not with Maharashtra State Co-operative Bank or Kolhapur District Central Co-operative Bank but with the Peoples Urban Co-operative Bank, Ichalkaranji. It was found that the maximum level of balances in savings bank account with the bank, on which the mill was allowed interest at 8 per cent during the period January to March 1974 was Rs 39 lakhs as against the limit of Rs 10,000 fixed by the Director of Handlooms. The balance rose to Rs 45 lakhs during April-June 1974.

9 Like the Deccan mill, it has been fortunate to get the services of dedicated non-official workers for this mill also. The Kolhapur mill has succeeded in reconciling the interests of and in establishing a harmonious relationship between two groups, with conflicting interests, viz., the growers of cotton and the consumers of yarn.

III The Amravati Growers Co-operative Spinning Mills, Amravati

The mill was registered in September 1961, as a growers' mill, with Amravati district as its area of operation. It was, however, not a growers' society, in the real sense, as individuals who were not engaged in the cultivation of cotton were enrolled as members. Under the revised by-laws which were registered on 1-1-1966, the mill's primary area of operation has been restricted to Amravati taluka and it can procure cotton primarily from its grower members in Amravati taluka; the remaining area is the secondary area of operation.

1 The installed capacity of the mill is 20,056 spindles and this is being raised to 25,336 spindles.

2 The membership of the mill, which was 4,366, when it commenced production, has remained static, although the area is predominantly cotton-growing. The board of directors did not take any steps to establish a close contract between the mill and the members. They did not draw up any programme for the development of cotton cultivation by them. Cotton produced by the members was being sold to the traders although under the by-laws they were required to sell cotton to the mill in relation to their share-holding. Consequently the mill had to purchase its requirements from the open market. The board took no punitive action against the members for not surrendering cotton to it. In short, the setting up of the mill has not benefited the members in any manner.

3 The paid-up capital initially collected from the members was Rs 10.78 lakhs out of which as much as Rs 10 lakhs were out of government share capital loan. As on 31-3-1974 members share capital was Rs 10.89 lakhs only. As against its total paid-up capital of Rs 82.12 lakhs as on 31-3-1974 the amount of government contribution was as much as Rs 57.78 lakhs or 70 per cent. The mill had not been collecting share capital loan from the members and hence the arrears against them as on 30-6-1974 were Rs 7.06 lakhs. On account of its poor financial position it could also not retire government capital and the amount in default as on 30-6-1974 was Rs 2.50 lakhs.

4 The mill has been working continuously at loss till 1971-2. The total accumulated losses as on 30-6-1973 amounted to Rs 115.82 lakhs. Its reserves and funds as on 30-6-1973 were of the order of Rs 93.55 lakhs but as is evident these were not real.

5 The mill did not collect non-refundable deposits from its primary members, under the terms of state participation, as it had no direct dealings with them. This is one of the reasons why it could not retire government shares to the extent of Rs 2.50 lakhs.

6 The mill produces medium varieties of yarn and the product is sold to the Handloom Corporation, Nagpur, Powerloom Corporation, Bombay and the traders at Amravati, Ichalkaranji and other places.

7 As initially the mill could not get long-term loan from IFC, it obtained medium-term loan of Rs 49.79 lakhs from the Maharashtra State Co-operative Bank and long-term credit of Rs 48.92 lakhs from the State Trading Corporation (STC), under the system of deferred payment for imported machinery, against government guarantee. But it could not pay the loan instalments of both. As on 30-6-1973 the amount defaulted to the bank was Rs 20.62 lakhs (principal) and Rs 17.98 lakhs (interest). As it failed to pay the instalments, the STC invoked the government guarantee and the state government had to pay Rs 49.59 lakhs to STC since 1968. The amount payable by the mill to the government on this account was Rs 42.59 lakhs as on 30-6-1973. This loan is repayable in 5 years. But the mill has defaulted under this loan also and the amount

overdue to the government as on 30-6-1973 was Rs 8.02 lakhs under principal and Rs 6.17 lakhs under interest.

8 The losses have eroded the mill's owned funds and as on 30-6-1973 the net disposable resources were 'nil'. However, it could operate on the cash credit limits of Maharashtra State Co-operative Bank with the help of margin money (upto 20 per cent in the case of pledge credit and 35 per cent in the case of hypothecation credit) provided by Maharashtra State Co-operative Bank.

9 As the working of the mill was in a very unsatisfactory state, with huge accumulated losses, defaults to Maharashtra State Co-operative Bank, STC, government, etc., mismanagement including wrong policies in regard to purchase of cotton, pricing and sales, etc., the Director, Handlooms, Nagpur has superseded the board of directors and appointed an Administrator on 9 October 1972.

IV The Nagpur Vinkar Sahakari Soot Girni, Nagpur

The mill was registered on 15 June 1962 and commenced production on 1-1-1967. Its membership is composed of handloom weavers societies of Nagpur, which is famous for its handloom industry.

1 The installed capacity of the mill is 19,992 spindles. It has recently received licence for setting up additional 5,000 spindles.

2 As on 30-6-1973 the mill had 171 weavers societies on the rolls and their number has gone up to 210 in July 1974. The paid-up share capital contributed by them at Rs 23.56 lakhs as on 31-3-1974 has remained almost stationary since it commenced production. The mill had received from the state government share capital loan of Rs 17.98 lakhs between 1963 and 1966. It, however, did not collect the instalments under these loans from the societies and the arrears on this account amounted to Rs 14.38 lakhs as on 30-6-1974. The government also contributed Rs 47.78 lakhs to the share capital of the mill, i.e., 65 per cent of the total paid-up capital at Rs 72.71 lakhs as on 31-3-1974. The mill has failed to redeem government shares to the extent of Rs 2.00 lakhs in 1972-3 and Rs 2.25 lakhs in 1973-4.

3 The mill has been working at loss. The total accumulated losses as on 30-6-1973 amounted to Rs 113.04 lakhs. It had created reserves and funds to the extent of Rs 103.69 lakhs but these were fictitious in nature in view of the fact that they were created when the mill worked at loss.

4 The mill has not been collecting non-refundable deposits from the societies; most of the yarn produced by it was sold to the Vidarbha Weavers Central Co-operative Society, Nagpur and the Handloom Corporation. It has, however, been collecting compulsory deposits from the members in terms of agreement executed between STC and the state government for the

supply of imported machinery under deferred payment system. As on 30-6-1973 the amount of deposits collected was Rs 6.70 lakhs.

5 The yarn produced by the mill is sold to member societies, the Vidarbha Weavers Central Co-operative Society, Nagpur and the Handloom Corporation, Nagpur in the ratio of $37\frac{1}{2} : 37\frac{1}{2} : 25$.

6 The mill could not raise resources from IFC and, therefore, obtained medium-term loan of Rs 64.62 lakhs from the Maharashtra State Co-operative Bank and credit of Rs 15.75 lakhs from STC (deferred payment for imported machinery). The total amount defaulted to the bank as on 30-6-1973 was Rs 32.75 lakhs under principal and Rs 34.45 lakhs under interest. It also failed to pay the instalment under deferred payment credit to STC and the government had to pay the amount in view of their guarantee. The amount payable by the mill to the government was Rs 9.85 lakhs as on 30-6-1973 of which Rs 3.41 lakhs were overdue. The latter figure rose to Rs 5.22 lakhs as on 30-6-1974.

7 On account of losses the net disposable resources of the mill as on 30-6-1973 were 'nil'. For 1974, the mill was sanctioned pledge and hypothecation limits of Rs 25 lakhs and Rs 2 lakhs respectively by Maharashtra State Co-operative Bank. In order to allow the mill to operate on the limits it was also sanctioned special clean limit of Rs 7.80 lakhs to serve as margin money. The pledge and hypothecation limits are found to be inadequate in relation to the mill's needs.

8 The board of directors of the mill was superseded by the Director of Handlooms in terms of his order dated 5-7-1972 for mismanagement, and an Administrator has been appointed in charge of the mill.

ANNEXURE 27

Statement showing the break-up of Project Cost and the Sources from which Resources were raised

Rupees Lakhs

Name of mill	Project Cost	Actual Cost	Sources of medium-term and long-term Resources: Share capital: Members	Share capital: Government	Borrowings and Other Sources: IFC	IDBI	STC†	MSCB	Government	Others	Total (4 to 11)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Original project											
Deccan	N.A.	57.98	10.00	10.00	30.00	—	2.02	—	—	5.96	57.98
Kolhapur	163.58	165.74	32.16	43.62	40.00	53.58*	—	—	—	—	169.36
Amravati	160.72	182.67	24.28	41.18	—	—	48.92	49.79	17.40	1.10	182.67
Nagpur	100.00	151.29	24.19	23.88	—	—	15.75	64.42	—	—	128.24
Expansion projects											
Deccan	First expansion (1963)	66.40	9.57	5.00	35.00	—	15.25	—	—	1.58	66.40
	Second expansion (1965)	48.23	4.40	7.80	25.00	—	6.14	—	—	4.89	48.23
	Third expansion (1968)	102.25	—	—	25.00	—	—	—	—	77.25	102.25‡
	Fourth expansion (Proposed)	360.00§	—	—	See footnote	—	—	—	—	—	360.00
Kolhapur	First expansion (1973 in progress)	240.00	34.00	—	115.00	—	—	—	—	105.00	254.00
Amravati	First expansion (1973 in progress)	27.25	—	9.10	—	18.15¶	—	—	—	—	27.25
Nagpur	First expansion (1974 in progress)	21.24	7.33	—	—	13.91	—	—	—	—	21.24

* From MSCB under IDBI refinance scheme.
† Under the scheme of deferred payment.
‡ SIICM (Rs 12.82 lakhs), ICICI (Rs 15.24 lakhs), deposits (Rs 35.59 lakhs) and own resources (Rs 13.60 lakhs).
§ IFC, IDBI, LIC and ICICI approached for Rs 180 lakhs, deposits Rs 75 lakhs and own resources Rs 105 lakhs.
¶ Expected.

ANNEXURE 28
Statement showing Outstandings under Term Loans and Overdues as on 30 June 1973

Rupees Lakhs

Name of Mill	I.F.C.		I.D.B.I.		S.T.C.		M.S.C.B.		Government		Others	
	Outstandings	Overdues	Outstandings	Overdues	Outstandings	Overdues	Outstandings	Overdues	Outstandings	Overdues	Outstandings	Overdues
(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
Deccan	52.00	—	—	—	5.82	—	—	—	—	—	15.24 (ICICI) 12.82 (SIICM)	— —
Kolhapur	30.00	—	14.19	—	—	—	—	—	—	—	6.24 (SIICM)	—
Amravati	—	—	—	—	16.58	—	32.21	20.62 (P) 17.98 (I)	42.59*	8.02 (P) 6.17 (I)	—	—
Nagpur	—	—	—	—	3.93	—	33.10	29.34 (P) 32.97 (I)	9.85*	3.41 (P) 1.48 (I)	—	—

* Represent loans created by the government repaying the instalments of S.T.C. on default by the mill.

P — Principal.
I — Interest.

ANNEXURE 29

Progress of Primary Agricultural Credit Societies in Maharashtra during the Period 1967-8 to 1972-3

Rupees Crores

	1967-8	1968-9	1969-70	1970-71	1971-2	1972-3
1 Number (Total)	20106	20124	20091	20014	19973	19965
a Active	19637	19676	19729	19759	19716	19686
b Dormant	469	448	362	255	257	279
c State partnered	2640	2770	2855	2937	2933	3096
2 Membership (Total) (in thousands)	2988	3060	3097	3136	3199	3487
Borrowing members (in thousands)	1487	1341	1392	1329	1342	1602
3 Share capital	37.87	43.55	48.80	52.31	54.81	54.36
4 Deposits	3.27	3.88	4.05	4.04	4.52	5.35
5 Working capital	151.92	169.46	185.03	226.67	233.07	244.77
6 Loans and Advances						
a No. of societies advancing loans	18994	18552	18741	18421	18260	19215
b Loans issued	83.34	92.57	103.74	114.93	110.50	160.80
c Loans outstanding	105.11	127.59	142.14	164.83	168.37	173.83
d Loans overdue	42.68	49.80	56.39	61.84	73.87	34.73
e Percentage of overdues to outstandings	41	39	40	38	43	20

ANNEXURE 30

Statement giving break-up of the Primary Agricultural Credit Co-operative Societies in Maharashtra with reference to their business (i.e., highest level of loans outstanding of S.T. and M.T. put together for the year 1971-2)

Rupees Lakhs

District	Total No. of Primaries	No. of Individual Primaries with reference to highest level of loans outstanding for the year 1971-2									
		Below Rs 0.30	Rs 0.30 to 0.50	Rs 0.50 to 1.00	Rs 1.00 to 2.00	Rs 2.00 to 3.00	Rs 3.00 to 5.00	Rs 5.00 to 10.00	Rs 10.00 to 15.00	Rs 15.00 to 20.00	Above Rs 20.00
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1 Dhulia	765	198	95	260	152	38	17	5	—	—	—
2 Jalgaon	874	82	138	269	267	81	36	1	—	—	—
3 Kolaba	524	309	80	86	41	5	3	—	—	—	—
4 Nasik	988	237	161	264	193	60	43	23	4	3	—
5 Ratnagiri	615	494	70	43	5	2	1	—	—	—	—
6 Thana	569	390	99	45	24	7	4	—	—	—	—
Total	4335	1710	643	967	682	193	104	29	4	3	—
7 Ahmednagar	1085	171	163	250	222	111	95	55	9	6	3
8 Kolhapur	857	201	118	190	177	83	55	31	—	—	2
9 Poona	870	475	137	127	71	22	21	16	1	—	—
10 Sangli	518	76	53	94	130	69	62	31	2	—	1
11 Satara	769	155	125	209	170	66	32	10	1	—	1
12 Sholpur	887	204	188	258	170	37	21	6	3	—	—
Total	4986	1282	784	1128	940	388	286	149	16	6	7

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
13 Aurangabad	1163	225	261	405	195	48	23	6	—	—	—
14 Bhir	757	234	188	217	89	19	7	3	—	—	—
15 Nanded	952	182	234	296	166	37	25	11	1	—	—
16 Parbhani	1012	278	245	311	131	27	11	9	—	—	—
17 Osmanabad	967	125	202	321	215	65	33	5	1	—	—
Total	4851	1044	1130	1550	796	196	99	34	2	—	—
18 Akola	835	197	177	290	131	20	16	4	—	—	—
19 Amravati	700	164	141	231	110	29	21	4	—	—	—
20 Bhandara	785	349	216	165	46	4	5	—	—	—	—
21 Buldana	567	60	90	203	151	37	16	10	—	—	—
22 Chandrapur	1173	774	238	113	37	8	2	1	—	—	—
23 Nagpur	617	175	177	181	70	12	2	—	—	—	—
24 Yeotmal	603	36	83	242	165	46	14	13	4	—	—
25 Wardha	402	85	104	162	34	9	2	6	—	—	—
Total	5682	1840	1226	1587	744	165	78	38	4	—	—
Grand Total	19854	5876	3783	5232	3162	942	567	250	26	9	7

Note: Total number of active societies is 19676. However 138 societies having some loans outstanding though dormant are also included.

ANNEXURE 31

On-the-spot Study regarding Organization and Arrangements for Supervision of Primary Agricultural Credit Societies in Maharashtra

1 At the Team's instance, the Reserve Bank of India's Agricultural Credit Department had undertaken an on-the-spot study in the four districts, viz., Satara, Jalgaon, Nanded and Nagpur with a view to collecting data in regard to organization and supervision of primary agricultural credit societies. The object of the study was to bring out a comparison between the financial position, viability and working of single societies and group societies. Thirty-two primary agricultural credit societies in different blocks of the four districts were selected for study on an *ad hoc* sample basis. Of these, seven societies were served by independent full-time paid secretaries (hereafter called 'single societies') while the remaining 25 societies were grouped together and provided with the services of seven group secretaries on a part-time basis (hereafter called 'group societies'). There were two to six primary agricultural credit societies in each group as under:

District	No. of Group societies	No. of primary agricultural credit societies in each group	
1 Satara	3	2	
		3	
		4	9
2 Jalgaon	1	3	3
3 Nanded	1	3	3
4 Nagpur	2	4	
		6	10
	7		25

A comparative study of the coverage and performance of the single society *vis-a-vis* group societies as considered in a group as a whole in the charge of a group secretary has been attempted in the following paragraphs:

Coverage

2 The comparative position of area covered, cultivating families in the area of operations, proportion of membership to cultivating families and that of borrowing membership to total membership in respect of single societies and groups are given in the following table:

District	Single societies				Group societies				
			Percentage of					Percentage of	
	Area under cultivation	No. of cultivating families	Membership to cultivating families	Borrowing membership to total membership	No. of societies in each group	Area under cultivation in each group	No. of cultivating families	Membership to cultivating families	Borrowing membership to total membership
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1 Satara	6910	1611	40	46	2	4096	1171	40	55
	1287	510	78	56	3	1872	900	62	37
					4	3425	1180	42	33
2 Jalgaon	5715	1260	20	79	3	2549	426	52	88
	3040	1195	47	27					
3 Nanded	10214	2300	33	87	3	7097	456	70	44
	4845	381	74	55					
4 Nagpur	3248	646	57	36	4	4734	480	65	59
					6	6934	817	65	65
	35259	7903	41.4	55.5		30707	5430	53.5	51.4

It may be seen that in the case of single societies acreage under cultivation was more than 3000 acres for 6 societies, average being 5037 acres per society. In the case of group societies acreage under cultivation exceeded 3000 acres only in respect of 5 groups, average per group being 4387 acres. Average number of villages in the area of operations of single societies was less, viz., 5 as against 7 in the case of group societies. The number of cultivating families was over 1000 in respect of 4 single societies. Average number of families in the area of single societies was 1129, the range being between 381 and 2300. The cultivating families in the group as a whole was over 1000, for only 2 groups range of families being 426 to 1180. Average number families per group was 776. The average percentage of membership to cultivating families at 41.4 for single societies was much less than the same at 53.4 for group societies. As regards percentage of borrowing membership to total membership, average for single societies was higher at 55.5 as compared to 51.4 in the case of group societies.

Volume of credit business

3 An idea of the total volume of credit business done by the societies during the year 1972-3 and borrowing membership in respect of single

societies as compared to the total number of societies in the charge of a group secretary is given in the table below:

Thousands

District	Single societies			Groups			
	No. of societies	Volume of business	Borrowing membership	No. of units	No. of societies	Volume of business	Borrowing membership
1 Satara	1	337	293	2		107	256
	1	499	222	3		87	210
				4	3	71	162
2 Jalgaon	1	170	201	3	1	153	194
	1	154	151				
3 Nanded	1	388	670	3	1	65	142
	1	138	152				
4 Nagpur	1	165	133	4		121	185
				6	2	227	346
Total	7	1851	1822	25	7	831	1495

It may be seen that whereas 3 of the 7 single societies had a business turnover of over Rs 2 lakhs in each case, only one of the totality of societies in the charge of a group secretary attained this level of business in spite of the fact that they were grouped together under one single control. The average volume of credit business per single society was Rs 2.64 lakhs as against Rs 1.18 lakhs per group. One of the reasons for this higher volume of business for single societies might be their larger proportion of effective or borrowing membership. Another reason may be the higher average loan per borrowing member in respect of single societies. In fact the average loan per borrowing member in respect of single societies worked out to Rs 1015 as against Rs 555 for the groups. Thus the single society showed a much better performance in credit business than the group.

Recovery

4 As regards recovery also the position in respect of single societies was comparatively better than of the group societies as may be seen from the

following table indicating the percentage of overdues to loans outstanding during the last three co-operative years, viz., 1970-71, 1971-2 and 1972-3.

Name of the District	Percentage of overdues to outstandings					
	30-6-71		30-6-72		30-6-73	
	Single societies	Group societies	Single societies	Group societies	Single societies	Group societies
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Satara	19	16	54	24	0.4	12
	10	39	13	34	—	2.5
		17		13		0.3
2 Jalgaon	58	67	65	48	18	43
	29		35		20	
3 Nanded	21	95	30	96	·7	77
	12		11		17	
4 Nagpur	23	18	36	30	4	40
		29		29		30
Total	23.3	46.3	34.0	44.3	7.5	36.8

It may be seen that the proportion of overdues to outstandings was much lower in the case of single societies particularly as on 30-6-73 than in the case of group societies. This might possibly be the reason why the proportion of borrowing membership to total membership as indicated earlier was higher in the case of single societies than in the case of group societies.

Non-credit business

5 The single societies undertook non-credit business mainly of distribution of fertilizers and/or foodgrains on a fairly large scale as compared to the group societies which did not generally undertake non-credit activities. All the 7 single societies undertook non-credit business particularly relating to distribution of fertilizers and foodgrains. As against this, of the 7 groups of societies, 3 groups did not undertake any non-credit business. Of the 12 units in the remaining 4 groups, only 5 units undertook either fertilizers or foodgrains and dairy business. The volume of non-credit business of the societies and their profit/loss thereon in 1972-3 is given in the table below:

District	Single societies			Group societies		
	No.	Volume of business (Rs thousands)	Profit(+)/ Loss(—) Rs	No. of units in a Group	Volume of business (Rs thousands)	Profit(+)/ Loss (—) Rs
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Satara	1	497	+ 5340	2	205	+ 1896
	1	260	+ 4595	1	36	+ 488
				1	22	— 181
2 Jalgaon	1	163	+ 1022	1	28	+ 354
	1	547	+14273			
3 Nanded	1	1620	+35661			
	1	36	+ 440			
4 Nagpur	1	331	+ 3254			
Total	7	3454	+64585	5	291	+ 2557

The total volume of non-credit business done by the single societies was as much as Rs 34.54 lakhs as against only Rs 2.91 lakhs by the group societies. The average volume of non-credit business in single societies was Rs 4.93 lakhs per society whereas for the group societies it was Rs 0.73 lakh per such group. All single societies and 4 out of 5 units of group societies worked at a profit on this account for the year 1972-3. The average profit per single society from non-credit business was as much as Rs 9,226 as against Rs 639 only per group. The average rate of return on non-credit business was 1.9 per cent for the former and 0.9 per cent for the latter.

6 There was a general complaint in group societies that whatever scope existed for the expansion of credit business as well as in undertaking the non-credit business, it was hampered in the absence of non-availability of the services of a secretary on a full-time basis. It was pointed out that a group secretary had a number of societies in his charge and was expected to visit individual units on different days. In the process he was not able to give due attention to the affairs of any of the societies in his charge and displayed hardly any interest in undertaking additional responsibilities. Another limitation on the group societies for taking up the non-credit activities was the need for appointment of specialized staff such as a salesman and weighman at the level of each unit of a group. A place for the shop is also to be acquired and retained. Thus to meet this expenditure, there should be sufficient scope for business which was not possible if the area of operation of the society was limited.

7 It would be seen from the above discussion that the scope for credit as well as non-credit business was largely dependent on the area of

operation of the society and smaller units could never hope to become viable. In the process of making available the services of a secretary for promoting a large number of units, all the units were adversely affected in terms of both service as well as profits.

Profits

8 In the year 1972-3 all the 7 single societies worked at a profit whereas 2 of the 7 groups worked at a loss. The average profit per single society was Rs 10023 as against Rs 2854 per group society. The percentage of profit to working capital was higher in the case of single societies as compared to that of group societies as may be seen from the table given below:

District	Percentage of profit to working capital as on 30-6-73	
	Single Societies	Group Societies
1 Satara	1.7	4.1
	3.0	loss
		2.9
2 Jalgaon	2.8	
	6.3	2.5
3 Nanded	1.1	0.2
	1.8	
4 Nagpur	3.1	loss
		2.4
Total	2.4	1.4

9 The salaries of the secretaries were paid by the district supervision societies and for this purpose a contribution ranging between 1.75 per cent and 2.25 per cent was collected from each society on the basis of the maximum outstanding loans in the previous year. Obviously the societies with a larger volume of credit business were required to contribute at the higher rate and it was observed that the contributions paid, particularly by single societies, generally exceeded the salary payable to the secretary attached to the society. This had an adverse effect on the profits position of large societies. If we consider, however, the contributions of individual units in a group, the larger unit from a group paid a larger amount of contribution and made up for the deficit of a smaller unit. Although this was the position, the larger unit had to share the services of a secretary with small units in a group.

Viability

10 It is felt that a society should have a credit business of at least Rs 2 lakhs so that it might be able to declare dividend and contribute to

the statutory and other funds and also meet other essential expenditure. The position of a society with a loan business of Rs 2 lakhs is given below:

BALANCE SHEET

Liability	Rs	Assets	Rs
Share capital	40,000	Investment in the shares of the district central bank	18,000
Loan from the district central bank	1,80,000	Loans to members	2,00,000
		Others	2,000
	2,20,000		2,20,000

PROFIT AND LOSS-ACCOUNT

Income		Expenditure	
Interest @ 9% p.a. on loans to members (recovery assumed at 90%)	16,200	Interest @ 6% p.a. on loans from the district central bank	10,800
Dividend of 3% on the shares in the district central bank	540	Pay & allowances of the Secretary @ Rs 200/- p.m.	2,400
		*Supervision fee	550
		*Audit fee	550
		Office rent @ Rs 30 p.m.	360
		Stationery and Miscellaneous expenses	300
		Net profit	1,780
	16,740		16,740

*Supervision fee and audit fee assumed at 0.25% of the working capital.

Appropriation of profit	**Rs**
Net profit	1780
Reserve Fund @ 25%	445
Other funds + 10%	178
Dividend	1157 (2.9%)

+Education fund, bad debt fund, dividend equalisation fund, agricultural credit stabilization fund, etc.

It will be seen from the above that if the salary and allowances of a secretary are pegged at a level of Rs 200 per month and recoveries are assumed at 90 per cent, the society with a loan business of even Rs 2 lakhs will hardly be able to declare a dividend of 3 per cent. It may be observed that the trend now is to organize larger societies with a turnover of Rs 5 lakhs to Rs 10 lakhs, which can really undertake efficiently a variety of essential services.

11 In the above paragraph the working of the economics of a society with a credit business of Rs 2 lakhs assumes recoveries at 90 per cent. The recoveries, however, are not likely to be 90 per cent and if we assume recoveries on a more realistic basis, viz., 80 per cent, the collection of interest will come down from Rs 16,200 to Rs 14,400, i.e., reduction of Rs 1,800. This will mean that the profit of Rs 1,780 assumed will be totally wiped out. To maintain the profit position, therefore, the society will be required to take up non-credit activities and augment its business. In any non-credit business the following will be the general items of fixed expenditure:

		Rs
1	Salary of a salesman @ Rs 60 p.m.	720
2	Salary of mapari-cum-peon @ Rs 30 p.m.	360
3	Rent for shop/godown @ Rs 20 p.m.*	240
4	Miscellaneous	100
5	Interest on cash credit accommodation**	650
	Total	2,070

* Total rent for office, shop/godown is presumed at Rs 50 p.m. of which Rs 30 p.m. is apportioned for office accommodation separately under credit business.

** Accommodation assumed at Rs 10,000 at 10 per cent per annum and interest payable is worked out for 6-7 months on an average.

For undertaking non-credit business the services of a salesman and mapari-cum-peon are absolutely necessary. The non-credit business undertaken by the societies under study was mainly fertilizers and foodgrains. It was observed that the societies under study undertaking non-credit business retained gross margin on the fertilizers and foodgrains varying between 2.6 per cent and 6.6 per cent and 2.2 per cent and 3.0 per cent respectively. The average margin for fertilizers and foodgrains can, therefore, be assumed at 4 per cent and 2.5 per cent respectively. The volume of non-credit business assumed below shows the extra profit the society can earn on this activity:

Type of business	Volume of business	Margin	Gross profit	Expenditure	Net profit
	Rs		Rs	Rs	Rs
Fertilizers	1,00,000	4%	4,000	2,070	1,930
Foodgrains	1,50,000	2.5%	3,750	2,070	1,680

The society can take up either purchase and sale of fertilizers or distribution of foodgrains or pursue both the activities simultaneously to augment its overall profits position from credit as well as non-credit business. In addition to a credit business of Rs 2 lakhs the society should have a non-credit business of at least Rs 1 lakh to be a viable unit.

12 For attaining the above norms of business, it may be necessary to organize a society with its area of operation extending over a group of villages with the merger, if necessary, of the existing small units. The objection to forming a society for more than one village is that it does not give a feeling of one-ness to its members and the interests of small villages may not be represented and safeguarded; it is alleged for instance that the majority group suppresses those in a minority. This can be remedied. In the erstwhile large-sized societies, the byelaws provided for village-wise representation on the managing committees. The interests of smaller villages (as also of small farmers) can be safeguarded by making special provisions in the byelaws of the societies, if necessary. Even at present in some cases, the jurisdiction of a small society extends over more than one village. If a viable unit is formed, it would be able to get the benefit of a full-time paid secretary. The benefits which a society gets from having a full-time paid secretary are exclusive and responsible service, up-to-date maintenance of books and registers, prompt attention to the needs of the members either for loans or for supply of inputs or other services, prompt recovery of loans, promotional approach like enlargement of membership and expansion of business. These benefits are not available to group societies.

Working of Group Secretaries

13 Discussions with the members of the various societies and the secretaries revealed that the system of Group Secretaries was not working satisfactorily. An idea of the position is given below:

(i) It was pointed out by the representatives of the group societies that it was difficult for them to convene the meetings with due intimation and they were held as and when the secretary was available and many a time transactions were effected in anticipation of the sanction by the managing committees and signatures, etc., of members obtained at a later date.

(ii) None of the 25 societies which were served by group secretaries had been able to attain 'A' audit classification. They were generally classified 'B' or 'C' as compared to single societies in which case 3 of the 7 enjoyed 'A' classification.

(iii) As regards the role played by the secretaries in increasing the credit business as well as recoveries it was pointed out that in view of the work load on them and their non-availability to the members in time the credit business was not being expanded. As for recoveries it had also an adverse effect because the borrower as and when he brought money for repayment was not able to meet the secretary and by the time he did meet the secretary, he might have spent a portion of the amount brought for repayment.

(iv) The secretaries were not expected to keep excess cash balance on hand and were required to deposit it in the bank immediately. As a group secretary he had a number of societies under his charge and, therefore, found it difficult to deposit the cash in the bank the very next day. If he went for depositing the amount he was unable to visit the society scheduled for visit on that day.

(v) Although the secretaries were required to furnish a certificate duly signed by the chairman of the respective society regarding his attendance in that society the secretaries as well as the chairman informally indicated that in view of the multifarious duties required to be attended to by the secretaries they were not able to come to the societies on the appointed days.

(vi) If the secretary missed the appointed day in a particular society and tried to visit the society next day, the members of other society scheduled for visit on that day were inconvenienced.

(vii) If the secretary was unable to visit a particular society on the appointed day, his turn for visit to that society might come only after a period of 5 to 7 days. In such a case, the members of that society had to go to the other society where he was scheduled to work. Even after reaching that place their work was not attended to at times as the records of that particular society were not available with the secretary.

(viii) The members did not get loans at the time when they needed them most. It was pointed out by them that some agricultural operations were taken up simultaneously at all the places and at that time some of the requirements were to be met forthwith and could not be postponed. For example for sowing operation, which depended on rains, it was necessary for them to get seeds as well as fertilizers in time. This, however, was not possible as the secretary might not either be scheduled for visit to society during that time or might not come on the appointed day.

(ix) The secretary could not all the time carry the papers of all the societies along with him. The cultivators themselves were generally engaged in their work during day time and he had to meet them either in the morning or evening. But in the mornings he had to start from his home to reach the place and in the evenings he was on way back to his place of residence.

(x) The members of some of the societies complained that they were not able to expand the credit business of the society as well as to take up other non-credit business as the secretary did not display sufficient enthusiasm in this behalf since it added to his work. They, however, were sympathetic towards the secretaries whom they said were always busy in routine work. The secretaries also pointed out that although the volume of business of some of the societies handled by them might be small the routine work remained almost the same for each society as they were independent units.

Concluding remarks on the study

14 It was found that the group societies had a comparatively smaller area of operations and a lower coverage of cultivating families. The volume of credit business done by them was low even putting together the business of all the societies in the jurisdiction of a group-secretary. The profits of the societies were also relatively small and they did not undertake by and large, non-credit business. Thus the chances of these societies becoming viable in the near future were rather remote. Besides, the working of these societies as judged from their overdues position and audit classification was not as satisfactory as that of the single societies and the system of group-secretaries as such did not create a congenial atmosphere for their effective working in view of the multiplicity of units in their charge. Thus the single society with a full-time paid secretary seems to steal a march over the group societies as this compact unit lends itself well to more efficient administrative and supervisory control.

ANNEXURE 32

Extracts from the Recommendations of the Evaluation Committee for Secretaries Caderization Scheme

Recommendations

Chapter 10—Control and Supervision

51. All primary secretaries, save secretaries attached to Class I societies who will form part of a State level cadre, should form part of a regional cadre of secretaries. (Para 10.1)

52. All primary secretaries, irrespective of their classification shall be deemed, in principle, to be the employees of the State Level Controlling Authority. (Para 10.1)

53. The supervision and control over all the regional cadres and the state cadre of primary secretaries throughout the State should be the charge and responsibility of a State Level Authority. (Para 10.3)

54. We recommend that the responsibility of collection and management of the State Caderisation Fund should be the function of the State Level Authority. The State Government may take necessary statutory powers by making suitable amendments in the Maharashtra Co-operative Societies Act for setting up of such a "State Caderisation Fund". (Para 10.3)

55. Recruitment should be on a regional basis and the recruitment and consequently award of punishments right up to dismissals, should be the function of the Regional Authority working under the State Authority. (Para 10.4)

56. The State Level Authority will act as a final appellant and revisionary authority in the matter of grievances or complaints arising out of either recruitment or dismissals, or award of any punishment higher than censure, or in the matter of finalization of emoluments, *inter se* seniority and promotions of secretaries. (Para 10.4)

57. The Regional Authority shall prepare and maintain a district-wise seniority list of secretaries in Class III, a region-wise seniority list of secretaries in Class II, and the State Level Authority will prepare and maintain a state-wise seniority list of secretaries in Class I. Such seniority lists shall be published. (Para 10.6)

58. There should be a District Level Authority working under the Regional Authority. (Para 10.7)

59. In the matter of evaluation of the work of a primary secretary, the primary document should be an annual confidential report or a special report which the board of management of the primary society shall tender to the district authority. (Para 10.7)

60. The District Authority will also have a *sue moto* right to investigate or inspect the work of a primary secretary. (Para 10.7)

61. Any adverse observations made by the District Authority, consequent to the evaluation of work of a primary secretary, will be a matter appealable to the Regional Authority and revisable before the State Authority. (Para 10.7)

62. In the matter of annual confidential report submitted by the primary society to the District Authority, the District Authority shall, within a reasonable period not exceeding one month from the date of receipt of such report, serve copies thereof on the concerned primary secretary. (Para 10.8)

63. Release of the annual increment to a primary secretary shall be dependent on a specific recommendation in that behalf in the annual confidential report. (Para 10.8)

64. Any adverse observation in the annual confidential report, including the recommendation of the non-release of the annual increment, being the matter appealable to the State Level Authority, the State Level Authority shall expeditiously frame rules for the submission of such an appeal, for hearing and for decision thereon. The State Level Authority shall similarly frame norms, guidelines and formats for purposes such as the annual confidential report, special reports and for such other service-documents as may be deemed necessary. (Para 10.8)

65. In the matter of promotion of secretaries from third grade to second grade, and from second grade to first grade, the Regional Authority shall prepare annually or periodically select-lists which shall be published and such promotions shall be awarded strictly on the basis of the select-lists so prepared. (Para 10.9)

66. The power to grant annual increments and to permit the crossing of an efficiency bar, shall rest with the District Authority. (Para 10.9)

67. Authority to transfer a primary secretary belonging to Class III shall rest with the District Authority and, *mutatis mutandis*, similar authority in relation to secretaries in Class II shall be the Regional Authority and for Class I secretaries, it shall be the State Authority. (Para 10.10)

68. The Regional and the District Authorities in the matter of transfers shall be guided and abide by the guide-lines and norms in regard to transfers as may be fixed, from time to time, by the State Level Authority. (Para 10.10)

69. Any continuance of a primary secretary beyond the normal prescribed period with any particular society or any transfer prior to the period so prescribed in the normal rules shall be a matter to be effected only with the prior approval of the State Level Authority. (Para 10.10)

70. The State Level Authority, with the prior approval of the State Government, shall fix, from time to time, the contribution payable by a Society or a class of societies to the State Caderisation Fund. Once such contributions are notified, they shall be the first charge on the revenue account of the society. Normally such fixation of contribution should be for a period of 5 years. (Para 10.11)

State Level Authority

71. The State Level Authority shall comprise of the following:

(a) The Chairman of the M.S.C. Bank as ex-officio Chairman,

(b) The Registrar of Co-operative Societies as the Vice-Chairman,

(c) Four more nominees of the M.S.C. Bank, being persons other than a Chairman of a District Central Co-operative Bank, as far as possible representing the four geographical regions of Maharashtra, viz., Vidarbha, Marathwada, Western Maharashtra and Konkan, to be selected in consultation with the Registrar, Co-operative Societies,

(d) one nominee of the Secretary to Government in Finance Department and one nominee of the Secretary to Government in Co-operation Department,

(e) two other persons nominated by the State Government—one representing the interest of agriculturists and the other representing interests of Co-operative Movement generally,

(f) four representatives of primary secretaries, nominated by the State Government in consultation with the Registrar of Co-operative Societies, being actual working primary secretaries, selected to represent the four distinct geographical regions, referred to in (c) above,

(g) four representatives of primary societies, being working office-bearers, to be nominated by the State Government from the panel submitted by the Registrar, Co-operative Societies broadly representing four geographical regions, referred to in (c) above,

(h) one nominee of the Reserve Bank of India in the Agricultural Credit Department,

(i) the Managing Director of the Maharashtra State Co-operative Bank as Ex-officio Member Secretary, and Chief Executive Officer,

(j) the Joint Registrar (Caderisation) in the office of the Registrar, Co-operative Societies as Administrator and Controller of the

State Caderisation Fund, and a member of the State Level Authority. (Para 10.12)

72. The State Caderisation Fund shall be maintained in a separate account with the Maharashtra State Co-operative Bank and any operation thereupon shall be under a joint signature of the Controller and the Chief Executive Officer of the Authority. (Para 10.12)

73. There shall be 4 Regional Level Authorities with a jurisdiction commensurate with the four Revenue divisions of the State. The Regional Level Authority shall comprise of 5 members, of which the Divisional Joint Registrar shall be a member and the representative or nominee of the Maharashtra State Co-operative Bank shall be the Member-Chairman, —such a representative of the MSC Bank shall, as far as possible, be from amongst the Chairmen of the District Central Co-operative Banks from that region. The State Level Authority shall nominate other three members with the prior approval of the State Government. One would represent the primary secretaries in the region, one should represent the primary societies and the third should represent the District Central Co-operative Banks. There shall be a non-member stipendary secretary and Chief Executive Officer of the Regional Level Authority to be appointed by the State Level Authority. (Para 10.13)

74. The District Level Authority shall comprise of a full-time Deputy Registrar, Co-operative Societies as Chairman, to be seconded for this purpose by the Registrar, Co-operative Societies, to be the Manager of the District Central Co-operative Bank, as vice-chairman, a working office-bearer of the primary societies and a working primary secretary in the District and a prominent non-official worker in the Co-operative Sector. The last three members shall be nominated by the State Level Authority in consultation with the Registrar of Co-operative Societies. The State Level Authority shall appoint a non-members stipendary Chief Executive Officer of a suitable rank. (Para 10.14)

75. The District Level Authority shall be responsible for preparation and maintenance of primary documents like service books, confidential record, provident fund and other accounts etc. The State Level Authority shall fix guidelines and norms as well as prescribe returns, from time to time, which the District Level Authority shall use in the matter of general day-to-day supervision. (Para 10.15)

76. The entire expenditure incurred by the State Level Authority, the Regional Level Authority and the District Level Authority shall be a charge on the State Caderisation Fund. (Para 10.15)

77. The State Level Authority shall prescribe, from time to time, guidelines and norms in regard to qualifications and also frame rules in regard to recruitment as well as award of punishment and disciplinary action against the primary secretaries. (Para 10.16)

78. The Regional Level Authority shall prepare an estimate of future and existing vacancies on the regional cadre in various classes of societies, and on prior approval by the State Level Authority, recruit a panel of suitable candidates against such estimated vacancies and the District Level Authority shall appoint persons from such panel, against the vacancies as they may arise from time to time. (Para 10.16)

79. The State Level Authority shall expeditiously frame detailed rules regarding service-conditions, promotions, punishments, crossing of the efficiency bar, as well as frame norms and guidelines and rules for recruitment by the Regional Level Authority and in respect of duties and responsibilities of the primary secretaries. Such rules shall be published in the official gazette and shall be approved by the Registrar of Co-operative societies. (Para 10.16)

80. The State Level Authority shall also frame detailed rules in regard to arbitration, resolution of disputes, hearing of grievances and complaints. All the decisions of the State Level Authority shall be final and shall not be called in question. (Para 10.17)

81. In the matter of such supervision exercised by the State Level Authority through the District Level Authority, statutory functions of supervision of the District Deputy Registrar, Co-operative Societies shall not be attracted, and those functions shall rest with the District Deputy Registrar, Co-operative Societies. (Para 10.18)

ANNEXURE 33

Scheme for Caderization of Secretaries of Primary Agricultural Credit Societies/Seva Societies—Revision of—in the context of Recommendations of Kore Committee

Government of Maharashtra,
Agriculture and Co-operation Department,
Resolution No. CDR-1073/24293/C-1,
Sachivalaya Annexe,
Bombay-32 .

2nd August, 1974.

Read:

(1) Government Resolution, Agriculture and Co-operation Department No. CDR-1073/22744/C-1, dated 4th July 1973.

(2) Government Endorsement, Agriculture and Co-operation Department No. CDR-1074/881/C-1, dated 15th January 1974.

(3) Letter No. CDR-9973/F-64, dated the 17th May 1974 from the Commissioner for Co-operation and Registrar of Co-operative Societies, Maharashtra State, Poona.

(4) Letter No. CDR-9973/F-68, dated 9th July 1974 from the Commissioner for Co-operation and Registrar of Co-operative Societies, Maharashtra State, Poona.

Resolution:—Government was pleased to issue orders under Government Resolution No. CDR-1074/22744/C-1, dated 4th July 1973 so far as the question of revision of pay scales, criteria or classifiation of Primary Agricultural Credit Societies for the purposes of appointment of Secretaries in the pay scales of new grades and constitution of State Caderisation Fund on the basis of the recommendations contained in the Interim Report of the Kore Committee. Under para 3 of the said Government Resolution it has been stated that the decisions as mentioned in the said Government Resolution are provisional and subject to review in the light of Government orders on the recommendations in the final Report of the Kore Committee.

2. The final report of the Kore Committee was received by Government on 6th September 1973. The various recommendations contained therein were discussed in the meeting held on 1st January 1974 alongwith the representative of the Apex Co-operative Bank. The norms recommended by the Kore Committee regarding classification of Agricultural Primary Societies were broadly accepted subject to the ultimate amalgamation policy having regard to the viability factor that would be accepted by Government in consultation with the State Co-operative Council. As per recommendations of the Consultative Committee, Government had taken a decision to abolish the Taluka Co-operative Supervising Unions and the Commissioner for Co-operation and Registrar of Co-operative Societies had also taken necessary steps accordingly. In the meeting

of the consultatives committee held on 13th March 1974, the whole issue of caderisation scheme was again discussed when it was decided to take a review of the Caderisation Scheme in the context of the Kore Committee Report and subsequent developments.

In its meeting held on 28th June 1974 the State Co-operative Council had opined that the decision of Government in implementing the present caderisation scheme with the proposed changes is proper. As regards the principles of amalgamation of non-viable societies as proposed by the Department, government orders are being issued separately in the light of the opinion expressed by the State Co-operative Council.

3. If so far as the recommendations of the Kore Committee at Sr. Nos. 71, 73 & 74 are concerned Government is pleased to issue the following orders:—

(a) There should be a State Level Committee consisting of the following members:—

1	The Chairman of the Maharashtra State Co-operative Bank	Chairman
2	The Secretary to Government (Co-op.)	Member
3	The Commissioner for Co-operation and Registrar of Co-operative Societies	Member
4	The Managing Director, Maharashtra State Co-operative Land Development Bank	Member
5	The Representative of the Reserve Bank of India (Agricultural Credit Department)	Member
6	The Managing Director, The Maharashtra State Co-operative Bank	Member-Secretary

This Committee should decide all policy matters concerning the cadre of Secretaries, administration of the State Caderisation Fund and also ensure uniformity in the working of the Cadre by way of service conditions etc.

(b) At the regional level there shall be a standing committee consisting of the Divisional Joint Registrar of Co-operative Societies and the representative of the Maharashtra State Co-operative Bank at the regional level to hear the appeals of individual Secretaries against the decision of District Supervision Societies. For the meeting of the Committee, the Chairman of the concerned District Central Co-operative Bank should be invited.

(c) The constitution of the existing Board of Directors of the District Supervision Societies sshould be as follows:—

1	The Chairman of the District Central Co-operative Bank	Chairman
2	The Local Director of the Maharashtra State Co-operative Land Development Bank	Vice-Chairman
3	The Chairman of District Co-operative Board	Member
4	*Two representatives of the Primary Agricultural Credit Societies in the District	Members
5	The Local Officer of the Maharashtra State Co-operative Bank	Member
6	*One representative of the Secretaries in District who shall be from amongst the working Secretaries	Member
7	The District Deputy Registrar of Co-operative Societies	Member-Secretary
8	The Manager, District Central Co-operative Bank	Member-Joint Secretary
	*(The members at Serial No. 4 & 6 to be nominated by Government)	Total 9 Members

4. As regards the assignment of powers and duties between the District Deputy Registrar of Co-operative Societies and the Manager of the District Central Co-operative Bank, Government is pleased to authorise the State Level Committee to take the final decision.

5. The Commissioner for Co-operation and Registrar of Co-operative Societies should take steps to amend the relevant bye-laws of the District Supervision Societies so as to incorporate the above decisions and also the decision of the State Level Committee in respect of the assignment of the powers and duties of the Member-Secretary of the District Supervision Society, amongst the District Deputy Registrar and Manager of the District Central Co-operative Bank.

6. As regards the legislative action in respect of constitution of and contribution to the State Caderisation Fund, constitution of State Level Committee with its functions, and affiliation of primary Agricultural Credit Societies in the District to the District Supervision Society, necessary provision is being made in the Maharashtra Co-operative Societies Act, 1960 by incorporating the additional Sections as proposed by the Commissioner for Co-operation and Registrar of Co-operative Societies, Maharashtra State, Poona.

By order and in the name of the Governor of Maharashtra,
Sd./- (A. R. MOHAJIR)
Under Secretary to the Government

ANNEXURE 34

Statement showing the additional burden on account of Arrears of Pay for the Years 1971-2 *and* 1972-3

District	1971-2		Govt. subsidy towards deficit @ 50%	Bank's contribution towards deficit @ 50%	Addl. burden for 1971-2 (increase in salary)	1972-3		Govt. subsidy towards deficit @ 50%	Bank's contribution towards deficit @ 50%	Addl. burden for 1972-3
	Surplus	Deficit				Surplus	Deficit			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1 Dhulia	33449	–	–	–	456550	181062	–	–	–	431149
2 Jalgaon	526795	–	–	–	435764	648937	–	–	–	498940
3 Kolaba	–	101940	50970	50970	163069	–	83535	41767	41768	191572
4 Nasik	543000	–	–	–	464001	436000	–	–	–	417290
5 Ratnagiri	–	151563	75781	75782	135259	–	151826	75913	75913	149102
6 Thana	–	39592	19796	19796	123159	–	168210	84105	84105	137953
Total	1103244	293095	146547	146548	1777802	1265999	403571	201785	201786	1826006
7 Ahmednagar	238382	–	–	–	74618	190503	–	–	–	76758
8 Kolhapur	29308	–	–	–	509000	239399	–	–	–	504800
9 Poona	–	45591	22795	22796	261388	13135	–	–	–	279080
10 Sangli	4309	–	–	–	297178	128282	–	–	–	299166
11 Satara	383461	–	–	–	423113	361987	–	–	–	498256
12 Sholapur	179014	–	–	–	251906	187462	–	–	–	246955
Total	834474	45591	22795	22796	1817203	1120768	–	–	–	1905015

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
13 Aurangabad	662108	–	–	–	315743	436791	–	–	–	297333
14 Bhir	87449	–	–	–	203479	291157	–	–	–	225829
15 Nanded	341901	–	–	–	328577	490665	–	–	–	372774
16 Osmanabad	761392	–	–	–	319265	728000	–	–	–	343222
17 Parbhani	477287	–	–	–	218934	471786	–	–	–	309198
Total	2330137	–	–	–	1385998	2418399	–	–	–	1508356
18 Akola	196000	–	–	–	170636	100000	–	–	–	181202
19 Amravati	568335	–	–	–	136137	292250	–	–	–	193317
20 Bhandara	65093	–	–	–	140850	97354	–	–	–	144185
21 Buldana	187919	–	–	–	129748	165405	–	–	–	119044
22 Chandrapur	153073	–	–	–	127980	131132	–	–	–	151002
23 Nagpur	128548	–	–	–	12209	228923	–	–	–	57841
24 Wardha	184861	–	–	–	53855	113923	–	–	–	69470
25 Yeotmal	469585	–	–	–	68966	647373	–	–	–	82222
Total	1953414	–	–	–	840381	1766360	–	–	–	998283
Grand Total	6221260	338686	169342	169344	5821384	6571526	403571	201786	201786	6237660

ANNEXURE 35

District-wise Position of Contribution recoverable from Societies, Expenditure during the Year, Surplus Deficit for Payment of Arrears for the Years 1971-2 and 1972-3

	District	No. of Primary Agrl. Credit Societies as on 30-6-73	Of col. 2 No. of Societies in loss during 1972-3	Existitng Number of Primary Secretaries			
				Gradé I	Grade II	Grade III	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Ahmednagar	1096	751	92	113	282	487
2	Akola	841	324	–	–	468	468
3	Amravati	707	199	2	47	410	459
4	Aurangabad	1161	660	–	54	629	683
5	Bhandara	788	404	–	1	249	250
6	Bhir	760	271	1	–	387	388
7	Buldana	569	385	–	–	301	301
8	Chandrapur	1182	512	–	–	256	256
9	Dhulia	765	316	2	20	643	665
10	Jalgaon	875	190	–	115	558	673
11	Kolaba	524	328	–	–	345	345
12	Kolhapur	877	308	1	32	1046	1079
13	Nagpur	634	183	–	22	154	176
14	Nanded	954	408	–	–	482	482
15	Nasik	988	485	7	103	839	949
16	Osmanabad	969	531	–	–	555	555
17	Parbhani	1010	540	–	–	531	531
18	Poona	877	440	–	28	351	379
19	Ratnagiri	618	218	–	2	232	234
20	Sangli	520	264	5	115	604	724
21	Satara	770	162	2	94	580	676
22	Sholapur	887	220	3	51	294	348
23	Thana	568	415	–	11	232	243
24	Wardha	404	144	–	–	204	204
25	Yeotmal	606	142	17	43	246	306
	Total	19950	8800	132	851	10878	11861

Rupees Lakhs

	Position of Surplus available for Payment of Arrears—1971-2				
	Maximum Loans Outstanding (ST + MT) at Primary Level during previous year	Contribution to Joint Expenditure Fund recoverable from Societies	Expenditure on Caderization Scheme during the Year (at old scales)	Surplus (+)/Deficit (—) available for payment of Arrears of pay, etc.	Of Col. 9 Contribution in Arrears as on 30.6.74
	(8)	(9)	(10)	(11)	(12)
1	547.80	11.06	8.68	+ 2.38	0.35
2	617.00	10.46	8.50	+ 1.96	0.02
3	671.00	10.76	5.08	+ 5.68	1.28
4	941.25	15.82	9.20	+ 6.62	12.84@
5	278.75	5.43	4.78	+ 0.65	0.03
6	447.37	7.88	7.01	+ 0.87	3.94
7	391.00	6.88	5.00	+ 1.88	2.43
8	314.94	5.33	3.80	+ 1.53	1.32
9	587.00	12.77	12.43	+ 0.34	1.63
10	981.88	19.31	14.04	+ 5.27	0.64
11	194.98	4.43	5.45	— 1.02	-
12	1223.65	23.18	22.89	+ 0.29	0.76
13	318.00	4.78	3.49	+ 1.29	1.58
14	595.59	10.46	7.04	+ 3.42	0.12
15	1052.00	27.43	22.00	+ 5.43	1.33
16	891.00	15.59	7.98	+ 7.61	2.17
17	603.21	10.55	5.78	+ 4.77	5.63
18	311.00	6.23	6.69	— 0.46	0.26
19	78.90	1.58	3.09	— 1.51	-
20	842.29	14.77	14.73	+ 0.04	0.46
21	827.00	14.51	10.67	+ 3.84	0.59
22	601.20	7.66	5.87	+ 1.79	0.47
23	165.27	3.49	3.89	— 0.40	0.45
24	316.00	5.27	3.42	+ 1.85	0.51
25	638.25	10.48	5.78	+ 4.70	-
	13936.33	266.11	207.29	+62.21 — 3.39	38.81

@ Includes arrears as on 30-6-74 in respect of contribution recoverable for the year 1972-3 also.

Rupees Lakhs

Pisition of Surplus available for Payment of Arrears—1972-3

	Maximum Loans Outstanding (ST+MT) at Primary Level during previous year	Contribution to Jt. Expenditure Fund recoverable from Societies	Expenditure on Caderization Scheme during the yr. (at old scales)	Surplus (+)/Deficit (—) available for Payment of Arrears of pay etc.	Of Col. 14 Contribution in Arrears as on 30.6.74
	(13)	(14)	(15)	(16)	(17)
1	638.60	12.70	10.79	+ 1.91	1.56
2	617.00	10.46	9.46	+ 1.00	0.32
3	639.00	10.22	7.40	+ 2.82	2.35
4	946.27	16.05	11.68	+ 4.37	Included under Col. 12
5	327.16	6.22	5.25	+ 0.97	0.07
6	476.84	8.08	5.17	+ 2.91	3.05
7	402.67	7.12	5.46	+ 1.66	1.78
8	338.93	5.59	4.28	+ 1.31	1.64
9	710.00	13.58	11.77	+ 1.81	1.76
10	1022.90	19.46	12.97	+ 6.49	0.05
11	216.74	4.89	5.73	— 0.84	0.31
12	1388.49	24.07	21.68	+ 2.39	2.01
13	357.00	6.25	3.96	+ 2.29	2.95
14	665.82	11.65	6.74	+ 4.91	4.03
15	1052.00	26.36	22.00	+ 4.36	3.89
16	891.00	15.59	8.31	+ 7.28	5.43
17	691.59	12.10	7.38	+ 4.72	2.58
18	456.00	6.48	6.35	+ 0.13	0.12
19	83.47	1.62	3.14	— 1.52	-
20	973.00	14.83	13.55	+ 1.28	0.62
21	862.48	15.36	11.74	+ 3.62	1.05
22	648.17	8.28	6.40	+ 1.88	1.20
23	172.68	3.33	5.01	— 1.68	0.80
24	297.00	4.70	3.56	+ 1.14	0.59
25	630.32	12.75	6.28	+ 6.47	0.98
	15506.13	277.74	216.06	+65.72 — 4.04	39.14

ANNEXURE 36

District-wise Estimates of Contribution recoverable from Societies and Expenditure on the basis of revised Pay Scales for the Year 1973-4

Rupees Lakhs

District	Maximum Loans Outstanding (S.T. and M.T.) at Primary Level during 1972-3	Rate of Contribution to Joint Expenditure Fund		Contribution to Joint Expenditure Fund recoverable from Societies	Expenditure on the basis of revised Scales during the Year	Surplus (+)	Deficit (—)	Actual Arrears to be recovered in respect of Contribution from Societies for the Year 1973-4 as on 30-6-74
		% of maximum Loans Outstanding	Ceiling per Society					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 Ahmednagar	1178.00	2.00	0.05	13.25	15.22	—	1.97	6.53
2 Akola	669.22	1.75	0.06	11.45	11.00	0.45	—	0.35
3 Amravati	638.00	1.75	0.07	10.40	10.14	0.26	—	5.31
4 Aurangabad	952.35	2.00	—	19.04	17.99	1.05	—	17.34
5 Bhandara	435.70	1.75	0.05	7.62	5.92	1.70	—	0.37
6 Bhir	539.22	1.75	0.05	8.05	8.32	—	0.27	6.03
7 Buldana	416.00	1.75	0.05	6.72	6.72	Nil	Nil	2.18
8 Chandrapur	340.94	1.75	0.05	5.60	6.10	—	- 0.50	0.87
9 Dhulia	688.37	2.50	0.06	15.67	16.08	—	0.41	0.25
10 Jalgaon	981.71	2.00	0.05	19.63	19.30	0.33	—	0.22

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(6)
11 Kolaba	295.90	2.25	—	6.64	7.66	—	1.02	2.42
12 Kolhapur	1038.00	1.75 to 2.25	0.10	23.50	25.37	—	1.87	9.75
13 Nagpur	400.00	1.75	—	7.00	4.81	2.19	—	5.04
14 Nanded	778.54	1.75	—	13.62	10.11	3.51	—	8.81
15 Nasik	1157.71	2.25	—	25.17	20.28	4.89	—	9.81
16 Osmanabad	950.29	1.75	0.05	14.51	13.45	1.06	—	8.58
17 Parbhani	691.59	1.75	0.06	8.87	11.39	—	2.52	6.67
18 Poona	348.23	2.00	0.05	6.66	6.45	0.21	—	0.26
19 Ratnagiri	137.18	2.00	0.05	2.69	5.29	—	2.60	0.48
20 Sangli	1025.50	1.75 to 2.25	0.10	16.29	17.67	—	1.38	5.03
21 Satara	899.34	2.00	0.08	17.98	11.34	6.64	—	4.12
22 Sholapur	650.00	2.00 to 2.50	0.15	15.36	9.44	4.92	—	4.29
23 Thana	172.68	1.75 to 2.10	0.05	3.28	5.58	—	2.30	0.50
24 Wardha	316.60	1.75	0.07	5.25	5.00	0.25	—	2.04
25 Yeotmal	630.32	2.00	0.08	12.62	8.80	3.82	—	3.46
Total	16331.39	—	—	296.87	279.43	32.28	14.84	110.71

ANNEXURE 37

Statement regarding Average Charge of Primary Credit Societies per Inspector and percentage of Overdues to Demand of Central Co-operative Banks in Maharashtra for period 1967-8 *to* 1971-2

Bank	Average Charge of Societies per Inspector					% of Overdues to Demand				
	1967-8	1968-9	1969-70	1970-71	1971-2	1967-8	1968-9	1969-70	1970-71	1971-2
(1)	(2a)	(2b)	(2c)	(2d)	(2e)	(3a)	(3b)	(3c)	(3d)	(3e)
1 Ahmednagar	24	22	20	18	18	13.4	16.2	16.2	16.5	36.3
2 Akola	20	17	17	16	16	41.0	50.6	48.0	49.8	47.4
3 Amravati	27	23	25	23	23	39.7	39.0	32.7	21.6	58.6
	(30)	(31)	(31)	(31)	(31)					
4 Aurangabad	24	22	17	17	15	38.1	36.0	34.6	35.1	32.2
	(30)	(31)	(31)	(31)	(30)					
5 Bhandara	23	21	18	16	14	31.9	31.0	28.0	30.1	59.4
6 Bhir	24	24	23	19	18	47.3	50.6	58.1	56.2	49.8
7 Buldana	19	19	19	18	18	40.9	42.0	46.4	46.6	59.7
8 Chandrapur	30	22	22	22	22	40.7	46.4	33.9	52.0	60.2
9 Dhulia	27	27	26	25	25	41.0	42.0	38.0	34.7	34.9
10 Jalgaon	21	21	21	21	21	32.3	37.0	44.6	40.3	45.3
11 Kolaba	17	17	17	16	16	14.9	27.0	42.6	48.0	48.1
12 Kolhapur	13	13	14	12	13	9.7	13.4	16.4	13.8	16.0
13 Nagpur	17	17	17	17	17	41.1	27.4	39.1	9.1	37.5
14 Nanded	22	19	17	17	20	41.2	45.0	57.3	62.2	70.1
	(22)	(19)			(10)					
15 Nasik	25	24	24	24	23	28.7	31.5	21.1	35.1	31.7
	(35)	(36)	(36)	(37)	(37)					
16 Osmanabad	20	18	15	15	15	24.2	34.9	38.7	38.7	35.2

(1)	(2a)	(2b)	(2c)	(2d)	(2e)	(3a)	(3b)	(3c)	(3d)	(3e)
17 Parbhani	25	25	25	25	21	27.0	26.6	46.8	38.3	44.7
	(30)	(33)	(33)	(34)	(33)					
18 Poona	NA	NA	23	23	21	35.3	34.4	36.8	37.4	39.4
19 Ratnagiri	26	26	30	29	26	42.8	35.3	51.3	44.0	52.9
20 Sangli	18	15	12	13	12	6.79	8.5	10.9	14.6	21.6
21 Satara	23	28	25	21	20	29.47	25.0	18.3	27.9	32.9
22 Sholapur	21	20	19	17	17	29.0	24.0	19.7	24.0	32.6
23 Thana	22	20	21	20	20	33.5	31.4	41.8	53.0	52.6
24 Wardha	28	28	28	28	28	44.0	33.5	29.73	33.0	58.3
25 Yeotmal	NA	NA	15	15	15	48.3	55.2	48.7	42.9	51.3

N.B. Figures in brackets indicate the charge per supervisor. However, in Maharashtra in most of the banks inspectors are appointed for supervision over the affiliated societies and hence position of supervisors has been ignored for the purpose of assessment of the supervision arrangements by central banks.

ANNEXURE 38

Statement regarding Position of Overdues vis-a-vis Charge of Societies per Inspector of Central Co-operative Banks in Maharashtra 1967-8 *to* 1969-70

Charge per Inspector	Percentage of Overdues to Demand															
	Less than 10			11-20			21-30			31-40			40-60			Above 61
	67-8	68-9	69-70	67-8	68-9	69-70	67-8	68-9	69-70	67-8	68-9	69-70	67-8	68-9	69-70	
Less than 10	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11-15	Kolhapur	Kolhapur	—	—	—	Sangli	—	—	—	—	—	Osmanabad	—	—	Yeotmal	—
16-20	Sangli	Sangli	—	Kolaba	—	Ahmednagar Kolhapur Sholapur	Osmanabad	Kolaba Nagpur Sholapur	Bhandara	Buldana	Osmanabad Thana	Aurangabad Nagpur	Akola Nagpur	Akola Buldana Nanded	Akola Bhir Buldana Kolaba Nanded	—

Charge per Inspector	Percentage of Overdues to Demand															
	Less than 10			11-20			21-30			31-40			40-60			Above 61
	67-8	68-9	69-70	67-8	68-9	69-70	67-8	68-9	69-70	67-8	68-9	69-70	67-8	68-9	69-70	
21-25	—	—	—	Ahmednagar	Ahmednagar	Satara	Nasik Parbhani Satara Sholapur	Parbhani	Nasik	Aurangabad Bhandara Jalgaon Thana	Amravati Aurangabad Bhandara Jalgaon Nasik	Amravati Chanda Dhulia Poona	Bhir Nanded	Bhir Chanda	Jalgaon Parbhani Thana	—
26-30	—	—	—	—	—	—	—	Satara	Wardha	Amravati Chanda Dhulia	Ratnagiri Wardha	—	Ratnagiri Wardha	Dhulia	Ratnagiri	—
Above 30	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Information for Poona and Yeotmal D.C.C. Banks was available in respect of 1969-70 only.

ANNEXURE 39

Bank-wise Position of Average Charge of Societies per Inspector

Bank	30-6-73	30-6-74	31-12-74
(1)	(2)	(3)	(4)
1 Ahmednagar	8 to 25	17 to 25	12 to 25
2 Akola	20	20	20
3 Amravati	23	19	18
4 Aurangabad	17	16	16
5 Bhandara	N.A.	N.A.	N.A.
6 Bhir	17	17	17
7 Buldana	23	19	19
8 Chanda	27	24	23
9 Dhulia	21	20	23
10 Jalgaon	20	18	17
11 Kolaba	22	15	15
12 Kolhapur	18	17	17
13 Nagpur	22	21	18
14 Nanded	13	13	13
15 Nasik	24	24	24
16 Osmanabad	16	14	13
17 Parbhani	20	15	15
18 Poona	15	14	13
19 Ratnagiri	24	24	24
20 Sangli	12	11	10
21 Satara	21	13	14
22 Sholapur	18	19	18
23 Thana	18	17	17
24 Wardha	26	26	26
25 Yeotmal	14	14	14