

REPORT OF THE STUDY TEAM  
ON  
AGRICULTURAL CREDIT INSTITUTIONS  
IN  
HIMACHAL PRADESH



**RESERVE BANK OF INDIA**

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RESERVE BANK OF INDIA  
AGRICULTURAL CREDIT DEPARTMENT  
BOMBAY

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## INTRODUCTION

The Government of India suggested in 1975 that detailed studies of co-operative credit structure might be undertaken by the Reserve Bank of India in some states where the co-operative movement was weak. In pursuance of this suggestion, the Reserve Bank of India, in consultation with the Government of India and the Government of Himachal Pradesh, set up in August 1977 a Study Team on Agricultural Credit Institutions in Himachal Pradesh to undertake such a study with the terms of reference given in paragraph 2 below :

### *Terms of reference*

2. (i) To examine the financial and organizational position of the state and central co-operative banks in Himachal Pradesh and to suggest a unit-wise programme for re-organization and rehabilitation where necessary;
- (ii) To identify, district-wise, areas of agricultural development and examine generally the co-operative credit structure in those areas which will be in a position in the near future to meet the requirements of agricultural credit and, if not, to suggest alternative institutional arrangements in this behalf which may include :
  - (a) state co-operative bank or commercial banks financing primary agricultural credit societies, by-passing central co-operative banks
  - (b) central co-operative banks financing individual agriculturists directly by-passing primary agricultural credit societies and
  - (c) state co-operative bank or commercial banks financing individuals directly, through their branches and also to identify, district-wise, areas where one or more of these alternatives may be adopted;
- (iii) To examine whether there is at all any justification for continuing the intermediate level institutions of the three-tier structure of the co-operative credit system in

the state and if such a step is not considered advisable and necessary for the state as a whole, whether in any particular district it may be advantageous to eliminate the central co-operative bank and in that case suggest steps necessary to enable the state co-operative bank or commercial banks to take the place of the central bank and to discharge the responsibility, more effectively and efficiently than the latter;

- (iv) To examine the scheme of financing agriculture by commercial banks through primary agricultural credit societies and suggest, if necessary, measures for extension of the scheme;
- (v) To study the financial position and working of primary agricultural credit societies with a view to suggesting measures to make each one of them a viable unit which may include societies undertaking the function of providing long-term agricultural credit in addition to short-term and medium-term credit facilities;
- (vi) To study the organization of fruit-growers societies and financing of the production and marketing of fruits, and suggest, if necessary, credit facilities for horticulture/forestry;
- (vii) To examine the position of overdues at 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 including administrative arrangements necessary for recovery of overdues from wilful defaulters;
- (viii) 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 programme in the state;

- (ix) To examine the arrangements for the management of and supervision over primary agricultural credit societies and suggest arrangements which will ensure efficient management of and effective supervision over the societies;
- (x) To study the problems of the difficult terrain of the state as also tribal areas and suggest, if necessary, special financial assistance and different organizational pattern for such areas;
- (xi) To identify areas offering potential for the development of sheep breeding and goat rearing activities and to suggest base level institutions necessary for the provision of institutional credit facilities to farmers who own sheep/goats.
- (xii) 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 reorganization and rehabilitation of the co-operative credit structure in the state; and
- (xiii) To make any other recommendations which are incidental or related to the above terms of reference.

*Composition of the Study Team*

3. The Study Team was set up under the Chairmanship of Shri K. Madhava Das, Executive Director of the Reserve Bank with the following as members :

1. Shri Sita Ram Sharma  
Chairman  
Himachal Pradesh State Co-operative Bank
2. Shri D. N. Chauhan  
Retd. Deputy Registrar of Co-operative Societies  
Himachal Pradesh
3. Shri S. K. Chauhan  
Secretary to the  
Government of Himachal Pradesh  
Co-operation Department

4. Shri O. P. Yadav  
Registrar, Co-operative Societies  
Himachal Pradesh
5. Shri R. K. Bhujabal  
Director (Credit and Planning)  
Government of India  
Ministry of Agriculture & Irrigation  
Department of Rural Development
6. Shri R. Vijayaraghavan  
Joint Chief Officer  
Reserve Bank of India  
Department of Banking Operations and Development
7. Shri N. L. Heblikar  
Joint Chief Officer  
Reserve Bank of India  
Agricultural Credit Department

Member –  
Secretary

Dr. M. V. Hate, Executive Director took over the Chairmanship of the Study Team consequent to the retirement of Shri K. Madhava Das from the Bank's service on 27 June 1979. Further, as a result of administrative changes within the Bank, Shri R. A. Sugavanam took over as Member-Secretary. Similarly, Shri Anang Pal, Smt. C. P. Sujaya, Shri V. Sagar Ailawadi and Shri V. Subramanian replaced the existing members, viz., Shri S. K. Chauhan, Shri O. P. Yadav, Shri R. K. Bhujabal and Shri R. Vijayaraghavan respectively. Subsequently, Kum. Jyoti Pande, Deputy Secretary, replaced Shri Ailawadi.

4. The Chief Executives of the Himachal Pradesh State Co-operative Bank (Sarvashri B. S. Mahrishi, Managing Director and C. S. Tomar, General Manager) and the Deputy Chief Officers of the Reserve Bank's Agricultural Credit Department (Sarvashri P. N. Srivastava and S. Acharya) and Department of Banking Operations and Development (Sarvashri S. K. Kapur and J. M. Wadhwa) at Chandigarh and Jammu respectively and the Joint Chief Officers (Sarvashri S. K. R. Zaidi and A. D. Dhawan) North Zone Office of the Agricultural Credit Department of the Reserve Bank of India attended the concerned meetings of the Study Team as special



invitees. As and when considered necessary, Directors of the Agriculture, Horticulture and Animal Husbandry Departments of the Government of Himachal Pradesh as well as the Chairman of the Himachal Pradesh Co-operative State Central Land Development Bank Ltd. were associated with the deliberations of the Study Team.

5. At the instance of the Chairman of the Study Team, Shri V. P. Malhotra, Chief Officer of the Reserve Bank's Agricultural Credit Department attended the meetings of the Study Team. Shri Malhotra presided over the second meeting in the absence of the Chairman.

*Methodology of study*

6. Keeping in view the wide scope of the terms of reference, collection of data on the various aspects from different sources was considered necessary. Besides, to get a first-hand information of the nature and dimensions of the problems faced by banks and societies, on-the-spot studies in the field were also considered necessary.

7. Accordingly, the Study Team approved in the first meeting various proformas for collection of data and decided to have field studies covering different aspects of the terms of reference. Recognizing the importance of primary level institutions in the co-operative credit structure, it was decided that one primary agricultural credit society from each block in the state should be selected on random basis with a combination of good, bad and indifferent societies for studying their working in detail in order to help the Study Team in assessing the performance of societies in meeting the credit needs and studying factors inhibiting the growth and development of societies. With a view to obtaining a cross-section of views, these studies were entrusted to the state/central co-operative banks and Co-operation Department in the state as also the Reserve Bank's regional office of the Agricultural Credit Department at Chandigarh. The Member-Secretary accompanied by Officers of the Secretariat visited Simla in the last week of September 1977 for launching on-the-spot studies of societies.

8. Besides field visits to study the working of primary agricultural credit societies, a few special types of studies in respect of financing

cultivation of fruit crops, ginger and potato and purchase of milch cattle/sheep and problems of difficult terrain were also entrusted to the regional office of the Reserve Bank of India's Agricultural Credit Department at Chandigarh. The study regarding various aspects of the working of state/central co-operative banks was conducted by officers of the Secretariat between the period October and December 1978. The proformas for collection of data and for field studies as well as guidelines for the studies were provided by the secretariat. As there was considerable time-lag between the date of launching field studies and the finalisation of the report, it was decided in the meeting held in November 1979 to update the data with reference to the latest available information and accordingly, on the basis of information, wherever made available, the data have been updated.

9. The Study Team organized four meetings. The first one was held at Bombay on 13 September 1977 followed by meetings at Simla on 17 and 18 August 1979, New Delhi on 22 and 23 November 1979 and the final one at Bombay on 12 February 1980. The Report was finalized in the last meeting.

10. The Report has fourteen Chapters as indicated below :

- Chapter 1 — Agricultural profile
- Chapter 2 — Estimates of short-term production credit for agriculture
- Chapter 3 — Scope for financing select crops and activities like dairying and sheep breeding
- Chapter 4 — Financing of horticultural activities
- Chapter 5 — Himachal Pradesh State Co-operative Bank
- Chapter 6 — Central co-operative banks
- Chapter 7 — Primary co-operative agricultural credit societies
- Chapter 8 — Integration of long-term and short-term co-operative credit structures
- Chapter 9 — Alternative institutional arrangements for financing agriculture
- Chapter 10 — Supervision over societies
- Chapter 11 — Recovery of overdues and rehabilitation
- Chapter 12 — Problems of difficult terrain and tribal areas

Chapter 13 — Related issues

Chapter 14 — Implementation

Besides, the Report contains Summary of observations and recommendations.

*Acknowledgements*

11. The Study Team is grateful for the assistance rendered by various Departments of Government of Himachal Pradesh, Himachal Pradesh State Co-operative Bank, Kangra and Jogindra Central Co-operative Banks, Himachal Pradesh Co-operative State Central Land Development Bank, regional offices of the Reserve Bank's Agricultural Credit Department and Department of Banking Operations at Chandigarh and Jammu respectively for collection of data, information and undertaking field studies.

12. The Team is also grateful for the valuable co-operation given by Smt. C. P. Sujaya, Shri B. S. Mahrishi, Shri C. S. Tomar and Shri S. Acharya and Shri V. K. Seth of the Reserve Bank's Agricultural Credit Department at Chandigarh in completing the study.

13. The regional office of the Reserve Bank's Agricultural Credit Department at Chandigarh prepared notes on various subjects which were useful to the Secretariat in drafting the Report. The Team takes this opportunity to express thanks to the concerned staff for the pains taken in preparing such notes.

14. The Team would like to place on record its sincere appreciation for the work done by the secretariat in collecting a vast mass of data and information, tabulating and analysing the same and finally producing drafts of the various Chapters. We would like to mention in this connexion the services rendered by Sarvashri C. Vipinachandran, Assistant Chief Officer, A.G. Sule, Rural Credit Officer and Sarvashri A. S. Gado and P. S. Agneeswaran, Staff Officers, all of whom spared no pains in completing the work. A specific mention may be made of the hard work put in by Shri A. G. Sule in preparing the preliminary drafts of the report and updating of the data within a short time.

15. We are also happy to record our appreciation of the work put in by Sarvashri N. L. Heblikar and R. A. Sugavanam during the period each functioned as the Member-Secretary.

## Chapter 1

### AGRICULTURAL PROFILE

1. The agricultural situation in any area is dependent on its geophysical and climatic conditions. The observations and suggestions made by us in this Report have been influenced to a considerable extent by these factors. We have, therefore, discussed these aspects in brief in this chapter. The information furnished in this chapter has been largely drawn from certain Government of Himachal Pradesh publications like Draft Five-Year Plan 1978-83, Statistical Outline (1976), Economic Review (1977), Himachal at a Glance and Agricultural Census Report (1971).

2. Himachal Pradesh is situated in the heart of the Himalayas and is surrounded by states of Jammu and Kashmir on the north, Punjab on the west, Haryana and Uttar Pradesh on the south and south-east and Tibet on the east. The state came into being as a centrally administered territory on 15 April 1948 following the merger of nearly 30 princely states in the hilly area. Part 'C' state of Bilaspur was merged into it six years later in 1954. On 1 November 1956 Himachal Pradesh became a Union Territory comprising six districts, viz., Mahasu, Mandi, Chamba, Sirmur, Bilaspur and Kinnaur. On reorganisation of the former state of Punjab in November 1966, the districts of Simla, Kangra, Kulu, Lahaul and Spiti, Nalagarh Tehsil and some parts of Ambala, Hoshiarpur and Gurdaspur districts were merged in Himachal Pradesh. Consequent to this merger the state had 10 districts, namely, Bilaspur, Chamba, Kangra, Kinnaur, Kulu, Mahasu, Mandi, Lahaul and Spiti, Simla and Sirmur. On 25 January 1971 the Union Territory of Himachal Pradesh became a full-fledged state. The Himachal Pradesh is one of the smallest states in the country with an area of 55.7 thousand sq. kms covering only 1.73 per cent of the country's land. Except for a thin belt in the west and the south, the entire state is predominantly mountainous, bounded by high ranges of Himalayas with

altitudes ranging between 460 metres and 6405 metres above sea level. Over a third of this area, being at an altitude of 3,050 metres and above, remains covered by snow for about 6 months in a year.

#### *Geophysical condition*

3. The state is a territory of hills and almost the entire area has a deeply dissected topography and complex geological structures undergoing slow changes due to variations in climate. About 50 per cent of the geographical area of the state is snow bound and remains cut off from the mainland for most part of the year. Structurally the state can be divided into 4 regions namely (i) Outer Himalayas, (ii) Lower Himalayas, (iii) Higher Himalayas and (iv) Tibetan Himalayas. The foot-hills of Himalayan mountains situated on the north-west to south-east of Siwaliks are known as Outer Himalayas. The Lower Himalayan Region is situated between Central Himalayan thrust and the Siwaliks. The Higher Himalayan Region is situated in the eastern part of the state and covers the southern portion of the Spiti valley, while the Tibetan Himalayan Region covers the remaining portion of the Spiti valley.

#### *Soils*

4. The soil of the state can broadly be divided into three types, namely, alluvial, brown hill and submontane. The soil in Outer Himalayan Region is composed of tertiary rocks like sandstone, clays and conglomerates, while in Lower Himalayas it is composed of rocks which are granites and other types of crystalline group of rocks. The Higher Himalayan Region is mostly composed of crystalline and metamorphic rocks. The low hill type soil is suitable for wheat, maize, sugarcane, ginger, paddy and citrus fruits. The mid-hill type soil is suitable for crops like table potatoes, stone fruits, wheat and maize. The high hill soil is good for seed potatoes and temperate fruits. The mountainous soil and the dry hill soil with heavy snowfall are ideal for dry fruit cultivation.

#### *Rivers*

5. The state is endowed with perennial rivers, the important being Chenab, Ravi, Beas and Sutlej which are snowfed. However, due to hilly terrain they have relatively less potential for irrigation.

*Climate*

6. The state, due to its altitude, experiences extremely varied climatic conditions. The low valley and other areas below the altitude of 600 metres have hot and moist tropical climate. The areas in the altitude between 600 metres and 2000 metres have cool temperate climate. The climate is cold temperate upto the altitude of 3,000 metres and further up, the temperature falls rapidly.

*Rainfall*

7. The state has abundant rainfall mostly from south-west monsoon. Normal rainfall is around 160 cms with variations from district to district. It ranges between 76 cms in Kinnaur district and 187 cms in Mandi district.

*Administrative set-up*

8. In September 1972, 10 districts referred to in paragraph 2 above were reorganized and the state was divided into 12 revenue districts with a further sub-division into 41 tehsils, 14 sub-tehsils and 69 development blocks as shown in Table 1. Sub-tehsils are not sub-divisions of Tehsils but at the same time they are not independent revenue units.

TABLE 1

District	Tehsil	Sub-Tehsil	Development Blocks
1. Bilaspur	2	—	3
2. Chamba	3	2	7
3. Hamirpur	1	2	5
4. Kangra	4	—	12
5. Kinnaur	5	1	3
6. Kulu	1	3	5
7. Lahaul and Spiti	2	—	2
8. Mandi	6	—	10
9. Simla	6	3	8
10. Sirmur	4	2	5
11. Solan	5	—	5
12. Una	2	1	4
	<b>41</b>	<b>14</b>	<b>69</b>

There are 16916 inhabited villages in the state.

9. The Draft Five-Year Plan for 1978-83 has grouped the state into three broad categories of economic regions as under :

(i) the tribal areas which include the districts of Lahaul and Spiti and Pangi tehsil and Bharmaur sub-tehsil of Chamba district.

(ii) the identified backward areas which include Trans-Giri tract of Sirmur district, Mangal Panchayat of Solan district; Chuhar valley of Mandi district, Chhota Bhangal and Bara Bhangal areas of Kangra district, Manali—Uhji, Outer Seraj and Banjar block of Kulu district, Dadra—Kwar, Pandrabis, Kashapat, Chebis, Panchayats of Munish, Darkali, Taklech and Deothi and Chopal tehsil of Simla district; and

(iii) areas other than those in items (i) and (ii) above.

#### *Population*

10. According to 1971 census the state's population is 34.60 lakhs forming about 0.63 per cent of the country's population. Although the average density of population for the state is only 62 persons per sq. km. as against 182 for the country, significant variations are observed between the districts due to the nature of the terrain and climatic conditions as well as economic opportunities available in the area. While Lahaul and Spiti has the lowest density of population at 2 per sq. km. the density is 167 per sq. km. in Bilaspur followed by Kangra and Simla districts at 158 and 153 per sq. km. respectively. The distribution of population in the villages indicates that almost one-third of the rural population is spread over 71 per cent of the total villages having a population of less than 200 as may be seen from Table 2.

TABLE 2

Population range	No. of villages	Population (in lakhs)
Less than 200	12,020	10.14
200—499	3,723	11.37
500—999	861	5.79
1000—1999	260	3.49
2000—4999	50	1.30
5000—9999	2	0.10
	<b>16,916</b>	<b>32.19</b>

11. The district-wise position of total population, density per sq. km., division of population into urban and rural, scheduled castes and tribes and the division of working population as per 1971 census are given in Annexure 1. The rural population at 32.19 lakhs constitutes 93.3 per cent of the total population of the state. The scheduled caste and scheduled tribe population forms 26.3 per cent of the total population of which the scheduled caste population alone is 22.2 per cent. The total number of workers is 12.79 lakhs and of this 75 per cent are engaged in agriculture i.e., 9.03 lakhs (70.6 per cent) as cultivators and 0.53 lakh (4.2 per cent) as agricultural labourers.

#### *Land use*

12. The district-wise position in respect of land use is available for the year 1974-5 and is given in Annexure 2. The area available for cultivation is relatively limited and its availability is adversely affected by frequent landslides and soil erosion. Despite this handicap agriculture is the single largest occupation with 75 per cent of the total working population engaged in it. The state also possesses immense forest wealth accounting for 27 per cent of its total revenue and covers an area of 6.38 lakh hectares forming 22 per cent of the total area of the state. The net sown area which was at 5.49 lakh hectares in 1968-9 has decreased to 5.44 lakh hectares in the year 1974-5 and it forms 18.5 per cent of the total area at 29.33 lakh hectares. However, quite sizeable net sown area at 3.73 lakh hectares is sown more than once raising the gross cropped area to 9.17 lakh hectares forming 31.2 per cent of the total area. On the basis of availability of gross cropped area in relation to the total area, the districts could be grouped as in Table 3.

TABLE 3

Percentage of gross cropped area to total area in the district	Districts
(1)	(2)
10 and below	Chamba, Lahaul and Spiti
Between 10 and 20	—
Between 20 and 30	—
Between 30 and 40	Kangra, Mandi, Simla, Sirmur, Solan,
Between 40 and 50	Bilaspur, Una
Between 50 and 60	—
60 and above	Hamirpur, Kinnaur, Kulu



13. The district-wise data available for the year 1974-5 regarding the net irrigated area and area irrigated more than once are given in Table 4.

TABLE 4

In Hectares

District	Net area sown	Net irri- gated area	Per- cent- age of Col. 3 to 2	Area irri- gated more than once	Gross irri- gated area	Gross cropped area	Per- cent- age of Col. 6 to 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bilaspur	31683	2702	8.5	1488	4190	55174	7.6
Hamirpur	39223	1497	3.8	1359	2856	72995	4.0
Kangra	107551	34150	31.7	27111	61261	196339	31.2
Una	42027	1831	4.3	641	2472	67772	3.7
Mandi	86329	13425	15.5	11190	24615	141934	17.3
Simla	67836	4600	6.8	2771	7371	108415	6.8
Sirmur	43085	11880	27.6	5907	17787	75845	23.5
Solan	42832	7210	16.8	3838	11048	69900	15.7
Chamba	39727	3959	9.8	3375	7334	62311	11.7
Kulu	33010	2461	7.8	399	2860	51734	5.6
Kinnaur	8326	4263	51.8	1818	6081	11581	52.6
Lahaul & Spiti	2764	2764	100.0	95	2859	2859	100.0
<b>Himachal Pradesh</b>	<b>544393</b>	<b>90742</b>	<b>16.7</b>	<b>59992</b>	<b>150734</b>	<b>916859</b>	<b>16.5</b>

14. On the basis of availability of irrigation facilities, the districts can be grouped as in Table 5. The irrigation facilities are very poor in five districts, namely, Bilaspur, Hamirpur, Kulu, Simla and Una where the percentage of gross irrigated area to gross cropped area is less than 10. In Lahaul and Spiti the percentage of irrigated area to gross cropped area is 100. However, the availability of the total cropped area in that district itself is very low at only 2859 hectares. According to the source-wise net irrigated area available for the year 1973-4,

TABLE 5

Percentage of gross irrigated area to gross cropped area	Districts
(1)	(2)
Above 50	Kinnaur, Lahaul and Spiti
Between 40 and 50	—
Between 30 and 40	Kangra
Between 20 and 30	Sirmur
Between 10 and 20	Chamba, Mandi, Solan
Less than 10	Bilaspur, Hamirpur, Kulu, Simla, Una

barring an area of about 3300 hectares which is irrigated by canals, tanks, wells or tubewells, the remaining area is irrigated by *Kuhls* i. e., irrigation channels which are streams. Almost, about two-thirds of the irrigation facilities are provided by privately managed *Kuhls*.

15. It is estimated that about 3.50 lakh hectares of land forming 64 per cent of the net area sown can be brought under irrigation by medium (3.35 lakh hectares) and minor (0.15 lakh hectares) irrigation schemes. The net irrigated area is 0.91 lakh hectares forming 16.7 per cent of the net area sown. There are two medium irrigation projects, viz., Giri irrigation project in Paonta Valley of Sirmur district and Bhabur Sahib lift irrigation project in Una district under execution. On completion, these two projects are expected to irrigate about 1400 hectares of land. A few more schemes are expected to be taken up during the period 1978-1983.

#### *Landholdings*

16. Landholdings are not only small but also scattered and fragmented. The operational holdings in the state are given in Table 6.

TABLE 6

Size of holdings (in hectares)	No. (In lakhs)	Percentage of total numbers	Area in lakh hectares	Percentage to total area
Below 0.5	2.38	39.1	0.51	5.5
0.5 to 1.00	1.17	19.2	0.85	9.1
1 to 2	1.23	20.2	1.77	19.0
2 to 3	0.58	9.5	1.40	15.0
3 to 5	0.44	7.2	1.68	18.1
Above 5	0.29	4.8	3.10	33.3
<b>Total</b>	<b>6.09</b>	<b>100.0</b>	<b>9.31</b>	<b>100.0</b>

17. The average size of landholdings which is only about 1.5 hectares consisting mostly of tiny and scattered fields is below the national average of 2 hectares. The landholdings of less than one hectare constitute 58.3 per cent of the total number of holdings but cover only 14.6 per cent of the total area.

#### *Tenancy and Agrarian Laws*

18. Since the state is formed with the integration of a number of princely states as well as part of the areas of the erstwhile Punjab, different types of tenancy and agrarian laws were in operation. For ensuring security of tenure and fair rents in the merged areas ejectments have been forbidden under provisions of the Himachal Pradesh (Transferred Territory) Tenants (Protection of Rights) Act, 1971. The Himachal Pradesh Abolition of Big Landed Estates and Land Reforms Act, 1953 (since repealed) provided for the imposition of ceiling on landholdings. According to the Himachal Pradesh Tenancy and Land Reforms Act, 1972 and Rules, occupancy and non-occupancy tenants have been given the right to acquire ownership rights in respect of their tenancies. Under this Act, all the occupancy tenants numbering 86952 have been conferred with proprietary rights in respect of their tenancies. Of the 2,96,081 non-occupancy tenants recorded,

2,03,820 tenants have been conferred with proprietary rights by the end of December 1976 and the remaining cases are expected to be completed on a priority basis.

19. The landless and small farmers with holdings below one acre (5 bighas) are being provided with the land acquired by/ vested with the state government under the two laws, viz., (i) Himachal Pradesh Village Common Lands Vesting and Utilization Act, 1973 and Rules and (ii) The Himachal Pradesh Utilization of Surplus Area Scheme, 1974.

20. In the hilly terrain the tiny, scattered and fragmented holdings need to be consolidated as an essential step towards increasing agricultural production. The consolidation operations were initially restricted on lands situated not above 2500 feet from mean sea level. This programme is now being carried out both under plan and non-plan schemes.

#### *Cropping Pattern*

21. The district-wise position in respect of the area cultivated during *kharif* and *rabi* seasons available for the year 1974-5 is given in Table 7.

TABLE 7

Thousand Hectares

District	Area cultivated during		Area under		Gross cropped area
	Kharif	Rabi	Food crops	Non-food crops	
(1)	(2)	(3)	(4)	(5)	(6)
Bilaspur	33.2	21.2	54.4	1.0	55.2
Hamirpur	37.4	24.4	61.8	...	73.0
Kangra	92.6	84.5	175.4	1.7	196.3
Una	37.0	25.1	62.1	...	67.8
Mandi	65.5	61.2	124.6	2.1	141.9
Simla	31.7	52.2	74.2	9.7	108.4
Sirmur	35.2	31.8	65.8	1.2	75.9
Solan	40.0	23.9	64.3	1.0	69.9
Chamba	34.3	22.8	54.6	2.5	62.3
Kulu	19.7	23.8	42.2	1.3	51.7
Kinnaur	1.0	4.0	5.2	...	11.6
Lahaul and Spiti	...	2.2	2.2	...	2.8
<b>State</b>	<b>427.6</b>	<b>377.1</b>	<b>786.8</b>	<b>20.5</b>	<b>916.8</b>

**Note :** Columns 4 and 5 do not add up to column 6 as break-up for the entire area under column 6 is not available.

22. The area under important crops cultivated in these two seasons for the year 1974-5 is given in Table 8.

TABLE 8

In Hectares

District	Kharif			Rabi		
	Maize	Rice	Pulses	Oil seeds (rape and mustard)	Wheat	Bark y
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bilaspur	21619	3701	7464	404	20093	282
Hamirpur	27303	5396	4635	90	24132	224
Kangra	46077	36543	9404	661	78627	4904
Una	24840	2365	9640	164	25021	17
Mandi	36203	23516	5588	226	54009	5361
Simla	21440	5266	4662	381	33593	9306
Sirmur	24302	5032	5376	527	27585	3559
Solan	23916	4399	11017	720	21566	2076
Chamba	25754	3167	3319	2119	16315	6008
Kulu	12694	3539	3010	425	16823	6110
Kinnaur	329	38	244	4	1660	2605
Lahaul and Spiti	9	—	204	31	516	1190
<b>State</b>	<b>264486</b>	<b>92962</b>	<b>64563</b>	<b>5752</b>	<b>319940</b>	<b>41642</b>

23. The food crops dominate the cropping pattern in the state accounting for almost 87 per cent of the gross cropped area. From the view point of agricultural production, *kharif* season is important. Paddy, wheat and maize crops cover almost 73 per cent of the gross cropped area. Rapeseed, mustard, potato, sugarcane and ginger are the important cash crops.

*Foodgrains production*

24. The production of foodgrains in the state for the period 1971-2 to 1974-5 is given in Table 9.

TABLE 9

Year	Thousand Tonnes
	Foodgrains production
1971-2	934.5
1972-3	945.5
1973-4	989.0
1974-5	1064.6 (provisional)

The production of foodgrains has shown an increasing trend. The data for the years subsequent to 1974-5 are not readily available.

25. The production under major crops for the years 1971-2, 1973-4 and 1974-5 (provisional) is given in Table 10.

TABLE 10

Crop	Production in thousand tonnes		
	1971-2	1973-4	1974-5 (provisional)
(1)	(2)	(3)	(4)
Rice	103.2	119.1	96.8
Maize	326.5	454.8	494.7
Ragi	6.7	12.4	10.0
Milletts	11.8	24.6	19.5
Wheat	389.4	295.0	355.9
Barley	67.0	43.7	43.9
Pulses	29.9	39.4	33.1
Oilseeds	1.9	2.1	1.8
Sugarcane	6.3@	5.7@	5.3@
Potato	49.7	72.6	71.6
Ginger	1.2	0.5	0.7

@ In terms of Gur

26. For the year 1975-6, the out put of major crops like wheat, maize, rice and barley has been placed at 402.1, 486.2, 123.6 and 51.6 thousand tonnes respectively. The important food crop is maize followed by wheat and rice. The average yield per hectare of the principal food crops for the period 1971-2 to 1975-6 is given in Table 11.

TABLE 11

Crop	Average yield per hectare (in quintals)				
	1971-2	1972-3	1973-4	1974-5	1975-6 (Provi-ional)
Maize	12.1	15.5	17.5	18.8	18.4
Wheat	12.1	10.6	9.6	11.2	12.1
Rice	10.5	9.0	12.2	10.5	13.0

Although wheat has registered an uneven growth rate, maize and rice have shown some increase. This improvement is attributed mainly to improved technology in crop husbandry.

27. Potato is one of the two major cash crops, the other being apple. Himachal Pradesh is a main source for seed potato which is widely grown in the higher altitude regions of Chamba, Kulu, Mandi, Sirmur, Simla and Lahaul and Spiti. In respect of production of ginger the state ranks next only to Kerala. The state also produces off-season vegetables worth about Rs 4 crores annually. Besides, it is known for the production of seeds of vegetables like cauliflower, cabbage and sugar-beet. As per information available it was estimated that in the year 1976-7 vegetables would be grown in about 9.5 thousand hectares with a total yield of 110 thousand tonnes.

#### *Fertilizers*

28. The hilly terrain, soil erosion, inadequate irrigation facilities and agro-climatic conditions have drastically affected adoption of improved package of practices in agricultural production resulting in low demand for fertilizers. However, sustained efforts on the

part of the state government have helped in popularising the use of fertilizers thereby increasing the consumption of fertilizers in terms of nutrients from 0.05 lakh tonnes in 1968-9 to 0.10 lakh tonnes in 1977-8. For the year 1976-7, the Government of India selected Sirmur district under the Intensive Fertilizer Promotion Programme to popularise and intensify fertilizer consumption. The efforts to popularise the use of fertilizers are being continued and the Government of India has sanctioned a centrally sponsored scheme of 'Quality control of inputs' to ensure distribution of quality fertilizers.

#### *High Yielding Varieties Programme*

29. The high yielding varieties programme was introduced on a modest scale during *Kharif* 1968. The major *kharif* and *rabi* crops like paddy, maize and wheat are covered under this programme which is open to all the cultivators. The details regarding area under cultivation covered by this programme in 1972 to 1976 are available in respect of paddy and maize which are given in Table 12.

TABLE 12

Year	Thousand Hectares		
	Paddy		Maize
	Kharif	Rabi	Kharif
1972	40.0	193.0	38.0
1973	50.0	200.0	50.0
1974	47.0	220.0	33.0
1975	55.0	212.0@	55.0
1976	49.0	N. A.	67.0

@ Excludes Lahaul and Spiti district.

In 1976-7 the total area under this programme was 4.05 lakh hectares and a target of 4.45 lakh hectares was proposed for 1977-8.

#### *Other Programmes*

30. There are 28 seed multiplication centres which are engaged in multiplication and distribution of foundation seeds of wheat,



maize and paddy. A seed certification agency has been since established to ensure regular supply of quality seeds. Apart from this agency, a seed testing laboratory at Solan attends to the work of seed certification in the state. The soil testing is being done with the help of eight soil testing laboratories and a mobile soil testing unit. Besides, a soil conservation programme is being implemented by the Agriculture and the Forest Departments. The Indo-German Agricultural Project was launched in collaboration with the Federal Republic of Germany in 1962 in Mandi district and later extended to Kangra district in 1967 for achieving a breakthrough in agricultural production. The project in Mandi district has ceased to receive foreign assistance from January 1975.

31. There are six Small Farmers Development Agencies/Marginal Farmers and Agricultural Labourers Agencies functioning in six districts, viz., Sirmur, Simla, Solan, Bilaspur, Kulu and Chamba. The schemes aim at an all-round development of small/marginal farmers in the field of agriculture, horticulture, animal husbandry, etc. Incentives are given to beneficiaries in the form of subsidy besides arranging for loans from banks.

#### *Horticulture*

32. The geographical features and agro-climatic conditions prevailing in the state are conducive to the development of horticulture. Realising the significance and usefulness of fruit cultivation, which yields higher monetary return per unit of land and also enables the proper use of the available land resources like grasslands, denuded forest lands, culturable waste lands etc., the state government has taken initiative in developing horticulture. Hence there has been a rapid proliferation of orchards in the recent past. We have dealt with this aspect in Chapter 4.

#### *Animal Husbandry*

33. In a predominantly agricultural economy, animal husbandry and pastoral pursuits play a vital role in supplementing the income of farming households and in the rural development. The state government has taken up various schemes for providing health

cover and for achieving qualitative improvement of the cattle population.

*Agricultural Refinance and Development Corporation assisted Schemes*

34. The Agricultural Refinance and Development Corporation has sanctioned 31 schemes for the state upto 30 June 1979 the details of which are given in Table 13.

TABLE 13

Agency	Purpose	No. of schemes	Financial assistance	Rs Lakhs	
				Agricultural Refinance & Development Corporation	
				Commitments	Disbursement upto 30-6-1979
(1)	(2)	(3)	(4)	(5)	(6)
Land Development Bank	Horticulture	3	86.00	64.00	22.00
	Minor irrigation	1	20.00	18.00	4.00
	Dairy development	1	10.00	7.00	—
	Sub-total	5	116.00	89.00	26.00
Commercial Banks	Farm mechanisation	2	23.00	18.00	11.00
	Dairy development	5	28.00	27.00	13.00
	Poultry	1	6.00	6.00	—
	Horticulture	17	768.00	653.00	49.00
	Piggery	1	2.00	2.00	2.00
	Sub-total	26	827.00	706.00	75.00
<b>Total</b>		<b>31</b>	<b>943.00</b>	<b>795.00</b>	<b>101.00</b>

35. The important scheme sanctioned by IDA for Himachal Pradesh is the Himachal Pradesh Apple Processing/Marketing Project involving a total outlay of U. S.\$ 21.5 million. The IDA assistance will be of the order of U. S. \$ 13 million. This project aims at creating an integrated marketing and processing infrastructure and to streamlining the present marketing system for apple so as to solve the problem faced by the orchardists in Himachal Pradesh.

36. From the foregoing it would be seen that the state has already initiated steps to improve the rural economy. But, for a hill state like Himachal Pradesh, the most important infrastructural development is an efficient system of road network and road transport facilities. Further, transport operation in hill areas is difficult and there is excessive wear and tear of vehicles due to steep gradients, narrow curves and difficult terrain. The state government is aware of this position and is taking steps for the development of road transport. During the Fifth Plan period from 1974 to 1978 as against the total expenditure of Rs 161.49 crores on various sectors, Rs 38.86 crores, representing about 25 per cent, were spent on transport and communication sectors.

## Chapter 2

### ESTIMATES OF SHORT-TERM PRODUCTION CREDIT FOR AGRICULTURE

We are required as per our term of reference No. (ii) to identify, district-wise, areas of agricultural development and examine generally the co-operative credit structure in those areas which will be in a position in the near future to meet the requirements of agricultural credit and, if not, to suggest alternative institutional arrangements in this behalf. In this chapter we have dealt with the aspect of estimation of credit requirements to assess the magnitude of the responsibility devolving on the co-operative credit structure and the present level of institutional support by co-operatives. Our main field of enquiry relates to the requirements of short-term agricultural loans for production purposes. However, we have also estimated credit requirements for medium-term agricultural purposes such as purchase of milch cattle and sheep breeding as there is scope for financing these purposes as noted in Chapter 3.

2. The requirement of credit for short-term agricultural production in an area depends on the cropping pattern, proportion of area under each crop and realistic outlays per unit in respect of each crop which call for availability of accurate data in this behalf. Even if data relating to the cropping pattern and area under each crop are broadly available, an accurate assessment of outlays becomes difficult due to variations in the fertility of land. It is generally observed that outlays are worked out on a uniform basis with reference to dosages of fertilisers, pesticides, etc. prescribed by state government's extension agencies and standard scales of finance are fixed for different crops. For instance, in the case of Himachal Pradesh, on the basis of scales of finance per acre for different crops approved by the Registrar of Co-operative Societies for adoption by banks (Annexure 3) and the

area under different crops, the outlays in respect of food and non-food crops work out to Rs. 114.55 crores (Annexure 4) and for fruit crops to Rs. 21.17 crores, of which for apple crops the figure works out to Rs. 13.15 crores (Annexure 5).

3. The credit outlays can also be worked out with reference to scales of finance as given in Annexure 3. The average scale of finance could be arrived at by giving due weightage to the areas under different crops as available in Annexures 4 and 5, and the scales of finance therefor. The area under apple crop included in Annexure 5 is assumed as unirrigated. While making these calculations, we have taken into consideration the crops mentioned in Table 1 as they are grown over a sizeable area of the state.

TABLE 1

Area in Thousand Hectares

Crop	Unirrigated		Irrigated	
	Area	Scale of finance per hectare	Area	Scale of finance per hectare
		Rs		Rs
Wheat	273	1125	47	1750
Maize	253	1375	12	1937
Paddy	44	1125	49	1437
Barley	36	1000	5	1500
Potato	13	4000	2	4000
Apple	35	3750	—	—
Oileeds	5	875	1	875
Pulses	61	875	4	875
Other crops	102	875	10	875
<b>Total</b>	<b>822</b>		<b>130</b>	

**Note :** Area under unirrigated and irrigated crops does not tally with the break up of the area shown in Table 2 in view of non-availability of distribution of crops under irrigated areas in respect of Hamirpur and Sirmur districts as mentioned in Annexure 4.

On the basis of the exercise made in Table 1, the average scale of finance per hectare works out to Rs 1303 for unirrigated area and Rs 1573 for irrigated area (For calculation purposes they have been rounded off to Rs 1300 and Rs 1570 respectively). Of the gross cropped area of 9.54 lakh hectares (Table 2), 8.04 lakh hectares are unirrigated and 1.50 lakh hectares are irrigated. With reference to the average scales of finance as above, the total credit requirements work out to Rs 128.07 crores (Unirrigated area 8.04 lakh hectares x Rs 1300 + Irrigated Area 1.50 lakh hectares x Rs 1570).

4. The credit outlays in both the exercises in paragraphs 2 and 3, after excluding outlays under fruit crops other than apple, are more or less similar i.e., Rs 127.70 crores mentioned in paragraph 2, and Rs 128.07 crores referred to in paragraph 3. No doubt, the entire outlays so calculated cannot be deemed as credit requirements to be met by institutional sources as not all the cultivators require credit, not all those in need of credit resort to institutional credit and even those who resort to institutional credit do not necessarily borrow to the full extent of their requirement. It is noted that in the case of Himachal Pradesh the effective coverage of cooperatives, i.e., percentage of indebted membership to rural families is around 35. Further on a rough basis it is observed from the landholdings of the members and borrowing members of societies that credit requirements in respect of around 30 per cent of the cropped area are met by the co-operatives. In view of this and the fact that coverage is expected to increase progressively, we may assume that borrowings from the institutional sources will be in respect of 40 per cent of the area under cultivation.

5. Keeping the above position in view, we have arrived at the district-wise credit requirements on the basis of average scales of finance, mentioned in paragraph 3, as shown in Table 2. Whether the credit requirements as worked out above can be met to the full extent will depend on several factors such as the geo-physical and climatic conditions, the level of agricultural practices followed and the capacity of the institutions to absorb credit and disburse

TABLE 2

District	Gross cropped area		40 per cent area of column		Hectares in Thousands Rupees in Lakhs.		
	Unirri- gated	Irri- gated	No. 2	No. 3	Institutional Credit Requirements		
					Area in column No. 4 x Rs 1300	Area in column No. 5 x Rs. 1570	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bilaspur	51	4	20.4	1.6	265.20	25.12	290.32
Chamba	56	7	22.4	2.8	291.20	43.96	335.16
Hamirpur	70	3	28.0	1.2	364.00	18.84	382.84
Kangra	135	61	54.0	24.4	702.00	383.08	1085.08
Kinnaur	7	6	2.8	2.4	36.40	37.68	74.08
Kulu	58	3	23.2	1.2	301.60	18.84	320.44
Lahaul & Spiti	--	3	--	1.2	--	18.84	18.84
Mandi	123	25	49.2	10.0	639.60	157.00	796.60
Simla	118	7	47.2	2.8	613.60	43.96	657.56
Sirmur	61	18	24.4	7.2	317.20	113.04	430.24
Solan	59	11	23.6	4.4	306.80	69.08	375.88
Una	66	2	26.4	0.8	343.20	12.56	355.76
<b>Total</b>	<b>804</b>	<b>150</b>	<b>321.6</b>	<b>60.0</b>	<b>4180.80</b>	<b>942.00</b>	<b>5122.80</b>

**Note :** Area under apple crop shown in Annexure 5 is added in respective districts as unirrigated area.

loans to cultivators. It may also be mentioned here that the Agriculture Department of the state considered the scales of finance adopted by the co-operative banks as relatively on the high side, as the actual application of fertilizer dosages by cultivators is said to be very low. Further, it is stated that the cash component is hardly required by farmers. Even though the position regarding actual use of dosages is accepted, we cannot ignore the fact that the financing in the state is being done by co-operative banks all along on the scales of finance

which have the approval of the state government and further the cultivators are expected to progressively adopt the improved package of practices for which the extension agencies are working. Besides, provision of cash component as envisaged under the crop loan system of financing is also considered necessary. Thus the credit requirements to be met by institutional agencies (which include commercial banks also) as worked out by us could be considered as realistic. Incidentally, institutional credit from primary cooperatives in the state was about Rs. 5.60 crores only as at the end of June 1978. The commercial banks in the state have not provided agricultural finance through societies and their direct finance for production purposes is also stated to be negligible.

6. In view of the position now stated and due to the reasons mentioned earlier, the estimated credit requirements may not be met in full by the institutions in the near future, say by the end of 1983. We have, therefore, assumed that the institutions should at least set before them a realistic programme to cover one-third of the estimated credit requirements by the end of June 1983. Accordingly the district-wise credit requirements have been scaled down by us to Rs. 17.07 crores as shown in Table 3.

TABLE 3

Rs Lakhs

District	Credit Requirements estimated in Col. 8 in Table 2	1/3 of Col. 2 to be met by 1983
(1)	(2)	(3)
Bilaspur	290.32	96.77
Chamba	335.16	111.72
Hamirpur	382.84	127.61
Kangra	1085.08	361.69
Kinnaur	74.08	24.69
Kulu	320.44	106.81
Lahaul & Spiti	18.84	6.28
Mandi	796.60	265.53
Simla	657.56	219.19
Sirmur	430.24	143.41
Solan	375.88	125.29
Una	355.76	118.59
	<b>5122.80</b>	<b>1707.58</b>



The short-term agricultural loans outstanding at the primary level as on 30 June 1978 are Rs 5.60 crores as stated earlier and it should not be difficult for both co-operative banks and commercial banks to reach a level of Rs 17.07 crores arrived at by us, by the end of 1983. There is a greater awareness on the part of the commercial banks to provide finance for agriculture and with the increased emphasis on their involvement in rural development through district credit plans, they are expected to increase their participation in this regard.

7. In the above assessment we have not taken into consideration crops like ginger and vegetables, for which the scales of finance are as much as Rs 7125 and from Rs 2500 to Rs 5000 per hectare respectively. The area under these crops is 10500 hectares (2000 hectares under ginger and 8500 hectares under vegetables). As stated in Chapter 3 there is scope for financing these crops. We have, however, not taken the credit requirements of these crops separately for working out the total requirements as these could be deemed to be additional potential which the credit institutions may take the opportunity to increase their loan business further.

8. As regards requirements for medium-term agricultural finance, we have noted in Chapter 3 that allied activities like dairying and sheep breeding can be financed on a large scale as infra-structural facilities have been provided by the state government, particularly in regard to health cover and improved breed. What is lacking is the marketing arrangement which also could be expected to be developed in the near future. We have, therefore, made estimates of credit requirements as in Table 5 for financing these activities also for which the following norms have been adopted.

- (i) The twelve districts have been grouped into three categories, namely, A, B and C keeping in view the scope for financing such activities and the availability of infra-structural facilities regarding health cover and improved breed.

TABLE 5

District	Agri-cultural families ('000)	Credit Requirements for dairy-ing@ Rs 2500 per family.	Credit Requirements for sheep unit (10 ewes) @ Rs. 3300 per family	Total credit Requirements (Col. 3 + 5)		
		Benefi-ciary families ('000)	Credit Require-ment (Rs lakhs)	No. of bene-ficiary fami-lies ('000)	Credit Require-ments (Rs lakhs)	(Rs Crores)
	(1)	(2)	(3)	(4)	(5)	(6)
<b>GROUP 'A'</b>						
1. Chamba	17	2.12	53.00	2.12	69.96	1.23
2. Kangra	51	6.38	159.50	6.38	210.54	3.70
3. Mandi	31	3.88	97.00	3.88	128.04	2.25
4. Simla	8	1.00	25.00	1.00	33.00	0.58
5. Sirmur	16	2.00	50.00	2.00	66.00	1.16
<b>GROUP 'B'</b>						
6. Kinnaur	4	0.40	10.00	0.40	13.20	0.23
7. Kulu	16	1.60	40.00	1.60	52.80	0.93
<b>GROUP 'C'</b>						
8. Bilaspur	13	0.78	19.50	0.78	25.74	0.45
9. Solan	—	—	—	—	—	—
10. Hamirpur	34	2.04	51.00	2.04	67.32	1.18
11. Una	—	—	—	—	—	—
12. Lahaul & Spiti	2	0.12	3.00	0.12	3.96	0.07
<b>Total</b>	<b>192</b>	<b>20.32</b>	<b>508.00</b>	<b>20.32</b>	<b>670.56</b>	<b>11.78</b>

Note : Percentage of beneficiary families in each case

'A' Group --- 12.5% of Agricultural families

'B' Group - - 10% of ---do---

'C' Group --- 6% of ---do---

- (ii) The coverage of families for provision of finance for dairying and sheep breeding is assumed at a certain percentage of the agricultural families, which have been worked out by dividing the agricultural workers by 5.
- (iii) The coverage of families for providing the above finance has been assumed at 25 per cent in case of category 'A' districts, 20 per cent for category 'B' districts and 12 per cent for category 'C' districts.
- (iv) Each family will have either a unit of at least one milch animal or a sheep unit of 10 ewes and accordingly the coverage of families will be 50 : 50 for provision of finance for each purpose. The cost of a milch animal is assumed at Rs 2500 and in the case of a unit of sheep at Rs 3300.

The above requirements have been worked out on a very conservative basis and even then the credit requirements could be placed at Rs 11.78 crores.

9. The credit inadequacies noted in respect of production credit requirements in paragraph 6 above and the credit requirements estimated for medium-term agricultural purposes in paragraph 8 are indicative of the fact that the co-operative credit structure will have to put in a great deal of effort to meet the credit requirements adequately and even then in view of large credit gap, other institutional agencies like the commercial banks and regional rural banks have to supplement the efforts of the co-operatives in this regard.

10. With a view to enabling the co-operative credit structure to meet the credit requirements of agriculture and allied activities adequately, we have assessed in subsequent chapters the performance of the co-operative credit structure and offered our recommendations to enable it to improve its credit support on its own and also with the support of commercial banks.

### Chapter 3

#### SCOPE FOR FINANCING SELECT CROPS AND ACTIVITIES LIKE DAIRYING AND SHEEP BREEDING

1. In this chapter we have highlighted the scope for financing certain select crops as well as allied activities like dairying and sheep breeding mainly on the basis of field studies which were undertaken at our instance. These studies were undertaken by the officers of the Reserve Bank's Agricultural Credit Department at Chandigarh during the period January—March 1978 when the problems connected with the availability of credit facilities for production and marketing as well as arrangements for marketing of the produce were studied.
2. Although about 75 per cent of the total working population of the state is engaged in agricultural operations, the cultivator finds it difficult to use improved techniques of cultivation, particularly in raising food crops due to the peculiar geo-physical conditions. In view of the temperate climate, the state is most suited for horticultural activities and production of crops like potato, ginger and vegetables which fetch a better income to the cultivator per unit of land as against the income from food crops. The gross-cropped area reported to be covered under potato crop is 15 thousand hectares, 2 thousand hectares under ginger and 8.5 thousand hectares under vegetables. The area under apples is about 35 thousand hectares and has been dealt with in a separate chapter in view of its unique importance in the state's economy. There is scope for financing activities of dairying and sheep breeding for which medium-term loans are required.
3. The potato crop is mainly grown in the districts of Simla, Lahaul & Spiti, Kinnaur, Mandi, Kangra, Kulu, Sirmur and Chamba. Sowing is done in February and March and the crop is ready for harvesting in October coinciding with the sowing

season for other crops in the plains. The potato of Himachal Pradesh is used as seed potato as it is of a much better strain in germination percentage, disease resistance, etc., as compared to the seed potato of the plains preserved in the cold storage and thus enjoys a good market in the country. The Government of India and the state government have established research centres and farms for the production of foundation seed at various places. The Central Potato Research Institute at Simla is the principal institute in the country for conducting research in the production of potato. The varieties approved by it are grown on the farms of the state government as foundation seed. The area covered by potato crop and its production during the past three years are given in Table 1.

TABLE 1

Year	Area (In thousand hectares)	Production (In thousand tonnes)
1974—5	15.16	71.6
1975—6	14.96	77.19
1976—7	19.25	105.05

#### *Financing Arrangements*

4. Realising the importance of the potato crop, the state government encouraged the co-operative sector to provide finance for its cultivation. In 1970-71, when the crop loan system was introduced in Himachal Pradesh, the state co-operative bank disbursed substantial loans to members of co-operative societies in the districts falling in its area of operation at a scale of Rs 1000 per acre fixed by the Registrar of Co-operative Societies for the purpose. However, these loans were disbursed due to certain relaxations allowed by the Registrar of Co-operative Societies, without verifying landholdings of the members. Besides, there was no linking of credit with marketing and also no proper arrangements for the marketing of the produce. These factors as also the absence of proper climate for recovery resulted in

substantial loan amounts becoming overdue. This adversely affected the disbursement of credit in subsequent years as is borne out by the data in Table 2 in respect of the crop loans issued by the state co-operative bank for potato.

TABLE 2

Year	Rs. Lakhs		
	Loans issued during the year	Loans outstanding at the end of the year	Overdues at the end of the year
1974-5	6.41	22.60	15.19
1975-6	4.89	26.52	21.73
1976-7	2.68	27.09	24.41

The figures relating to financing of potato crop by the Kangra Central Co-operative Bank are not available.

5. The Agriculture Department has estimated the cost of cultivation of potato at Rs 5670 per hectare as per details given in Table 3 at page 35. The above estimate of cost has been made by the Agriculture Department on the basis of optimum requirements. Keeping in view the fact that a substantial portion of the labour is provided by the cultivator and his family, the practice to use the seed from his previous crop, availability of farm manure etc., the Co-operative Department has fixed the scale at Rs 1600 per acre (cash Rs 400 and kind Rs 1200) i. e., Rs 4000 per hectare.

6. On the basis of the scale of finance indicated in paragraph 5 above, the total outlay for potato crop covering an area of 15000 hectares (in 1976-7 it had increased to 19000 hectares) works out to Rs 600.00 lakhs. If we assume that the institutions will have to meet credit requirements in respect of only 40 per cent of the area, the credit requirements could be placed at Rs 240 lakhs. As against this, disbursement of credit during 1976-7

TABLE 3

Item	Cost Rs
1. Seeds	2000
2. Farm Yard Manure	600
3. Fertilizers	1127
4. Cost of insecticides and fungicides	203
5. Labour charges	
(a) Ploughing	225
(b) Channel up-keeping	75
(c) Planning charges	200
(d) Deep weedings and earthings (two operations)	400
(e) Application of farm yard manure	125
(f) Spraying charges of insecticides	90
(g) Harvesting and carriage to sale point	500
(h) Grading, weighing and storage	125
<b>Total</b>	<b>5670</b>

was Rs 2.68 lakhs and outstandings were Rs 27.09 lakhs only. The factors inhibiting the growth of production credit for potato in brief are as under :

(i) Although a major portion of the scale of finance is required to be disbursed in the form of fertilizers, the weak co-operative marketing structure, with its limited distribution centres, has not been able to supply fertilizers of the required type at the time when the cultivator needs them.

(ii) In terms of Registrar's circular No. 5-392/59-Coop(C&A) dated 30 March 1977 the cultivator is entitled to the 'A' component i.e., cash component if he avails of 'B' component i.e., kind component. In the absence of proper arrangements for the disbursement of 'B' component the disbursement of 'A' component itself is adversely affected. Moreover, the banks had not prescribed any schedule for the fixation of normal credit limits of societies and very often the credit limit applications were prepared and

sanctioned much after the sowing season thereby depriving production finance to member cultivators and societies from co-operative banks. However, the Registrar of Co-operative Societies, Himachal Pradesh has since issued instructions prescribing a time schedule for preparation of normal credit limit statements and sanction of credit limits by the banks. Accordingly, the District Co-operative and Supply Officer has to receive the normal credit limit statement by 10 January which in turn is to be submitted to the bank by 31 January. The bank has to sanction limits by 25 February.

(iii) In view of the mounting overdues, most of the societies as well as members in areas where potato crop is raised are defaulters to banks and societies respectively making them ineligible to borrow. As a result, it is not possible for co-operative banks to disburse loans for the cultivation of potato crop.

#### *Marketing of Produce*

7. The potato is a perishable commodity and in the absence of adequate cold storage facilities the growers are left with no option but to dispose of the produce soon after the harvest. Further, as a major part of the produce is used as seed potato in the plains for which the markets are situated at far away places in the states of Gujarat, Maharashtra, Karnataka, West Bengal, Assam, Meghalaya etc., the cultivators, being small holders, do not find it possible to sell their produce on their own in these markets. They have, therefore, no alternative except to dispose of the produce either to the local traders or the *Arhtias* operating at Simla. With a view to restricting the exploitation of producers by traders, the state government encouraged the co-operative sector to procure the produce at the village level and supply it to consumption centres located in other states. The Himachal Pradesh Marketing and Supply Federation as well as the Kailash District Co-operative and Marketing Federation played an important role in the marketing of potato. For the last few years Lahaul Potato Growers' Marketing Society at Manali has also been handling the produce from Lahaul Valley. As per the arrangements in vogue until 1977, the state government used to declare a support price



for potato marketed through the co-operative sector. The produce was collected by the marketing federation from the farmers on consignment basis through various collection centres. A cultivator was given advance for payment of freight or for hiring mules to enable him to bring his produce to the collection centre. On delivery of the produce the grower was paid an advance not exceeding 50 per cent of the market price or the support price, whichever was less. After the sale of the produce at varying prices, the Federation was required to work out an average pool price every year on the basis of actual sales and accordingly settle the account of the grower. The Federation usually availed of cash credit facilities from the state co-operative bank against state government guarantee for purchase of gunny bags, granting advances to growers against the produce collected and payment of freight. However, the marketing operations of the Federations have resulted in losses in view of their inability to sell the produce at profitable rates. In many cases, they had to sell the produce at prices lower than even the advances made to growers which were based on the then prevailing market prices. Consequently, such advances exceeded the dues payable to the producers on sale of the potato. The Federations could not recover such excess payments made to the producers and in turn could not repay the loans obtained from banks. On the basis of the pool rate and the support price, the State Federation has filed a claim of Rs 7.55 lakhs with the state government in respect of the sales effected during 1975-6. The state government, which had initially approved the claims of Rs 5.73 lakhs has since settled the claims in full. The state government has from 1977 discontinued the practice of declaring support price for potato. The Kailash Federation owes to the bank a sum of about Rs 40 lakhs under various heads and it has since been taken into liquidation in 1977 due to persistent losses.

8. The quantum of produce handled by the two federations and the Lahaul Potato Growers' Marketing Society during the three-year period from 1975-6 to 1977-8 is given in Table 4. While the Simla based federations fared none too satisfactorily, H. P. - 3

TABLE 4

		Rs Lakhs
Year	No. of bags	Sales
<b>HIMFED</b>		
1975-6	24,773	8.64
1976-7	30,351	27.27
1977-8	12,857	22.66
<b>Lahaul District Potato Growers Marketing Society, Manali</b>		
1975-6	56,130	Not available
1976-7	71,991	—do—
1977-8	1,05,000	—do—
<b>Kailash District Federation, Simla</b>		
1974-5	33,229	33.31
1975-6	30,031	10.81
1976-7	Acted as procuring agent of HIMFED	
1977-8	Taken into liquidation	

the performance of the Lahaul Potato Growers' Marketing Society has been encouraging. The society has earned a name for the produce handled by it and it is able to sell the produce immediately on the commencement of the season. The two federations at Simla failed to sell the produce in time and at attractive prices owing to the defective procurement system and also poor selling arrangements and hence they had to look to the support extended by the state government. They lost the allegiance of the producers and in consequence the faith of the customers as they failed to get quality products at the appropriate time.

9. It has also been observed that marketing federations instead of entrusting their collection centres to primary agricultural credit societies preferred individuals as middlemen. These individuals

paid a lower price to growers. At no stage any effort has been made to recover the dues of primary agricultural credit societies out of sale proceeds of potato handled by the marketing federations. The potato crop is harvested in October and its marketing continues upto December. The due date for repayment fixed by the bank for crop loan is 31 January.

10. The potato growers are not in a position to secure fair and reasonable return for want of storage facility and proper arrangements for marketing.

### *GINGER*

11. Ginger grown in an area of about 2000 hectares is mainly concentrated in the Sirmur district. It is, however, an important crop as it brings in a high level of income though its cultivation involves heavy outlay. The area under ginger crop in Sirmur district is 1850 hectares and its annual production of green ginger is about 16,500 metric tonnes at an estimated value of Rs 4.80 crores. The main centres of production are located in the Trans-Giri Area of Sirmur district. Nearly 4000 metric tonnes of green ginger representing 25 per cent of production is consumed locally for seed and other purposes and another 1000 metric tonnes are converted locally into dry ginger. The remaining quantity of green ginger is exported to neighbouring states. The production of ginger in the other two districts, viz., Solan and Simla is insignificant.

12. The ginger crop is sown between February and May. The Agriculture Department has estimated the cost of production of ginger at Rs 13,425 per hectare with optimum level of doses of inputs as per details in Table 5. Keeping in view that farmers do not apply optimum doses and meet certain outlays out of their own resources, the Registrar, Co-operative Societies has fixed a scale of finance at Rs 7125 per hectare i.e., Rs 2850 per acre consisting of cash component of Rs 850 and a kind component of Rs 2000. On the above basis, the total outlay for 2000 hectares works out to Rs 142.50 lakhs. Assuming

that the institutions will be required to meet credit requirements in respect of 40 per cent of the area under the crop, the credit requirements could be placed at Rs 57 lakhs. As against this the Himachal Pradesh State Cooperaive Bank's distursements during the three years from 1974-5 to 1976-7 were meagre as shown in Table 6.

TABLE 5

	Rs
<b>Kind</b>	
1. Seed	9000
2. Cost of mulch, fertilizers, insecticides and pesticides	2600
	<b>11600</b>
<b>Cash</b>	
3. Cost of ploughing	225
4. Irrigation charges	350
5. Labour charges	1250
	<b>13425</b>

TABLE 6

	Rs Lakhs		
Year	Loans issued during the year	Outstandings at the end of the year	Overdues at the end of the year.
1974—5	0.27	3.52	3.25
1975—6	0.63	3.22	2.59
1976—7	3.82	6.62	2.80

13. The agricultural operations requiring application of different inputs are spread over the whole period of production from March to November and arrangements are, therefore, necessary to make available the kind component in instalments during the above period.

*Marketing of ginger*

14. The main marketing centres for ginger are Dadahu and Sataun with collection centres at Dhanor, Sanghra, Andhari, Kamrao, Kapota and Timbi. The government intends to set up regulated markets at these places. The marketing centres are controlled by traders who purchase the produce from growers. Their agents who are spread over the producing area, purchase ginger on the spot. The growers also bring their produce at collection centres where it is purchased by the agents of the traders for disposing at the consuming centres which are mainly Delhi, Amritsar, Jullundur, Ludhiana and Ambala. The produce is harvested in November but its marketing continues for almost five months thereafter. A study by the Agriculture Department of the state government in 1976-7 has revealed that the peak season for marketing is from December to February. The details of percentage of export of ginger in each month is given in Table 7.

TABLE 7

Month	Percentage of export to total exports
November	4
December	20
January	25
February	26
March	17
April	7
May	1

15. Since the marketing of produce is spread over for a longer period and the commodity being perishable, proper storage facilities are necessary to avoid driage and deterioration. Presently, the growers are using the primitive method for storing their produce

in underground storage called 'khatties' constructed at higher altitudes. The area where the cultivation is concentrated has no adequate communication facilities as also scientific storage facilities. Further, the produce of individual farmer, by and large, being small in quantity cannot be profitably transported by truck-loads. They have, therefore, no alternative but to dispose of their produce near their farms.

16. There is no institutional arrangement in the area for marketing of the crop. The co-operative sector has not made any arrangements for helping the farmers in marketing their produce either locally or outside the state. The Himachal Pradesh Marketing and Processing Corporation in co-ordination with the Sirmur District Agricultural Development Project entered the market in the year 1976-7 in a small way to purchase ginger in small quantities. This was mainly done with a view to avoiding the fall of prices below certain levels. It is reported that the Himachal Pradesh Marketing and Processing Corporation placed a sum of Rs 0.50 lakh at the disposal of the Sirmur District Agricultural Development Project for making such purchases. The officers of the Department of Agriculture reported that the entry by the Himachal Pradesh Marketing and Processing Corporation during the year 1976-7 had a healthy impact in averting a huge fall in prices. The dehydrated ginger and dry powder and even the green ginger are in demand in other countries.

17. The due date of the crop loan for ginger at present is 31 January. Although the crop is harvested in November, it is mainly sold between December and March. The present due date of 31 January is, therefore, too early and may be postponed to say at least to the end of February.

#### *Off-season Vegetables*

18. The cultivation of off-season vegetables has also acquired increasing importance and the state government has initiated special programmes for cultivation of various vegetables which mature at a time when it is not the season in the plains. Therefore, these vegetables are called off-season vegetables. There is con-

siderable demand for off-season vegetables in the neighbouring states of Punjab, Haryana, Delhi, etc., and they fetch a very attractive price at the consuming centres.

19. The cultivation of off-season vegetables such as peas, tomato, capsicum, cauliflower, etc., was taken up for the first time on a planned basis in the year 1960. Due to ideal range of heights of mountains and temperate climate, it is possible to grow varieties of vegetables in the state generally in the seasons different from those when the same vegetables are grown in the plains. Solan district has been found to be the most suitable area for off-season vegetables. It is claimed that seeds of cauliflower produced in Solan district are of superior strain to those imported earlier from Holland. The total area brought under vegetable cultivation in the state stood at 8500 hectares in 1975-6. Of this, as much as 1020 hectares is confined to Solan district. The area under some of the important vegetables like peas, tomato, cauliflower and capsicum and their production in 1970-71 and 1976-7 are given in Table 8.

TABLE 8

Name of vegetable	Area under cultivation (in hectares)		Production in metric tonnes	
	1970-71	1976-7	1970-71	1976-7
Peas	1642	3380	16420	28950
Cauliflower	256	450	5120	12560
Tomato	730	1250	11680	19000
Green chillies and capsicum	591	1180	1180	2360

20. The per acre cost of production of important vegetables and income therefrom as estimated by the Department of Agriculture are indicated in Table 9.

TABLE 9

Vegetable	Cost of cultivation per acre Rs	Income from the produce Rs	Net income per acre Rs
(1)	(2)	(3)	(4)
Peas	1218	6000	4782
Tomato	2602	16000	13398
Capsicum	2338	7500	5162
Cauliflower (Vegetable)	2792	10000	7208
Cauliflower (Seed)	2792	16000	13208

The income of the vegetable grower as estimated by the Agriculture Department is handsome provided the produce is sold at the prices estimated by the Department.

21. The Registrar of Co-operative Societies vide his circular No. 5-392/59-Coop. (C and M) dated 30 March 1977 has fixed per acre scales of finance for cauliflower and all other types of vegetables as mentioned in Table 10.

TABLE 10

Vegetable	Cash Rs	Kind Rs	Total Rs
Cauliflower	1000	1000	2000
Other vegetables	400	600	1000

22. Co-operative banks have not so far provided any finance for the cultivation of vegetables. The Jogindra Central Co-operative Bank operating in the main off-season vegetable growing area of Solan district has not disbursed any loan for the cultivation of vegetable crops. Heavy overdues at societies' level, poor



progress in the reorganization of societies, absence of full-time paid secretaries, are some of the inhibiting factors preventing the co-operative institutions from financing vegetable cultivation.

23. Different kinds of vegetables are harvested in different seasons e.g., tomato is harvested between June and October depending upon the altitude and irrigation facilities. The capsicum and peas are harvested between August and October. The pickings are made after every few days and immediately sent to the market. Being a perishable commodity, the produce is either sold to local traders or despatched to a distant market on consignment basis. The cultivator is not assured of any fixed price as the prices fluctuate from day to day.

24. The Registrar of Co-operative Societies has fixed a ceiling of Rs 5000 except for loans for apple cultivation for the total short-term agricultural loans outstanding from a member irrespective of landholding. This ceiling is likely to come in the way of a vegetable grower in obtaining his full requirements. In the case of vegetable crops, in view of their different periods of sowing and harvesting, seasonality will have to be observed in disbursement of loans and recovery thereof.

25. It will be seen from foregoing paragraphs that there is adequate scope for financing crops like potato, ginger and vegetables but co-operatives have not been able to make available the required finance mainly because of either their resource constraints or apathy on the part of the managements to provide finance for the purpose. The inability of the primary co-operatives to undertake the financing for want of full-time employees and high level of overdues resulting in ineligibility to borrow have been the other reasons for neglect in financing cultivators. While financing of vegetable crops is neglected, the finance provided for crops like potato and ginger is inadequate. As regards provision of production finance, we have suggested in subsequent chapters on state and central co-operative banks the need for adopting an aggressive policy and strengthening of the co-operative credit structure, both financially and administratively, to enable them to

take up these activities. While financing these crops due consideration will have to be shown in observing seasonality in disbursement of production finance as also fixing the recovery dates to coincide with marketing seasons of crops. Keeping in view the nature of marketing and agricultural operations particularly in the case of vegetable crops, introduction of the cash credit system for lending would be advantageous. However, as this would involve more frequent operations, trained secretaries would be necessary to handle accounts. Societies can shift to cash credit type of lending as soon as trained secretaries are in position.

26. While financing these crops the important aspect of arrangements for marketing also needs to be looked into. As already stated, co-operatives have not made any efforts to help the marketing of crops like ginger and vegetables while in the case of potato, co-operatives, by and large, with a notable exception of Lahaul Potato Growers Marketing Society, have not succeeded in that venture. Consequently the growers are at the mercy of private traders and middlemen for marketing of their produce. It is, therefore, necessary to have a link up of the primary co-operative credit societies with that of the marketing structure in the state, a reference to which has been made in Chapter 13. This could be brought about on the lines indicated in the following paragraphs.

27. We have recommended that the reorganized society should act as a multi-purpose society and undertake marketing of members' produce also. This would help the growers to deliver their produce to the societies in their area. The tehsil level co-operative marketing societies, in turn, could collect the produce from societies in their area and arrange for its disposal through the district marketing society or the apex level society as the case may be. This would call for the marketing organization building up contacts in the consumer market for disposal of the produce. The Lahaul Potato Growers Marketing Society has been able to establish such contacts for disposal of members' produce. It is desirable that the societies accept the produce on an agency basis instead of making outright purchases which entail the risk of loss in case of slump in prices. This will enable the society to pass

on the sale proceeds to the cultivators after adjusting incidental expenses and a reasonable commission for services rendered. To help growers meet their immediate requirements, societies may give them produce loans to the extent of 20 to 25 per cent of the value of the produce. The production loan and produce loans may be adjusted on receipt of sale proceeds. A refinance facility by way of credit limit for marketing of crops at Bank Rate is available from the Reserve Bank of India. The operation on the marketing limit is, however, subject to the condition that drawals on this limit should be matched by the corresponding recoveries of production dues. In view of our suggestions to allow produce loans only to the extent of 20 to 25 per cent of the value of the produce, recovery of production dues at this stage would not be feasible. In the circumstances, the Reserve Bank may take a practical view in the matter and sanction limit for marketing of crops without insisting on recovery of production dues at the time of issue of produce loans. However, an undertaking may be obtained from the society/bank that the sale proceeds will be first adjusted towards payment of production as well as produce loans and the balance, if any, will be passed on to the producer. This arrangement would enable the marketing organization to keep its own borrowings to the minimum level and avoid payment of higher rate of interest to financing institutions as they can borrow at a lower rate. The growers also will benefit as they would not be required to pay higher rate of interest, as at present, on advances given to them by marketing societies. Unless those arrangements are made in the co-operative sector, the marketing structure will not be able to play its desired role in linking credit with marketing and growers would continue to be exploited by middlemen.

#### *Allied activities*

28. We now refer to the allied activities such as dairying and sheep breeding in particular for which there is ample scope in the state. It is estimated by us in Chapter 2 that there could be a demand of Rs 11.78 crores by way of medium-term loans for financing these activities. The provision of this finance would help societies

and banks to increase their loan business and enable the farmers to supplement their farm income.

*Milch cattle*

29. The role of dairying in agricultural economy for a state like Himachal Pradesh is quite significant as nearly 75 per cent of its working population is engaged in various types of agricultural operations. The concept of dairying as a profitable industry is of recent origin in Himachal Pradesh. It was only towards the end of the Third Five-Year Plan period that the urgency of initiating milk supply schemes was felt as a sequel to the cattle development programme. The work done by various agencies relating to dairying and by the state government's Animal Husbandry Department has been significant during the last few years. They have undertaken the work of improving the breed of milch cattle, providing better veterinary services including artificial insemination, popularising the benefits of dairy industry among the rural masses, establishing milk chilling and pasteurisation plants and also processing of milk and manufacturing milk products. The result of these combined efforts has been that dairy industry has been assigned a vital role in improving the economic conditions of farmers in the state and also in providing subsidiary employment to a large number of rural people especially small/marginal farmers and agricultural labourers.

30. Keeping in view the importance of animal husbandry sector, an outlay of Rs 1260.00 lakhs (Rs 800.00 lakhs for animal husbandry and Rs 460.00 lakhs for dairying and milk supply) has been proposed for the Draft Sixth Five-Year Plan. Details thereof are indicated in Table 11 at page 49.

31. The Himalayan Regions have good potential to support a sound dairy development programme with its vast pastures and grasslands in the plateaus. The state has, therefore, made available to small and marginal farmers jersey and holstein cross-bred milch cattle on a large scale for setting up dairy units. This has acted as an incentive to farmers and there is a heavy demand for high yielding milch cattle. With the success of the cross-bred animals

TABLE 11

		Rs Lakhs
Sr. No.	Programme	Outlay
1.	Cattle Development	220.00
2.	Feed and Fodder Development	10.00
3.	Sheep and Wool Development	66.91
4.	Poultry Development	64.00
5.	Animal Health and disease control	144.72
6.	Veterinary Education and Training	4.00
7.	Grant-in-aid to Himachal Pradesh University	60.00
8.	Staff Scheme	48.37
9.	Capital Outlay	100.00
10.	Development of Tribal Areas	80.00
11.	Development of Backward Areas	10.00
	Total Animal Husbandry Schemes	800.00
12.	Dairying and Milk Supply Schemes	460.00
	<b>Grand Total</b>	<b>1260.00</b>

adapting to the climatic conditions of the state, only jersey and holstein cows and their cross-breeds are being popularised in the state. Encouraged by the good performance of this programme, the Animal Husbandry Department of the state has designed and programmed the intensive breeding of the milch cattle.

*Set-up of Animal Husbandry  
Department*

32. The broad items of work attended to by the Department are (i) animal health, (ii) cattle development and cattle breeding, (iii) disease investigation and chemical laboratories, (iv) feed and

fodder development, (v) dairy development and milk supply schemes, (vi) sheep development and (vii) poultry development.

#### *Animal health*

33. Veterinary aid is provided through a network of hospitals and dispensaries. As on 31 March 1979 there were 142 hospitals and 250 dispensaries. Besides, prophylactic vaccinations are administered by the mobile staff as preventive step against contagious diseases. The efforts and vigilance of the field staff have helped to check the incidence of serious epidemics among the cattle wealth and bring down the mortality rate on account of contagious diseases to only 5.4 per cent in 1978-9. Under the Draft Sixth Five-Year Plan, the state government proposes to open 140 veterinary dispensaries in the state. Thirty-three such dispensaries are proposed to be established during the year 1979-80 with an initial outlay of Rs 6.18 lakhs. Further, during the Sixth Five-Year Plan period 60 veterinary dispensaries are proposed to be converted into veterinary hospitals. Twelve veterinary dispensaries are to be converted every year. During the Sixth Five-Year Plan period it is also contemplated to open 8 mobile veterinary dispensaries. As against this programme, 4 such mobile dispensaries have already been opened in Kinnaur, Lahaul and Spiti, Bilaspur and Hamirpur districts. The district-wise number of hospitals/dispensaries and outlying dispensaries as on 31 March 1979 is given in Table 12 at page 51.

#### *Cattle Development and Cattle Breeding*

34. The specific cattle development schemes undertaken in the state for improving the live-stock wealth are (i) Hill Cattle Development Scheme, (ii) Key Village Scheme, (iii) Breeding Bull Centres and Artificial insemination centres with hospitals and dispensaries, (iv) Intensive cattle Development Project at Ghanahatti in Simla District, (v) Artificial insemination centres and (vi) Cattle breeding farms. The main emphasis is on upgrading the cattle population with cross-breeding of local cows with the Jersey and Holstein bulls which are found suitable from among

TABLE 12

Serial No.	Name of the district	No. of hospitals	No. of dispensaries	No. of outlying dispensaries	Mobile dispensaries
1.	Bilaspur	8	11	7	1
2.	Chamba	14	40	5	1
3.	Hamirpur	6	12	—	1
4.	Kangra	22	30	3	1
5.	Kinnaur	11	14	2	1
6.	Kulu	8	22	—	1
7.	Lahaul & Spiti	7	11	1	1
8.	Mandi	16	31	12	1
9.	Simla	18	27	14	1
10.	Sirmur	14	22	2	1
11.	Solan	10	18	5	—
12.	Una	8	12	—	—
<b>State</b>		<b>142</b>	<b>250</b>	<b>51</b>	<b>10</b>

the various exotic breeds. The above mentioned schemes have been undertaken for this purpose and the artificial insemination is being done at various centres. Where supply of semen is not feasible, natural service is provided through bull centres. Besides, all types of veterinary services like treatment of contagious and non-contagious diseases, preventive vaccination and inoculation and artificial insemination are provided. Under the cattle development scheme there are 38 centres in 7 districts, viz., Kangra (19), Hamirpur (1), Una (6), Kulu (3), Simla (2), Chamba (5) and Solan (2) and under key village scheme there are 64 units in 6 districts, viz., Simla (12), Solan (15), Una (8), Hamirpur (1), Bilaspur (17) and Sirmur (11). There are a number of centres spread over the various districts of the state for rendering assistance for breeding of bulls and he-buffaloes. There are in all 300 artificial insemination centres under various schemes in the state and 52,000 inseminations were done during 1978-9.

35. The intensive cattle development project in Simla district set up on 1-1-1975 is promoting all aspects of cattle development

namely, breeding, balanced feeding, health cover, dairy extension and market facilities. The project provides artificial insemination service through its 22 breeding centres. The project had fixed a target of artificial insemination at 1000 cases in the first year, 2000 in the second year, 2500 in the third year, 3000 in the fourth year and 4000 in the fifth year. The achievement in this regard is 224 cases during 1974-5, 2802 in 1975-6, 2859 in 1976-7, 3316 in 1977-8 and 4006 in 1978-9. Besides, the milk producers are given training in the management of milch cattle, their feeding and proper handling of milk by arranging film shows, farmers training camps, study tours, calf rallies and shows.

36. The marketing of milk was till recently being arranged through co-operative milk producers societies, primary agricultural and multipurpose societies. The milk chilling plants managed by the Animal Husbandry Department arrange to collect the milk from co-operatives. The co-operatives get a commission at the rate of 5 paise per litre of milk collected and supplied to the chilling plants. The milk is brought by the farmers every morning to the society attending to the collection work. The milkman of the society collects milk in cans supplied by chilling plants after ascertaining fat contents of the milk.

37. There are two disease investigation laboratories, one at the government live-stock farm, Kamand in Mandi district and the other at sheep breeding farm at Jeori in Simla district under the charge of the disease investigation officer. Besides these, five clinical laboratories are also functioning in various districts of the state. At these laboratories diagnostic facilities as well as advice on the prevalence of contagious diseases in the state are available.

38. The Department of Animal Husbandry has taken up the development of fodder resources and it helps farmers by providing seed and planting material of grasses/legumes and forage crops.



*Project for calf rearing subsidy scheme in Sirmur district*

39. Under calf rearing programme 6000 beneficiaries are to be aided during the Sixth Five-Year Plan with an estimated expenditure of Rs 79.65 lakhs to be shared between the Government of India and the state government in the ratio of 1 : 1. During the year 1979-80, it is estimated that about 2000 beneficiaries would be supplied concentrates at subsidised rates for rearing of cross-bred female calves from weaning to production age, namely, from the age of 4 months to 28 months. Under this project subsidy will be given to small and marginal farmers at 50 and 66 $\frac{1}{3}$  per cent respectively in the form of concentrates. It has been estimated that about 16 quintals of concentrates are required for rearing one female calf from 4 months to 28 months of age. Besides, under the state scheme the subsidy by way of concentrates is provided for cross-bred female calves belonging to the marginal and small farmers in the remaining districts of the state.

40. As per 1977 live-stock census, there are 6,10,641 milch cows and 3,53,046 milch buffaloes in the state. According to the Integrated Sample Survey conducted in the state, the total milk production in 1978-9 is estimated at 2,93,866 tonnes comprising 98,663 tonnes of cow milk, 1,85,535 tonnes of buffalo-milk and 9,668 tonnes of goat milk. The target for the Sixth Plan is as under :

	1978-9	1979-80	1980-81	1981-2	1982-3
Milk production (’000 tonnes)	286.35	295.40	305.50	317.65	330.90

*Dairy Development and  
Milk Supply Scheme*

41. The dairy development programme was taken up at the beginning of the Third Five-Year Plan with the appointment of a Dairy Development Officer in the year 1962. There are at present 5 milk supply schemes in the state at Kangra, Mandi, Nahan, Chamba and Simla. The Scheme-wise particulars of milk procured and distributed to consumers are available for the year 1978-9 which are given in Table 13.

TABLE 13

Lakh Tonnes

Sr. No.	Name of scheme	Milk Procured direct from milk producers	Milk sold/disposed of direct to consumers
1.	Mandi Milk Supply Scheme	13.72	10.05
2.	Nahan Milk Supply Scheme	10.98	6.79
3.	Simla Milk Supply Scheme	14.82	10.91
4.	Kangra Milk Supply Scheme	4.27	3.92
5.	Chamba Milk Supply Scheme	0.10	0.10
<b>Total</b>		<b>43.89</b>	<b>31.77</b>

42. The collection of milk in the state is done through a network of collection points and is supplied to the nineteen chilling plants, five under milk supply scheme, Mandi, four under Nahan and seven under Simla and also three under Kangra Milk Supply Scheme. The Mandi milk supply scheme is the biggest in the state. The main dairy plant at Mandi which works in two shifts has got handling capacity of 10,000 litres of milk per day in one shift. The milk collection points under the above scheme are being increased. During the year 1976-7 the scheme handled 18.35 lakh litres of milk. To increase the handling capacity of the scheme, assistance is being provided by the state government as well as the Central Government under central sector plan schemes for dairy development in Himachal Pradesh.

*Procedure for financing and recovery etc.  
in respect of milch cattle loans*

43. The finance for purchase of milch cattle is provided to a large extent by commercial banks and to a lesser extent by co-operative banks. In the areas covered by the SFDA and MFAL agencies, loan cases are prepared by SFDA/MFAL staff. Normally loans are advanced to farmers residing in villages on the roadside to

facilitate the supply of milk to collection centres. After scrutiny by the Small Farmers Development Agency the loan applications are forwarded to the Block Development Officers for further scrutiny and onward submission to financing banks. The field officers of the banks scrutinize each of the proposals. If loan proposals are found in order, documents are executed and amount of loan credited to the savings bank account of the borrower concerned. The animals are purchased on a date fixed later on, after collection of sufficient number of cases in an area. This practice incidentally, is disadvantageous to a borrower inasmuch as he has to pay interest on the loan from the date the loan amount is credited to his savings bank account while the actual purchase of animal is done at a later date. For purchase of animals there is a purchase committee consisting of a representative each from SFDA/MFAL agency, the financing bank, veterinary doctor from the Animal Husbandry Department and the borrower. As the high yielding milch cattle are not available in sufficient number within the state, the purchase committee makes purchases of animals in neighbouring states namely, Punjab and Haryana and brings them in a truck and supplies to borrowers in their villages.

44. The SFDA/MFAL agency also grants subsidy of 25 per cent and  $33\frac{1}{3}$  per cent of the purchase price of the milch cattle, an amount not exceeding Rs 2000 which has since been raised to Rs 2500 in respect of small and marginal farmers respectively. The balance amount is provided by way of loan by the financing banks and is repayable in 24 monthly instalments. The procedure of recovery is not uniform. In some areas where the functioning of co-operative societies is satisfactory, the recoveries are made by these co-operatives out of sale proceeds of the milk supplied by borrowers and passed on to financing banks. The specially organised milk producers' societies are generally functioning as milk collection centres. In areas where co-operatives do not undertake the above function, borrowers directly pay their monthly instalments to financing banks.

45. Commercial banks provide finance at 4 per cent interest per annum under the Differential Rate of Interest Scheme to these

borrowers whose annual income is upto Rs. 2000 while to others it is made available at 10.5 per cent per annum. As against this, the co-operative banks grant loans to societies for the above purpose at the rate of 10.5 per cent per annum and the societies in turn charge 13/14 per cent interest per annum. Thus farmers availing of finance from co-operative banks are aggrieved on account of the sizeable difference in rates of interest. Further, borrowers have to contribute the requisite amount of share capital to co-operative societies while those borrowing from commercial banks are not required to do so.

46. Normally farmers are keeping only one milch cattle of good breed. According to the project of the SFDA/MFAL each beneficiary is to be provided with not more than two milch cattle. Beneficiaries living in villages close to the road side are preferred to facilitate collection of milk, supply of feed, medicines etc. In respect of the unit of one milch cattle repayment of loan is fixed in 24 monthly instalments. The Animal Husbandry Department and the SFDA/MFAL agencies are of the view that a small/marginal farmer could repay his loan out of sale proceeds of milk yield in one lactation period.

47. The cash credit facilities are also available to societies for purchase of cattle feed and fodder to enable them to meet the requirements of their members.

48. The work of collection of milk and its supply to the chilling plant is generally attended to by co-operatives. However, the work was being done by different types of societies in different areas, viz., milk producers' societies, primary agricultural service societies and multipurpose societies. In some areas, however, two societies undertook the above work simultaneously. Thus, in Sarhan in Sirmur district, the Sarhan GSS and Panwan Milk Producers' Co-operative Society having the same area of operation attended to the milk collection business separately and there was no demarcation of areas between them. The societies receive a price of Rs 1.75 per litre of milk and they in turn pay to the farmers Rs 1.70 per litre retaining a margin of 5 paise per

litre towards the service rendered by them. The price paid to the milk producers, who supply milk to societies, is based on the fat contents and solid non-fat of the milk. The milk producers' societies are collecting 100 to 500 litres of milk per day. Thus, a society collecting a minimum of 100 litres of milk daily earns a profit of Rs 150 per month out of its milk collection business and could work as a viable unit as the main expenditure of the society is salary of its secretary which is around Rs 75 per month. In some cases societies have also appointed part-time milk collectors to whom they pay a salary around Rs 25 per month. Milk producers' societies were organised in areas where existing primary agricultural societies were either defunct or not functioning properly or are not on the roadside.

49. During the course of visits to the small farmers development agencies in the districts of Simla and Sirmur, it was noted that a very few identified small and marginal farmers have been provided with the milch cattle. However, the position in this behalf has since improved in Sirmur district. The milk supply schemes have necessarily benefited those who have got the milch cattle.

50. To sum up, during the course of field visits to societies following aspects came to light :

(a) The cow as the milch cattle is preferred to buffalo in hilly region due to various factors, such as low cost, easier and cheaper maintenance, shorter dry period and easier adaptability to hilly terrain and extreme climatic conditions.

(b) Farmers in hilly region have availed of loan facility invariably for one cow each as they are inexperienced in the dairying activity and do not want to take risk of heavy investment. Generally they do not have proper cow-sheds for keeping more than one cattle.

(c) Farmers, by and large, do not provide their milch animal with proper concentrates which results in lower milk yield and fat content. The milk with lower fat content is not approved by the Animal Husbandry Department for supply to its chilling

plants. Very often cows are disposed of by farmers after the lactation period.

(d) In some areas where active multipurpose societies existed credit facilities are extended by them to farmers for purchase of cattle feed, fodder and other consumer articles provided they sold their milk through co-operatives. Societies get monthly payment from the Animal Husbandry Department for the milk supplied and after adjusting the amounts due from members, the balance is passed on to them.

(e) The existing capacity of chilling plants is inadequate but new plants are being established to increase the capacity. One such plant is being installed at Simla with an initial chilling capacity of 10000 litres of milk per shift. The plant will work in two shifts and is likely to commence operation shortly.

51. In view of the availability of infrastructural facilities in the state coupled with natural features, there is considerable scope for credit institutions to provide finance for purchase of milch cattle. It is, however, necessary to streamline certain arrangements to enable credit institutions to play an effective role in providing finance for the purchase of milch cattle. Our suggestions in this behalf are given in the following paragraphs.

52. The financing for purchase of milch cattle is taken up mainly at the initiative of SFDA/MFAL agencies which are presently, functioning in the six districts, namely, Simla Sirmur, Bilaspur, Kulu, Chamba and Solan. It is necessary for co-operative banks to take the initiative in the provision of finance for purchase of milch cattle. Normally two milch cattle are required i.e., one animal purchased initially and the other at about the time when the first animal goes dry to ensure a regular and steady flow of income to the farmer so as to enable him to repay loan instalments promptly. However, one milch cattle is, by and large, supplied and repayment of loan is expected in 24 monthly instalments. While fixing loan instalments no account seems to have been taken of the dry period of the animal. We suggest that the economics of maintaining a unit of milch cattle may be worked

out taking into consideration the dry period of the animal. The period of loan may be extended to 3 to 4 years, if necessary. Further, the amount of monthly instalments could be fixed in descending order i.e., in such a way as to have correlation to the milk yield in the initial months of the lactation period. Medium-term loans may be advanced even upto a period of 5 years in the case of a marginal farmer or agricultural labourer whose repaying capacity is limited. The present arrangements for purchase of animals should be continued to ensure a proper end-use of credit. However, loan account should be debited from the date of purchase of animal and not from the date of sanction of loan.

53. It is also the experience that the maintenance of milch cattle is neglected particularly during the dry period. This adversely affects the yield of milk resulting into lesser returns which in turn affects the repaying capacity of a borrower. It is, therefore, considered desirable to make arrangements for supply of cattle feed, concentrates, fodder, medicines, etc. in kind and provide cash credit accommodation for the purpose as is extended for purchase of cattle feed in a few areas. The Animal Husbandry Department can be called upon to provide necessary facilities at milk collection centres or at centres of the Animal Husbandry Department. The borrowers may operate the cash credit accounts for purchase of their requirements and the society can appropriate the sale proceeds of milk into the cash credit account.

54. The other question that needs consideration is about the agency for providing credit and arranging collection of milk. The policy which was being till recently followed in the organization of milk producers' co-operative societies was to organize such societies, primarily as milk collection centres, where the existing primary agricultural credit societies are weak or are not functioning properly or are not near the roadside to facilitate proper collection of milk. In this regard we would like to refer to the fact that the reorganisation of societies in the state is under way and with the posting of full-time employees the need for organizing milk producers' society on account of either the weakness of primary credit societies or their malfunctioning may not arise. As for the

proposal to organize such societies because primary credit societies are not near to the roadside, it may be stated that in such cases every milk producer will have to come all the way from his village to deliver milk at the roadside society. This may in practice discourage him to cover such a long distance if he finds his produce is meagre or finds a consumer on the way. The best course would, therefore, be to have arrangements for collection of milk at a place nearer to the producer. The state government have, keeping in view the operation flood programme in respect of milk, since decided to organize milk producers' societies primarily for collection of milk in all the areas. We suggest in this behalf that milk producers' societies may be set up for collection of milk not necessarily near the road-side but from the view point of the convenience of the milk producers and availability of milk for collection in large quantities so as to ensure viability of such societies. Such society should not, however, deal in credit business but confine its activities only to the collection of milk and supply of feed, fodder, medicines etc. In case such a society is away from the roadside, it can employ a carrier to deliver milk at the appointed place, which may either be at the chilling plant itself depending on its location or the point where the milk van could come. Collection of milk, however, is not feasible at places where there is no chilling plant or have no alternative arrangements for marketing of milk. The milk producers' society should have link with the primary agricultural credit societies in its area and should undertake recovery of dues of such societies towards the loans advanced for purchase of milch cattle.

55. Where there is adequate scope for collection of milk, setting up of milk unions to run the chilling plants is necessary. The Co-operation Department is taking initiative for forming of co-operative milk unions to run the chilling plants which will be set up with the help of the National Co-operative Development Corporation. Six Milk Unions have already been set up at the Kangra, Bilaspur, Mandi, Solan, Nahan and Una. The Milk Union at Una will set up 3 chilling plants, assistance for which has been sanctioned by the National Co-operative Development Corporation.



56. The animal should be insured against the risks of accident and death etc., as a measure to provide replacement. Alternatively, a mortality or risk fund could be created by the financing bank out of contributions from borrowers realised from sale proceeds of the milk supplied by them.

### *Sheep rearing*

57. According to 1977 census, Himachal Pradesh had a total sheep population of 11 lakhs which produced 11.56 lakh kgs of wool in 1978-9. Sheep rearing has all along been playing an important role in the economy of the state. In areas like Lahaul and Spiti, Pangi, Bharmour and Kinnaur sheep rearing is the principal vocation of the people and the main source of their subsistence. The breeders of these areas are mostly migratory moving to lower altitudes in winter and a high Alpine pastures in the summer. In the remaining areas of the state sheep rearing is practised as mixed farming and with the coming up of orchards throughout the state sheep rearing is slowly catching up as an important additional source of income to the orchardists as it is a source of manure besides that of wool and mutton. As the quality of wool produced by the local sheep of the state is coarse and much less in quantity as compared to improved breeds of other countries, the government undertook the sheep and wool development programme by importing well known exotic breeds of sheep for conducting cross-breeding trials and to increase the wool production in the state. At present, there are six sheep-breeding farms, one each in the districts of Simla, Kinnaur, Mandi, Hamirpur and two in Chamba which are concentrating on the programme aimed at improving the breed of sheep and the quantity and quality of wool yield. The cross-breeding trials conducted at the farms have proved that the climate of Himachal Pradesh is suitable for Rambouillet and Marino sheep. Upto 31 March 1979, 2500 exotic sheep were imported in the state. Now in all sheep-breeding farms, pure breeding of Rambouillet and Marino sheep is being carried out so as to provide the maximum number of pure breed sheep to breeders who are ready to pay the price for it without any subsidy. But the Department is not able to

meet the entire demand for pure breed sheep. The cross breeding trials have proved that in the first generation there is 100 to 150 per cent increase in the wool production as also improvement in its quality. The sheep-breeders in the state have started replacing their sheep flocks with the cross-bred sheep. To meet the demand for the breed of sheep yielding fine apparel type of wool, the emphasis in the Sixth Five-Year Plan is being laid on covering the maximum number of sheep population with exotic strains and to ensure that sheep breeders, who are being exploited by the middlemen and contractors, get reasonable price for their wool. Due to strenuous efforts in the sphere of sheep husbandry, there are about 1600 male boggots of the improved breeds in operation actively serving about 60,000 breeding ewes in the state. This has helped improve the breed.

58. There are about 2.20 lakh flocks of sheep. Of these, about 91 per cent are non-migratory and the remaining 9 per cent are migratory. The programme for wool production for the Sixth Five-Year Plan is as under :

In Lakh Kgs				
1978-9	1979-80	1980-81	1981-82	1982-3
11.39	11.61	11.85	12.10	12.36

59. The sub-group on sheep and goat development of the National Commission on Agriculture had recommended that sheep production programme should be taken up through Small Farmers Development Agency/Marginal Farmers and Agricultural Labourers Agencies in such districts where maximum potential for sheep and wool production is available along with other infrastructure for this purpose with a view to supplementing the income of weaker section of society. The efforts made by the Small Farmers Development Agencies at Simla and Nahan (Head-quarter of Sirmur district) which were visited during the course of the study, in respect of sheep rearing are briefly given in paragraphs that follow.

*Small Farmers Development  
Agency, Simla*

60. Although sheep breeders in Himachal Pradesh are generally migratory, most of those in Simla District have permanent abode. At present not many have exotic/cross-bred sheep. The wool produced in this district is mostly suitable for carpets. Under the Small Farmers Development Agency programme the main objective is to enable the identified marginal farmers and agricultural labourers to supplement their income through sheep farming activities. Accordingly, during the project period of five years, one sheep unit comprising one ram and two ewes which cost about Rs 500 is given to the beneficiary with a subsidy at the rate of  $33\frac{1}{3}$  per cent provided he is a marginal farmer or an agricultural labourer. The purchase of sheep is made by the purchase committee which consists of the beneficiary, a representative each of Small Farmer Development Agency and the financing Bank. The aim of the project is to gradually replace the indigenous sheep with the cross-bred variety.

61. The Department of Animal Husbandry provides following facilities in the district to sheep-breeders :

(i) Health cover to all the sheep by making arrangements for protection against parasitic diseases, enterotoxemia and sheep pox.

(ii) Extension staff periodically visit villages to advise and assist farmers in the maintenance of the livestock especially lambs.

One thousand beneficiaries are to be given subsidy for the construction of sheep pens also. The construction cost of one pen has been estimated at Rs 700.

*Small Farmers' Development Agency,  
Nahan (Sirmur district)*

62. Under this project, 1817 beneficiaries (small/marginal farmers and agricultural labourers) were proposed to be benefited during the Fifth Five-Year Plan. Each beneficiary was proposed

to be given one ram and 10 ewes under this scheme. The agency provides subsidy at 25 per cent and  $33\frac{1}{3}$  per cent on the total cost of the investment to small farmers and marginal farmers respectively provided of course that such a farmer is also unable to supplement his income from non-agricultural occupations. The balance amount is met by issue of medium-term loan from commercial banks. The co-operative sector is, however, not providing finance for sheep rearing and also did not evince interest in financing this activity. The beneficiary also appeared to be interested in borrowing from commercial bank in preference to the co-operative society due to the lower rate of interest charged by the former as stated in paragraph 45 earlier.

63. The Agency distributed about 1500 units of sheep to small and marginal farmers at higher altitudes where good pastures and meadows are available.

#### *Marketing arrangements*

64. In Himachal Pradesh, there is hardly any organised arrangement for the marketing of wool. However, recently the state government has set up two co-operative wool marketing societies, one in Kinnaur and the other in Kangra. One or two more at convenient centres to cover the areas with concentration of sheep population are likely to be set up in due course. The sheep rearers from Kinnaur, Lahaul and Spiti, Pangi, Bharmour and other areas at high altitudes who keep large flocks generally come down to the plains for nearly 4 months during winter season after October every year and dispose of their wool in the neighbouring state of Punjab. The small sheep-breeders, however, do not move to plains as they are generally staying at middle or lower altitudes. They sell their wool either to a local trader or buyers who visit their places from other areas. Sheep-breeders owning a unit of 2 to 3 sheep produce only a small quantity of wool which is generally used for their domestic requirements. Sheep rearing activity with such uneconomic unit will fail to leave sufficient marketable surplus to generate any repaying capacity and will affect the recovery of dues of financing institutions and at the same time would not help in improving the economy of the beneficiary.

65. In the case of sheep rearing activities also the Government of Himachal Pradesh has made arrangements to provide health cover and improved breed of sheep. The identified small and marginal farmers are being provided direct finance for purchase of sheep mostly by commercial banks. The recovery of loans poses a problem in the absence of organized arrangements for marketing and the problem is aggravated in the case of direct individual loaning as borrowers are spread over a large area. Our suggestions in respect of financing this activity and connected matters are indicated in the following paragraphs.

66. The credit support should be for up-grading the breeding stock and not for merely increasing the sheep population. The health cover and artificial insemination facilities are already available and the Animal Husbandry Department should continue to help beneficiaries to purchase better breed of sheep and also provide facilities for improving the breed of the animals already purchased.

67. As regards selection of beneficiaries, it may be noted that migratory tribes who have a homestead or some vested interests for returning to their villages after winter, may also be considered for providing finance. In the interest of the beneficiary as well as financing institution it is necessary to provide finance for purchase of an economic unit which generally comprises of 30 ewes and one ram. The economics of this unit circulated by the Reserve Bank's Agricultural Credit Department in terms of its circular letter No. ACD. Plan. 512/PR. 34-78/9 dated 10 August 1978 is reproduced for ready reference in the Annexure 6. It will be observed therefrom that the net surplus that will accrue to small and marginal farmers on meeting their liability towards insurance, loan repayment, etc., will be as given on page 66. Thus, small and marginal farmers will be able to have income from sheep rearing activity to meet their own needs after meeting the outside liabilities. Further, the Reserve Bank in terms of circular letter No. ACD. Plan. 1101/PR 45-78/9 dated 3 October 1978 has stated that a sheep unit of 20 ewes and 1 ram could be con-

	1st year	2nd year	3rd year	4th year	5th year
	Rs	Rs	Rs	Rs	Rs
Surplus	933.00	1264.00	1862.00	2187.00	2320.00
Liabilities to be met by :					
(i) Small farmer	1136.00	1051.00	985.00	919.00	853.00
(ii) Marginal farmer	1033.00	955.00	897.00	837.00	780.00
Net surplus available to :					
(i) Small farmer	(-) 203.00	213.00	877.00	1268.00	1467.00
(ii) Marginal farmer	(-) 100.00	309.00	965.00	1350.00	1540.00

sidered as a minimum economic unit provided the financing bank/society satisfies itself before sanctioning the loan that this unit will generate enough repaying capacity to repay the loan with accrued interest within a period of 5 years.

68. It may be pointed out that as indicated in paragraph 62 above, it is the intention of the project in Sirmur district to make available a sheep unit comprising 10 ewes and one ram. The economics of this unit has been roughly worked out in Annexure 7 assuming income and expenditure at one-third of the unit given in Annexure 6. On the basis of the economics given in Annexure 7, the net surplus that will accrue to small and marginal farmers with a unit of ten ewes and a ram on meeting their liabilities towards insurance, loan repayment etc. will be as given on page 67. The net surplus generated by a unit of ten ewes and one ram is relatively less.

69. The unit of 10 ewes and one ram can also be an economic unit but would generate lower income than in the case of a unit of 30 ewes and a ram. The surplus shown from the second year

	1st year	2nd year	3rd year	4th year	5th year
	Rs	Rs	Rs	Rs	Rs
Surplus	330.47	404.02	624.95	725.56	757.04
Liabilities to be met by :					
(i) Small farmer	418.50	386.50	361.75	337.00	312.25
(ii) Marginal farmer	380.25	351.90	329.80	307.70	283.60
Net surplus available to :					
(i) Small farmer (—) 88.03	17.52	263.20	388.56	444.79	
(ii) Marginal farmer (—) 49.78	52.12	295.15	417.86	473.44	

in Annexure 7 would in practice be less as the rate of interest is 13-14 per cent as against 11 per cent assumed while working out the economics of the scheme. It is, therefore, necessary for the Animal Husbandry Department and financing institutions to work out the economics of the unit on the basis of prevalent prices for the produce and cost of inputs in the area to enable financing institutions to provide medium-term loans for the purpose which could be advanced upto five years. With a view to ensuring viability of sheep units in the areas of SFDA, Simla where presently only one ram and two ewes are issued, the state government has agreed to increase the number of ewes and redraw the economics of such unit. Further taking note of the fact that the income from a unit of sheep increases from year to year as there are additions to the unit with the weaning of ewes, the repayment schedule for such loans could be fixed in ascending instalments to correspond with the incremental income generated by the additions in the unit. It is quite likely that economically weak farmers may not be in a position to offer land as security of adequate value for the loan. To overcome such a situation farmers in this category could be given a loan up to a specified limit say, Rs 2000 on the basis of joint and several liability of a group of not less than 5

farmers. The mortgage or charge on land may be taken if a farmer is in a position to do so.

70. This activity should be financed by primary agricultural credit societies but the provision of finance cannot be an end in itself unless suitable arrangements are made to help beneficiaries to market their produce, as individually they will not be able to successfully bargain with private traders. Arrangements for marketing of sheep products could be broadly as indicated in the paragraph that follows.

71. Primary agricultural credit societies should be authorised to collect the wool which could be kept in separate packages for grading. The wool marketing societies mentioned in paragraph 64 should establish links with societies in areas where large scale financing for this activity is done. These societies should be visited by the staff of the marketing societies on appointed days to collect the wool after gradation. The concerned marketing society should then arrange to pay advance to producers through the primary society. The entire business should be done on an agency basis to avoid loss to the institution in the event of a fall in prices. The institution could be compensated for the services rendered by charging a suitable commission at specified rates.

72. In the case of migratory sheep-flocks, the arrangements for collection of wool by a primary agricultural credit society may not be feasible as shearing of wool takes place when the sheep flock is on the move. The state government have set up two wool marketing societies, mentioned in paragraph 64 on the route of migratory sheep flocks to facilitate collection of wool. These marketing societies may be furnished with lists of the borrower-members of the societies in the area of migratory flocks so as to facilitate the recovery of dues out of sale proceeds of the members wool and pass on the amount to the primary societies.



## Chapter 4

### FINANCING OF HORTICULTURAL ACTIVITIES

1. Our term of reference No. (vi) requires us to study the organization of fruit growers societies and financing of production and marketing of fruits and suggest, if necessary, credit facilities for horticulture/forestry. We have dealt in this chapter with the said term of reference specially with reference to apples in view of the larger area under apple orchards and the need for maintenance of apple trees and marketing of fruits. Our observations in this chapter are based on the findings of the field study undertaken at our instance.

2. The topography and agro-climatic conditions obtaining in Himachal Pradesh provide immense scope for development of horticulture and the state saw great proliferation of orchards during the last decade. This is the main avocation through which higher income per unit of land can be generated. Further, it has the capacity to generate supplementary sources of employment like fruit processing, cold storage, warehousing, transportation, packing material industries, etc. The area under apple orchards has gone up from 0.12 lakh hectares at the end of 1965-6 to 0.35 lakh hectares in 1974-5. The production of apples has increased from 0.24 lakh tonnes in 1965-6 to 2.0 lakh tonnes in 1975-6. The phenomenal increase in fruit cultivation has not only resulted in higher return from land but has also enabled the proper use of the available land resources like the grasslands, denuded forest lands, culturable waste lands, etc. On the basis of the experience gained so far a perspective plantation programme has been formulated in the State. The programme aims at bringing an additional area of 2450 hectares under fruit crops annually.

3. Any meaningful examination of the role of the credit agencies in the field of financing horticultural activities requires

a detailed examination of the various aspects of the stage of implementation of horticulture plans and programmes formulated for development of orchards with the active support of the World Bank (IDA), measures for transport and marketing, role of processing units and the lead taken by the Government in the co-ordination of the various activities through its agencies like the Department of Horticulture, the Agro-Industries Corporation and its subsidiary, namely the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation, etc. It is proposed to examine these aspects in the following paragraphs and then to ascertain the credit requirements, long-term, medium-term and short-term and the role that is expected of the co-operative credit agencies like central land development bank, state and central co-operative banks and the primary agricultural credit societies and ways and means to make them useful organizations capable of playing their respective roles.

4. The latest annual plan formulated by the state for horticultural development available to us is for the year 1978-9. The financial outlays for execution of various horticultural development schemes during the annual plan period 1978-9 have been kept at Rs 235.00 lakhs. The break-up of the above outlays, the actual expenditure during the first 3 years of the Fifth Five-Year Plan and the anticipated expenditure during the year 1977-8 are given in Table I at page 71.

5. The details of the physical programmes to be undertaken during 1978-9 are shown in Annexure 8. The schemes concern production, marketing, financing etc., of fruit crops. The schemes envisage intensification of nursery production, establishment of mobile units for training orchardists, provision of plant protection services, development of marketing activities like collection and dissemination of market information, processing, grading, regulation of movement of fruits from interior, establishment of fruit canning centres, cold storages, bringing additional areas under horticulture in backward and tribal areas, strengthening the capital base of the Agro-Industries Corporation and its subsidiary, namely

TABLE 1  
*Outlays and Expenditure*

Rs Lakhs

Sr. No.	Head/Sub-Head	1974-5 (actuals)	1975-6 (actuals)	1976-7 (actuals)	1977-8 (estimate)	1978-9 (programme)
1.	<b>Agricultural Research and Education</b>					
	Grant-in-aid to Himachal Pradesh University for Horticultural Research	—	—	40.00	48.00	50.00
2.	<b>Crop Husbandry</b>					
	(i) General Horticulture	76.97	76.50	78.88	135.00	179.00
	(ii) Agro-Industries Corporation	20.40	47.94	39.50	26.00	1.00
	(iii) Agricultural credit	—	1.97	6.33	5.00	5.00
	<b>Total</b>	<b>97.37</b>	<b>126.41</b>	<b>164.71</b>	<b>214.00</b>	<b>235.00</b>

Himachal Pradesh Horticultural Produce Marketing and Processing Corporation, support to the land development bank for floatation of debentures etc.

6. The government has also drawn up a programme for development of horticultural activities in tribal areas of Chamba, Lahaul and Spiti and Kinnaur districts, details of which are indicated in Chapter 12.

### *Marketing System*

7. The orchards are planted for commercial purposes. Out of the total fruit production of 2.46 lakh tonnes in 1975-6, the production of apple alone was 2.00 lakh tonnes accounting for 81 per cent of the total fruits produced in the state. The phenomenal increase in the production of apple has posed many a

problems for fruit growers, as marketing facilities have lagged behind the pace of production leaving the fruit growers virtually at the mercy of the middlemen for marketing their produce. The glut in the markets at the peak harvesting period of apple is a normal feature as about 80 per cent of the total fruit production of the state is despatched to Delhi market alone where the local consumption of fruits is only 16 per cent. The remaining consignments of fruits are purchased by the middlemen and sent to other markets involving delay, deterioration in quality, additional cost of handling, storage, octroi duty, etc. The estimated share of different markets in the country in consumption of fruits sent out of the Himachal Pradesh is given below :

Bombay	32 per cent
Calcutta	23 per cent
Delhi	16 per cent
Madras	16 per cent
Hyderabad	7 per cent
Bangalore	6 per cent

8. The marketing system comprises pre-harvest or post-harvest selling of fruit crop or selling the fruit in the terminal markets through commission agents on consignment basis. The holding capacity of the growers is limited and most of the crop has to be marketed soon after its harvesting. Besides the growers' lack of knowledge regarding maturity indices of fruits for different markets and purposes, other problems connected with the marketing of fruits relate to arrangements for grading, packing and transportation. Since most of the orchards are in the interior and are not connected with the state/national highways by link roads, the fruit from orchards has first to be carried to the roadhead by mules or head loads. The nearest terminal market in Delhi is about 350 kms away while the markets of Bombay and Calcutta are about 1800 kms to 1900 kms away. The Madras and Bangalore markets are still further off by about 2000 kms to 2400 kms. Sometimes it takes 15 to 20 days for the consignment to reach the destination by road. The transport from roadheads to terminal markets in the country

is also beset with difficulties. Due to restrictions on movement of trucks, transshipment has to be done at various places like Parwanoo, Kiratpur, Paonta Sahib situated on the borders of the state. The transshipment causes further difficulties on account of difference in the loading capacity of trucks. Trucks also do not find on their return journey enough loads for markets in the state and have to go practically empty to the loading points. Sometimes because of non-availability of trucks for further transshipment and congestion and over-flooding of markets (like Delhi) with apples, the trucks remain unloaded for 48 to 72 hours and it takes days together to load boxes for onward transportation to other terminal markets of the country. During this period the boxes are allowed to remain in the open which leads to deterioration in the quality of the fruit and its consequent sale at a very low price. Presently, there is no broad-gauge railway line point in the territory of Himachal Pradesh from where the fruit could be transported directly to distant markets. The fruit to such markets has to be transhipped which leads to delay in its arrival at terminal markets and causes damage to the fruit particularly when there is no adequate provision of sheds and warehouses at these transshipment/loading points.

9. Apple harvesting is generally completed in about 45 to 60 days in any apple producing area. Although harvesting in the state starts from the beginning of July and continues till the end of October, the peak season is for two months i.e., August and September only when bulk of the produce comes in the market resulting in a glut in the market and creating a problem of transport. The introduction of early maturing and late maturing varieties in the adjoining states of Jammu & Kashmir and Uttar Pradesh has accentuated the situation further. Earlier the apple season in Jammu & Kashmir started in October when the season for Himachal Pradesh apple was coming to an end but now Jammu & Kashmir is marketing a substantial quantity of apples in August and September. Similarly, late varieties of Uttar Pradesh start in August. The glut in August and September needs to be prevented to ensure a reasonable price stability for the produce.

With a view to preventing a glut in the market as also for phasing out the transportation over a longer period, large quantities of apples have to be retained in the producing areas for some time. For this purpose adequate warehouses have to be constructed. The climatic conditions in the producing areas are conducive to maintaining the freshness of the fruit for a longer time.

#### *Department of Horticulture*

10. The activities of the Department of Horticulture are aimed at helping orchardists to produce quality fruits and in their profitable marketing. The Department helps in fixation of maturity indices for fruits for different markets and purposes, collection of production data to plan procurement of marketing inputs such as packing cases, other materials, transport arrangements, training of farmers, collection and dissemination of market intelligence, market surveys to find the local preferences, construction of warehouses and cold storages etc.

11. The Department of Horticulture in collaboration with Himachal Pradesh Horticultural Produce Marketing Corporation and other departments like Forest, Transport, etc., arranges for timely supply of various marketing inputs and also negotiates rates for transportation of fruits from the interior fruit growing areas up to Delhi to avoid exploitation or overcharging by transporters. The negotiated rates are printed and circulated amongst fruitgrowers. The fruits are now being transported from Kalka onwards to distant marketing centres by rail on consignment basis consequent to the joint efforts of the Department and the Himachal Pradesh Horticultural Produce Marketing Corporation.

#### *Processing of fruits*

12. The apple fruit, being a perishable commodity, cannot be marketed profitably for an indefinite period and this results in wastage of surplus fruits to the extent of 20-25 per cent at present. Besides, fruits of inferior varieties as also culled fruits cannot be marketed profitably and if sent to market, they affect the prices of good quality fruits even. The processing of fruits, therefore, becomes an integral part of a composite marketing programme

as it would help in absorbing this surplus for conversion into fruit products. The production of fruit is expected to increase considerably with the coming into bearing age of trees already planted and proposed to be planted. This would further aggravate the situation requiring larger facilities for processing of fruits.

13. Presently, the combined capacity for processing of fruits in the small scale sector is around 500 tonnes per year which with the commissioning of new plants is expected to be around 5,000 tonnes per year by the end of the Fifth Five-Year Plan period i.e., 1978-9. The state has also a large fruit processing plant at Jarol in Mandi district with processing capacity of 3600 tonnes of apples and 360 tonnes of stone fruits per year. This plant is a gift from the Federal Republic of Germany and run by the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation. The Corporation has also proposed setting up of a unit at Parwanoo with a capacity to process 9,500 tonnes of apples and 4,000 tonnes of other fruits and vegetables per year. A big unit in the co-operative sector run by the Himachal Fruit Growers Marketing and Processing Society is functioning at Jabli (Near Parwanoo) in Solan district. Its processing capacity is 1500 tonnes per year.

14. By the end of the Fifth Five-Year Plan the total annual capacity of the big units for processing is expected to be of the order of 18,960 tonnes of apples and other fruits, besides the capacity of the small units to process 5,000 tonnes of fruits. The combined capacity of small and big units will be able to handle only about 25 per cent of the processable fruits which are expected to be available at the end of the Fifth Five-Year Plan. The industry is also handicapped because of the fact that except wood which is supplied at subsidised rate, the other raw-material for packing has to be obtained from the plains and about 95 per cent of the end products have to be sent back to the plains for marketing which involves high cost of transport thereby increasing the cost of production.

*Himachal Pradesh Horticultural Produce  
Marketing and Processing Corporation Ltd.*

15. The Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd. (HPMC) was established by the

Government on 10 June 1974 as a subsidiary of the Himachal Pradesh Agro-Industries Corporation. The main objective of the Corporation is to help streamlining the marketing and processing operations of fruits in general and apples in particular. The Corporation is specifically responsible for creation of necessary infra-structure under the World Bank Project. A project of Rs 16.31 crores covering all aspects of apple marketing right from picking till its availability to the consumer has been sanctioned by International Development Association (IDA). Out of this, Rs 10.40 crores are to be contributed by the IDA and the remaining amount is to be mopped up internally. The project is to be taken up in the concentrated apple producing districts of Simla, Kulu, Mandi and Sirmur covering nearly 90 per cent of the total area under apple production in the state. At its full development, the corporation is expected to handle about 36,000 tonnes of apples annually which will constitute about 10 per cent of the total production in 1980. The main objectives of the Project sanctioned by the World Bank are as under :

- (i) To establish competent and efficient marketing organization engaged in trading of apple and apple products to get fair return to the growers for their produce.
- (ii) To extend marketing period and undertake marketing in new cities.
- (iii) To reduce marketing costs in respect of transport, intermediaries, margins etc. and to improve marketing efficiency.
- (iv) To utilise large quantity of culled fruits.
- (v) To improve quality of apples and its public usage by introducing quality control, higher grading standards etc.

16. In addition to setting up of infrastructural facilities under the World Bank Project, the Corporation has already started marketing and processing of the fruit. Brief account of the achievements of the Corporation during 1975-6 and 1976-7 is given in Table 2.



TABLE 2

Sr. No.	Particulars	Achievements	
		1975-6	1976-7
1.	Total number of boxes despatched to terminal markets from Himachal Pradesh	80.00 lakhs	47.69 lakhs
2.	Number of apple cases transported.	13.20 ..	9.00 ..
3.	Number of apple cases sold on consignment basis	2.79 ..	2.45 ..
4.	Number of boxes kept in cold storage	1.45 ..	1.41 ..
5.	Processing of apples	2087.00 Tonnes	253.50 Tonnes
6.	Supply of packing material	Rs 4.74 lakhs	Rs 5.58 lakhs
7.	Advance interest-free marketing credit	Rs 14.39 lakhs	Rs 26.07 lakhs
8.	Number of forwarding centres	132	198
9.	Number of transshipment centres	2	3
10.	Number of states covered	11	12
11.	Number of farmers who utilised services of HPMC	10247	19390
12.	Number of terminal markets	18	20
13.	Number of apple boxes exported	—	7238
14.	Number of apple juice cans exported	Nil	(165 ML) 201600 (820 ML) 600
15.	Percentage of HPMC to total handling in		
	(a) forwarding	16.50	18.85
	(b) sales	3.49	5.14

The overall reduction in the volume of business handled in 1976-7 was due to the failure of the fruit crop during the year as a result of widespread vagaries of nature like drought, frost and hail-storms.

17. The brief account of certain important activities undertaken by the Corporation is given below :

(i) The Corporation supplies packing material and marketing credit to fruit growers, forwarding agents, traders, co-operative institutions and others involved in the marketing of apples. Good quality packing material which includes paper (Raddi), wrapping paper cut in various sizes (according to the size of fruit), wood-wool for padding, strapping wire, nails, strapping machines specially got manufactured by the Corporation at reasonable price, is supplied at the prescribed wholesale and retail rates. Purchases upto Rs 5000 are allowed at retail rates and those over Rs 5000 at wholesale rates irrespective of the status of a purchaser i.e., whether the purchaser is an individual grower, forwarding agent, trader, a co-operative society or any other party. A discount of 5 per cent is allowed on wholesale and retail sales to the parties provided the purchases are made by them against cash payment. Packing material is made available by the Corporation in all important fruit growing areas. It is available in Kulu District at Kulu and Patli Kuhl, in Simla district at its retail centres at Rohru, Khadrula, Kumarsain and Luhri. In Kinnaur, Solan and Chamba districts and Rajgarh area of Sirmur district the packing material is available through the concerned District Horticultural Offices. Marketing advance to non-defaulting fruit growers is allowed in cash for the purchase of packing cases at the rate not exceeding Rs 5.00 per standard case and Rs 3.00 per 'Kulu Dabba' i.e., an apple box weighing 9 to 10 kgs and in the form of packing material subject to an overall limit of Rs 5,000 on the condition that the grower concerned would undertake to market his produce through the Corporation and authorise it to deduct the dues from the sale proceeds. Subsequent advances over and above the limit of Rs 5000 to the fruit growers are also allowed upto the limit of Rs 10.00 per standard case and Rs 5.00 per 'Kulu Dabba' after

ensuring that the initial amount of advance outstanding is fully covered by the consignments already despatched through the Corporation.

(ii) The packing and grading centres of the Corporation are meant to serve as collection and forwarding centres. Even the consignments which do not come for grading and packing in the packing houses are handled by the Corporation.

(iii) In order to avoid congestion and unloading problems in the consuming markets, the Corporation has established warehouses and transshipment centres at Parwanoo and Kiratpur Sahib. Consignments from Kulu and Mandi areas are handled at Kiratpur Sahib and those from other parts of the state are loaded at Parwanoo. Consignments are sorted out in the warehouses and loaded in trucks for the out-station markets. Another important transshipment centre has been set up by the Corporation at Kundli in Delhi-Haryana border to help in diverting consignments for markets beyond Delhi without passing through Delhi. This procedure saves additional expenditure at Delhi towards handling charges, cost of middlemen and octroi and avoids delay in despatch, deterioration in quality, etc. It also avoids glutting of market by bulk arrivals during the peak period and consequent sharp fall in the prices.

(iv) In order to protect the growers from exploitation by transporters particularly during the peak season, the Corporation makes arrangements with transporters and fixes rates for carrying fruits from different collection centres at road-heads to different markets for the entire season. It publishes freight lists showing transport charges for general information of the fruit growers and other interested agencies. The Corporation offers full compensation for the consignments transported through 'HPMC Forwarding System' in respect of loss on account of accident or loss of consignment during transit.

(v) The Corporation is covering 20 important markets like Bombay, Madras, Calcutta, Delhi, Bangalore, Hyderabad, etc. in 12 states of the country. The growers have, therefore, a wide

choice of markets. The Corporation also arranges early issue of intimation to the fruit growers regarding sale of their fruits. In 1976 the Corporation handled about 10,000 cases of stone fruits also. The Corporation with the help of the Department of Horticulture gets information about rates, stocks, price trends, tastes of consumers for specific varieties of fruits at important markets in the country which helps in deciding the despatch of consignments of fruits to various destinations. It proposes to organise consumers' retail sales at important centres like Delhi, Madras, Bombay etc. and supply consumers' packs containing 1 kg. to 10 kgs of fruits. This will help eliminate chain of middlemen at such places and make the fresh fruit available to consumers at cheaper rates.

(vi) The importance of cold storage in apple marketing cannot be over emphasized. It extends the period of marketing and availability of fruit to consumers. The Corporation has two cold storages one at Delhi with 2750 tonnes capacity and the other at Bombay with 2,000 tonnes capacity. It is also setting up 5 cold storages with a capacity of 1000 tonnes each along with packing houses and air-cooled stores in the producing areas. The HPMC also allows advances against pledge of produce at an interest of 18 per cent.

(vii) Besides a processing plant at Jarol and the one that is to be set up at Parwanoo referred to in paragraph 13 above, the Corporation is managing canning units at Rajgarh and Bagthan. The volume of business handled by the Corporation is expected to be as under in about two years.

(i) Handling of apples	36000 tonnes
(ii) Utilisation of culled apples	15500 tonnes
(iii) Cold storage capacity	7000 tonnes
(iv) Forwarding and transshipment of fruits (including 36000 tonnes mentioned at (i) above)	100000 tonnes

18. A brief account of the processing societies in the cooperative sector is also given below :

(i) The Himachal Fruit Growers Marketing-cum-Processing Society Ltd. (known as Himprocess), referred to in paragraph 13, has a grower membership of 635 and share capital of Rs 3.11 lakhs from members. The state government's contribution is Rs 38.87 lakhs. The capacity of the unit is 1500 tonnes of finished goods in a year. In addition to apples, the society also processed peaches and small quantities of other fruits. Its achievements in 1978-9 are as under :

Sr. No.	Particulars	Achievements
1.	Total number of boxes despatched to terminal markets from Himachal Pradesh	1.26 lakhs
2.	No. of apple cases transported	1.26 lakhs
3.	No. of apple cases sold on consignment basis	0.25 lakhs
4.	No. of boxes kept in cold storage	—
5.	Processing of apples	487 tonnes
6.	Supply of packing material	1.30 lakhs
7.	No. of centres	142
8.	No. of transshipment centres	4
9.	No. of states covered	14
10.	No. of farmers who utilized services of Himprocess	656
11.	No. of terminal markets	21

(ii) The Chamba District Fruit Growers Co-operative Industrial Society Ltd., Chamba has a capacity of one tonne per day. In 1978-9, the production of processed goods was 45.15 tonnes valued at Rs 3.96 lakhs and it had effected sales of 25.17 tonnes valued at Rs 2.09 lakhs.

(iii) The Krishi Udyog Sahakari Sabha, Shamshi, has a processing capacity of  $\frac{1}{2}$  tonne per day. In 1978-9 it produced goods worth Rs. 1.48 lakhs.

(iv) The Dehra Co-operative Marketing-cum-Processing Society Ltd. has a very small capacity for processing and it sold goods worth Rs. 1.22 lakhs in 1977-8.

(v) The Kulu Krishak Samaj, Katra is operating a cottage scale type fruit processing unit. The production during 1977-8 was of the order of Rs 0.30 lakh. The society also undertakes marketing of apples and in 1978-9, it handled fruits worth Rs 0.66 lakh.

19. We have in the preceding paragraphs discussed the efforts that are being made in increasing production of apples, arrangements for their marketing and processing and problems connected therewith, activities of the Department of Horticulture and the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation for helping in production, marketing and processing of fruits. All these activities need credit and the present facilities in this regard are discussed in the paragraphs that follow.

#### *Credit for Horticulture*

20. The total area under fruit crops in Himachal Pradesh was 0.63 lakh hectares by the end of 1974-5. The success of horticultural development depends on adequate credit support. The additional area to be brought under cultivation would need sizeable investments and benefits therefrom start accruing only after 8-9 years when plantations reach the fruit-bearing stage. For horticultural activities, credit is needed by the growers, particularly the small ones, for the following purposes. It may be noted here that our main field of enquiry is apple.

- |                         |   |
|-------------------------|---|
| (i) Long-term credit    | For bringing new areas under fruit crop and development of horticultural plantations. |
| (ii) Medium-term credit | For purchase of anti-hail nets.   |
| (iii) Short-term credit | For maintenance of fruit yielding orchards and marketing of fruits.                   |

*Long-term Credit*

21. Long-term credit is required for planting of orchards. The growers can start repaying the loan after the orchard reaches the bearing stage. An apple tree has an average life of 50 years and has (i) non-bearing (ii) optimum bearing and (iii) tapering off periods. The income out of which the grower can start repayment of the principal accrues from the ninth year only. The cost of plantation of one acre of apple orchard (100 plants per acre) comes to about Rs 3000. The maintenance cost per acre which is initially as low as Rs 280 in the second year increases to Rs 1555 from the twelfth year with variations in the intervening years. The details of the costs are given in Annexures 9 and 10.

22. In addition to the plantation cost of Rs 3000 the grower needs annually funds for maintenance of the orchard. The total estimated expenditure on maintenance is about Rs 5025 till the ninth year after which the grower is in a position to start repayment of the loan out of income from the orchard. In the meantime, the grower is expected to meet the periodical expenses on maintenance of the plantation as well as the interest payable annually from the date of advancement of the loan, from his own resources or out of income from other crops. A chart showing the economics of the apple plantation scheme is given in Annexure 11. Taking into account the recent achievements in the field of plantations, an additional area of 2500 hectares may be brought under apple cultivation annually. The cost of plantation being Rs 7500 per hectare, the long-term credit demand will be of the order of Rs 18.75 lakhs per year on the assumption that institutions will be required to provide credit in respect of about 10 per cent of the area to be brought under cultivation annually.

*Medium-term Credit*

23. Hail-storms cause damage to the fruit crops and they are common in most of the districts. Hails also damage leaves, buds, branches etc., which affect future crops too. Provision of suitable anti-hail nets has been considered useful in protecting crops in hail-prone areas. Approximately 1.25 kgs net per plant is

required. The estimated cost of providing suitable high density polythylene anti-hail net in one acre orchard, which has generally 100 trees as stated in paragraph 21 above, is about Rs 6,000 as estimated below :

	Amount Rs
(i) Cost of 125 kg. high density polythylene net (sufficient to cover one acre area ) @ Rs 40 per kg.	5,000.00
(ii) Cost of poles for fixing net, labour charges for fixing poles etc.	1,000.00
	6,000.00 (i. e., Rs 15,000 per hectare)

Loss of fruits in hail-prone areas has been estimated at 25 per cent to 80 per cent and the average damage may come to about 50 per cent. If the average income from a one acre apple orchard which is not affected by hail storm is about Rs 8,000 and from stone fruits orchard is about Rs 4000, the orchardist in the hail prone area, if not provided net to this crop, will have loss to the extent of about Rs 4000 in the case of apples and Rs 2000 in the case of stone fruits. The average life of nets with reasonable proper handling is expected to be about 6 years for use in apple orchards. It is 1½ times more in the case of use for protection of stone fruits. The nets remain on stone fruit trees in a year for about 4 months whereas in the case of apples they remain on trees for about 6 months. Accordingly, an orchardist may be able to save almost 4 times the cost in the case of apples and 3 times the cost in the case of stone fruits if he provides nets and handles them properly. The cost-benefit of the scheme is given in Annexure 12. The Department of Horticulture has a proposal to cover an area of 60 hectares under anti-hail nets. The cost to cover one hectare of land is around Rs 15,000 as stated above. The medium-term credit requirement for 60 hectares of area to be brought under anti-hail nets would thus be around Rs 9.00 lakhs. The loan is



to be advanced in kind in the form of nets and other material to the beneficiaries who will be eligible for a subsidy of 33. $\frac{1}{3}$  per cent.

*Short-term Credit*

24. Short-term credit is required for maintenance of orchards and marketing of fruits. It is estimated that of about 69,250 hectares area which is expected to be under various fruit crops in 1978-9, the area covered by fruit-bearing trees may be about 54,000 hectares. The estimated production during the year is about 4.11 lakh tonnes of which marketable/processable fruits are placed at about 4.00 lakh tonnes. The average cost of maintenance of one hectare fruit bearing orchard is estimated around Rs 3750 per annum i.e., Rs 1250 in cash and Rs 2500 in kind. The cost of marketing one box of fruit (20 kgs) is assumed at Rs 10. On this basis the short-term credit requirement may, therefore, be estimated as in Table 3.

TABLE 3

Sr. No.	Item	Rs Lakhs					
		Total short-term credit requirements			Anticipated demand for institutional finance assuming 40 per cent of requirement		
		Cash	Kind	Total	Cash	Kind	Total
1.	Maintenance of orchards covering 54,000 hectares of area at the rate of Rs 3750 per hectare (Cash Rs 1250, kind Rs 2500 per hectare)	675.00	1350.00	2025.00	270.00	540.00	810.00
2.	Marketing of 4.00 lakh tonnes of fruit (200 lakh boxes of 20 kgs each at the rate of Rs 10 per box)			2000.00			800.00
				<b>4025.00</b>			<b>1610.00</b>

It may be noted here that the above estimate in Table 2 is with reference to the credit requirements of various fruit crops while we have confined our enquiry to apple crop in particular. The scale of finance for apple crop is prescribed by the Registrar of Co-operative Societies, Himachal Pradesh at Rs 3750 per hectare. Assuming that the institutional finance will be required to be provided to 40 per cent of the area under apple orchards which is 0.35 lakh hectares at present the short-term credit requirements for apple could be placed at Rs 525.00 lakhs (i.e., area of 14,000 hectares multiplied by scale of finance at Rs 3750 per hectare).

#### *Financing Institutions*

25. The main agencies providing credit for various horticultural activities in Himachal Pradesh are the co-operative and commercial banks. The Department of Horticulture which earlier used to provide credit to growers has discontinued the practice from 1974-5. The role played by the various financial institutions in meeting the growers' financial requirements for long-term, medium-term and short-term credit is discussed below.

26. The long-term finance is being provided by the Himachal Pradesh Central State Co-operative Land Development Bank under the scheme sanctioned by the Agricultural Refinance and Development Corporation in October 1972 for providing finance for apple cultivation on 3,000 acres in 13 selected blocks of Simla, Sirmur, Mandi and Kulu districts involving a total financial outlay of Rs 39.00 lakhs. In November 1977 a supplementary scheme for development of horticulture in 21 blocks of Simla, Solan, Sirmur, Mandi, Kulu, Chamba, Kangra, Kinnaur and Lahaul and Spiti districts involving a financial assistance of Rs 43.50 lakhs was also approved by the Agricultural Refinance and Development Corporation for being refinanced under the Second Agricultural Refinance and Development Credit Project sanctioned by the International Development Association.

27. The Department of Horticulture provides support for debenture floatations of the central state co-operative land development bank for implementation of above scheme. During the

years 1974-5 to 1977-8 a sum of Rs 12.30 lakhs was provided by the Department for the purpose and a provision of Rs 5.00 lakhs has also been made for the year 1978-9 which will help the bank to issue loans to the extent of Rs 20.00 lakhs.

28. Disbursements made under the scheme by the Himachal Pradesh Central State Co-operative Land Development Bank Ltd. during the years 1974-5, 1975-6, 1976-7, 1977-8 and 1978-9 were Rs 6.90 lakhs, Rs 3.60 lakhs, Rs 5.30 lakhs, Rs 8.24 lakhs and Rs 4.75 lakhs respectively. The Kangra Primary Land Development Bank also made disbursements under the scheme in the years 1976-77, 1977-8 and 1978-9 of the order of Rs 0.17 lakh, Rs 3.57 lakhs and Rs 2.30 lakhs respectively.

29. The loans advanced by the Himachal Pradesh Central State Co-operative Land Development Bank under its normal schemes for preparation of land for orchards and plantations during the years 1975-6 and 1976-7 amounted to Rs 1.91 lakhs and Rs 1.21 lakhs respectively. Availability of credit as above falls very much short of estimated annual long-term credit demand of Rs 18.75 lakhs referred to in the paragraph 22 above. It is doubtful whether the land development bank with its present financial position and existing level of operational efficiency will be in a position to lend adequate support to the development programme. It has, therefore, been suggested in Chapter 8 that there is a need for strengthening the co-operative credit structure by integration of both the long-term and short-term credit structures to provide meaningful support to the agricultural development in the state.

30. Commercial banks which have branches all over the state entertain the demand for medium-term credit requirements of fruit growers. Details regarding the finance provided by them are, however, not available.

31. The short-term credit requirements of orchardists are largely met by co-operatives. Scales of finance per acre as approved by the Registrar of Co-operative Societies, Himachal Pradesh for apple (for 10th year of life of tree) is Rs 500 as cash

component and Rs 1000 as kind component. While there is little scope for financing apple crop by the Jogindra Central Co-operative Bank in Solan district, the Kangra Central Co-operative Bank has hardly been providing any finance for apple crop in Kulu district. It is observed that the Himachal Pradesh State Co-operative Bank provides production credit as well as marketing credit for apple crop. The period of advancement of crop loan to apple growing members is from December to June and the due date of recovery is 30 November. However, loan from the apex bank is available to societies usually from March. This causes delay in advancement of credit to growers and also hampers timely utilisation of 'kind' component which is required from the month of December. The apex bank should impress on societies to send their crop loan applications to the bank by the end of October and process them expeditiously so as to ensure that credit is made available to societies as from 15 December every year. During the years 1974-5, 1975-6 and 1976-7, 34, 24 and 22 societies were provided with production credit for apples of the order of Rs 31.71 lakhs, Rs 10.93 lakhs and Rs 12.26 lakhs respectively. The quantum has been reduced over the period consequent to overdues, which increased from Rs 27.53 lakhs as on 30 June 1975 to Rs 49.54 lakhs as on 30 June 1977.

32. Marketing credit is given by the Himachal Pradesh State Co-operative Bank to societies to meet the requirement of growers in marketing their fruit crops. Marketing credit which was introduced about 4 years back is now provided through only 5 primary agricultural credit societies/fruit-growers marketing societies. The quantum of marketing credit during the three year period of 1974-5 to 1976-7 was between Rs 3.00 lakhs and Rs 3.50 lakhs. As on 30 June 1977 entire outstandings at Rs 0.85 lakh were overdue. The period of financing is from June to August and the due date of recovery is fixed as 31 December. While sanctioning marketing finance the bank insists on a first charge on sale proceeds which are to be compulsorily routed through the bank. It further stipulates that the entire loan advanced both for production and marketing should be recovered

out of sale proceeds. It also insists on societies obtaining a written bond from the borrowers undertaking to market their entire produce through societies.

33. It will be seen from the position discussed in preceding paragraphs that long-term requirements for investment purposes are met by the land development bank while the production credit requirements are met by the Himachal Pradesh State Co-operative Bank. The marketing credit is made available by the Himachal Pradesh State Co-operative Bank and the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd. the marketing credit provided by the latter institution is available to all including traders and in the years 1975-6 and 1976-7 it had provided marketing credit of the order of Rs 14.39 lakhs and Rs 26.07 lakhs respectively. The co-operatives have not been able to play an effective role either in providing long-term credit for investment purposes or short-term credit for production as well as marketing purposes. In the absence of organised marketing in the co-operative sector, marketing facilities provided by the Corporation are availed of by enterprising individuals and those in the interior are, by and large, not in a position to avail themselves of the facilities. The inability of co-operatives to arrange for marketing of their members' produce also affects their recovery performance adversely as no deductions can be effected from sale proceeds. In the circumstances, it is necessary to have close co-ordination between co-operatives on the one hand and the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd. and the Department of Horticulture on the other. As we have already noted the Corporation has developed necessary expertise as also arrangements for marketing of fruits and, therefore, there is no need for a separate organization to arrange for marketing of apples. The existing marketing societies in the co-operative sector at the tehsil level in particular can play an effective role in the marketing of produce of the members of the primaries. The Tehsil level co-operative marketing societies could be appointed by the Corporation to act as its agents to deal with the primaries in their areas.

34. We have recommended in Chapter 8 the integration of the short-term and long-term credit structures which would help co-operatives in extending adequate credit support by way of long-term loans for investment purposes to develop orchards. At the same time the credit for production purpose could also be provided by the societies. The societies should provide production finance to their members and state and central co-operative banks should provide refinance for the purpose. This will help co-operatives to increase their loan business. As the reorganised societies are expected to provide credit for investment, production and marketing and help in marketing of produce through the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd., we are of opinion that there is no need for organization of separate fruit growers' co-operative societies for provision of either credit and marketing facilities or only marketing facilities exclusively for fruit growers. The existing fruit-growers societies like the one at Shathla in Thanedar (Simla district), which no doubt are giving good service to fruit growers in arranging marketing of their produce, should act as multi-purpose societies. This society is presently giving service to non-members also which should be discontinued to enable it to increase its coverage and bring in the fruit growers under co-operative discipline.

35. The other important aspect is provision of finance for marketing and arrangements for marketing. The Himachal Pradesh State Co-operative Bank is sanctioning marketing credit for enabling the societies to provide to their members packing cases and packing material. The Corporation is also extending similar facility which is available to producers and traders alike. If co-operatives provide adequate facility the need for the Corporation to give such facilities would not arise. It is suggested that the Corporation may make available packing cases and other packing material to societies against payment which could be treated as marketing finance. The fruit growers should then arrange to deliver the fruits to their societies. The society should not purchase the fruits on its own account but accept them on an

agency basis. With a view to helping the grower to meet his immediate requirements on delivery of produce, he may be given, as suggested in paragraph 27 of Chapter 3, produce loan at 20 per cent to 25 per cent of the value of produce which may be related to the average market price of the previous season or current market price, whichever is lower. No adjustment of production loan need be made at this stage. The production loan and produce loan as well as cost of packing cases and material, transportation, commission, octroi charges etc., payable by him on despatch of the fruit boxes may be recovered from the sale proceeds. Societies may also collect by way of handling charges a suitable commission say Re 1 to Rs 2 per box of the size of 10 kgs. The Reserve Bank may provide marketing re-finance for the purpose on the lines indicated in paragraph 27 of Chapter 3. This would also warrant adjustment in due dates in respect of production credit and marketing credit, which are at present 30 November and 31 December respectively. When the entire production credit dues are to be adjusted against sale proceeds, the due date of marketing credit may also be advanced to 30 November and fresh lending for production purposes may commence from 15 December.

36. As regards arrangements for grading at the level of primary co-operative society, it is not considered practicable at present as on account of communication problem, growers are required to sort out their fruits and pack the boxes at their orchards to ensure proper despatch of fruits from the interiors. The unpacking of boxes or sending the fruits loose for grading will only result in their damage. In the circumstances, the present arrangement for grading of fruits by the growers themselves will have to be continued. The society acting as a collecting agent can despatch stocks to predetermined destinations i.e., either to terminal markets or to processing societies as per arrangements the Corporation would have made for the purpose. The transportation and octroi charges could be collected from societies which in turn would bill the growers proportionate to goods despatched on their behalf. Such an arrangement would obviate the necessity for the Corpora-

tion to deal with a number of individuals and would be in a better position to coordinate their activities all over the state. In order to ensure proper grading by the cultivators, the Corporation should send qualified grading assistants to the villages to educate them.

37. The arrangements envisaged above would need drawing up of the calendar for supply of fruits to various markets as also to processing societies. This would, therefore, necessitate setting up of a coordination committee at the state level comprising representatives of the financing bank, marketing societies and the Corporation with the Director of the Department of Horticulture as the convenor. At the district level similar committees should be set up with the district horticulture officer as convenor. Requirements of processing societies in the co-operative and public sectors could also be met under this arrangement.



## Chapter 5

### HIMACHAL PRADESH STATE CO-OPERATIVE BANK

1. In this chapter the financial position and operational efficiency of the Himachal Pradesh State Co-operative Bank have been examined to assess its capacity to lend adequate support for meeting the credit needs of agriculture in the State. The aspects have been examined in the context of the terms of reference Nos. (i), (ii), (iii) and (viii), which are interrelated. Besides, terms of reference Nos. (vii) and (xii) regarding examination of overdues at various levels of co-operative credit structure and the outside assistance necessary for its reorganization and rehabilitation have also been dealt with insofar as they relate to the state co-operative bank.

2. In November 1951, the Reserve Bank of India in its Agricultural Credit Department examined the possibility of organizing a state co-operative bank in Himachal Pradesh and after the high level discussions between the state government and the Reserve Bank it was decided to have a unitary banking system in the state with the head office of the state co-operative bank at Simla and branches at district headquarters and other suitable places. Following these discussions the Himachal Pradesh State Co-operative Bank was established in 1953 after converting the Mahasu Central Co-operative Bank. In 1954, the Mandi Central Co-operative Bank was converted into a branch of the state co-operative bank. Further, in February 1955 assets and liabilities of the Bank of Sirmur, a joint stock bank, were taken over by the state co-operative bank. The area of operation of the Himachal Pradesh State Co-operative Bank covered the entire state — then a Union Territory. On reorganization of the states of Punjab, Haryana and Himachal Pradesh, some areas were transferred in November 1966 from Punjab to Himachal Pradesh. The new areas which

came under Himachal Pradesh were not covered by the unitary system and central co-operative banks viz., the Jogindra Central Co-operative Bank and the Kangra Central Co-operative Bank, which came with the new areas, were allowed to function as central financing agencies in their respective areas. In September 1976, some areas were exchanged between the state co-operative bank and the Jogindra Central Co-operative Bank with a view to extending their respective areas of operation to the whole of Simla and Solan districts respectively. Presently, the area of the Himachal Pradesh State Co-operative Bank as a central financing agency extends to 6 districts, viz., Bilaspur, Chamba, Kinnaur, Mandi, Simla and Sirmur.

### *Membership*

3. The membership of the Himachal Pradesh State Co-operative Bank comprises the central co-operative banks, primary agricultural credit societies, non-agricultural credit societies, fruit growers societies, central societies/federations, individuals and the state government, etc. As on 30 June 1977, the total membership stood at 1411, of which 123 were individuals and 44 central societies and federations. Besides the two central banks and three government nominees, there were 1233 primary agricultural credit societies and 6 fruit growers societies as members as on that date.

4. In terms of by-law 5(A) (iv) of the bank, total number of individual members shall not exceed the existing members which implies that no new individual members will be enrolled hereafter. By-law 5(A) (v) provides for membership of joint stock companies, firms, religious or charitable institutions, local bodies, corporations, boards, clubs and educational institutions. Accordingly, institutions as shown in Table 1 at page 95, are members of the bank. By-law 5(D) of the bank provides for enrolment of the nominal members who shall not have any voting rights.

5. In terms of by-law 5(B) (iii), the State Government can nominate three members who shall have the right to attend and vote in the general house/board/executive committee meetings.

TABLE 1

Institutions	Share capital contributed Rs
(i) President, Municipal Committee, Nahan	10,000
(ii) Paonta Temple	9,400
(iii) Commander, Sirmur State Forces, Nahan	600
(iv) Madarsa Kanya Mahavidyalaya	1,500
(v) Nahan Foundry Ltd.	30,000
	<b>51,500</b>

Similar rights are conferred on the Registrar of Co-operative Societies or his nominee under by-law 5(B) (iv). This confers 4 votes on the State Government in general house meeting defeating the provision of by-law 52 which restricts the voting right of a member to one vote irrespective of the number of shares held.

#### *Board of Directors*

6. The Board of Directors of the bank consisted of 18 members as on 30 June 1977 as against 19 prescribed by the by-law No. 56(A). The composition of the Board is given in Table 2 at page 96.

7. The composition of the Board of Directors had been changed in 1972 on the recommendations of the Reserve Bank with a view to providing representation to each district. The Kangra Central Co-operative Bank, which at that time served three districts, was allowed to nominate 3 directors on the Board. Consequent to the reorganization of 3 districts into 5 in the area of the Kangra Central Co-operative Bank, its area of operation now extends to five districts. With the transfer of apex bank's branches in Solan district to The Jogindra Central Co-operative Bank, one director representing primary societies from that district ceased to be a member of the Board. Of the 18 directors on the Board as on 30 June 1977, 10 were representatives of primary agricultural

TABLE 2

	No. of directors as per by-law (1)	No. of directors in position (2)
(i) Representatives of primary societies, one each from the seven districts in the area of operation which included part of Solan district	7	6
(ii) Government nominees	3	3
(iii) Individuals	1	1
(iv) Banking expert (Nominated by the Board of Directors of the bank)	1	1
(v) Representatives of Kangra Central Co-operative Bank representing the co-operative societies in the area of operation of Kangra Central Co-operative Bank.	3	3
(vi) Representative of Jogindra Central Co-operative Bank representing the co-operative societies in the area of operation of Jogindra Central Co-operative Bank.	1	1
(vii) Nominee of Himachal Pradesh State Co-operative Marketing and Development Federation.	1	—
(viii) Nominee of Himachal Pradesh Central Co-operative Land Mortgage Bank Ltd.	1	—
(ix) The Registrar, Co-operative Societies or his nominee.	1	1
(x) Directors nominated by the Registrar under Rule 39 of the Himachal Pradesh Co-operative Societies Rules.	—	2
	19	18

credit societies and 6 were government nominees. In the by-laws there is no provision for representation to the weaker sections of the society like small and marginal farmers, scheduled castes/tribes. Similarly, the by-laws do not provide for representation to other societies like weavers societies, industrial societies etc.

8. In terms of by-law 66 (xxxiii), the Board of Directors of the bank can delegate their powers to the President, Executive Committee, sub-committees or special committees, as it thinks fit. The Board has constituted different functional committees like executive committee, loan committee, appointment and promotion committee, branch committee etc.

#### *Executive Committee*

9. Of the various committees the Executive Committee enjoys wide ranging powers delegated by the Board relating to almost the entire working of the bank. This committee consists of the President, Vice-President, Registrar or his nominee as permanent members. The remaining directors on the Board serve on the Executive Committee by rotation at the rate of 5 directors for a period of 6 months. Though an important committee designed to deal mostly with policy matters, the committee deals with even routine affairs relating to staff, petty expenditure, etc. In terms of Board resolution dated 29 December 1973, the committee is also empowered to sanction loan/cash credit limits although the work relating to sanction of loan and cash credits, appointment of staff etc., is also attended to by the loan sub-committee and the appointment and promotion committee respectively. There is overlapping of functions of various committees.

#### *Branch Committees*

10. In terms of by-law 66(xix) the bank has constituted district branch committees. There is one district branch committee at the headquarters of each district. There is a provision for setting up of branch committees at tehsil or block levels also under the direct control and supervision of the district branch committees. Such tehsil or block level committees will have powers almost

identical to those of district branch committees according to the rules framed by the bank for the purpose. The bank has not set up such committees, but if they are constituted at a later date, it may lead to duplication of work and avoidable expenditure. Hence the provision for constitution of such committees for tehsil/block level branches could be considered as unnecessary. The district branch committees include District Co-operative and Supply Officer of the district, regular director of the bank from the district and one or two co-operators from the concerned district and the Deputy Commissioner of the district who is the Chairman as provided in the rules framed for constitution of the committees. The committees are empowered to sanction the normal credit limits of co-operative societies for crop loans without any limit, while medium-term loans for agricultural and non-agricultural purposes and cash credits could be sanctioned within specified limits.

#### *President*

11. The President of the Board of Directors is elected by the Board from amongst the members of the Board for a period not exceeding one year at a time. In terms of by-law 67, the President shall be the chief controlling and supervising officer of the bank and shall exercise such powers as are delegated to him by the Board of Directors from time to time and the Vice-President shall exercise these powers in the absence of the President. Accordingly, the President is empowered to effect transfers of staff, sanction TA/DA bills of certain categories of personnel, pass printing bills for payment, etc. He is authorised to sanction all loans to societies subject to ratification by the Board.

12. The President who has been included as one of the officers of the bank actively involves himself in the working of the bank. Powers given to the President to supervise the day-to-day working of the bank and to sanction loans come into direct conflict with those given to the Executive Committee and Loan Sub-Committee.

#### *General Manager*

13. In terms of by-law 66(iv), subject to prior approval of the Registrar, Co-operative Societies, the Board is authorised to

appoint, fix remuneration, remove, suspend or otherwise punish the general manager. The post of the General Manager is being held most of the time by an employee of the bank, barring the period between December 1973 to December 1975, when an officer from the Reserve Bank was its General Manager. The by-laws empower the General Manager to attend the meetings of the general body, Board etc. in fulfilment of his duty as secretary of these bodies. The General Manager is responsible for the executive administration and his powers are indicated in by-law 68. But, as noted in paragraph 11 above, the President being the Chief Controlling and Supervising Officer could in effect restrict the freedom of the chief executive, who is a full-time paid employee, in carrying out day-to-day administration. Recently, i.e., from July 1979, the bank has created a post of Managing Director who is now the Chief Executive. This post is held by an officer on deputation from the Reserve Bank.

#### *Key Personnel*

14. The Managing Director is assisted by the General Manager, a Deputy General Manager, 4 Grade A Managers and 5 Grade B Managers in the head office. There are seven sections in the head office of the bank, viz., (i) Establishment, (ii) Loans and Advances, (iii) Branch Control and Rehabilitation, (iv) Development and Recovery, (v) Statistics, Provident Fund and Pension, (vi) General Accounts and (vii) Confidential. These sections are headed by Managers in Grade A or B who are assisted by other supporting staff like accountants, clerks, etc. The branches at district headquarters are generally managed by Managers in Grade A. These managers are inter-transferable with the heads of sections at the head office. The total strength of the staff as at the end of June 1977 was 282. Of these, the number of subordinate staff comprising peons, drivers etc. was 94 i.e., 33 per cent of the total strength. This position has arisen as in each branch there are minimum of two subordinate staff members as peon and night guard. Of the 32 officers in the cadre of Manager Grade B and above hardly two are graduates and some are even non-matric. The minimum qualification prescribed for the staff below the level

of branch manager is matriculation. The bank does not have any programme for deputing its staff members for training to various institutions where such facilities are available and hardly any efforts have been made for making good the deficiency in academic background by deputing the staff for training in banking funds and allied subjects.

#### *Financial position*

15. The bank's comparative financial position for the period 1972-3 to 1978-9 is given in Annexure 13. The progress made by the bank during the period from 1972-3 to 1978-9 is discussed in the paragraphs that follow :

#### *Owned funds*

16. The comparative growth recorded by the bank in its owned funds can be seen from Table 3.

TABLE 3

Rs Lakhs

	1972-3	1976-7	1977-8	1978-9
(a) Paid-up capital	25.56	30.35	31.10	47.24
Of (a) Govt. contribution	11.92	11.92	11.92	27.12
(b) Reserves (Total)	35.22	77.54	78.68	85.39
Of (b) Statutory Reserve	7.18	7.40	7.41	7.43
Agricultural Credit Stabilization Fund,	11.30	19.70	20.29	21.92
(c) Bad Debts Reserve	3.07	1.35	1.35	1.35
Owned funds (a + b)	60.78	107.89	109.78	132.63

During the five-year period from 1972-3 to 1977-8 the paid-up share capital of the bank which was Rs 25.56 lakhs as on 30 June 1973 had increased by only Rs 5.54 lakhs to Rs 31.10 lakhs as on 30 June 1978. However, as on 30 June 1979, the paid up share capital has increased to Rs 47.24 lakhs mainly due to



additional share capital contribution of Rs 15.20 lakhs by the state Government in 1978-9. This has been provided by the State Government without taking recourse to the borrowings from the Reserve Bank out of its Long-Term Operations Fund as the bank is not eligible for the same in view of its high level of overdues. The reason for poor accretion to the paid up share capital, besides low level of loan business, is inadequate share linking to lendings. The share linking of societies for borrowing from the apex bank at 5 per cent of their borrowings is also low. The ratio of share holding to borrowings in the case of cash credit (clean, hypothecation and pledge) limit is 1 : 100 as against the Bank's recommendation of 1 : 20 (clean) and 1 : 40 (secured). The bank's reserves have increased from Rs 35.22 lakhs as on 30 June 1973 to Rs 85.39 lakhs on 30 June 1979 recording an increase of Rs 50.17 lakhs. The increase of about Rs 50 lakhs, however, is accounted for by provision for overdue interest, State Government contribution towards agricultural credit stabilization fund and constitution of Rehabilitation Fund (in 1976-7) with the assistance provided by the State Government and Government of India. It may be recalled here that the Study Team on Overdues of Co-operative Credit Institutions 1974 had recommended that the Himachal Pradesh State Co-operative Bank should build up its Agricultural Credit Stabilization Fund to the level of Rs 25 lakhs by 30 June 1979 as against which the level as on that date was Rs 21.92 lakhs.

#### *Deposits*

17. The Table 4 indicates the growth of the bank's deposit mobilisation and the category-wise distribution. Deposits of the bank during the last six years have increased by Rs 423.35 lakhs. In terms of percentage, deposits from sources other than co-operatives have increased from 65 per cent as on 30 June 1973 to 80 per cent as on 30 June 1979 of total deposits. During the last 6 years while fixed deposits have risen by Rs 236.69 lakhs, current deposits have declined by Rs 36.50 lakhs. The fixed deposits account for over 50 per cent of the total deposits as on 30 June 1979 and as they carry higher rate of interest,

TABLE 4

Rs Lakhs

Particulars	1972-3	1976-7	1977-8	1978-9
1. Total Deposits	604 .09	339 .83	824 .82	1027 .00
(a) Current	121 .20	86 .56	86 .95	84 .00
(b) Savings	196 .60	272 .91	299 .06	420 .00
(c) Fixed	283 .13	279 .37	438 .13	519 .80
(d) Others	3 .16	0 .12	0 .68	2 .00
2. Of 1, deposits from co-operatives	211 .89	208 .02	227 .36	203 .60
3. Percentage of 2 to 1	35	28	27	20

the cost of resources raised by the bank also increases. It may be noted here that in terms of instructions issued by the State Government in 1975-6 Panchayat/Block Samitis are required to transfer their funds to the Treasuries leaving only fixed deposits representing funds not required for 90 days with the co-operative bank.

18. The bank has in all 36 branches and one pay office (Suhanta in Chamba district) spread over 6 districts comprising 36 blocks. The bank does not have any branch in 11 blocks of five districts the distribution of which is one in Bilaspur (Geharain), three in Chamba (Mehla, Bharmour and Pangi), four in Mandi (Rewalsar, Dharampur, Chauntra and Seraj), two in Simla (Kasumpti—Suni and Chhohora) and one in Sirmur (Sangrah). The district-wise distribution of branches and deposits as on 30 June 1979 is given in Table 5 at page 103. About 52 per cent of the deposits of the bank are concentrated in Simla district. Even in Simla district bulk of the deposits i.e., Rs 388.82 lakhs out of Rs 537.69 lakhs were accounted for by the Simla branch alone.

19. The location and the accommodation i.e., premises of some of the branches are not convenient for business purposes. For instance the branch at Kotkhai in Simla district is situated on

TABLE 5

Rs Lakhs

District	No. of blocks	No. of branches	Deposits as on 30-6-79	Average deposits per branch
1. Simla	8	11	537.69	48.88 (14.89) *
2. Sirmur	5	6	122.76	20.46
3. Mandi	10	6	138.36	23.06
4. Chamba	7	5	77.38	15.47
5. Bilaspur	3	3	74.91	24.97
6. Kinnaur	3	5	76.34	15.26
	36	36	1027.44	28.54 (18.25) *

\* Excluding Simla branch.

the second floor with no counter facility. While the branch of the bank is situated on the second floor, there is a branch of a commercial bank on the ground floor of the same building. At Jubbal in Simla district the accommodation is very small and the branch has no counter. The Chowari branch in Chamba district has no counter facility and is situated in a dilapidated building. A few branches like the ones in Chamba, Joginder-nagar and Sundernagar though located at convenient places have been housed on the first floor. It is contended by the bank that the instructions issued by the Registrar of Co-operative Societies, Himachal Pradesh in terms of his Memorandum No. 5 PAC/75-Coop (C&M) dated 20 March 1976 requiring the fixation of reasonable rent by the Deputy Commissioner of the concerned district in respect of accommodation proposed to be rented/leased for the bank's premises makes the search for alternative accommodation a little difficult proposition. The head office of the bank has suggested to its branches that in case the accommodation is not available for the rent suggested by the Deputy Commissioner he may be requested to acquire the proposed accommodation or any other suitable accommodation at the proposed rent.

*Staffing of the branches*

20. In the case of about 20 branches, only a manager in Grade B or an Accountant assisted by a clerk-cum-cashier has been posted in each branch. The services of a recovery Supervisor, wherever posted, are utilised for regular branch work also. For staffing purpose the branches at district headquarters except at Kalpa in Kinnaur district irrespective of the volume of work handled at the branches have been classified as A class branches as these are assigned extra duties, viz., supervision over other branches in the district, holding of the district branch committee meetings, sanction of leave, TA and pay bills of the staff posted in the district. The rest of the branches have been classified as B and C on the basis of their volume of business. A branch with loan/deposits business over Rs 8.00 lakhs is placed in B class and the one with a business of less than Rs 8.00 lakhs is placed in C class. On the above basis, as on 30 June 1977, of the 36 branches 5 branches have been placed in A class, 16 branches in B class and 15 branches in C class.

21. The A class branches are headed by Grade A managers, B class branches by Grade B managers and C class branches by Accountants. Where the business is poor, duties of cashier-cum-clerk and recovery supervisor are assigned to only one person. A minimum staff of 5 is required for a branch, one each in the category of Manager/Accountant, Cashier-cum-Clerk, Recovery Supervisor, and 2 in the category of Peons/night guards.

22. The District Branch Manager is expected to guide and supervise the branches in his area and undertake regular inspection of branches. It is, however, observed that the district Branch Manager barring the one in Simla district is also required to attend to routine banking work though he is assisted either by a Manager in Grade B or an Accountant. He is, therefore, not able to play his role effectively. Many a time the branches are inspected by head office staff. The Chamba district being situated about 400 kms away from Simla, supervision from head office is handicapped in view of the distance as also the communication diffi-

culties. The district branches are to be inspected by the Senior Inspecting Officer from the head office who is of the rank of Manager Grade A. Since some of the district branch managers are of the same rank, the inspection by an officer of the equal rank has certain disadvantages in dealing with his equals and at times the seniors working at the district branches.

23. The district-wise position of profitability of the branches *vis-a-vis* loan business, deposits, etc., as on 30 June 1979 is given in Table 6.

TABLE 6

District	No. of bran- ches	No. of socie- ties affi- liated	Loans out- standi- ng	Depo- sits	Rs Lakhs	
					No. of branches running at	
					Profit	Loss
1. Simla	11	214	283.72	537.69	3	8
2. Sirmur	6	138	84.48	122.76	3	3
3. Mandi	6	289	78.65	138.36	1	5
4. Chamba	5	120	30.77	77.38	—	5
5. Bilaspur	3	102	36.23	74.91	1	2
6. Kinnaur	5	56	24.88	76.34	1	4
	<b>36</b>	<b>919</b>	<b>538.73</b>	<b>1027.44</b>	<b>9</b>	<b>27</b>

Of the 36 branches 27 were incurring loss. Relatively the performance of branches in Sirmur district is good where 50 per cent branches are running at profit.

24. The overall performance of branches in mobilisation of resources or building up of loan business is indicative of the fact that the district branch committees, by and large, confine their activities to sanctioning of credit limits and do not evince adequate interest in other fields.

25. The bank's outstanding borrowings have come down substantially from Rs 45.52 lakhs as on 30 June 1973 to Rs 1.28 lakhs as on 30 June 1978. As on 30 June 1979 its borrowings increased to Rs 11.08 lakhs. The percentage of borrowings to total loans and advances is given in Table 7.

TABLE 7

Item	Rs Lakhs			
	30-6-73	30-6-77	30-6-78	30-6-79
1. Outstanding loans and advances	319.69	515.93	511.15	538.73
2. Outstanding borrowings	45.52	1.51	1.28	11.08
3. Percentage of (2) to (1)	14.0	0.3	0.2	2.0

The bank's borrowings on behalf of the central co-operative banks are generally negligible as the Kangra Central Co-operative Bank does not borrow while the limits obtained by the Jogindra Central Co-operative Bank are nominal. Their position has been discussed in Chapter 6. The Himachal Pradesh State Co-operative Bank which was sanctioned a limit of Rs 50.00 lakhs in 1972-3 by the Reserve Bank of India availed of the limit to the extent of Rs 42.50 lakhs. The limit of Rs 35.00 lakhs sanctioned for 1973-4 was not availed of by the bank because of the delay in the execution of the government guarantee. The bank was not sanctioned any limit during the years 1974-5 to 1978-9 by the Reserve Bank of India due to its high level of overdues.

#### *Medium-term Agricultural Credit*

26. As against the medium-term credit limit application of Rs 50 lakhs, the Himachal Pradesh State Co-operative Bank was sanctioned on its own behalf a limit of Rs 10.00 lakhs by the Reserve Bank of India for financing affiliated societies for purchase of milch cattle for the year 1973. The bank could not avail of the limit during the year because the government guarantee was received as late as in March 1974. The bank could not secure

any limit from the Reserve Bank for the calendar years 1974 to 1979 as its level of overdues was high.

*Loans and Advances*

27. The outstanding advances of the bank have increased by Rs 219.04 lakhs from Rs 319.69 lakhs as on 30 June 1973 to Rs 538.73 lakhs as on 30 June 1979. The increase for various purposes has been as shown in Table 8.

TABLE 8

Purpose	Loans outstanding as on		Rs Lakhs	
	30-6-1973	30-6-1979	Increase (+)/ Decrease (—)	
(i) Short-term (Agricultural)	93.96	110.26	+	16.30
(ii) Medium-term (Agricultural)	39.67	74.60	+	34.93
(iii) Medium-term (Conversion)	11.20	6.36	—	4.84
(iv) Other purposes	174.86	347.51	+	172.65
	<b>319.69</b>	<b>538.73</b>	+	<b>219.04</b>

The bank's loans and advances for agricultural purposes have not increased appreciably during the past 6 years. The bank's loans for seasonal agricultural operations have been declining over the years as may be seen from Annexure 13 mainly due to heavy overdues of the societies. As against the credit requirement of Rs 8.61 crores estimated by us in Chapter 2 for seasonal agricultural operations in the area of operation of the bank where it is lending as a central financing agency the credit gap has been to the extent of Rs 7.44 crores as on 30 June 1979 which calls for considerable stepping up of its lendings for seasonal agricultural operations. The district-wise position in this behalf may be seen in Table 9.

TABLE 9

Rs Lakhs

Sr. No.	District	Total credit requirements	Credit requirements met			Credit gap (Col. 3-6)	% of Col.(7) to Col. (3)
			S. T. Loans overdue as on 30-6-78	Loans issued during 1978-9	Total (Col. 4+5)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Bilaspur	96.77	0.48	1.46	1.94	94.83	98.0
2.	Chamba	111.72	1.36	0.01	1.37	110.35	98.8
3.	Kinnaur	24.69	4.89	10.16	15.05	9.64	39.0
4.	Mandi	265.53	2.69	—	2.69	262.84	99.0
5.	Simla	219.19	77.43	3.61	81.04	138.15	63.0
6.	Sirmur	143.41	12.08	2.71	14.79	128.62	89.7
	<b>Total</b>	<b>861.31</b>	<b>98.93</b>	<b>17.95</b>	<b>116.88</b>	<b>744.43</b>	<b>86.4</b>

28. There are certain defects in the loan policy and procedures followed by the bank such as non-preparation of credit limit statements in time, inadequate scrutiny of credit limit statements and drawal applications, wrong fixation of due dates, insistence on lifting of B component to avail of A component, non-maintenance of proper land records, not obtaining signatures/thumb impressions of borrowers on disbursement statements etc. The credit limit statements are recommended by the Co-operative Department functionaries who are having the responsibility of supervision over societies.

29. The bank's outstanding advances for medium-term agricultural purposes have increased from Rs 39.67 lakhs as on 30 June 1973 to Rs 74.60 lakhs as on 30 June 1979. Medium-term agricultural loans issued during the year 1972-3 at Rs 11.25 lakhs had more than doubled in 1976-7 when it touched a figure of Rs 28.69 lakhs but then started declining in the years 1977-8



and 1978-9 when the loans issued were of the order of Rs 23.34 lakhs and Rs 22.85 lakhs respectively. The bank has not reoriented its medium-term lending policy on the lines of the guidelines circulated by the Reserve Bank. It suffered from many deficiencies as noted below :

- (i) The cost of investment is not taken into account while determining the quantum of loan;
- (ii) The minimum landholding is not prescribed for each purpose to work out the repaying capacity of the borrower;
- (iii) The period of repayment is not commensurate with the repaying capacity but fixed uniformly at 3 years;
- (iv) The repaying capacity is not worked out correctly inasmuch as incremental income consequent to the acquisition of the asset is not taken into consideration; and
- (v) The quantum of loan is limited to the repaying capacity without having consideration for the cost of investment which may be higher and could be given by extending the period of loan to five years.

A Study Team group appointed by the Registrar of Co-operative Societies, Himachal Pradesh to suggest methods for rationalizing medium-term lending policy and procedures has since submitted its report in November 1978 and with the implementation of the recommendations of the study group, the bank could be expected to overcome the existing shortcomings.

*Medium-term (Conversion) loans*

30. During the last 6 years the bank has not granted any medium-term conversion loans and its outstandings have come down from Rs 11.20 lakhs as on 30 June 1973 to Rs 6.36 lakhs as on 30 June 1979.

*Other loans*

31. Out of the total loans and advances outstanding at Rs 538.73 lakhs as on 30 June 1979, as much as Rs 347.51 lakhs are for purposes other than agriculture. These loans are mainly for distribution of fertilizers, consumer goods and to industrial societies and to individuals and others against their fixed deposit receipts.

32. While agricultural loans have stagnated, the outstandings under non-agricultural loans have increased from Rs 174.86 lakhs on 30 June 1973 to Rs 347.51 lakhs on 30 June 1979. Even in non-agricultural sector the bank has neglected industrial societies, weavers societies and consumption loans to weaker sections. The operations in sectors like distribution of fertilizers and consumer goods have been quite heavy.

*Supervision*

33. The supervision over the primary agricultural credit societies is exercised by the Registrar, Co-operative Societies through his field staff. The bank has no arrangement for supervision over industrial societies, consumer stores, District/Tehsil Marketing and Supply Federations and weavers societies. The arrangements for the management of and effective supervision over societies and our recommendations in this regard are given in Chapter 10.

*Overdues*

34. The most disquieting feature of the bank's operation is the extremely high level of overdues. The overdues, their percentages to demand as well as outstandings and the position of overdues vis-a-vis the owned funds and internal resources comprising owned funds and deposits of the bank are given in Table 10 at page 111. The percentage of overdues to demand has been oscillating around 70 to 75. The overdues in absolute terms have increased from Rs 108.52 lakhs as on 30 June 1973 to Rs 154.48 lakhs as on 30 June 1979 and the overdues have been in excess of the owned funds in all the years. If unrenewed cash credits are also taken into account, the position of overdues will show further deterioration.

TABLE 10

Rs Lakhs

Item	1973	1977	1978	1979
1. (a) Overdues	108.52	137.75	147.40	154.48
(b) Unrenewed cash credits	105.23	218.00	100.92	106.28
<b>Total</b>	<b>213.75</b>	<b>355.75</b>	<b>248.32</b>	<b>260.76</b>
2. Percentage of overdues to :				
(a) Demand	72	70	75	76
(b) Outstanding (Total)	34	27	28	29
3. Owned funds (including provisions)	60.78	107.89	109.78	132.63
4. Internal resources	664.87	847.72	759.83	940.02

*Defaults by Central**Co-operative Banks*

35. The Kangra Central Co-operative Bank is in default to the extent of Rs. 0.64 lakh in respect of a loan taken during 1963 from the State Government through the Himachal Pradesh State Co-operative Bank to finance industrial societies. The Kangra Central Co-operative Bank is not repaying this loan on the plea that the bank had acted only as an agent in passing on the loans to industrial societies and shall pass on the recoveries to the State Government as and when received from societies. The Jogindra Central Co-operative Bank had been occasionally defaulting in repayment of its dues to the apex bank.

*Rehabilitation*

36. With reference to its financial position as on 30 June 1973 the Himachal Pradesh State Co-operative Bank has been taken under a programme of rehabilitation. Further, on the suggestion of the then Executive Director of the Reserve Bank of India made in the meeting held with the state representatives in New Delhi on 10 December 1973 the bank has been included for rehabilitation under the central sector scheme. Pursuant to this decision the

Registrar, Co-operative Societies appointed a review committee on 25 July 1975 consisting of the President and General Manager of the Bank, the Deputy Registrar (Development) and a representative from the Reserve Bank mainly to review the loan policy and procedures, assess the requirement of staff like key personnel, supervisors and prescribe their duties and responsibilities, review overdues position and devise measures for recovery, determine the quantum of loans to be converted, assessment of bad and doubtful debts, suggest measures for deposit mobilization and assessment of share capital contribution required to be made to the central co-operative banks and the societies, etc.

37. The bank has so far selected only 34 societies for intensive development and full financing as against 100 societies laid down in the guidelines circulated by Reserve Bank of India. The societies selected for the purpose form just 6 per cent of the total indebted societies and 2.5 per cent of the total societies affiliated to the bank. The investigation of overdues is in progress in the area of 18 branches in the districts of Simla (8), Mandi (3), Sirmur (4) and Chamba (3) which needs to be pursued vigorously and extended to other branches as well. No action had been taken to assess the share capital requirements of the affiliated societies. The meetings of the review committee are also not being held regularly. The bank has not so far drawn any time-bound action programme for recovery of overdues.

38. The Rehabilitation Fund referred to in paragraph 16 above has been credited provisionally to the societies account styled as 'Reserve for Rehabilitation of Primary Agricultural Co-operative Societies' and actual write off has not been done pending detailed investigation of overdues. Further, no criterion as required by the Government of India has been laid down by the state government for writing off the overdue loans.

39. Of late certain steps have been initiated by the state government and the bank to intensify the recovery measures. The Himachal Pradesh State Co-operative Societies Act and Rules have been amended providing for the issue of a certificate of

recovery by the Registrar of Co-operative Societies in the case of short-term agricultural loans after giving due notice of demand to borrowers and thus doing away with the lengthy process of arbitration. The certificate can be executed by the Collector under the State Revenue Act as arrears of land revenue. Further the District Co-operative and Supply officers have been delegated with powers of Assistant Collectors to enable them to execute the above certificate. A special Deputy Registrar of Co-operative Societies had been deputed to supervise and guide the recovery work in Simla where the overdues are concentrated. The bank has also intensified the process by preferring cases against individuals. The bank itself has obtained the services of a District Co-operative and Supply Officer since 1973-4 with a view to facilitating quick disposal of arbitration cases. The recovery drive has, however, not shown any significant results in collection, as much of the recovery under coercive action can come only on execution of decrees. This aspect has been dealt in detail in Chapter 11.

#### *Earning capacity*

40. The position of the bank's total working capital as at the end of each year from 1972-3 to 1976-7 and its net profit for respective years are given in Table 11.

TABLE 11

Year	Working capital	Net profit	Rs Lakhs
			Net profit as percentage to working capital
1972-3	710.39	2.08	0.03
1973-4	757.66	5.08	0.7
1974-5	753.85	3.81	0.5
1975-6	806.38	3.73	0.5
1976-7	849.23	4.03	0.5

The bank's profit does not show the correct position as it has not been providing for adequate overdue interest before arriving at net profit.

If the overdue interest had been fully provided for in the years 1975-6 and 1976-7, the bank would have shown a net loss of Rs 3.11 lakhs and Rs 7.04 lakhs respectively. The bank incurred a loss of Rs 3.24 lakhs and Rs 3.19 lakhs in 1977-8 and 1978-9 respectively.

*Role as an apex bank*

41. The Himachal Pradesh State Co-operative Bank has wide jurisdiction as a central financing agency. Of the two central co-operative banks affiliated to it, the Kangra Central Co-operative Bank has its own resources and does not look to the apex bank for funds. Only the other bank, viz., Jogindra Central Co-operative Bank looks to the apex bank for funds but its requirements are limited for the present as discussed in Chapter 6. The apex bank has no machinery to look into the working of central co-operative banks and it is yet to play any role as a leader of the co-operative credit structure in the state.

*Viability*

42. It will be seen from the foregoing paragraphs that the Himachal Pradesh State Co-operative Bank is functioning more as a central financing agency than as an apex bank and has, therefore, all the problems and deficiencies normally found in the working of a central bank. This being the case we feel that the question of its viability as also efficiency should also be looked into. The Study Team on Agricultural Credit Institutions in Madhya Pradesh (1976) subjected the concept of viability to a relatively scientific examination and observed that although the viability is an economic concept, it should not be construed to mean that a central bank can attain it by unduly limiting its size and the cost of its operation. The Study Team emphasized that "a bank adequately staffed with qualified and trained personnel both at the Head Office and the branches and having a certain minimum number of branches in the area it serves, can be deemed as a viable unit if its earnings are adequate to defray its commitments" (page 48). Thus the viability of a central bank is linked with the number of branches it can reasonably be expected to have

to ensure adequate mobilization of resources from its area and its proper deployment and efficient supervision over the end use of credit. The Study Team has considered the potential loaning as the basis for assessing the viability of a bank and observed that a bank will need one branch to cater to the short-term credit potential of Rs 40 lakhs, which is expected to be available from out of 20 societies with a prospect of reaching loan business of Rs 2 lakhs each. A branch is expected to serve and supervise the operations of about 20 societies effectively.

43. With a view to considering the norm of viability for the state co-operative bank, we have to assess the number of branches the bank should have to serve its clientele efficiently. Assuming that each branch will have a business potential of Rs 40 lakhs, the number of branches required in relation to the short-term agricultural credit requirements worked out in Chapter 2, the district-wise requirements of branches comes to 23 as against the existing 36 branches. The district-wise position of branches required as per viability norms and the number of societies in the area of each of the district (which are to be retained on reorganisation as indicated in Chapter 7) is given in Table 12.

44. The distribution of the existing branches indicates that except in the case of Mandi district, more number of branches are operating than estimated by us above. The number of societies that each of the existing branch will serve on the formers' reorganization on an average works out to 20 and district-wise it varies between 6 in Kinnaur district and 34 in Mandi district. Further, in practice the number of societies which will be served by each branch may be different as the distribution of branches is not uniformly spread over in all the blocks and the number of societies in the area of each branch will also differ from branch to branch.

45. In the above exercise the loan business per society has been assumed at Rs 2 lakhs whereas the norm of viability for a society in Himachal Pradesh has been accepted at Rs 1 lakh of loan business in the non-tribal or the plain areas and Rs 0.50 lakh

TABLE 12

Sr. No.	District	Short-term credit requirements (Rs lakhs)	No. of branches		Expected No. of societies on re-organisation	Average No. of societies per existing branch with reference to societies in Col 6.
			Required at Rs 40 lakhs business per branch	Existing as on 30-6-1979		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Bilaspur	96.77	2	3(+1)	69	23
2.	Chamba	111.72	3	5(+2)	129	26
3.	Kinnaur	24.69	1	5(+4)	31	6
4.	Mandi	265.53	7	6(—1)	205	34
5.	Simla	219.19	6	11(+5)	188	17
6.	Sirmur	143.41	4	6(+2)	100	16
		<b>861.31</b>	<b>23</b>	<b>36(+13)</b>	<b>722</b>	<b>20</b>

*Note :* Figures in brackets indicate excess (+)/shortage (—) in the number of branches required.

in the tribal areas which are identified as difficult terrain. Although initially the societies will have lesser loan business, they would necessarily have to build up a higher level of loan business as suggested later to meet the credit requirements adequately in the area. Moreover, some of the districts do have potential for loan business for medium-term agricultural purposes as stated in Chapters 2 and 3.

46. It could, therefore, be assumed that the state co-operative bank would require 36 branches in all as at present. We may now estimate the expenses the bank will have to incur in maintaining its offices and the loan business it should have so as to generate adequate earning to defray the expenditure. We would proceed



on the basis of the assumptions on which the Madhya Pradesh Study Team worked out the income and expenditure of a bank and its branches and apply the same to Himachal Pradesh State Co-operative Bank also. These assumptions are given in Annexures 14 to 19 which are as under :

Annexure 14	:	Salaries for various categories of the staff
Annexure 15	:	Expenditure on salaries of the staff at Head Office
Annexure 16	:	Expenditure on salaries of the staff at the Branch.
Annexure 17	:	Expenditure on establishment excluding that in respect of interest on deposits, borrowings etc.
Annexure 18	:	Margin available on a loan business of Rs. 100.
Annexure 19	:	Norms of viability

It will be seen from Annexure 19 that a bank to be a viable unit with 30 branches will need a business of Rs 595 lakhs. Since the bank is having 36 branches, a minimum business of Rs 690 lakhs would be required to be a viable unit. The norm for potential viability will be 50 per cent (Rs 345 lakhs) of the norm for viability on the assumption that the existing business would be doubled over a period of five years by maintaining an annual growth rate of 15 per cent. The bank's outstanding loans as on 30 June 1979 are of the order of Rs 5.39 crores i.e., more than the level of business required for a potentially viable unit but less than that required for a viable unit. In the area of the bank, the short-term credit requirements alone are estimated to be of the order of Rs 8.61 crores. The bank should, therefore, not find it difficult to become a viable unit within a period of next 3 years.

#### *Efficiency*

47. Although the bank could be expected to attain viability as discussed in the preceeding paragraph, it would not be able to

achieve the same unless it has the operational efficiency to build up its business backed by prompt recoveries and internal resources. The present state of affairs, however, indicates that the bank does not have the required level of operational efficiency.

### *Recommendations*

48. We have noted earlier that besides viability, the bank should have efficiency in its operations. Since the bank is expected to shoulder responsibilities in lending adequate support to the state's programme in the field of agriculture in general and horticulture in particular, it is of utmost importance that the working of the apex financing agency of the state is streamlined. If the bank is not strengthened organizationally, it may not be able to rise up to the challenge. We have offered our recommendations in this behalf in the paragraphs that follow.

49. As noted in paragraph 7, there is no specific provision in the by-laws of the apex bank for representation to certain interests. The by-laws of the bank may, therefore, be suitably amended to provide for representation to weaker sections by stipulating that out of the seven representatives for primary societies at least two should be marginal or small farmers of whom one may belong to scheduled caste.

50. It may be stated here that the bank has only recently i.e., in May 1979 reduced the number of its Directors on the Board by deleting the provisions for one director for individual members and a banking expert, besides reducing the representation of the Kangra Central Co-operative Bank from three directors to one director. In view of this, representations to the interest of weaker sections and others suggested by us could be provided for without increasing the number of Directors on the Board.

51. Further, in view of the observations in paragraph 5, by-law Nos. 5(B) (iii) and (iv) may be so amended as to restrict the state government's vote in general body to one.

52. We have noted in paragraph 9 that there is overlapping of functions of various committees. This needs to be streamlined.

The Board of Directors should normally confine their activities to laying down broad guidelines on policy matters affecting the overall working of the bank, reserving, however, the right of supervision over the activities of various functionaries to themselves. The Executive Committee can attend to the normal functions such as sanction of credit limit statements, loans and advances, fixation of targets for both loans and advances as well as deposit mobilisation, review of working of the bank, prescribing measures for reorganisation and rehabilitation of primary societies etc. For recruitment of staff and their training it will be enough if the bank prescribes standing instructions. There does not appear to be any need for a standing committee for this purpose. It is learnt that the bank has decided to do away with two sub-committees for loan and appointment and promotion. The bank may implement this decision if not already done. It is always open for the bank to constitute *ad hoc* committees to attend to specific items of work which the Board of Directors or the Executive Committee may consider necessary to be attended to specially by a group of experts and these committees should cease to exist soon after the work allotted to them is over. We suggest that a small Working Group comprising the representatives of the apex bank and the Registrar of Co-operative Societies with the Managing Director as convenor may be constituted to demarcate the functions and responsibilities of the various functionaries and Committees clearly.

53. The district branch committees operating at present enjoy certain powers which mainly relate to sanction of loans and advances. The branch committees are normally constituted to function as a watch dog over the activities of the branches concerned and also to help them in their developmental functions such as exploring the possibility for new avenues of business, recovery of dues particularly overdues, mobilization of deposits, As noted earlier in paragraph 24, the branch committees etc. have, by and large, been ineffective in helping branches in improving their performance. It is considered desirable to hold the district branch committees responsible for the performance of

the branches in their area. With the appointment of the Deputy Commissioner as Chairman of the District Branch Committee, a better co-ordination between the District Level Officers of the Department and the bank could be ensured.

54. As stated in paragraph 13, the President's responsibility as the Chief Controlling and Supervising Officer could curtail the authority of Chief Executive in carrying out day-to-day administration. We suggest that suitable amendment may be made in the by-laws to enable the Chief Executive to function independently subject to the overall control of the President of the Board. The Chief Executive should be made responsible to implement the policy decisions taken by the Board and other committees and he may report the progress periodically to the President/Board/Committees.

55. Until the appointment of a Managing Director in July 1979, the chief executive was designated as a general manager although he attended the meetings of the Board of Directors and committees in his capacity as the Secretary of the Board. The bank may now continue to have the post of Managing Director who may function as the chief executive with ex-officio membership of the Board.

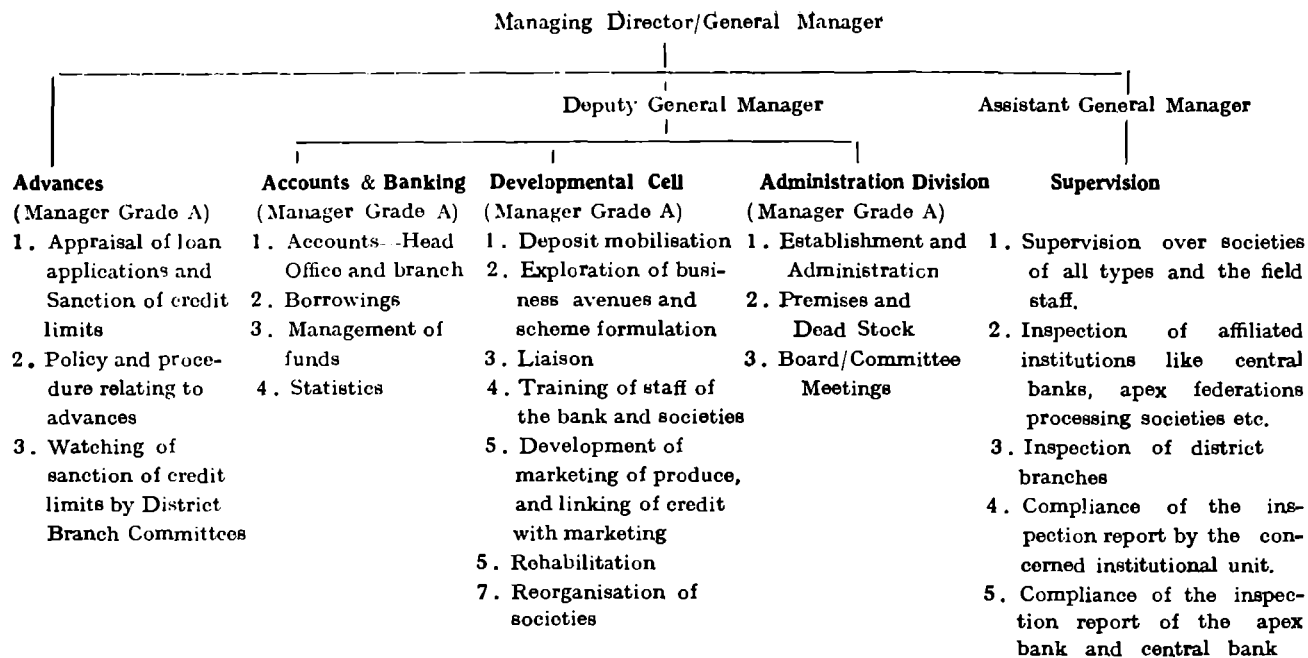
56. As noted in paragraph 14, the staff of the bank is not adequately qualified and trained. The bank should, therefore, prescribe minimum educational qualifications for various categories of its staff and design suitable training programmes both pre-service as well as in-service. While first or second class post-graduates could be preferred for senior officers posts, the qualifications for intermediate level officers posts may be first or second class graduates and the clerical staff may preferably be graduates. On recruitment they should be required to undergo appropriate job-oriented training. The bank should also give serious attention to the suggestion of the Reserve Bank regarding appointment of management trainees who would be in a position to take up after proper training higher management positions in the bank in due course. While filling up posts at higher levels by open

recruitment, the staff candidates may also be considered subject to their suitability and educational qualification and suitable proportion for staff candidates and outside candidates could be fixed for filling up these posts.

57. For the existing staff the bank should chalk out a suitable training programme so that they could be sent in appropriate batches to the training institutes. It is desirable that a senior officer of the bank is made responsible to draw up programmes of training not only for its own staff but also for those of the central banks and societies.

58. The bank already has certain divisions at its head office to attend to various items of work. But the functional distribution has not been proper and we suggest that the divisions could be reorganized on the lines indicated hereunder. The different items of work at the head office may be broadly grouped under 5 divisions, viz., (i) Accounts and Banking; (ii) Advances; (iii) Development; (iv) Administration and (v) Supervision. The first four divisions may be under the charge of Manager Grade A and the fifth one under a senior officer designated as Assistant General Manager. The divisions may be subdivided into convenient sections which may be placed under the charge of an intermediate level officer, viz., a Manager in Grade B or an Accountant with a suitable complement of junior level staff to support him. The bank is having a Deputy General Manager. We have suggested the creation of the post of an Assistant General Manager to head the Division dealing with supervision and branch inspection so that he can supervise the working of District Managers also. A chart broadly indicating the divisions that may be created in the head office in regard to allocation of the functions among the senior officers is given on page 122.

59. Besides supervision over the working of the branches in his area, the district manager has to exercise supervision over societies. We have suggested in Chapter 10 that the financial supervision over societies should be the responsibility of the financing bank. The district managers should also be made



- Note :**
1. the Assistant General Manager should himself undertake the inspection of the district branches and apex societies.
  2. the District Managers who will be of Grade A will inspect branches in their areas and supervise the field staff in their area and will work under the control of the Assistant General Manager.

responsible for the development of loan business and mobilization of resources in the respective districts besides exercising control over supervisors to ensure proper discharge of their responsibilities. We feel that such an arrangement would effectively help in building up business in these areas. Further, with a view to enabling the district manager to discharge his duties effectively, he should be made free from the routine banking work attended to by him at present.

60. The bank should also prescribe proformas for inspection of branches. The Reserve Bank has circulated earlier specimen proformas which could be used for the purpose. The inspector of district branches who undertakes inspections from head office should be an officer senior to the district managers and as such this can be done by the Assistant General Manager assisted by supporting staff.

61. The suggestions made above would necessitate certain changes in the staffing pattern at the head office and branches which may be brought about in a phased manner. Further the officer level staff at branches and the head office should be rotated periodically which would help them to have the experience of work both in the field and in the head office.

62. The owned funds position of the bank is not satisfactory. As noted in paragraph 16, one of the inhibiting factors in the growth of the share capital of the bank has been the inadequate linking of share holdings to borrowings. The ratio of share linking to borrowings should be rationalised on the lines of the recommendations in this regard made by the Reserve Bank of India.

63. The bank had, failed as noted in paragraph 16, to build up the Agricultural Credit Stabilisation Fund to the estimated level of Rs 25 lakhs by the end of June 1979 as recommended by the Study Team on Overdues of Co-operative Credit Institutions. The bank may strengthen the Fund to enable it to extend facilities of conversion whenever crops are damaged due to natural calamities. The state government may have to contribute for the

purpose, as is being already done, as the bank at present is not in a position to do so.

64. The deposit position of the bank has no doubt shown an improvement but as noted in paragraph 18 this is mainly on account of Simla branch and leaves scope for improvement in the performance of other branches. One of the main reasons for the poor performance is lack of aggressive policy especially on the part of branch managers. The bank should fix targets for its various branches taking into account the potential in the area, the past performance, etc. The achievements of the respective branches should be reviewed periodically and corrective measures taken wherever necessary. The bank should devise special measures to intensify its deposits mobilization programme. It may be stated in this behalf that the bank has an idea of opening weekly rural extension counters. This arrangement could initially be given a trial on a selective basis. Another inhibiting factor affecting the efforts for mobilisation of deposits is that while the deposits of the commercial banks are covered by the provisions of the Deposit Insurance Corporation, the deposits of co-operatives do not enjoy any such protection. The matter is under active consideration of the state government and is likely to come up for consideration in the state legislature shortly. As the co-operatives are assigned a very significant role in financing agriculture and other development programmes in the state, it is necessary to enable them to raise internal resources and the introduction of the deposit insurance facility would be one of the right steps in the right direction. The state government may, therefore, expedite action at their end. The government should also reconsider its decision referred to in paragraph 17 for withdrawal of deposits by the Panchayat/Block Samities from the bank.

65. The situation indicated in paragraph 19 warrants that the bank management should give suitable facilities to its branches to create an image in the public eye. A programme to provide face lift to branches should be taken up in a phased manner giving priority to those branches which are really in a very bad shape.



Since the rent for the premises is to be approved by the Deputy Commissioner of the concerned district, the bank should take his help in the requisition of suitable accommodation. Alternatively, the District Branch Committees which are presided over by the Deputy Commissioners may be authorized to decide the rent payable subject to the approval of the Executive Committee.

66. As indicated earlier in paragraph 17, the bank's short-term deposits are lower than its medium-term deposits which carry higher rate of interest resulting in increasing the cost of internal resources. To improve its working results the bank should find avenues for investments which could fetch higher returns. Such scope is available to the bank as noted later in this chapter. At the same time the bank should review composition of its deposits portfolio and endeavour to check the proportion of medium-term deposits increasing beyond 40 to 45 per cent of the total deposits provided they are not in a position to deploy the resources profitably.

67. The short-term agricultural lending of the bank has not been picking up. On the contrary it has been showing a declining trend. In this connexion we have noted in paragraph 28 certain inadequacies in the loan policy and procedures which require immediate rectification. Many societies are not able to borrow from the bank in view of their heavy defaults. In regard to insistence on lifting of kind component which has been affecting the expansion of loan business to some extent, one view is that if such restriction is not imposed, the cash component might not be utilized towards agricultural operations but will merely be used as consumption finance resulting in further deterioration in overdues position. In view of this, we suggest that the insistence on lifting of fertilizers should have some relation to the actual dosages used in practice in the concerned area and lifting of fertilizers may be made compulsory to the extent of such actual dosages applied in the area. The Agriculture Department of the state government may furnish relevant information to the Co-operation Department for suitable action in the matter. As regards the condition of certain percentage of recovery by societies for being eligible for

fresh finance, one view was that this was a salutary provision to help motivate recovery of dues by societies. It is, however, felt that although this is a salutary provision it cannot be denied that this situation is also leading to the denial of finance to non-defaulting and new members, thereby encouraging defaults by at least a few members apprehending flow of fresh finance. A way has, therefore, to be found out to overcome such a situation. The stipulation regarding certain recovery performance for drawing fresh finance could be waived or relaxed in the case of those societies which have initiated action against defaulting members with overdues beyond one year. However, we suggest that the Co-operation Department and the bank authorities may sit together to decide about the criteria in this behalf.

68. A more imaginative policy and effective follow up action to recover overdues especially in the areas in and around Simla would immediately create scope for increased lending. We have in Chapter 11 suggested measures to overcome the situation created by heavy overdues. The bank should identify at least 10 per cent of the societies for intensified lending as a part of the rehabilitation programme.

69. The existing credit gap in its lending for short-term agricultural purposes is 86 per cent as may be seen from Table 9 in paragraph 27. It is unlikely that the bank would be able to bridge such a yawning gap in the near future keeping in view its present level of outstandings. In Table 14 we have indicated the level of loaning for short-term agricultural purposes which the bank could achieve over a period of next few years if it maintains an annual growth rate of 15 per cent, 25 per cent and 30 per cent. Even if the bank achieves an annual growth rate of 30 per cent the level of its loaning for short-term agricultural purposes will reach a figure of Rs 314.90 lakhs leaving a gap of Rs 546.41 lakhs. This position is indicative of the fact that massive efforts are required to be made by the bank in increasing its lending. The Himachal Pradesh State Co-operative Bank should, therefore, endeavour to meet the production credit requirements of the order of at least Rs 3.15 crores by the end of 1982-3.

TABLE 14

District	Estimated short-term credit requirements	Outstanding short-term agricultural loans as on 30-6-79	Estimated level of short-term agricultural loans as at the end of June 1983 with an annual growth rate of		
			15%	25%	30%
Simla	219.19	77.89	136.31	190.13	222.46
Sirmur	143.41	13.92	24.35	33.98	39.76
Mandi	265.53	2.69	4.71	6.57	7.68
Chamba	111.72	1.35	2.36	3.29	3.85
Bilaspur	96.77	0.19	0.33	0.46	0.54
Kinnaur	24.69	14.22	24.88	34.71	40.61
	<b>861.31</b>	<b>110.26</b>	<b>192.94</b>	<b>269.14</b>	<b>314.90</b>

70. As the state has wide scope for activities like sheep rearing, dairying etc., the bank should explore the business avenues in the fields. It should work in close co-ordination with Small Farmers Development Agencies and other departments like Animal Husbandry, etc. At the same time the bank should rationalise its medium-term lending policy in accordance with the guidelines issued by the Reserve Bank and the Report of the Study Group referred to in paragraph 29.

71. Another area in which the bank can expand its business is marketing and processing of horticultural products for which there is considerable scope. The bank should associate itself closely with the implementation of the schemes formulated for horticultural development with the World Bank aid. There are two co-operative fruit processing societies — one at Jabli and the other at Chamba — which are being financed for their working capital requirements by the bank. The bank should endeavour

to meet their requirements fully as it is mutually advantageous. It is necessary for the bank to develop expertise to appreciate the problems and needs of such units as their working calls for long-term planning in regard to purchase of raw material, processing and disposal.

72. The bank is at present financing a foundry at Nahan which is managed by the government. The bank would continue to finance this foundry subject to usual safeguards. It may further be added that in view of the limited scope for financing the units in co-operative fold and time that may be taken to build up such units some banks had been facing a problem of utilization of their surplus funds within the co-operative sector. The Reserve Bank, following recommendations of the Study Group on Interest Rates in the Co-operative Credit Structure, 1978 has vide its circular letter No. ACD. OPR. 2662/A. 64-78/9 dated 11 January 1979 allowed state co-operative banks to finance as a transitional measure certain public sector institutions like Dairy Development Corporations, Agro-Industries Corporations, Marketing Boards, Electricity Boards etc., subject to certain guidelines. The bank could take advantage of this policy as well in expanding its loan business.

73. In terms of the Reserve Bank's letter No. ACD. Plan. 924/PR. 340(HP)-74/5 dated 25 September 1974 the bank could also give advances to individuals which should not form more than 5 per cent of the bank's total deposits and the advances be given against the backing of tangible security. In terms of Reserve Bank's circular No. ACD. Plan. (IFS) 1795/H. 64-74/5 dated 23 December 1974, the bank could enrol individuals as members for financing small-scale industrial units in towns where urban co-operative banks are not operating. Although there are few urban banks in the area of the Himachal Pradesh State Co-operative Bank, their coverage is not significant. There is considerable scope for financing small-scale industrial units in particular. The apex bank could give such advances from its own resources upto an overall limit of 10 per cent of its total

deposit liabilities provided advances to individuals other than those engaged in small-scale industries do not exceed 5 per cent of the total deposit liabilities of the bank. In the past the bank has suffered on account of indiscriminate and haphazard lending to individuals and it should, therefore, lay down proper guidelines for advancement of loans and ensure the end-use of credit. It is advisable to sanction loans to individual entrepreneurs who approach through the District Industries Centres and such sanction in each individual case should be given by the Executive Committee on the recommendation of the concerned District Branch Committee.

74. The bank, by and large, is not financing artisans including those engaged in cottage and small-scale industries, etc., although refinance facilities are available from the Reserve Bank. In August 1977, the Reserve Bank has extended refinance facilities to state co-operative banks on behalf of central co-operative banks for financing weavers and other rural artisans engaged in any of the approved 22 broad groups of cottage and small-scale industries for their production and marketing as well as service activities through primary agricultural credit societies. The interest charged by the Reserve Bank for providing refinance for such activities is 3 per cent below the Bank Rate. This scheme would help even the artisans/weavers scattered in rural areas who being few in number cannot form any industrial society to be covered by the concessional finance provided by the Reserve Bank of India. The apex bank being a central financing agency can itself avail of this facility.

75. The bank thus has scope for lending for various activities and it has only to gear up its machinery to handle these activities.

76. The eleven blocks in the area of the bank do not have a branch of the bank as noted in paragraph 18 above. Some of these blocks are in far flung areas with inadequate communication and other facilities. In opening branches in such areas with a view to providing services to the people/societies in that area, the bank may have to incur losses as these branches may not be

economically viable, if their operations are viewed strictly in commercial terms. Further, some of the existing branches of the bank, which are situated in similarly placed areas, although running at loss may have to be continued to provide banking services in that area. In such a situation, the state government may meet the loss sustained by the bank in maintaining/opening branches by way of staff subsidy at least for a period of five years. The subsidy could be treated as cost of development. Incidentally, in respect of Suhanta pay office all returns are routed through the Chowari branch resulting in avoidable duplication of work. The Chowari branch itself has a staff strength similar to the pay office and this burden of maintaining the records of the pay office by the branch is unnecessary. The Suhanta pay office can work as a branch by itself. The bank has since initiated action to convert the pay office as a branch.

77. The overdues of the bank have been increasing in alarming manner over the years. The Review Committee constituted for reviewing the programme of rehabilitation should be reactivated and it should draw up a time-bound programme for recoveries and meet more frequently to review not only the progress in recovery but also to help actively in sorting out the problems faced by the bank. We are confident that our suggestions in this chapter and in Chapters 10 and 11 will help the Himachal Pradesh State Co-operative Bank to effectively play its role both as an apex body and central financing agency.

## Chapter 6

### CENTRAL CO-OPERATIVE BANKS

1. This chapter deals with the terms of reference numbers (i), (ii), (iii), (vii), (viii) & (xii) insofar as they relate to central co-operative banks in the state. The aspects generally covered in this chapter relate to the financial position and organisational structure of central co-operative banks, their lending policies and procedures, position of overdues and ability to lend adequate support to the credit requirements of agriculture and allied activities.
2. Himachal Pradesh has a two-tier as well as three-tier co-operative credit structure. Six districts served by Himachal Pradesh State Co-operative Bank as a central financing agency have a two-tier credit structure. In the year 1966, on reorganization of Punjab certain areas along with the Kangra and Jogindra Central Co-operative Banks were transferred to Himachal Pradesh. Accordingly, six districts, viz., Kangra, Kulu, Hamirpur, Una, Lahaul and Spiti and Solan are having three-tier co-operative credit structure. Whereas the first five districts comprising 28 blocks are served by the Kangra Central Co-operative Bank, the sixth district i.e., Solan comprising 5 blocks is served by the Jogindra Central Co-operative Bank.
3. The area of operation of the Jogindra Central Co-operative Bank which earlier covered part of Solan district and part of Simla district was readjusted on 29 September 1976 by mutual transfer of branches between the Himachal Pradesh State Co-operative Bank and the Jogindra Central Co-operative Bank to make the area of operations of the respective banks cover the entire district. The state government was also keen to have a central co-operative bank for the whole district of Solan which was served by a Small Farmers Development Agency. The Reserve Bank, however, preferred its amalgamation with the apex

bank on grounds of viability even after covering all areas of the district. Nevertheless keeping in view the local wishes, it was agreed that on transfer of areas the working of the Jogindra Central Co-operative Bank may be watched for sometime to know whether it would become viable. Although at the time of transfer of areas to the Jogindra Central Co-operative Bank, it was made a condition that the headquarters of the Jogindra Central Co-operative Bank should be shifted to Solan, which is the district headquarters, it has not so far been complied with. The present headquarters at Nalagarh is not centrally located.

#### *Membership*

4. The membership of central co-operative banks comprises co-operative societies, individuals and the state government. In terms of the by-law No. 5B(iii) and (iv) of the Kangra Central-Co-operative Bank, the three nominees of the state government and the Registrar of Co-operative Societies are deemed as members and each one has a right to vote which goes contrary to the provisions of by-law No. 53 which restricts a member's right to one vote irrespective of the number of shares held by him.

#### *Board of Directors*

5. The Board of Directors of each of the banks as per their by-laws is as shown in Table 1 at page 133. The Kangra Central Co-operative Bank has a district-wise representation whereas the Jogindra Central Co-operative Bank with its area of operation confined to one district has tehsil-wise representation in the Board. Incidentally, the number of tehsils in Solan district corresponds with the number of blocks, which is five at present. The number of representatives of individual members in the Board is 1 and 3 in respect of Kangra and Jogindra Central Co-operative Bank. Although the Kangra Central Co-operative Bank has a larger area of operation, it has only 53 individual members with one representative in the Board. However, the bank has since amended its by-laws to do away with the representation to the individuals on the Board. In the case of the Jogindra Central Co-operative Bank covering one district, the



TABLE 1

Particulars	No. of directors as per by-law		No. of directors in position as on 30-6-1977	
	Jogindra Central Co-opera- tive Bank	Kangra Central Co-opera- tive Bank	Jogindra Central Co-opera- tive Bank	Kangra Central Co-opera- tive Bank
Representing				
(a) Societies of all types.	9	12	6	11
(b) Government nominees	3	4	3	4
(c) Individuals	3	1	3	1

Note : The Board of Kangra is under supersession from August 1977.

number of individual members is large i.e., 165 and their three representatives are in the Board. Thus in the case of the Jogindra Central Co-operative Bank, one-fifth of the Board members are representatives of individuals. The membership of the Board of Directors of the Jogindra Central Co-operative Bank has increased from March 1978 with the nomination of an individual by the Registrar Co-operative Societies in terms of Rule 39(b) (ii) of the Himachal Pradesh Co-operative Societies Rules, 1971.

6. The by-laws of the banks do not provide for the specific representation for marketing societies, weavers and other industrial societies as well as weaker sections comprising small/marginal farmers and scheduled castes/tribes. The scheduled castes constitute a major segment at almost one-third (30.4 per cent) of the total population of Solan district. According to the survey of the Small Farmers Development Agency, Solan, 79 per cent of the households in the district consists of marginal farmers.

In the area of the Kangra Central Co-operative Bank scheduled castes and scheduled tribes form 19.4 per cent of the total population. Incidentally, there is a provision in the by-law No. 57A(V) for having the Deputy Registrar of Co-operative Societies as an adviser on the Board. The need for this provision in addition to the involvement of other government nominees is not clear.

7. There is a provision in the by-laws of the banks for disqualifying representatives of defaulting societies from being members of the Board. This provision is generally not acted upon promptly as has been observed in the case of the Jogindra Central Co-operative Bank. By-law No. 51 of the Kangra Central Co-operative Bank even debars a defaulter or a member of the defaulting society from exercising the right to vote in the General Meeting.

8. On supersession of the Board of Directors of the Kangra Central Co-operative Bank in August 1977, the Deputy Registrar, Co-operative Societies with his headquarters at Simla was appointed as an Administrator. During the short period of August 1977 to March 1979, three different officers of the Co-operative Department held the post of the Administrator and all of them had their headquarters at Simla. Since March 1979, the Deputy Commissioner, Kangra, Dharmsala has been appointed as the Administrator.

9. In terms of by-law No. 7 (xxvi) of the Kangra Central Co-operative Bank, the Board of Directors is authorised to appoint sub-committees of at least 3 directors to consider specific problems or subject matter. Prior to the supersession of the Board in August 1977, following four committees were in existence with powers as shown each in Table 2 at page 135. Looking at the nature of work handled by the above committees, it is felt that the executive committee itself could have taken over functions of the Loan Committee and even that of the Planning and Development Committee.

10. The Jogindra Central Co-operative Bank has constituted only an executive committee consisting of 4 directors. There was

TABLE 2

Name of the Committee	Powers
(i) Executive Committee	Sanction of staff's expenditure, increments, transfer, disciplinary action, selection of staff, review of audit note and inspection reports.
(ii) Loan Committee	Sanction of loans, maximum credit limits and enrolment of members.
(iii) Building and Construction Committee.	Sanction of bills of new building and review of the work of construction.
(iv) Planning and Development Committee	Dealing with expansion of the bank's branches, arranging for finance for milch cattle, industrial, fisheries, piggery societies, etc.

also a provision in the by-laws of the bank till recently to have local boards for its branches. However, the branches did not have such boards. The bank has since (July 1979) deleted the relevant provision from its by-laws.

11. In the case of the Kangra Central Co-operative Bank, the President/Vice-President and Managing Director are elected annually by the Board of Directors from amongst themselves. These office-bearers are eligible for re-election continuously for a maximum of four terms. In terms of by-law No. 68 the Managing Director is the Chief Supervising Officer of the bank. The General Manager is authorised to exercise the powers of the Managing Director in the latter's absence but subject to his approval. Besides, the General Manager's powers are given in by-law No. 71. In the case of the Jogindra Central Co-operative Bank more or less similar provisions have been made in respect of election of office-bearers. However, the powers of the Manager have not been enumerated, but he is

allowed to exercise the powers which are delegated to the Managing Director in terms of by-law No. 44 subject to the control of the latter. Thus, a non-official in the Board in effect is the chief executive and he could in effect interfere in the day-to-day administration of the bank undermining the authority of the General Manager/Manager who is expected to carry out day-to-day administration. The above position is, therefore, not a desirable proposition.

### **STAFFING PATTERN**

#### ***(A) Kangra Central Co-operative Bank***

12. The General Manager is appointed by the Board of Directors with the prior approval of the Registrar of Co-operative Societies. The General Manager is assisted by a Deputy General Manager, Statistical Officer and Zonal Managers and other staff. The Deputy General Manager besides assisting the General Manager in the day-to-day working, is responsible for inspection of branches and follow-up action on inspection reports. The Statistical Officer is in charge of accounts, management of funds and compilation of various statistical data. The Zonal Managers are required to supervise and control the working of the offices and staff in their respective Zones. They have to inspect the branches periodically, scrutinize and recommend credit limit applications, supervise recovery machinery etc. The Zonal offices are practically one-man offices.

13. Besides the General Manager, three Zonal Managers and a Statistical Officer, there are about 40 accountants, 80 clerks/cashiers, 24 supervisors and 80 peons/drivers etc. The staffing pattern in branches consists of a Branch Manager of the rank of an Accountant, 2 clerks/cashiers and 2 peons. A Recovery Supervisor is also attached to a branch depending on the loan business in the area of the branch. The bank follows the service rules framed for the co-operative institutions by the Government of Punjab.

14. The minimum qualifications prescribed for the General Manager are that he should be a graduate in economics or commerce and have experience of at least seven years in a supervisory capacity. It is also considered necessary to have diploma in co-operation and experience in any bank and to be a certified Associate of the Indian Institute of Bankers. The qualification for recruitment to the posts of other officer cadres up to Accountants is Intermediate/B.A. and for others it is Matriculation. These qualifications are relaxable in the case of promotions from within the organization. Many employees of the bank are matriculate and barring a few Accountants and Officers most of the staff have not received training in co-operation and banking. The qualifications which have been prescribed by the Registrar of Co-operative Societies, Punjab in the year 1958 need suitable revision.

*(B) Jogindra Central Co-operative Bank*

15. The head office of the bank which is at present situated at Nalagarh also functions as a branch. The staff at this office comprises the Manager assisted by 2 Accountants, 5 Clerks/Cashiers, 4 Supervisors and 2 Peons. The duties of the Manager are general supervision, correspondence and inspection of branches. The general staffing pattern of a branch is 1 Branch Manager, 1 Accountant and 1 Peon. The services of a supervisor are made available wherever considered necessary. The Branch Manager is of the rank of a Senior Clerk. The total staff strength of the bank consists of a Manager, 3 Accountants, 20 Clerks/Cashiers, 11 Recovery Supervisors and 11 Peons. The bank has adopted the Punjab Co-operative Finance Institutions Services Rules framed by the Registrar of Co-operative Societies, Punjab to govern the service conditions of the staff.

16. The minimum qualification prescribed for the post of the Manager is B.A., for Accountants Intermediate with economics and for other staff matriculation. The qualifications have been prescribed in 1958. Most of the staff members are matriculates and have not received any training in banking and co-operation.

*Financial Position*

17. A statement showing the trends in the growth of owned funds, deposits, lendings and the position of overdues etc., of the 2 central co-operative banks in the state for the years 1972-3 to 1978-9 (upto 1977-8 in respect of the Jogindra Central Co-operative Bank) is given in Annexure 20. During the period 1972-3 to 1977-8, paid-up share capital of the banks increased by Rs 5.26 lakhs from Rs 28.04 lakhs as on 30 June 1973 to Rs 33.30 lakhs as on 30 June 1978. During this period, only the Jogindra Central Co-operative Bank received government's share capital contribution of Rs 1 lakh in 1977-8. The owned funds increased by Rs 58.94 lakhs from Rs 44.20 lakhs as on 30 June 1973 to Rs 103.14 lakhs as on 30 June 1978. The addition to the owned funds is accounted for mainly by the Kangra Central Co-operative Bank which has registered an increase of Rs 51.48 lakhs including an accretion to its reserves by Rs 49.47 lakhs. There is further addition of Rs 47.37 lakhs in its reserves in 1978-9 when they reached a level of Rs 107.72 lakhs as on 30 June 1979. The increase in its share capital during the period 1972-3 to 1978-9 was only of the order of Rs 2.36 lakhs. This is indicative of the fact of its poor loan business.

18. The total deposits of the banks increased by Rs 377.46 lakhs from Rs 929.37 lakhs as on 30 June 1973 to Rs 1306.83 lakhs as on 30 June 1978. Here again the bulk of the deposits i.e., Rs 1232.52 lakhs have been accounted for by the Kangra Central Co-operative Bank. The deposits of the Jogindra Central Co-operative Bank are only Rs 74.31 lakhs as on that date and its deposits increased by Rs 43.66 lakhs during the period. In 1978-9, the deposits of the Kangra Central Co-operative Bank have further increased by Rs 207.54 lakhs when they reached a level of Rs 1440.06 lakhs as on 30 June 1979.

19. The branch net-work of both the banks is well spread. As on 30 June 1978 the Jogindra Central Co-operative Bank with its 8 branches covered all the 5 blocks of the Solan district served by it while the Kangra Central Co-operative Bank with its 45

branches as on 30 June 1979 covered 26 blocks of its five districts leaving two blocks uncovered — one in the Lahaul and Spiti (Kaza) and the other in Kangra (Bhavanra). The Kangra Central Co-operative Bank has opened a branch at Kaza in Lahaul and Spiti district on 12 July 1979. The performance in mobilizing deposits by branches of the Kangra Central Co-operative Bank as on 30 June 1979 and of the Jogindra Central Co-operative Bank as on 30 June 1978 is given in Table 3.

TABLE 3

Bank	District	No. of bran- ches includ- ing H.O.	Deposits				Rs Lakhs		
			Total	Fixed	Current	Others	% of Col		
							Of Col, (4) from co- opera- tives	(5) to (4)	(8) to (4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Kangra (As on 30 June 1979)	Kangra	24	924.83	513.83	12.50	398.50	151.96	55	16
	Kulu	6	55.73	19.27	1.15	35.31	3.82	35	7
	Lahaul and Spiti	1	18.74	4.70	—	14.04	4.49	25	24
	Una	7	226.90	148.04	4.13	74.73	118.07	65	52
	Hamir- pur.	8	213.86	133.00	3.31	77.55	62.12	62	29
	<b>Total</b>	<b>46</b>	<b>1440.06</b>	<b>818.84</b>	<b>21.09</b>	<b>600.13</b>	<b>340.46</b>	<b>57</b>	<b>24</b>
2. Jegin- dra (As on 30 June 1978)	Solan	9	74.31	31.82	6.16	36.33	7.97	43	11

(contd.)

		Average deposits per branch
(1)	(2)	(11)
1. Kangra (As on 30 June 1979)	Kangra	38.53
	Kulu	9.29
	Lahaul & Spiti	18.74
	Una	32.41
	Hamirpur	26.73
	<b>Total</b>	<b>31.35</b>
2. Jogindra (As on 30 June 1978)	Solan	8.27

The average deposits per branch for the Kangra Central Co-operative Bank works out to Rs 31.35 lakhs. The highest average deposits per branch in the area of the Kangra Central Co-operative Bank are Rs 38.53 lakhs in Kangra district followed by Una district at Rs 32.41 lakhs and Hamirpur district at Rs 26.73 lakhs. The Kangra bank is successful in mobilizing deposits in its area. One important feature noticed in the source of deposits mobilized by the bank is that 76 per cent of the total deposits are from individuals and others. The composition of deposits indicate that 57 per cent of the deposits were fixed deposits and among the districts this percentage varied between 25 (Lahaul and Spiti) and 65 (Una). The reason for higher percentage of fixed deposits is that a large number of people from the area of the Kangra bank are serving in the armed forces and on retirement return to their home towns and keep their money received by them as terminal benefits in fixed deposits. Besides, the compensation received by the agriculturists consequent to the submerging of their lands in the dams constructed in the recent past have also been tapped



by the bank. The people are also generally conscious of the fact of higher rate of interest offered by co-operative banks and take advantage of the schemes giving higher returns. The position, however, is disadvantageous from the view point of the bank unless it finds avenues for investments fetching higher returns to compensate the increased average cost of raising resources due to larger proportion of fixed deposits carrying higher rate of interest. Since the bank has not developed adequate loan business so far, it is anxious to place its funds in the form of call deposits with commercial banks to earn higher returns. Such deposits as on 30 June 1979 were of the order of Rs 960.49 lakhs.

20. In the case of the Jogindra Central Co-operative Bank the average deposits per branch are Rs 8.27 lakhs. In this case also deposits from co-operatives are only 11 per cent. Fixed deposits form 43 per cent of total deposits.

21. Even though the performance of the Kangra Central Co-operative Bank is satisfactory in mobilizing deposits, there is a need to give a face lift to its branches and to provide convenient office accommodation. For instance, the branch at Nurpur is situated in one room where there are no counter facilities. In another case, i.e., Kulu branch it is situated on the first floor. In some branches even the name boards of the bank are not prominently displayed or properly maintained. In the case of the Jogindra Central Co-operative Bank the location of the branches is generally satisfactory but the staff lacks an aggressive approach. The deposits of both the banks could show further increase if the state government modifies its instructions regarding maintenance of funds with the co-operative banks by the Panchayat/Block Samitis and provides deposit insurance cover as stated in Chapter 5.

22. Outstanding borrowings of the banks as on 30 June 1978 were only Rs 22.48 lakhs as against Rs 21.43 lakhs as on 30 June 1973. This is because the Kangra Central Co-operative Bank, due to its comfortable resources position, does not depend on outside assistance while the Jogindra Central Co-operative Bank's ability to borrow is limited on account of its high level of

overdues and inability to find investment avenues. The Kangra Central Co-operative Bank's borrowings of Rs 9.99 lakhs as on 30 June 1979 are from the state government, mostly against blocked funds and the State Bank of India against fixed deposits.

23. The Jogindra Central Co-operative Bank was sanctioned a short-term credit limit of Rs 12.00 lakhs by the Reserve Bank of India for each of the years 1972-3 and 1973-4 which was utilised by it fully. For the years 1974-5 to 1976-7 a limit of Rs 15 lakhs for each year was sanctioned by the Reserve Bank but the Himachal Pradesh State Co-operative Bank did not draw on the limit but provided finance out of its own resources. The bank did not approach Reserve Bank for short-term credit limit for the years 1977-8 and 1978-9.

24. In the year 1974, the Jogindra Central Co-operative Bank obtained a medium-term credit limit of Rs 2.00 lakhs from the Reserve Bank of India for financing digging of surface wells and purchase of pumpsets and utilized the limit to the extent of Rs 1.00 lakh. In 1975, the bank had approached the Reserve Bank for a limit of Rs. 5 lakhs but it was not sanctioned in view of the bank's inability to utilize the earlier year's limit fully. Thereafter, the bank has not approached the Reserve Bank for a limit.

25. The loans issued by the banks during the period 1972-3 and 1977-8 increased from Rs. 176.37 lakhs in the year 1972-3 to Rs 868.25 lakhs in 1977-8. The loans issued for short-term agricultural purposes have decreased from Rs 139.56 lakhs to Rs 102.45 lakhs during the same period. The short-term agricultural loans issued by the Kangra Central Co-operative Bank declined sharply in 1977-8 and 1978-9 whereas in the case of the Jogindra Central Co-operative Bank they have been declining progressively from the year 1974-5. In the area of the Kangra bank it has scope for financing both apple orchards and tea plantations. However, financing of both these crops has been neglected at present. The reasons for the bank not venturing into advancing loans for apple crop in the Kulu area is mainly the high level of overdues and consequent ineligibility of societies to borrow.

The societies for being eligible for fresh finance are expected to repay dues to the extent of 50 per cent of the demand. In the case of tea plantations in Kangra district the bank is concentrating on making available cash credit to Kangra Tea Planters Society which in turn is utilising the limit both for advances to its members for production purposes and marketing of produce. The bank could as a matter of fact divide the limit for production and marketing purposes and provide production credit at a lower rate as is expected to be made available for this purpose. But for the reason indicated in paragraph 19, the bank is anxious to secure a higher return on its funds and therefore prefers to give cash credit advances to the society at a higher rate of interest. Even for an industrial weavers society like Bhutti Weavers Society at Shamsi in Kulu district, the bank is charging a higher rate of interest for the loans given as cash credit to meet the working capital requirements of the society. One of the arguments of the bank is that if it gives loans at lower rates to the societies for the purposes for which it can get refinance from the Reserve Bank at a concessional rate, it would not get refinance from the Reserve Bank because of its comfortable resources position. Although in the normal course this could be the position, the bank can always make out a case for seeking refinance for making available finance to the societies at a concessional rate. In the meantime, to enable the bank to issue loans at concessional rate of interest for the purpose, the state government may subsidise the difference between the bank's normal lending rate and the concessional rate to compensate the loss of income, provided the concerned society is eligible to borrow from the bank. Further the bank does not explore the field to find avenues for developing its loan business. In its area there is scope even for financing fishery co-operatives which have sprung up consequent to construction of various dams. On account of lack of contact with the field, it has not been possible for the bank to exploit the available business potential in the area. Hence the bank earns easy money by keeping its surplus funds in call deposits with commercial banks.

26. Besides, the other important factor which affects the ability of the Kangra Central Co-operative Bank in developing its

short-term/medium-term agricultural loan business is large deposits at the command of the societies themselves in its area. It is reported that there is a demand for loans from small traders in the area of the bank and if this is taken care of, it would not only help in developing loan business but also deposit mobilization.

27. The Jogindra Central Co-operative Bank's performance in building up its business is far from satisfactory. Besides the ineligibility of societies to borrow due to high level of overdues, the bank is also not able to exploit available business potential. This is mainly because it is not in a position to have a close liaison with district authorities and offices which are at district headquarters, while the bank has its head office in a corner of the district.

28. It is also the general complaint of the co-operative banks that the borrowers prefer to approach commercial banks as their lending rate is lower and also does not involve share capital contribution. Further the commercial banks entertain individual applications direct. On account of this even the SFDA agencies, which identify small/marginal farmers for the purpose of advancement of loans for dairying, sheep breeding etc., refer cases to commercial banks as the societies do not evince interest in sponsoring applications. Another factor for preferring commercial banks is the differential rate of interest scheme of commercial banks giving loans at four per cent to certain weaker sections of the society.

29. The overdues of the Kangra Central Co-operative Bank during the period 1972-3 to 1978-9 have ranged between Rs 45 lakhs and Rs 51 lakhs except in the year 1975-6 when they were reduced to Rs 41.39 lakhs. The percentage of overdues to demand was around 55 except as on 30 June 1977 when it was 32. In the case of the Jogindra Central Co-operative Bank during the period 1972-3 to 1977-8 overdues have been increasing except in the year 1973-4, when they were reduced to Rs 10.89 lakhs compared to the level of Rs 12.42 lakhs as on 30 June 1973 in 1972-3. As on 30 June 1978 the overdues were Rs 41.41 lakhs and their percentage to demand was 59.

30. The position regarding period-wise break-up of overdues as available for the latest date for the two banks is given in Table 4.

TABLE 4

Rs Lakhs

Overdues	As on 30 June	
	1977 Jogindra Central Co-operative Bank	1979 Kangra Central Co-operative Bank.
Less than 1 year	17.14	8.88
1 to 2 years	11.50	6.84
2 to 3 years	4.06	5.71
Above 3 years	10.10	26.63
<b>Total</b>	<b>42.80</b>	<b>48.06</b>

In the case of The Kangra Central Co-operative Bank overdues over 3 years form 55 per cent of the total overdues whereas in the case of the Jogindra Central Co-operative Bank the position is relatively better as its overdues over 3 years form 23 per cent of the total overdues.

31. Besides supervision, work relating to the preparation of credit limit statements and recommendation thereof, inspections etc., are attended to by the Co-operation Department and thus the field staff of the Co-operation Department has direct contact with societies. A Recovery Supervisor of the bank though expected to attend to these functions does not have statutory powers. Further, the nomenclature as Recovery Supervisor indicates that the main function of the Supervisor is that of recovery. It is alleged that since the bank's staff members have no role in recommending credit limits, inspections etc., the societies at times even question their authority especially when they visit societies for recovery. This also adversely affects their recovery performance. The Kangra Central Co-operative

Bank with a view to establishing a better liaison with the Department had placed for sometime their Recovery Supervisors on duty as Sub-Inspectors. But this experiment has not succeeded as the services of bank's supervisors were reported to have been mostly utilised in a routine way for departmental work.

### *Rehabilitation*

32. Both the central co-operative banks are under rehabilitation, but are not covered by the central sector plan scheme. While the Jogindra Bank has been taken under rehabilitation with reference to its financial position as on 30 June 1971, the Kangra Bank was brought under the scheme with reference to its financial position as on 30 June 1974. However, Review Committees were constituted only in June 1976. Both the banks have not drawn up any time-bound action programme for recovery of overdues and no action has been taken about investigation of overdues. In the case of the Kangra Central Co-operative Bank it has initiated action for investigation of overdues at the end of 1978 in the area of 143 selected societies and 13 supervisors were assigned for the job. The progress in the work is halting as the societies selected are in far flung areas which are also snow-bound and have inadequate communication facilities. During the period January-March 1979, the bank has adopted 50 societies for intensive development and for providing full finance. The Jogindra Central Co-operative Bank has not yet taken any concrete steps in this direction.

33. During the period 1972-3 to 1977-8 both the central co-operative banks were working at profit except in the year 1977-8 when the Jogindra Central Co-operative Bank incurred a loss of Rs 1.44 lakhs. The Kangra Central Co-operative Bank worked at profit in 1978-9. During the period 1972-3 to 1977-8, the Kangra Central Co-operative Bank declared a dividend at 6 per cent only in 1976-7 while the Jogindra Central Co-operative Bank declared the same twice in 1972-3 and 1976-7 at 2 per cent and 3 per cent respectively.

34. We have, in the foregoing paragraphs noted the performance of the two central co-operative banks in the mobilization of

resources and meeting credit requirements in their respective areas. The next question that needs consideration is whether these banks are viable and efficient units discharging the responsibilities expected of them in supporting the programmes in the field of agriculture in their respective areas.

### *Viability*

35. It has been assumed that ordinarily a branch can effectively serve and supervise the operations of about 20 societies which incidentally would give the branch a short-term loan business of Rs 40 lakhs at the rate of Rs 2 lakhs per society. On this basis, not taking into consideration other aspects relating to the terrain and the actual business per society in the area of these banks, we have worked out in Table 5 the number of branches required in terms of short-term production credit requirements estimated by us in Chapter 2.

TABLE 5

Bank/ District	Short-term agricultural credit re- quire- ments	No. of branches		Surplus number of branches (Col. 4 minus Col. 3)	No. of societies on reorga- nization.	Average number of societies per exist- ing branch (Col. 6 ÷ Col. 4)
		Required at Rs. 40 lakhs per branch	Exist- ing			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Kangra</b>	720.98	18	45	27	869	19
Kangra	361.69	9	23	14	442	19
Hamirpur	127.61	3	8	5	139	17
Una	118.59	3	7	4	118	17
Kulu	106.81	3	6	3	119	20
Lahaul & Spiti	6.28	1	1	—	51	51
<b>Jogindra</b>	125.2	3	8	5	141	17

36. As per details indicated in Table 5, the total number of branches required for the Kangra Central Co-operative Bank to disburse short-term agricultural credit requirements in its area at Rs 7.21 crores works out to 18 at the rate of loan business of Rs 40.00 lakhs per branch. The existing number of branches is 45 i.e., 27 more than estimated on the basis of loan business of Rs 40 lakhs per branch. As regards district-wise distribution of these branches barring the case of Lahaul and Spiti district, all the districts have excess branches. The number of reorganized societies that each branch will have to serve on an average works out to 19 and district-wise also the position remains more or less same except in the case of Lahaul and Spiti district. However, as stated in paragraph 19, one more branch has been opened in Lahaul and Spiti district on 12 July 1979. The Jogindra Central Co-operative Bank which serves Solan district has 8 branches as against 3 considered necessary on the basis of norms assumed by us. The average number of reorganized societies in the area of a branch works out to 17. Thus the banks, by and large, may not have to open additional branches in any of the districts in their areas on this basis. This observation, however, need not be taken as a recommendation against opening additional branches which may be considered necessary at a later date from the view point of providing banking facilities to the people in certain areas.

37. The question now is whether the societies in the area of each branch will give the level of business of Rs 40 lakhs assumed by us. For the reasons noted in Chapter 7 the norm of viability of a society in terms of loan business has been assumed at Rs 1.00 lakh in general and in the case of societies in the tribal areas at Rs 0.50 lakh. Thus on the basis of number of societies per branch the business potential that will be available to each branch works out to around Rs 20.00 lakhs as against Rs 40.00 lakhs assumed by us. However, this is the position in respect of short-term production credit only and there is scope for medium-term agricultural loans in many areas of the bank. Further, the norm of loan business for the societies accepted by us is only for identification of viable units and their retention. But the societies



will necessarily have to develop further loan business so that they may ultimately attain the norm of Rs 2 lakhs per society. Moreover we are concerned more with the viability of the institution as such and not of an individual branch. It is quite likely that some branches may not be viable but these branches will necessarily have to be retained to serve the clientele effectively in view of the difficulties in communication facilities. Incidentally both the banks have apparently taken note of this situation and that is how their present branch network is spread over in their respective areas.

38. In view of the position explained above we have assessed the viability of the banks with reference to their existing number of branches. Assumptions in regard to viability are the same as those indicated in Chapter 5. On the basis of assumptions made by us the Kangra Central Co-operative Bank which has 45 branches will require a total loan business of at least Rs 900.00 lakhs to work as a viable unit. The norm of potential viability will be 50 per cent (Rs 450.00 lakhs) of the norm of viability on the assumption that the existing loan business could be doubled in the next 5 years with an annual growth rate of 15 per cent. The bank's total outstanding loans as on 30 June 1979 are only of the order of Rs 210.44 lakhs which are far below even the norm of potential viability. On this basis the bank cannot justify its continued existence. However, as noted by us in paragraph 25 the bank's loan portfolio being small, in order to compensate itself for the loss sustained, it keeps its surplus funds as deposits with commercial banks. This is a peculiar situation and if the bank has to survive as a viable unit with reference to its loan business it will necessarily have to make strenuous efforts to increase its loaning operations. The bank cannot expect to work as a collection agent of the commercial banks to mop up rural resources and place the funds with them. The bank has to come out of the insulated position and involve itself actively in exploring fresh avenues for business which are abundant and utilise its funds and work as a real banking institution. It should gear up its machinery to explore the avenues for business and also take steps

to make the existing societies eligible to borrow. The suggestions to this effect have been made by us in the latter paragraphs.

39. In the case of the Jogindra Central Co-operative Bank to support its 8 branches the total loan business required may be Rs 182.00 lakhs and Rs 91.00 lakhs for being a viable or potentially viable unit respectively. The bank cannot be considered as potentially viable unit as its existing loan business is Rs 79.69 lakhs as against Rs 91.00 lakhs considered necessary for judging it as a potentially viable unit. The present level of business being so low it is doubtful whether the bank would be in a position to reach a viable status in the near future. The economic solution for the bank, therefore, is to merge itself with the state co-operative bank. But as an administrative arrangement we may give a chance to the local initiative to develop the business and for the purpose allow the bank to continue for another two years as an independent unit provided our suggestion for shifting its headquarters given later is accepted as well as subject to an annual review of its performance and decide about its independent existence or merger with the state co-operative bank at the end of the two-year period.

#### *Efficiency*

40. The present state of affairs of the banks necessarily brings us to the conclusion that they do not have the required level of operational efficiency to function effectively as central financing agencies.

#### *Recommendations*

41. In the background of the working of the two central co-operative banks discussed in the foregoing paragraphs, we offer our suggestions for streamlining their working and strengthening them organisationally.

#### *Area of operation*

42. The areas of operation of the Himachal Pradesh State Co-operative Bank and the Kangra Central Co-operative Bank as noted by us in Chapter 5 and paragraph 2 of this chapter

cover 11 districts between themselves but some of the districts are not geographically contiguous. It is, therefore, necessary to look into their areas of operation to ensure rational demarcation. The State Government may look into this issue at an early date.

### *Management*

43. The representatives of individual members on the Board of the Jogindra Central Co-operative Bank have disproportionate representation compared to the total strength of the Board. The individuals should have only one representative on the Board and for that purpose the individual member may be treated as one electoral college for election of their representative on the Board. The by-law No. 5(B)(iii) and (iv) may be so amended as to restrict the state government's vote to one for the reasons stated in paragraph 4.

44. With a view to providing representation to various interests on the Board of the banks as noted in paragraph 6 the relevant by-laws of the banks may be amended for the purpose and the Board membership may be expanded suitably. Further the provision relating to disqualification of a representative of defaulting society on the Board referred to in paragraph 7 may be promptly acted upon to ensure that the director uses his good offices in preventing such defaults.

45. The provision for having the Deputy Registrar of Co-operative Societies as an adviser on the Board of the Kangra Central Co-operative Bank referred to in paragraph 6 is redundant when the Registrar himself or his nominee is already on the Board in addition to three other nominees of the state government. The relevant provision in the by-laws of the Kangra Central Co-operative Bank should, therefore, be deleted. It is reported that action is being taken to delete the said provision on which we suggest action may be completed expeditiously, if not already done.

46. The Managing Director (an elective post) is the chief supervising officer of the bank as noted in paragraph 11. The honorary

worker who acts as the chief executive of the bank cannot be expected to devote his full time and attention to such a responsible job. Moreover, with banks expanding business operations into various fields, there is a need for expert knowledge and experience to exercise close watch over the activities of the bank and its various functionaries. Besides, for the proper management of resources and to ensure adequate returns on investment it is necessary to have a person with adequate knowledge of banking who can fully devote his attention and time for the purpose. The non-official leadership should not be burdened with such responsibility and executive powers. The Board of Directors could lay down and concentrate on formulating broad policies and leave implementation part thereof to Managers. For this purpose, suitable changes may be made in the by-laws and the General Manager/Manager of the bank may be enabled to function as a full-fledged chief executive. In view of the above recommendations, the elective posts of the Managing Director in both the banks will be unnecessary appendages and they may, therefore, be abolished.

47. The constitution of various sub-committees should be rationalized to avoid multiplication of committees. The Executive Committee itself is expected to meet more frequently and attend to several functions. *Ad hoc* committees can be appointed to attend to specific items of work that may be assigned to them by the Board/Executive Committee and they should cease to function as soon as the particular item of work entrusted to them is completed.

48. The Manager of the Jogindra Central Co-operative Bank may preferably be designated as General Manager and allowed to attend the Board/Executive Committee meetings as its Secretary.

49. In the case of the Kangra Central Co-operative Bank, as noted in paragraph 8, the Administrators appointed during the period August 1977 to March 1979 were having their headquarters in Simla. Since the powers of the chief executive are exercised by the Managing Director on behalf of the Board, the Administrator has to discharge the functions of the Board and the Managing Director

and matters of importance or otherwise are required to be referred to him for his orders. In view of this the files are to be sent to him through a special messenger or he is required to visit Dharm-sala (headquarters of the bank in Kangra district) frequently. This arrangement not only caused unnecessary and avoidable administrative work and financial loss to the bank but also to the Department. We suggest that in case the administrator is required to be appointed any time in future care may be taken to appoint the local divisional Deputy Registrar to the post.

50. The Kangra Central Co-operative Bank has four zonal offices one each at Dharmsala, Dehra, Kulu and Una. These zonal offices are practically one man offices. We suggest that instead of zonal offices there may be district offices one each for Kangra, Hamirpur, Una and Kulu. The district Office of Kulu may have under its jurisdiction the Lahaul and Spiti district as well. The arrangements for administering these offices and duties of these officers may be on the lines of arrangements in vogue in Himachal Pradesh State Co-operative Bank with modifications suggested by us in Chapter 5. The incharge of the district branch should be designated as District Manager and he should be given authority to supervise over the working of the branches in his area. Similarly, he should conduct inspections of the branches in his area and also be a liaison officer at the district level with the various agencies. This would also facilitate projecting a better image of the district branches and expedite work at the district level. The district manager may be provided with a suitable complement of staff.

51. The district branch committees on the lines of the Himachal Pradesh State Co-operative Bank may be set up in the area of the Kangra Bank, as it would help involving the local leadership more intimately in the working of the bank. The district branch committee may have only three members, namely Director of the Board from the concerned area, the District Co-operative and Supply Officer and the Deputy Commissioner or his nominee as chairman. The District Manager may be the ex-officio secretary and convenor of the District Branch Committee. In the case of

Kulu district office, the local director from the Lahaul and Spiti district as also the Deputy Commissioner of that district may also be the members of the District Branch Committee. The Deputy Commissioners of Kulu and Lahaul and Spiti districts may chair the committee by rotation. The district branch committees may sanction short-term credit limits for seasonal agricultural operation in its area. A senior officer who could be designated as Assistant General Manager in the head office should supervise the working of the district branches and inspect them periodically.

52. The qualifications prescribed for various posts for recruitment in the bank's services as noted in paragraphs 14 and 16 are out-dated and need suitable upward revision in the light of the present day conditions. With a view to enabling the banks to select professional men with suitable qualifications in banking, co-operation and allied subjects as also with adequate experience the qualifications for the post of General Manager and other senior officers may preferably be first or second class post-graduation. The qualifications for other officers' posts like branch managers/Accountants may be first or second class graduates. For recruitment in clerical cadre the qualification could preferably be a graduation. Training is essential to equip the staff to discharge their duties more efficiently and, therefore, the staff should be sent for training in suitable batches. When direct recruitment to officer cadre is taken up, the staff candidates should also be considered subject to their fulfilling the requisite qualifications. Further, quota could also be fixed for open market candidates and staff candidates for filling up officer level posts.

53. The staffing pattern for the Kangra Central Co-operative Bank could be on the lines of the chart indicated for the Himachal Pradesh State Co-operative Bank in Chapter 5. In the case of the Jogindra Central Co-operative Bank, the staffing pattern and the organisation at the head office could be on the lines indicated in the chart on page 155.

*Common cadre of Key personnel*

54. In Himachal Pradesh, the state co-operative bank functions as a central financing agency in six districts and the two central

*Organizational Chart for the Jogindra Bank*  
General Manager

Manager/Assistant Manager (Administration Division)	Chief Accountant (Accounts Division)	Executive Officer (Loans and Supervision Division)	Development Officer (Development Division)
<ol style="list-style-type: none"> <li>1. Branch Inspection</li> <li>2. Establishment</li> <li>3. General Administration</li> <li>4. Premises and dead stock</li> <li>5. Compliance with Reserve Bank of India apex bank inspection reports</li> <li>6. Board matters</li> </ol>	<ol style="list-style-type: none"> <li>1. Borrowings</li> <li>2. Management of funds</li> <li>3. General banking, loans and advances and other accounts (head office and branches)</li> <li>4. Statistical information</li> <li>5. Investments</li> </ol>	<ol style="list-style-type: none"> <li>1. Scrutiny and sanction of credit limit applications</li> <li>2. Disbursement and recovery of loans</li> <li>3. Verification of utilisation of loans</li> <li>4. Supervision and control over field staff</li> <li>5. Coercive action i.e., arbitration and execution cases</li> </ol>	<ol style="list-style-type: none"> <li>1. Deposit mobilisation</li> <li>2. Rehabilitation</li> <li>3. Reorganization of societies</li> <li>4. Problems of SFDA/MFAL agencies</li> <li>5. Co-ordination with commercial/regional rural banks</li> <li>6. Development of marketing of agricultural produce and distribution of production requisites and essential commodities and other items of non-agricultural financing</li> <li>7. Linking of credit with marketing</li> <li>8. Training of bank and societies staff</li> </ol>

**Note :** The Divisions proposed could be suitably grouped and placed under the charge of an officer depending on the availability of the key personnel until such time the required staffing pattern is brought about.

co-operative banks cover the remaining six districts. In the case of latter, the area of operation of the Kangra Central Co-operative Bank covers 5 districts. These two institutions have more or less similar staffing pattern. The Jogindra Central Co-operative Bank serving only one district has limited officer staff strength. The point for consideration is whether these personnel in three institutions may be brought together or allowed to function separately. We are of the opinion that a common cadre combining the key personnel of these banks may not bring any specific improvement in the working of the banks, but on the contrary may throw open more problems. Further, being more or less similar in the area of operation and comparatively weaker in resources the apex bank might find itself hamstrung in managing the common cadre of key personnel. We, therefore, do not consider it necessary to have a common cadre for key personnel of the banks. The Jogindra Central Co-operative Bank's need for key personnel may be met by recruiting a couple of qualified and competent hands. Initially they can take one or two officers on deputation from the state co-operative bank.

55. The head office of the Jogindra Central Co-operative Bank has not yet been shifted to the district headquarters at Solan. The shifting is necessary with a view to having closer liaison and co-ordination with the district authorities. In the absence of the co-ordination, the bank would always find it difficult to develop its business. The Registrar of Co-operative Societies has since issued a directive to the bank to shift its headquarters against which the bank has gone in appeal before the Secretary, Co-operation Department, Himachal Pradesh. Further, the head office and the branch office at Nalagarh may be bifurcated pending shifting of the head office to Solan. The head office may not carry on any direct banking business but restrict its activities to laying down policies and programmes, ensuring co-ordination of activities and exercising control over its branches. This bifurcation would enable the Nalagarh branch to function independently under the immediate supervision of the head office during the transitory period and will prepare itself for the future.



56. As we have already noted, the Kangra Central Co-operative Bank does have scope for financing agriculture and allied activities. However, one has to take note of large deposit resources of primary societies in the area of this bank which reduce their dependence on the bank's fund. Thus, with a view to facilitating deployment of bank's resources in the loan business rather than investment with commercial banks, the Kangra Central Co-operative Bank has to turn to other fields like small scale industries, weavers etc. on the lines referred to in paragraphs 73 and 74 of Chapter 5. In view of the large resources at the command of the Kangra Central Co-operative Bank it may also be allowed to undertake financing of public sector institutions in its area as has been allowed by the Reserve Bank in the case of state co-operative banks in terms of its circular dated 11 January 1979 referred to in paragraph 72 of Chapter 5. As noted in paragraph 39, the Jogindra Central Co-operative Bank has to strive hard to explore whatever avenues that are open to it to exploit the available business potential.

57. With a view to building up loan business the banks should gear up their development wings to establish liaison with various district/state agencies. In the case of the Kangra Central Co-operative Bank it will have to actively explore the areas for financing tea and apple crop as also to build up the infra-structure for marketing of these crops. This is an area which offers wide scope. The need is for imaginative and bold leadership to ensure diversification of loans port-folio, constant supervision and effective follow-up action to ensure safety of the funds lent. The societies are expected to be eligible for fresh finance with the implementation of our suggestions in Chapter 11 to overcome the problem of overdues. Further, with the appointment of a full-time paid and trained secretary in each society and the transfer of financial supervision to banks as recommended by us in Chapter 10 it should not be difficult for banks and societies to have closer and direct liaison for developing their loan business. Further, the Kangra Central Co-operative Bank can consider participating in financing working capital requirements of processing and other units even in the area of the Himachal Pradesh State Co-operative Bank by way of consortium arrangement.

58. The present level of short-term agricultural loan business of the banks particularly of the Kangra Central Co-operative Bank is low compared to the estimated short-term credit requirements. Normally, the average annual growth rate of 15 per cent is considered feasible of achievement but with this growth rate the support from the Kangra Central Co-operative Bank would fall very much short of requirements. We have, therefore, in Table 6 worked out the growth rate that these banks will have to achieve to meet at least 50 per cent of the estimated production credit requirements in the near future i.e., say by the end of 1983.

TABLE 6

Rs Lakhs

Bank	District	50% of the estimated production credit re- quirements in Chapter 2	Short-term agricultural loans out- standing as on 30 June 1979	Annual growth re- quired to achieve the level in Col. (3) in 1983.
(1)	(2)	(3)	(4)	(5)
Kangra		360.48	176.69	20
	Kangra	180.84	83.92	21
	Hamirpur	63.80	20.50	33
	Una	59.30	17.98	34
	Kulu	53.40	52.57	1
	Lahaul and Spiti	3.14	1.72	16
Jogindra	Solan	62.64	42.84@	8

@ As on 30 June 1978.

The annual growth rate required for meeting 50 per cent of the estimated short-term production credit requirements in the case of the Kangra Central Co-operative Bank is 20 per cent and not difficult of achievement. The Kangra Central Co-operative Bank should, therefore, meet the production credit requirements at least of the order of Rs 3.60 crores. In the case of the

Jogindra Central Co-operative Bank the annual growth rate required to meet 50 per cent of the estimated credit requirements works out to only 8 per cent. It should, therefore, make efforts to achieve annual growth rate of 15 per cent and take the level of short-term agricultural outstandings to Rs 85.68 lakhs by the end of 1982-3 as against the estimated credit requirement of Rs 125.29 lakhs.

59. To sum up, the Kangra Central Co-operative Bank although has large resources, it should not be complacent on this account and should continue its efforts to mobilize additional deposits. What it needs is imaginative and vigorous leadership for initiating schemes for developing business so as to lend adequate support for meeting credit requirements of agriculture and allied activities in its area. The Jogindra Central Co-operative Bank's continuance depends on its initiative to explore business and develop it for justifying its continued existence or otherwise it may have to be merged with the Himachal Pradesh State Co-operative Bank as noted in paragraph 39 after a period of two years.

## Chapter 7.

### PRIMARY CO-OPERATIVE AGRI-CULTURAL CREDIT SOCIETIES

1. In this chapter we have examined the financial position and working of primary co-operative agricultural credit societies as required under term of reference No. (v) with a view to suggesting measures to make each one of them a viable unit which may include the societies undertaking the function of providing long-term agricultural credit in addition to short-term and medium-term agricultural credit. Further, as required under term of reference No. (ix) we have examined the arrangements for the management of the societies also.

2. The existence of strong and viable institutions at the primary level is now universally recognised as the most essential pre-requisite of the banking sector, whether co-operative or commercial, to meet adequately the credit needs of the agricultural sector. The primary agricultural credit societies in Himachal Pradesh, however, present a weak link in the co-operative agricultural credit system. They present a picture of adequate coverage both village-wise and family-wise, reasonable deposits, moderate level of overdues, but poor performance in meeting the credit needs of agricultural sector. Another feature is the diametrically opposite conditions in the areas covered by the Himachal Pradesh State Co-operative Bank and the Jogindra Central Co-operative Bank on one hand and the Kangra Central Co-operative Bank on the other. The fact that weaknesses at the primary level get reflected in the institutions at the higher levels, an aggressive and dynamic approach is called for to build up viable and efficiently managed institutions at the base level throughout the state.

3. The major problem of the primary agricultural credit societies in a hilly state is to find adequate credit potential within approachable distances to become viable units to enable them to

have full-time paid secretaries, regular offices and reasonable profits. In view of the difficult terrain, poor communication facilities, sparsely populated areas and relatively insufficient agricultural land, it may not be possible to organize societies with the viability standards laid down for other states in the plain but efforts have to be made to organize societies which would be managed by adequately paid and trained full-time secretaries and undertake all types of credit and non-credit business to overcome the short-falls in their operations and be of real service to their clientele.

4. In this chapter, we have first assessed the district-wise position of societies in the state followed by the findings of on-the-spot studies undertaken at our instance. We have then reviewed the programme of reorganization accepted by the state and offered our suggestions for strengthening the primaries, both organizationally and financially.

#### *District-wise Review*

5. The trend in the growth of membership, owned funds, deposits, loan business, overdues etc. of primary agricultural credit societies in the state for the years 1971-2 to 1977-8 is given in Annexure 21. The district-wise details are, however, available as on 30 June 1977. Accordingly the district-wise details about the coverage of co-operatives, their effective coverage, etc., are given in Annexure 22 while the other particulars regarding their financial position, loan business, size of overdues with period-wise classification, etc., are contained in Annexure 23.

#### *Number of societies*

6. The state government initiated a programme of re-organization of societies in the year 1975-6. Earlier it had discontinued organization of new primary agricultural credit societies. The total number of primary agricultural credit societies has declined from 2537 as on 30 June 1972 to 2349 as on 30 June 1978. The number of dormant societies has been insignificant at 34. The number of state-partnered societies has increased steadily to 700 on 30 June 1978.

*Coverage*

7. As at the end of June 1978 all the villages and the population in these villages were being served by primary agricultural credit societies. The membership of societies at 5.52 lakhs as on 30 June 1978 formed 85 per cent of the rural families in the state at 6.43 lakhs giving an average membership of 234 per society. The district-wise position as on 30 June 1977 presented wide disparities as may be seen from Annexure 22. In the districts of Kangra, Una and Hamirpur the number of members of primary agricultural credit societies exceeds the number of rural families in those districts. It, therefore, could be presumed that in these districts more than one person have been enrolled as members from a large number of families. On the other hand less than 50 per cent of the rural families had been covered in Simla, Chamba and Kulu districts. In Mandi, Bilaspur, Sirmur, Kinnaur, Solan and Lahaul and Spiti districts the coverage of rural families is between 50 and 75 per cent. After excluding the excess number of members over the families in Kangra, Una and Hamirpur the coverage for rural families for the state as a whole works out to 75 per cent as on 30 June 1977.

8. During the period 1971-2 to 1977-8 the number of borrowing members which had decreased from 1.80 lakhs in 1971-2 to 1.28 lakhs in 1975-6 increased to 2.00 lakhs in 1976-7 but again came down to 1.72 lakhs in 1977-8. The number of indebted membership as on 30 June 1978 stood at 2.21 lakhs forming 40 per cent of the total membership, while the percentage of borrowing membership to total membership as on that date was 31. The lesser percentage of borrowing membership is indicative of the fact that there are quite wide-spread defaults rendering the defaulters ineligible to borrow again. The number of defaulter members as on 30 June 1978 was 0.91 lakh forming 41 per cent of the indebted membership as on that date. Such defaults also hindered the ability of the primary agricultural credit societies to borrow afresh to finance new and non-defaulting members. As on 30 June 1978 the percentages of indebted membership to the total number of rural families worked out to 34. Thus, the

effective coverage of the primary agricultural credit societies in the state is low. As on 30 June 1977 in Lahaul and Spiti there were no borrowing members while in the districts of Simla, Bilaspur, Chamba and Kulu such membership was below 20 per cent of the rural families. The effective coverage has been relatively better in the districts of Kangra, Una and Hamirpur at 58, 48 and 47 per cent respectively.

#### *Financial Position*

9. Owned funds of primary agricultural credit societies have increased from Rs 296.23 lakhs on 30 June 1972 to Rs 517.87 lakhs on 30 June 1978. This increase is mainly accounted for by an increase of Rs 143.39 lakhs in the paid-up share capital. Increase in the government share capital contribution during the period has been marginal at Rs 14.31 lakhs. During the above period the deposits of societies increased by Rs 450.85 lakhs from Rs 502.24 lakhs on 30 June 1972 to Rs 953.09 lakhs as on 30 June 1978. As against this, increase in borrowings has been Rs 110.73 lakhs from Rs 293.99 lakhs on 30 June 1972 to Rs 404.72 lakhs on 30 June 1978. Loans outstanding against members increased by Rs 451.64 lakhs from Rs 856.31 lakhs as on 30 June 1972 to Rs 1307.95 lakhs as on 30 June 1978. Thus, societies have substantially relied upon internal resources raised by them for their lending activities. It is noted from the district-wise position as on 30 June 1977 that of the total deposits amounting to Rs 873.09 lakhs as on that date, Rs 849.39 lakhs are concentrated in the districts of Kangra, Una and Hamirpur of which as much as Rs 349.53 lakhs forming 40 per cent of total deposits in the state have been raised in Kangra district alone.

#### *Loan business*

10. The number of societies advancing loans increased from 1948 in 1971-2 to 2361 in 1974-5 but came down to 1902 in 1976-7 and registered a modest increase in 1977-8 when the number of such societies stood at 1976. Loans advanced by the societies, however, progressively increased from Rs 471.24 lakhs in 1971-2 to Rs 609.35 lakhs in 1977-8. As against the above increase of

over Rs 138.11 lakhs in the loans advanced during the period, loans outstanding against members increased by Rs 451.64 lakhs from Rs 856.31 lakhs as on 30 June 1972 to Rs 1307.95 lakhs as on 30 June 1978.

11. As against the increase of all types of loans issued and outstandings against members, loans issued for short-term agricultural purposes have declined and have shown an uneven trend. The curve for the loans issued for short-term agricultural purposes has behaved erratically registering rise and fall in the alternate years. It touched the highest level of Rs 274.62 lakhs in 1974-5 and the lowest at Rs 101.87 lakhs in the next year.

12. As on 30 June 1978 the average outstanding loans per society work out to Rs 0.56 lakh which form only 28 per cent of the minimum of Rs 2.00 lakhs normally considered necessary for a society to function as a viable unit. The data relating to the distribution of societies in relation to their size of loan business are, however, not available.

### *Overdues*

13. Overdues constitute one-third of the outstanding loans at the primary level but they are less than the owned funds of the societies as indicated in Table 1.

TABLE 1

Year	Overdues	Rs Lakhs
		Owned Funds
1971-2	210.58	296.23
1972-3	249.43	323.57
1973-4	340.69	353.21
1974-5	323.03	387.45
1975-6	366.30	429.05
1976-7	417.08	472.58
1977-8	427.97	517.87



14. The period-wise classification of the overdues as on 30 June 1977 and 1978 is given in Table 2.

TABLE 2

Rs Lakhs

Period	As on 30 June	
	1977	1978
Below one year	140.83	140.19
Between 1 and 2 years	104.81	100.27
Between 2 and 3 years	76.73	87.88
Above 3 years	94.71	99.63
<b>Total</b>	<b>417.08</b>	<b>427.97</b>

The chronic overdues i.e., overdues over 3 years are on the increase. As on 30 June 1978, such overdues formed about 23 per cent of total overdues and 19 per cent of owned funds of primary agricultural credit societies as on that date.

15. The district-wise and bank-wise proportion of the overdue loans to total outstandings at the primary level as on 30 June 1977 is given for ready reference in Table 3. The overdues are relatively very high in the areas covered by the state co-operative bank and particularly in the districts of Simla and Chamba. In the districts of Bilaspur and Kinnaur the level of overdues is the lowest but so also the investment in loans. On the other hand in the areas covered by the Kangra Central Co-operative Bank the level of overdues is the lowest in the districts of Kangra, Una and Hamirpur where investments in loans are substantially out of the internal resources of primary agricultural credit societies. In the district of Solan, covered by the Jogindra Central Co-operative Bank, the overdues are as high as 66 per cent of the outstandings.

TABLE 3

Proportion of overdues to outstandings in per cent	Districts with the percentage of overdues to outstandings in brackets		
	State Co- operative Bank	Kangra Central Co-operative Bank	Jogindra Central Co-operative Bank
76 and above	Simla (94) Chamba (84)		
51 to 75	Sirmur (55)	Kulu (55) Lahaul & Spiti (54)	Solan (66)
26 to 50	Mandi (48)	Una (32) Kangra (26)	
25 and less	Bilaspur (19) Kinnaur (9)	Hamirpur (9)	

16. A large number of primary societies in the state are at present undertaking activities such as provision of essential domestic requirements like controlled commodities, cloth, pulses, matches, footwear etc. In 1977-8, the value of farm requisites supplied and consumer goods sold aggregated Rs 763.57 lakhs. While 1703 societies undertook distribution of farm requisites of the order of Rs 228.09 lakhs, 1715 societies sold consumer goods worth Rs 535.48 lakhs. The district-wise position in this behalf is available for the year 1976-7 only, which is given in Annexure 24. The number of societies undertaking marketing on their own was only 13 in 1977-8 and the value of produce marketed by them was Rs 17.19 lakhs.

#### *Audit Classification*

17. The information regarding the audit of primary agricultural credit societies in the state is available for the year 1977-8. At

the beginning of the year i.e., July 77, 2372 societies were due for audit of which 2255 societies were audited in that year. The audit classification of societies is given in Table 4. Hardly 40 primary agricultural credit societies representing only 1.7 per cent of the total societies audited were classified as A class and another 477 societies or 21 per cent were placed in B class. This position is indicative of the fact that a large number of primary agricultural credit societies in the state is not working satisfactorily.

TABLE 4

Audit Class	Number of societies
A	40
B	477
C	1733
D	2
E	-
Not classified	3
	<b>2255</b>

*Full-time paid secretaries*

18. Out of 2349 societies in the state as on 30 June 1978 more than half the number of societies i.e., 1382 employed full-time paid secretaries and 967 had part-time paid secretaries. Although more than half of the societies have full-time secretaries their appointments have been made by the respective societies and there has, consequently, been no uniformity about the basic qualifications, pay scales, etc., and the secretaries were generally not well paid. The day-to-day affairs of primary agricultural credit societies are, by and large, managed by the secretaries who either

do not have the ability or will or both to devote adequate time and attention to the multifarious functions (including recovery of loans and distribution of consumer goods) expected of primary agricultural credit societies. The lower borrowing membership as also the inability to supply timely credit and inputs and above all the disappointing performance in the sphere of recovery obtaining in the societies can, to a great extent, be attributed to the non-availability of the services of trained and adequately qualified secretaries.

*On-the-spot study*

19. At our instance, on-the-spot studies of societies were undertaken in the state with a view to finding out the manner in which they functioned and the problems faced by them. This was considered necessary to offer suitable remedial measures for streamlining their working. Accordingly, 69 societies at the rate of one per block were selected on a random basis for the study. The major findings of the study are detailed below.

(i) These societies had a total membership of 19402 including 7450 indebted members of whom 4632 were defaulters. Of the total members about 72.4 per cent were small farmers. Most of the societies on an average covered 5 to 10 revenue villages. Some of the societies had their headquarters by the road-side whereas in the case of some others it was in the interior where there were no transport facilities at all. The average distance from the societies headquarters to villages covered varied from 5 to 10 kms.

(ii) The coverage by the societies, by and large, varied from 20 per cent to 50 per cent of the cultivating families in the villages. The effective or borrowing membership was poor at 13.8 per cent as many of the societies were not advancing short-term loans and a large number was in moribund condition.

(iii) The loan business of the societies was meagre. The average loan issued per society visited during 1976-7 was Rs 0.25 lakh and the average loan outstanding at the end of June 1977

was Rs 0.52 lakh. The main reasons for the poor business were the absence of full-time paid secretaries, disinterested management, ineffective link between the society and the central financing agency and the poor/ineffective supervision. Incidentally, as already stated, the financial and administrative supervision over societies is the responsibility of the Co-operation Department. In many of the societies the land registers of members were not maintained. Also in many societies normal credit limit statements were not prepared at all. In certain societies although credit limit statements were not prepared in respect of certain members, loans were issued to them out of amounts drawn from the banks in respect of certain other members. Loans were also disbursed without reference to seasonality. The poor off-take of short-term loans through societies was reported mostly due to small land-holding of members, lack of irrigation facilities, hesitation on the part of societies/bank in disbursing cash component, insistence on lifting fertilisers, periodical crop failures, failure to provide timely conversion facilities, etc. During the course of field visits to societies it was observed that out of 719 villages served by 69 societies visited, *annewari* of 6 annas or below was declared in 176 villages, but no short-term loans were converted into medium-term loans. Banks insisted on the minimum recovery performance by societies even for financing new and non-defaulting members. The inability of societies to finance those who had cleared their earlier loans due to the condition of minimum recovery performance stipulated by banks has resulted in many borrowers hesitating to repay their dues to the societies. This has also led to increase in overdues of the societies.

(iv) The restrictive features in disbursing short-term credit affected the demand for short-term loans year after year. Members preferred medium-term loans as they got larger cash for a longer duration and without the condition of seasonality. Medium-term loans were issued by many societies both out of borrowings as well as out of their own resources. Medium-term loans were normally disbursed for purposes like purchase of bullocks, milch cattle, construction of sheds, land development/improvement etc.,

but in many cases it was observed that the mention of the purpose was only a formality. During the year 1976-7 a sum of Rs 6.77 lakhs was issued for land improvement whereas a sum of Rs 2.59 lakhs was issued for milch cattle. Loans issued for purchase of bullocks and construction of sheds amounted to Rs 1.51 lakhs and Rs 0.41 lakh respectively. By and large, loans were used as ways and means advances as the normal advance was only Rs 1000 irrespective of the purpose. There was no system of verification of utilisation of loans.

(v) There was no proper follow up action for recovery of loans. Neither the managing committee of the society nor the secretary was prepared to take any coercive steps against defaulters. Besides, lack of conversion facilities in times of crop failure, absence of proper check on societies financing for unproductive purposes, misappropriations, *benami* loans, absence of competent secretaries were the other main reasons for heavy overdues in societies. The overdues over one year in the societies visited were to the extent of Rs 15.49 lakhs of which arbitration references pending with the Department were for Rs 3.44 lakhs and the awards pending execution were for Rs 1.76 lakhs. Arbitration cases and execution petitions were inordinately delayed at the departmental level mostly for want of adequate staff to attend to this work.

(vi) In most of the societies it was observed that secretaries were working on a part-time basis. The part-time secretaries were paid salary ranging from Rs 25 to Rs 175 per month whereas full-time secretaries were paid between Rs 125 and Rs 300 per month. There was no stipulation as regards the qualification or experience while appointing either part-time and full-time secretaries. In most of the cases it was convenience and availability that determined the selection.

(vii) Many of the societies handled non-credit business like sale of fertilisers, rationed articles and other consumer requirements. However, the turnover was poor in most cases. One of

the reasons for poor turnover in non-credit business was the lack of interest on the part of the societies' management as well as the absence of full-time paid secretaries.

(viii) Most of the societies did not have any godown or building of their own. A few societies' offices were located even in the houses/shops of secretaries themselves.

(ix) Apart from non-credit business like sale of rationed and consumer articles, none of the societies marketed its members' produce.

(x) The state government's contribution towards share capital of societies ranged from Rs 1100 Rs 10,000. There was no proper assessment of the requirement nor was the amount contributed sufficient to strengthen the share capital base of the societies.

(xi) The state government was giving subsidy towards the cost of paid secretaries. On an average, it was observed that a sum of Rs 500 was paid annually towards managerial subsidy.

(xii) Of the 69 societies visited, 15 societies were viable, 32 potentially viable and 22 non-viable. Further, of the 69 societies, 26 had declared dividend ranging from 1.2 per cent to 6 per cent.

20. In short, the findings of the on-the-spot study reveal that a majority of the societies do not have adequate business either because of limited potential or restrictive policies of the banks coupled with lack of initiative on the part of the management, absence of trained and full-time paid employees resulting in the societies' inability to be of service to their members, heavy overdues and consequent chocking of line of credit. This state of affairs calls for strengthening of the primary level base both organizationally and financially.

*Reorganisation of primary  
agricultural credit societies*

21. The Working Group on Co-operation for the Fifth Five-Year Plan recommended that primary agricultural credit societies

in each state should be reorganized with a view to having ultimately only viable societies. The Group also felt that a society to be viable should have a loan business of Rs 2 lakhs. No account was to be taken of the income from the non-credit business as that was considered adequate for maintenance of additional staff which such business needed. These views have been recently endorsed by the Sixth Plan Working Group also.

22. Pursuant to the meeting of the Registrars of Co-operative Societies of some of the states, representatives of the Government of India and the commercial banks convened by the Reserve Bank on 4 May 1976 to discuss *inter-alia* the problems relating to reorganization of primary agricultural credit societies, the Reserve Bank circulated certain guidelines to state governments in the matter. The guidelines relating to the area of operation and credit potential are given below.

(i) For the purpose of viability, account should be taken of the short-term agricultural credit business only. The other types of business, namely, medium-term and long-term agricultural credit and consumption credit should be reckoned as additional potential.

(ii) Normally, a gross cropped area of 2,000 hectares (5000 acres) whether irrigated or not, may be taken as adequate to provide a minimum short-term credit potential of Rs 2 lakhs for the reorganized society.

(iii) In cases where more than 2000 hectares are to be covered, the area of operation of the re-organized society should be confined to a radius of 10 kms only, excepting in hilly or tribal or desert areas, ensuring however that the jurisdiction of a society does not cut across village boundaries.

(iv) Even when a village is big and it has more than 2,000 hectares in its jurisdiction or a potential of a short-term credit business of more than Rs 2 lakhs, there should not be more than one society.



(v) If the area proposed is less than 2000 hectares, a detailed exercise with reference to actual scales of finance may have to be done to ensure a minimum short-term credit business of Rs 2 lakhs on the assumption that the society will be able to meet only about 40 per cent of the potential calculated on the above basis.

(vi) If one administrative unit like gram panchayat or 'patwari' circle does not have in its jurisdiction 2,000 hectares of gross cropped area, two or more such administrative units may be covered by the re-organized society wholly in which case the territorial limit of 10 kms radius need not be applied. Preferably, in such cases, farmers service societies of the smaller model may be organised instead of viable primary agricultural credit society. However, the society should not be again re-organized if on a subsequent date the area of the gram panchayat is altered.

(vii) Where a society has already attained a short-term loan business of Rs 2 lakhs, it may not be normally disturbed, but can be made the nucleus of a farmers service society, a LAMP or a reorganised society.

(viii) Once the area is decided, the good working societies may be merged with the nucleus society selected for retention and the non-viable ones liquidated.

23. In December 1973 the norm of viability for re-organization of primary societies in respect of Himachal Pradesh was discussed by the then Executive Director of the Reserve Bank with the Secretary to the Government and the Registrar of Co-operative Societies, Himachal Pradesh and subsequently with the then Minister for Co-operation and Civil Supplies, in July 1974. Discussions were also held with the representatives of the Planning Commission and the Union Department of Co-operation from time to time in the matter. It was then decided that primary agricultural credit societies should be re-organized into viable units. In the discussions held by the Executive Director with the officials of the state government the basis of the norm of viability of a society was decided at Rs 1.50 lakhs for credit and

## PRIMARY AGRICULTURAL CREDIT SOCIETIES

Rs 0.50 lakh for non-credit business. It was also decided that the state government would study the prospects of credit and non-credit business in some of the districts in the state. In the above context a Committee was set up by the state government in October 1974 to recommend a viable co-operative structure at the base level.

24. The Committee set up by the state government felt that the basis for the re-organization of societies in a part of the state comprising the districts of Chamba, Kinnaur and Lahaul and Spiti should be different from that for the remaining districts, viz., Bilaspur, Hamirpur, Una, Kangra, Kulu, Mandi, Solan, Sirmur and Simla inasmuch as the socio-economic conditions in the former category of districts are considerably different from those in the latter. Accordingly, the Committee decided that there should be two separate plans for the districts falling in the two categories.

25. The Committee first considered the plan for reorganisation of societies in nine districts and kept in view the basic consideration to include in the plan either viable or potentially viable societies. It, however, felt that in a hilly state it is not altogether unusual to have some areas which are very sparsely populated, far-flung and inaccessible by modern means of transport. To provide services to the inhabitants of such areas separate societies were suggested to be organised notwithstanding the limited scope of their becoming viable.

26. As regards the norm of viability, it was felt that the criteria should be different from the norm applicable to societies in the plain areas. The representatives of the state government on the said committee set forth the under-mentioned factors for considering a different norm of viability.

(i) The agricultural holdings in Himachal Pradesh are small and scattered with poor irrigation facilities. The cropping pattern followed in the state is substantially different from that adopted in the states in the plains and within the state also it varies and is conditioned by the elevations of the various areas which are

broadly divided into three categories namely valley areas and low hills, mid-hills and high hills. In this situation, demand for crop loan in the state as a whole is comparatively much less than that in the states in the plains though, of course, in the valley areas and in some of the low hills there is an appreciable demand for such loans. Mid-hills and high hills are suitable for fruit and seed potato cultivation. In these areas farmers need medium-term and long-term loans more than short-term loans depending on the scope for mixed farming and horticulture development. In the high hills particularly there is also a need for disbursement of consumption loans to an appreciable extent.

(ii) There is considerable scope for societies undertaking distribution of consumer goods in the state. As most of the areas in the state are located far away from the major markets, for consumer goods as compared to the plains, the private trader can take advantage of the situation and indulge in excessive profiteering. Thus, the value of consumer goods retailed by the societies increased from Rs 3.14 crores in 1972-3 to Rs 7 crores in 1974-5. On the other hand, credit business handled by the societies in the same year was Rs 5.55 crores only. Further, there was considerable scope for the augmentation of non-credit business.

27. In view of the factors stated above the state government representatives on the Committee suggested that it would be realistic in the case of 9 non-tribal districts referred to in paragraph 24 to adopt a norm of total annual business turnover of Rs 1.5 lakhs as the minimum for a viable society of which about Rs 1.00 lakh should be on account of credit business. In certain cases where services could not be rendered to the members from reasonable distance, relaxation even in respect of this norm was suggested. Societies in such areas were to be retained/organised even if they were not potentially viable.

28. In the remaining 3 districts, namely, Chamba, Kinnaur and Lahaul and Spiti the Committee did not want the above norm of viability to be made applicable on account of relatively more

sparse population, difficult terrain and the limited availability of land for cultivation. Also the districts of Lahaul and Spiti and Kinnaur and a part of the district of Chamba were inhabited by scheduled tribes. According to the Committee, the approach in these districts should be to assist the existing societies financially so as to enable them to have full-time paid secretaries and adequate share capital base. Such of the societies which do not hold out any promise of serving the needs of the population may be weeded out.

29. Keeping in view the socio-economic conditions of the people, topographical and geographical factors, the Committee decided that for the purpose of reorganization of co-operative societies in the 2 tribal districts i.e., Kinnaur and Lahaul and Spiti and 2 tribal development blocks of Chamba district, a society to be retained should have an annual business turnover of Rs 0.75 lakh out of which Rs 0.50 lakh may consist of credit business and Rs 0.25 lakh of non-credit business provided, however, that this condition may be relaxed (i) if as a result of amalgamation the people served by the amalgamated society are likely to be put to inconvenience in travelling a long distance and also (ii) in the interest of the weaker sections of the community. Further the Committee also laid down that in the event of the fair price shop (ration depot) being run by a society proposed to be merged, it shall be allowed to continue to function. As regards the remaining non-tribal blocks of the Chamba district the norm of viability may be the same as stated in paragraph 27 for the other 9 districts i.e., an annual turn over of Rs 1.50 lakhs.

30. Thus, the Committee applied two different norms for arriving at the viability of a society. In the 9 non-tribal districts the viability criterion adopted by the Committee is total annual business turnover of a minimum of Rs 1.5 lakhs of which about Rs 1 lakh should be on account of credit business. In the 3 tribal districts barring non-tribal blocks of Chamba district, the the viability criterion adopted by the Committee is the total turnover of Rs 0.75 lakh of which Rs 0.50 lakh is credit business and the rest non-credit business.

*Progress of Reorganisation*

31. On the basis of the norms for the nine districts the Committee decided to re-organize 2260 societies existing as on 30 June 1974 into 1513 societies. Of the 1513 societies to be retained 134 societies were non-viable without any scope for attaining viability even within a period of the next 10 years. However they had to exist for the benefit of the weaker sections of the society or on account of their location being in sparsely populated areas like Dodra-Kawar, Pandra-Bish and Athara-Bish and some of the *Kandi* areas i.e., hilly areas of the district of Kangra, etc. The societies in these areas were to be retained on account of communication difficulties which were likely to be faced by the public if these areas were added to the areas of other societies for the purpose of viability/potential viability. District-wise and block-wise position of societies recommended by the Committee for retention in the nine non-tribal districts classifying the societies into viable, potentially viable, etc., is given in Annexure 25. The first part of the Committee's report covering nine non-tribal districts was submitted on 11 March 1976 and accepted by the State Government in May 1976 and implementation thereof commenced in June 1976. However, progress was arrested by a stay order of the state government in November 1976, on the basis of certain representations. The stay was vacated in July 1977 and implementation of the recommendations of the Committee recommenced in September 1977.

32. The second part of the Committee's report relating to the three tribal districts, viz., Kinnaur, Lahaul and Spiti and Chamba submitted on 8 March 1977 was accepted by the government on 19 October 1977. The Committee recommended retention of 211 societies as against the then existing 237 societies in these three districts. The implementation of the recommendations commenced in November 1977 and final orders for amalgamation of societies are stated to have been issued in a large number of cases.

33. District-wise position of the progress of reorganization work is given in Annexure 26. Under the reorganization plan, in Bilaspur,

Mandi and Solan the Co-operation Department decided to retain 4, 2 and 2 societies respectively over and above those recommended by the Committee. Thus, the ultimate number of re-organized societies will be 1732. While the work of reorganization has more or less been completed in Simla and Bilaspur districts, substantial work has been done in Solan, Mandi, Sirmur and Kulu districts. In Una, Hamirpur, Kangra, Kinnaur, Lahaul and Spiti and Chamba districts the progress in re-organization of societies is also being pushed forward on a priority basis.

34. Normally, for viability of a society a minimum short-term lean business of Rs 2 lakhs is necessary. However, keeping in view the fact that more or less the work relating to the reorganization of societies has been completed, we do not consider it necessary to change the course mid-stream. We endorse the norms referred to in paragraph 30 as suggested by the state government committee. However, it is reported that the state government is redrawing the reorganization plan, on the basis of discretion and considerations allowed by the Committee of the State Government referred to by us earlier, and accordingly the number of societies to be re-organized is being revised upwards to 2000. We urge the State Government not to increase the number of societies beyond 1732, as already decided upon or otherwise the base level structure would remain weak straining the meagre resources in meeting the overhead costs. We have, in view of this position, proceeded on the assumption that there will be only 1732 societies in the State.

35. We recommend that the primary societies in the state should function as real multi-purpose units disbursing credit to members and rendering other services such as distribution of consumer articles and agricultural inputs. There is considerable scope in the state for the societies playing a larger role in the distribution of consumer goods as well as agricultural inputs as may be seen from paragraph 16 relating to the volume of business handled by them. The state government has also been arranging to distribute chemical fertilizers through co-operatives. This would help

societies increase their turnover in non-credit business. Besides, there is scope for the societies to undertake marketing of members' produce as mentioned by us in Chapters 3 and 4.

36. If the societies are to function as multi-purpose units there are certain pre-requisites which have to be provided to each one of them such as full-time paid and adequately trained secretary, a godown-cum-office and a reasonably strong capital base, etc. These aspects are dealt with in the following paragraphs.

*Full-time paid secretaries*

37. After partial reorganization of societies, the total number of societies is 2349 as on 30 June 1978 of which 1382 are managed by full-time paid secretaries. The full-time secretaries are reported to be paid on an average Rs 150 per month and the part-time secretaries Rs 75 per month. In order to make the societies work as viable units discharging multifarious functions, we suggest that they should be provided with the services of full-time paid secretaries within a period of at least 2 years. But most of the societies in the state may not be in a position to afford to pay reasonable salaries to the full-time paid secretaries in the near future as their business turnover may not generate adequate income to cover the expenditure. Therefore, a scheme has to be devised to meet the cost of full-time secretaries suitably subsidised by the government during the initial years although the long-term objective should necessarily be to have self-supporting system.

*Common cadre scheme*

38. Presently each society is an independent entity for the purpose of meeting the cost of a full-time paid secretary. A society in a relatively less developed area will find it difficult to retain a secretary if the income from business turnover together with the managerial subsidy, if any, is inadequate for meeting the cost of the secretary. This arrangement may, therefore, have to be replaced by a system in which it will be possible to pool the income from all the societies not only in one district but all over the state, so that more prosperous and affluent societies share the burden to some extent of the less developed ones. This will

be possible if the secretaries of all the societies in the state belong to a common cadre and are paid from a common fund, to which the state/central co-operative banks, the societies as also the state government may make appropriate contributions. Such an arrangement in Himachal Pradesh is very much necessary as the level of loan business for a viable society has been accepted at the level of Rs 1 lakh i.e., 50 per cent of the normal level of loan business generally considered necessary for a society to pay for the secretary's services, miscellaneous expenses, contributions to the reserves, declaration of dividend etc. This would mean that initially most of the societies are unlikely to have adequate income of their own to meet their expenses and this would entail a heavy burden on the Himachal Pradesh Government if it is to subsidise individual units. As the work of reorganization of societies has almost been completed in most of the districts, we recommend that the state government should introduce a cadre scheme so that the benefit of the scheme is available to the societies from the initial stage of reorganization. We have recommended in paragraphs that follow the broad outline of the procedure for constitution and administration of the cadre.

*Constitution and administration  
of common cadre*

39. The Government of India have envisaged common cadre either at state level or central co-operative bank/district level. While we would leave it to the state government and the banks to decide about the alternative best suited to them for adoption, we would at the same time like to make certain suggestions in this behalf which may be taken note of while finalizing the common cadre scheme. For administering the common cadre there should be a state level committee which should formulate policies for the state as a whole and ensure their proper implementation and review the progress at suitable intervals. The state level committee should issue guidelines regarding the qualification and training of the employees, service conditions including scales of pay and the rates of contribution to be made by the various agencies such as



state co-operative bank, central co-operative banks, primary societies and the state government.

40. The administrative area of operation of the common cadre scheme may be confined to a district irrespective of the area of operation of the bank so that the comparatively low paid employees are not required to move from one district to another district on transfer. However, whenever an employee is likely to be promoted to a higher post, he may be required to move out of the district depending on the place where the vacancy has arisen.

41. There is an uneven development of co-operative credit business in the state. The business of the societies has been generally poor because of the absence of a qualified and competent full-time paid official to manage their affairs. If an employee from the common cadre who will be reasonably well-paid and properly trained, is posted to a society, it is certain that there will be an improvement in the society's business. As the societies are in different stages of development, it is suggested that the common cadre may have three categories of secretaries, viz., A, B and C with suitable running scales of pay. The secretaries of three categories may be posted to the societies depending on the volume of business. As in the case of secretaries, the societies should also be classified into A, B and C on the basis of their loan business as under :

- (A) Societies with loan business of Rs 2 lakhs;
- (B) Societies with loan business between Rs 1 lakh and Rs 2 lakhs; and
- (C) Societies with loan business up to Rs 1 lakh.

The business mentioned above includes both short-term as well as medium-term. As and when the business of the society increases beyond the level mentioned above, the category of the secretary may be changed. The business level achieved as at the end of 31 December and sustained for two consecutive years

should be the basis for posting the higher grade secretaries subsequently. Further, if the volume of credit business so warrants, which however is not a possibility in the immediate future, additional hands from the lower grades could be provided to assist the secretary in that society. The categorization of secretaries and classification of societies have been suggested with a view to providing promotional opportunities to the secretaries within the cadre itself and relating the grades to the work-load in the societies. Further, the services of the secretaries may be given weightage by the co-operative banks and the Co-operation Department when they recruit personnel in the categories of Clerks/Cashier and Supervisors.

42. It is considered desirable to have full-time paid secretary for every reorganized society from the very beginning itself. This necessitates immediate action for recruitment of required number of staff and arrangements for their training and posting. While recruiting the staff the employees already in the service of the societies may be considered for absorption subject to their suitability. The bank level administrative committees may screen such employees for absorption in the common cadre. The additional candidates recruited from the open market may be provided training before posting so that they are equipped to discharge responsibility as secretaries. It does not, however, mean that secretaries absorbed from the existing employees do not require any training but their training can be delayed as they have already acquired some experience. They should be deputed for suitable short-term training courses in a phased manner. As the facilities available for training are limited, a phased programme has to be drawn up to train the employees well in time. If necessary, the facilities available in this behalf in the adjoining states can be availed in consultation with the National Co-operative Union of India.

43. As stated in paragraph 38, a procedure has to be devised by means of which the deficits in societies in lesser developed areas can be off-set by the surpluses in societies in the affluent areas. The societies and the banks may be required to contribute to a Cadre

Fund from which the cost of secretaries could be met. The state and central co-operative banks and the societies may contribute to the Fund from the interest earned by them at 0.75 per cent and 1.75 per cent respectively out of their short-term and medium-term loans outstanding. In the case of the Himachal Pradesh State Co-operative Bank, the contribution may be related only in respect of its advances to societies and not to the central co-operative banks as an apex institution. We do not suggest contributions in relation to its advances to central co-operative banks as the state co-operative bank may be required to provide secretarial services to the state level committee when set up. The commercial/regional rural banks which may undertake financing of agriculture through primary agricultural credit societies may also be required to contribute to the cadre fund at the same rate as those of the state and central co-operative banks. The contributions should be pooled in an account styled "Common Cadre Fund Account" with the state co-operative bank. With a view to ensuring that the contributions to the Cadre Fund do not fall into arrears the recovery of such contributions should be termed as "Caderization Fees" and given precedence over the recovery of interest, other charges etc., and should have a first charge on the remittances by the societies to the financing agency.

44. On the basis of rates of contributions recommended by us as also the expenditure that may be required for payment of salaries to the common cadre secretaries we have examined the economics of the scheme in the following paragraphs. It may be noted that the contributions have been worked out in relation to the short-term loan business.

45. We have stated in Chapter 2 that the institutions i.e., both co-operative and commercial banks together may meet the production credit requirements of the order of Rs 17 crores by the end of 1982-3. In this respect, we have recommended in Chapters 5 and 6 that the Himachal Pradesh State Co-operative Bank, the Kangra Central Co-operative Bank and the Jogindra Central Co-operative Bank may meet these requirements to the extent of at least Rs 3.15 crores, Rs 3.60 crores and Rs 0.86 crore

respectively. Thus, co-operative banks are expected to lend support of the order of Rs 7.61 crores to the primary agricultural credit societies to meet the production credit requirements of agriculture. The primary agricultural credit societies in the state have as on 30 June 1978 deposits of the order of Rs 9.53 crores and share capital of Rs 3.90 crores. Besides, we have recommended later in this chapter strengthening of share capital base of the societies by way of government contributions. Thus, the primaries with the support from higher financing agencies together with their own resources could be expected to reach the level of Rs 17 crores by the end of June 1983. In view of this position, it is not considered necessary to take into account the share of commercial/regional rural banks in calculating the estimated contributions to the Cadre Fund. We have now calculated in Table 6 at page 185, the level of short-term agricultural outstandings that co-operative banks and primaries will reach each year from 1978-9 till 1982-3 with the base year as 1977-8 keeping in view the level expected to be reached by them by the end of June 1983. In this connexion it may be noted that figures relating to short-term agricultural loans outstanding in respect of Himachal Pradesh State Co-operative Bank and the Kangra Central Co-operative Bank are available as on 30 June 1979 and are less than the expected outstandings indicated in Table 6. We have not taken into consideration this position for the exercise in Table 6 as in totality the position will remain unchanged as banks are expected to make up for the short-fall in the subsequent years by correspondingly increasing their growth rate. On the basis of the above level of loan outstandings at each of the three tiers, the year-wise contributions to the Cadre Fund would be as in Table 7 at page 185.

46. All the societies which would be retained after the reorganization should have at least a C Grade secretary in the initial stages. However, for working out the economics of the scheme we have assumed that all the secretaries will be in position from the first year itself and the number of secretaries in Grades A,

TABLE 6

Rs Lakhs

Institution	Short-term (agri) loans outstanding as on 30-6-78	Approximate Annual Growth Rate (%) required to reach expected level of out- standings as on 30-6-83.	Estimated level of short-term outstandings as on 30 June				
			1979	1980	1981	1982	1983
Himachal Pradesh State Co-op. Bank	1.14	23	1.40	1.71	2.10	2.57	3.15
Kangra Cen. Co-op. Bank	1.69	16	1.97	2.29	2.66	3.10	3.60
Jogindra Primary Societies	0.43	15	0.49	0.57	0.65	0.75	0.86
	5.59	25	6.98	8.71	10.89	13.61	17.00

TABLE 7  
Contributions

Rs Lakhs

	1978-9	1979-80	1980-81	1981-2	1982-3
State and Central Co-operative Banks @ 0.75%	2.89	3.43	4.06	4.81	5.71
Societies @ 1.75%	12.21	15.24	19.06	23.82	29.75
<b>Total</b>	<b>15.10</b>	<b>18.67</b>	<b>23.12</b>	<b>28.63</b>	<b>35.46</b>

B and C will be at 100, 300 and 1329 respectively. The total expenditure on the secretaries has been assumed at the average rate of Rs 2600 per annum per secretary for the next five years. On this basis, the expenditure on the secretaries *vis-a-vis* the

contributions from institutions to the Cadre Fund would be as in Table 8.

TABLE 8

Year	Estimated expenditure	Estimated contributions	Rs Lakhs	
			Surplus (+) Deficit (-)	
1978 - 9	45.03	15.10	(--)	29.93
1979-80	45.03	18.67	( --)	26.36
1980-81	45.03	23.12	(—)	21.91
1981 - 2	45.03	28.63	( -)	16.40
1982 - 3	45.03	35.46	( -)	9.57

47. It will be seen from Table 8 that in the initial period the deficit in cadre fund will be very heavy. However, this would not be the position in actual practice as not all the secretaries will be in position, as assumed by us, from the beginning itself as recruitment, training and posting of secretaries would take some time. Further, in these calculations we have not taken note of the medium-term loan business on which the contributions will be collected. Thus, the deficit shown in the cadre fund will be further reduced and may even be wiped out when a note is taken of the medium-term loan business. In Chapter 2, we have indicated that the medium-term credit requirements could be of the order of about Rs 11 crores. Thus, the economics of the scheme emphasizes the need for all-out efforts to achieve the estimated level of credit business. The rates of contribution by the banks and the societies are recommended at a higher level as their stakes in development of business are high. At the same time any further upward revision in the rate of their contribution would affect their working results. As the co-operative institutions are destined to play a very vital role in the economic development of the state and as the state government too has got a very high stake in the proper functioning of the institutions, we suggest that the state government should come forward with a scheme of liberal

subsidy to meet the deficit in the Cadre Fund where necessary. The state government may seek the assistance of the Government of India also in this regard. The state government is already providing managerial subsidy for potentially viable societies. In the year 1976-7, a sum of Rs 2.17 lakhs was made available for the purpose. For the years 1977-8 and 1978-9, the provision is at Rs 5.75 lakhs and Rs 12.00 lakhs respectively. Under the common cadre scheme, the subsidy amount would be channelled to a single point wherefrom it will be distributed to different societies. Unless such an arrangement is made there is no scope for posting full-time secretaries to the societies and without the services of full-time paid secretaries the chances of societies attaining viability by attending to several activities are remote. A measure to reduce the cost under the common cadre scheme is either to reduce the emoluments of the employees or to reduce the number of secretaries which would call for reduction in the number of societies. Both these alternatives do not appear feasible. The remuneration suggested is considered reasonable to attract suitable candidates for manning the affairs of the societies. The possibility of reduction in the number of secretaries is not visualised as the work of reorganization has made considerable progress and the number of societies expected to function ultimately would be 1732 requiring the services of equal number of full-time paid secretaries as assumed by us. The only course of action left is subsidising the cost by the state government in case of short-fall. The government subsidy could be reduced if the societies attain a higher level of short-term as well as medium-term loan business envisaged by us. In the case of societies in tribal areas where the loan business is less, the assistance under Tribal Sub-Plan can be utilised for subsidy.

48. In this context the question of primary co-operative societies handling the long-term loan business also is relevant. The societies' contribution could go up when they begin to handle long-term loan business as recommended later in Chapter 8 and help further to reduce the element of subsidy from the state government to the cadre Fund.

49. As the societies are to function as multipurpose units, it may be necessary to have additional hands to attend to the non-credit business. It is assumed that the cost on this account would be met from the earnings out of non-credit business and, therefore, they would be self-balancing.

#### *Office and Godown*

50. Each reorganised society is expected to have an office of its own and a godown to store fertilizers, seeds and other provisions, etc. Out of 2349 societies as on 30 June 1978, 694 societies owned godowns, while 810 societies hired godowns. To enable primary societies to have their own godowns, the state government may draw a plan for construction of godowns for each society. The state government can grant a part of the cost as loan and the balance as subsidy and may also seek suitable assistance from the National Co-operative Development Corporation in this behalf under the Rural Godowns Scheme. Many societies also do not have premises for their offices and as such it will be necessary to provide accommodation for the purpose. To help societies with a suitable design for the building which could have a provision both for godown and office as also to guide the societies in construction of such premises, the state government may establish a technical cell with adequate complement of staff in the Registrar's Office. Such a scheme is in a vogue in Tamil Nadu and states like Uttar Pradesh and Madhya Pradesh are also reported to have adopted the scheme.

#### *State participation*

51. As on 30 June 1978, out of 2349 societies, 700 have received share capital contribution of Rs 31.75 lakhs from the state government. The district-wise position, however, is available in this regard only as on 30 June 1977 and is given in Annexure 27. It is suggested that the state government may contribute up to Rs 25,000 to each of the reorganized society towards strengthening of its owned funds. Thus, for 1732 reorganized societies a maximum contribution will be Rs 433.00 lakhs as against which Rs 31.75 lakhs have been already contributed by the state government by the end of June 1978. The Reserve Bank may take a liberal view in this behalf provided the state government completes reorganisation of societies and introduces a common cadre scheme for posting a full-time paid secretary to each of the societies.



## Chapter 8.

### INTEGRATION OF LONG-TERM AND SHORT-TERM CO-OPERATIVE CREDIT STRUCTURES

1. The term of reference No. (v) requires us to study the financial position and working of primary agricultural credit societies with a view to suggesting measures to make each one of them a viable unit which may include societies undertaking the functions of providing long-term agricultural credit in addition to short-term and medium-term credit facilities. We have in this chapter dealt with the aspect of integration of the short-term and long-term co-operative credit structures.

2. In the initial stages of the co-operative movement in the country, primary co-operative agricultural credit societies were permitted to advance long-term loans also along with short-term loans. They, however, could not provide long-term finance on any appreciable scale due to lack of resources and inability to handle long-term credit business. Hence separate institutions, namely land mortgage banks came into existence in various parts of the country but working of these institutions was not smooth and it suffered from various deficiencies. The All India Rural Credit Survey Committee 1954 had observed that the land mortgage banks raised inadequate funds in a manner ill-related to demand and usually lent them in a manner un-coordinated with development, acted as if prior debts, and not production, had prior claims on their attention, reached mainly the bigger cultivators and that too late. Although the Committee was critical of the working of land mortgage banks it appreciated their role in development of agriculture and recommended their establishment in each state and offered suggestions to make these institutions purposive. In pursuance of the recommendations of this Committee the emphasis was shifted from land mortgage banking to land development banking.

3. The long-term credit structure in Himachal Pradesh is the combination of the unitary and federal types. In February 1961, the Himachal Pradesh Central Co-operative Land Development Bank Ltd. (since re-named as Himachal Pradesh Central State Co-operative Land Development Bank) was registered extending its jurisdiction over the whole of the state. However, with the Kangra district of Punjab becoming a part of the Himachal Pradesh in November 1966 the Kangra Co-operative Primary Land Mortgage Bank (now re-named as Kangra Co-operative Primary Land Development Bank) operating in that district came to be affiliated to the Himachal Pradesh Central State Co-operative Land Development Bank. Of the 12 districts in the state, three districts, namely Kangra, Una and Hamirpur are served by 3 branches including head office of the Kangra Co-operative Primary Land Development Bank Ltd. while the remaining 9 districts are served by 16 branches including head office of the Himachal Pradesh Central State Co-operative Land Development Bank Ltd. The Kangra Co-operative Primary Land Development Bank has opened a new branch in March 1979 at Palampur.

4. Land development banks were expected to play an important role in the provision of long-term credit to cultivators for investment in agriculture, during the Fifth-Plan period (1974-5 to 1978-9). They were also to play a prominent role in the financing of agricultural credit projects sanctioned by the International Development Association, an affiliate of the World Bank. In view of this, it was considered necessary to have a thorough examination of the various aspects relating to the working of the land development banks with a view to ensuring that the institutions lent the expected support. Accordingly, the Reserve Bank of India set up in March 1973 a Committee on Co-operative Land Development Banks to identify specific problems of areas where there was need for improvement and measures required to be taken for the purpose. The Committee examined the co-operative land development banking structure in 9 co-operatively less developed states including Himachal Pradesh and 9 smaller states and union territories.

5. The Land Development Banks Committee had constituted separate study groups for a detailed study of the working of Land Development Banks in each of the co-operatively less developed states. Major deficiencies noted broadly by the Study Group for Himachal Pradesh in the working of the central and primary land mortgage banks in the state were a weak capital base, heavy overdues, poor management of funds and inadequate staff for appraisal of schemes and for supervision. In regard to the Himachal Pradesh Central State Co-operative Land Development Bank the Study Group had noted that the bank's lack of supervision over the end-use of credit had resulted in the misutilization of loans for purposes like construction of godowns, cattle sheds, farm houses, etc. The defective policy of fixing the instalments of repayment without taking note of the initial gestation period considered necessary for deriving benefits from the proposed development had resulted in overdues and consequently affected the bank's ability to raise resources. Precautionary measures suggested while dealing with the loan applications and disbursement of loans for purposes such as purchase of oil engines, pump-sets, electric motors, etc. were not observed by the bank. No action had also been initiated for adopting a scientific method for valuation of hypotheca and the bank continued to value the land on the basis of sale statistics instead of relating it to the incremental income after development. The lack of adequate staff to exercise effective supervision over the working of branches and laxity in recovery operations also contributed to the continuous rise in overdues. More or less similar defects were noticed in the working of the Kangra Co-operative Primary Land Development Bank Ltd.

6. The Land Development Banks Committee noted that the co-operative land development banking structure would have to be made strong to enable it to undertake the onerous responsibilities to support the programme of agricultural development. The Committee, therefore, felt that since the working of the land development banks was, by and large, unsatisfactory and the banks had ceased to give any effective support to the programmes of

agricultural development in the state, there were distinct advantages in bringing about immediate integration of short-term and long-term credit structures in the state. The integration would enable the two structures to play an effective role in meeting the credit needs of cultivators for production and development. At the same time the Committee also recommended certain measures to help remove the internal weaknesses of the land development banking structure to avoid integration of a weak structure which may wreck the successful functioning of the integrated institution. The Committee recommended that the state government may set up another committee to work out the details of the merger. This recommendation of the Land Development Banks Committee for integration at all the levels in the state of Himachal Pradesh has been endorsed by the Committee on Integration of Co-operative Credit Institutions appointed in September 1975 by the Reserve Bank under the chairmanship of the then Deputy Governor of the Bank, Dr R. K. Hazari.

7. The Reserve Bank has taken up the matter regarding integration of the two structures with the Government of Himachal Pradesh. However, the Government of Himachal Pradesh has not responded to this move favourably and the position has, therefore, remained unchanged. With this background in view we have examined the present state of affairs obtaining in the working of the land development banking structure in the state.

8. The state of affairs of the Himachal Pradesh Central State Co-operative Land Development Bank and the Kangra Co-operative Primary Land Development Bank could be seen from the information furnished for the period between 1972-3, the period upto which the Land Development Banks Committee had reviewed the bank's working and 1977-8.

9. It will be seen from Annexure 28 that the overall progress of the central land development bank is far from satisfactory. Although the paid-up capital of the bank increased from Rs 18.53 lakhs as on 30 June 1973 to Rs 48.04 lakhs as on 30 June 1978, its reserves and other funds could not register any appreciable

increase. As a matter of fact they have stagnated at Rs 2.33 lakhs during the period 1975-6 to 1977-8. The increase in the share capital is mainly accounted for by the share capital contribution of Rs 25 lakhs received by the bank from the state government during the period under review. The loans outstanding against members increased from Rs 167.43 lakhs as on 30 June 1973 to Rs 231.85 lakhs as on 30 June 1978. The loans issued have increased from Rs 12.95 lakhs in 1972-3 to Rs 37.58 lakhs in 1977-8. The loans issued in 1978-9 are, however, of the order of Rs 18.07 lakhs only.

10. The performance of the Kangra Co-operative Primary Land Development Bank as may be seen from Annexure 29 is similarly not satisfactory. Its membership increased from 991 to 1613 during the period from 1972-3 to 1977-8. The owned funds stood at Rs 4.77 lakhs as on 30 June 1978. Its outstanding borrowings at Rs 48.56 lakhs as on 30 June 1978 exceeded its loans outstanding at Rs 43.45 lakhs as on that date. Similar was the position in 1976-7. This is indicative of the fact that the bank is not managing its resources judiciously. The loss of the bank is increasing year after year. The percentage of overdues to demand has been around 40 during the last three years from 1975-6 to 1977-8.

11. The main reason for the tardy growth of both the banks is increase in overdues. The total overdues of the Himachal Pradesh Central State Co-operative Land Development Bank which had declined from Rs 27.09 lakhs as on 30 June 1973 to Rs 22.47 lakhs as on 30 June 1976 have been rising since then and stood at Rs 37.62 lakhs as on 30 June 1978 and formed 57 per cent of the demand. The Kangra Co-operative Primary Land Development Bank's overdues have increased steeply from Rs 0.75 lakh as on 30 June 1975 to Rs 2.26 lakhs as on 30 June 1977 and further to Rs 3.58 lakhs as on 30 June 1979. The period-wise break-up of overdues available for the years as on 30 June 1975 and 30 June 1977 in respect of Himachal Pradesh Central State Co-operative Land Development Bank and the Kangra Co-operative Primary Land Development Bank is given in Table 1.

TABLE 1

Rs Lakhs

Period	Overdues as on 30 June			
	1975		1977	
	HPCSCCLDB	KPLDB	HPCSCCLDB	KPLDB
Less than one year	9.80	0.39	11.60	0.89
Between one and two years	6.48	0.15	8.70	1.13
Between two and three years	4.95	0.21	4.59	0.24
Above three years	5.55	—	4.62	—
<b>Total</b>	<b>26.78</b>	<b>0.75</b>	<b>29.51</b>	<b>2.26</b>

It will be seen from Table 1 that the central land development bank's overdues over one year increased from Rs 16.98 lakhs as on 30 June 1975 to Rs 17.91 lakhs as on 30 June 1977 and formed 60.6 per cent of total overdues as on that date. The increase in overdues for less than one year, however, was more as they rose from Rs 9.80 lakhs to Rs 11.60 lakhs during the same period. As regards the Kangra Co-operative Primary Land Development Bank there was a steep increase in its overdues between 1 and 2 years from Rs 0.15 lakh as on 30 June 1975 to Rs 1.13 lakhs as on 30 June 1977.

12. Increasing overdues of the bank affected considerably the eligibility for lending of its various branches including that of the Kangra Co-operative Primary Land Development Bank during the year 1977-8 as may be seen from Table 2.

TABLE 2

Lending programme as percentage of loans advanced during the preceding year	No. of branches
(i) Unrestricted	1
(ii) 80 %	3
(iii) 70 %	2
(iv) 60 %	2
(v) 50 %	4
(vi) Nil	8
	<b>20</b>

As many as 8 out of 20 branches were not having eligibility for lending during the year 1977-8 while only one branch had eligibility for unrestricted lending programme.

13. The decline in eligibility for lending programme has further restricted the ability of the bank to float debentures according to targets fixed therefor. Details of the targets and achievements under ordinary and special debentures programmes during the period 1974-5 to 1978-9 are given in Table 3. It may be seen from Table 3 that the floatation of debentures was much below the approved programme/target.

TABLE 3

Rs Lakhs

Year	Ordinary debentures		Special debentures	
	Approved programme	Actually floated	Targets	Achievements
1974-5	40.00	21.00	35.00	5.00
1975-6	25.00	14.40	50.00	4.59
1976-7	25.00	18.00	60.00	2.68
1977-8	30.00	13.00	50.00	9.00
1978-9	30.00	16.00	55.00	8.00

14. The branches of the banks are one-man offices with an Assistant Land Valuation Officer in charge of each office. The entire working of the Himachal Pradesh Central State Co-operative Land Development Bank is concentrated at its head office at Simla. This entails delay in sanction and disbursement of loans. Besides, no proper safeguards are taken before and after the issue of loans. As such the supervision over utilization of loans and recovery campaigns have not been effective. Similar is the position in respect of the Kangra Co-operative Primary Land Development Bank also. Thus, it is amply clear that both the land development banks i.e., central and primary are very weak,

operationally as well as financially. The weak capital base, tardy growth of loans and advances, mounting overdues and ineligibility to float debentures have caused considerable deterioration in the financial position of the banks. The short-term credit structure has its own weaknesses and problems which have been discussed by us in Chapters 5 and 6. The plight of primary agricultural credit societies is none too happy as may be seen from Chapter 7. The state has its peculiar problems due to hilly terrain and sparsely populated villages scattered on higher altitudes. The number of societies can neither be appreciably increased nor reduced. Any increase in number of societies will further reduce the loan turnover of societies while reduction in their number will create problem of distance for members from villages affiliated to them. As such the remedy lies in exploring possibilities of increasing the loan turnover of societies which will be feasible in case long-term loans are also routed through primary agricultural credit societies which would work as multi-purpose societies. This would help lighten the burden of the state government which has to subsidise the common cadre scheme for secretaries for meeting the deficits in the cadre fund.

#### *Conclusions and Recommendations*

15. It will be evident from the foregoing that the co-operative banking structure in the state is weak but it will have to be made strong to enable it to undertake the onerous responsibilities cast upon it in meeting the large credit gap. The prevailing conditions present the imperative need for integration of the short-term and long-term co-operative credit structures without which the two separate structures in the state do not hold any prospect of becoming strong and effective. Keeping the conditions in the Himachal Pradesh in view, as already stated in paragraph 6 above, the Committee on Co-operative Land Development Banks has recommended the integration of short-term and long-term structures in the state. A high Level Group of Experts for appropriate Institutional Structure of Rural Credit headed by Shri T. A. Pai, the then Minister for Industries had also favoured the integration of short-term and long-term wings of the co-operative agricultural credit structure at the primary level from the view point of the



convenience of the farmers and the prospect of viability of primary agricultural credit societies. In February 1975, the Government of India recommended the Group's suggestion for adoption by all state governments. The Madhya Pradesh Study Team which examined the possibility of integration at the district level observed that "integration of the two wings of the co-operative agricultural credit structure at the district level will, as in the case of commercial banks bring about a qualitative improvement in the staffing pattern of the integrated unit without any extra cost and, therefore, has to be preferred to the removal of the short-term credit institution at the district level from the scene altogether in the case of the districts wherein the existing central co-operative bank has no future." (Page 65).

16. Further, as stated in paragraph 6, more recently, the Committee on Integration of Co-operative Credit Institutions has endorsed the recommendation for integration made by the Land Development Banks Committee in regard to Himachal Pradesh. The Committee has further favoured the integration in general and has observed that "in the context of national agricultural policy, from the point of view of the farmers' convenience, of taking a comprehensive view of borrowers' requirements, of closer supervision over the end-use of the credit, of improvements in the quality of loans advanced and of better financial discipline among the borrowers, of the cost advantages accruing through better management and better deployment of funds etc., the case of integration at all levels in the two wings of co-operative credit structure is well established." (page 73).

17. Keeping in view the prevalent conditions in the state, the weaknesses of the co-operative banking structure, the state's topography, the unwieldy area of operations of branches of land development banks, etc., the following conclusions emerge for the integration of the short-term and long-term credit structures in the state.

(i) Although agriculture is one of the priority sectors, the co-operative banking structure in the state has not been able to

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lend adequate support for meeting the credit requirements of agriculture.

(ii) A cultivator is required to approach two different institutions for meeting his short-term and long-term credit requirements. This affects his agricultural operations which cannot be postponed merely for the reason that paper formalities from the two structures cannot be completed in time to meet his requirements. The alternative, therefore, lies in a common source of credit to meet short-term and long-term requirements.

(iii) The land development bank in the state is so weak that it is unable to open full-fledged branches all over the state. Its lending operations are not making any headway due to lack of timely sanction and disbursement of loans, poor supervision over the end-use of credit and increasing overdues.

(iv) The short-term credit structure has a good coverage with its wide branch net work and could be gainfully utilized for attending to the long-term loaning as well.

(v) The existing resources of the short-term credit structure which are surplus in some areas could be utilized to overcome the shortage of funds felt by long-term credit structure which is adversely affecting their loaning programme.

(vi) The enhanced disbursement of long-term loans will generate further demand for short-term and medium-term loans.

(vii) The increase in loan turnover for short, medium and long-term purposes, when routed through the re-organised primary agricultural credit societies will enable them to attain a viable status.

(viii) The merger will avoid great inconvenience to farmers who have now to traverse long distances in hilly areas to approach branches of land mortgage banks to avail themselves of long-term loans.

(ix) The supervision over utilisation and recovery of loans will be facilitated as there will be one integrated agency to issue all types of loans.

18. In the light of the position brought out in the above paragraphs it may be concluded that short-term and long-term credit structures cannot continue as separate entities in the interest of

agricultural development in the state as neither of them are effectively performing the functions expected of them. The integrated structure can become an economic proposition and attain viability comparatively within a shorter period. It is, therefore, recommended that short-term and long-term credit structures should be integrated.

*Phasing of integration*

19. It may be stated that the integration cannot be brought about at all levels simultaneously. The process has to begin first at the base, namely at the primary level. Even for bringing about integration at the primary level it pre-supposes reorganization of primary agricultural credit societies served by a full-time paid secretary with proper basic training in functions expected to be undertaken by him including handling of long-term credit business. The integration should, therefore, normally be preceded by reorganisation of primary agricultural credit societies and training of their secretaries. Progress in this regard would, therefore, depend upon the speed with which reorganisation of primary agricultural credit societies is effected. We, therefore, once again urge the state government to complete reorganization expeditiously and do not increase the number of reorganized units beyond 1732 as already decided. It would be advantageous if integration is carried out along with the reorganisation of primary agricultural credit societies.

20. In this behalf we suggest that pending integration of the two structures at all the levels a beginning might be made immediately at the primary level on the lines indicated below :

(i) The societies may forward the loan applications after the preliminary scrutiny to the nearest branch of the land mortgage bank for further necessary action.

(ii) Loans when sanctioned may be disbursed by the land development bank through the concerned society.

(iii) The societies may be provided funds by the land development bank for the purpose of long-term loans. The amount of loans sanctioned may be credited to the account of the societies

with central banks to help societies to have dealings only with one bank.

(iv) The societies may obtain necessary documents on disbursement of loans and send them on to the branch of the land development bank.

(v) The rate of interest may be the same as at present for the ultimate borrower but societies should be compensated, for the additional work handled, by the land development bank.

(vi) The existing supervision machinery with the land development bank is inadequate or is almost absent and appointment of its own supervisory staff is not considered a feasible proposition. The land development bank should, therefore, rely in this matter on the supervisory machinery of the short-term credit structure and pay a suitable fee in relation to the loan amount. This would obviate the necessity on the part of the land development bank to have additional staff. At the same time, the supervisory machinery of state and central banks will not also be over-burdened as this work would only be incidental to their regular job. The land development bank can take care of the problems relating to technical matters with the help of its own technical staff. This arrangement can be implemented as a transitory measure.

21. The additional work involved in long-term lending for primary agricultural credit societies may not require appointment of additional staff at least in the short run as the society would be expected only to collect loan applications, make a preliminary scrutiny, disburse instalments of loans, do the *prima facie* verification and recovery of loans. This would, however, necessitate special training being imparted to the secretary of the society which could be conveniently arranged by the state government either as a part of the training that will be imparted to cadre secretaries or by arranging special short-term courses for the purpose. In such cases, initially, the secretaries of those societies which are selected to route long-term loans may be given preference over others in regard to training.

22. The integration at the higher levels could be taken up soon after the integration is brought about at the primary level. We further commend that for implementing the arrangements regarding routing of long-term finance through societies as suggested by us and to bring about the integration at all levels the Government of Himachal Pradesh may set up a committee comprising the representatives of the state government and the concerned institutions. In this connexion the guidelines provided by the Committee on Integration of Co-operative Credit Institutions, 1976 may be followed.

## Chapter 9

### ALTERNATIVE INSTITUTIONAL ARRANGEMENTS FOR FINANCING AGRICULTURE

1. In this chapter, we have dealt with that part of the term of reference No. (ii) which requires us to suggest alternative institutional arrangements in areas of agricultural development where in our opinion, the co-operative credit structure will not be in a position in the near future to meet the requirements of agricultural credit and the term of reference No. (iv) under which we are required to examine and consider extension of the scheme of financing agriculture by commercial banks through primary agricultural credit societies to such areas in the state.

2. In Chapter 2, the total production credit requirements to be met by institutional agencies in the state have been placed by us at Rs 17 crores. In Chapters 5 and 6 on state and central co-operative banks, we have estimated that these banks would meet the short-term production credit requirements to the extent of Rs 7.61 crores (i.e., Rs 3.15 crores, Rs 3.60 crores and Rs 0.86 crore by the Himachal Pradesh State Co-operative Bank, the Kangra Central Co-operative Bank and the Jogindra Central Co-operative Bank respectively) by 1982-3. Further, the primary agricultural credit societies in the state particularly from the area of the Kangra Central Co-operative Bank have sizeable deposit resources. The total deposits of primary agricultural credit societies in the state as on 30 June 1978 were of the order of Rs 9.53 crores. The reorganized societies are also to be given share capital assistance as recommended in Chapter 7. We, therefore, assume that the primary societies will be able to achieve the production credit business of Rs 17 crores by the end of 1982-3 with the assistance of Rs 7.61 crores from higher financing agencies together with their own involvement of about Rs 9 crores. Incidentally, as stated in Chapter 7 the norm of viability with reference to loan

business alone is Rs. 1 lakh and Rs 0.50 lakh per society in non-tribal and tribal areas respectively and accordingly 1732 societies have been identified (1521 in non-tribal areas and 211 in tribal areas) for retention. If each of the societies attains the above level of loan business in respect of production credit alone the total production credit outstandings will exceed Rs 16 crores by the end of 1982-3. However, a short fall in the expected support from both the co-operative banks and primaries, for some reason or the other cannot be ruled out. Further, it may be noted that in Chapter 2 we have estimated that the institutional agencies may have to meet the total production credit requirements of the order of Rs 51 crores ultimately. Besides, the medium-term agricultural credit requirements have also been placed at about Rs 11 crores. In the circumstances, alternative institutional agencies namely commercial banks and regional rural banks could be expected to supplement the efforts of co-operatives in the field of agricultural credit. In this chapter, we have first assessed the role played so far by these agencies in meeting the requirements of agricultural credit in the state and then offered our suggestions for enabling these institutions to play a more important role in meeting the credit requirements of agriculture adequately.

#### *Operations of commercial banks*

3. Of the 15 commercial banks operating in Himachal Pradesh, 10 are in the public sector. Under the Lead Bank Scheme, 3 commercial banks have been designated as lead banks for different districts as indicated in Table 1 at page 204.

4. As on 30 June 1978, there were 292 offices of commercial banks in the state. The district-wise position of commercial banks' offices, their distribution among rural, semi-urban and urban centres and population per branch office is, however, available as on 30 June 1977 which is given in Table 2 at page 204. The average population per branch office which was 14 thousand as on 30 June 1977 has come down to 12 thousand as on 30 June 1978. The national average as on 31 December 1977 was 20

TABLE 1

Name of the Lead Bank	Districts Assigned
State Bank of India	Chamba
	Lahaul and Spiti
Punjab National Bank	Hamirpur
	Kangra
	Kinnaur
	Kulu
	Mandi
	Una
United Commercial Bank	Bilaspur
	Simla
	Sirmur
	Solan

TABLE 2

*District-wise position of commercial bank  
offices as on 30 June 1977*

District	Number of offices				Average population per branch office
	Rural	Semi-Urban	Urban	Total	
					(*000)
Bilaspur	10	—	—	10	19
Chamba	11	4	—	15	17
Hamirpur	10	—	—	10	30
Kangra	55	6	—	61	13
Kinnaur	1	—	—	1	50
Kulu	15	—	—	15	13
Lahaul & Spiti	2	—	—	2	12
Mandi	20	14	—	34	15
Simla	26	18	—	44	10
Sirmur	14	4	—	18	14
Solan	23	6	—	29	8
Una	14	—	—	14	16
State	201	52	—	253	14



thousand population per office. This is indicative of the fact that the state as a whole is relatively better served by the bank net-work. Among the districts, Kinnaur and Hamirpur districts are relatively underbanked. Kinnaur is a less developed district and is also identified as a tribal district.

5. The deposits mobilized and advances made by commercial banks in the state stood at Rs 9168.48 lakhs and Rs 2012.60 lakhs respectively as on 30 June 1977 with the credit-deposit ratio at 22 per cent for the state as a whole as against the all-India credit deposit ratio of 67 as on 31 December 1977. The outstanding advances for agriculture amounted to Rs 457.48 lakhs as on that date forming 22.7 per cent of total advances. The district-wise position of deposits and agricultural and other advances as on 30 June 1977 is given in Table 3.

TABLE 3

*District-wise position of deposits and advances of commercial banks as on 30 June 1977*

District	No. of branches of commercial banks	Deposits	Rs Lakhs			
			Outstanding loans		Average per branch office	
			Total	Of which agricultural	Deposits	Loans outstanding
Bilaspur	10	173.15	26.21	3.85	17.31	2.63
Chamba	15	307.54	45.94	5.42	20.50	3.06
Hamirpur	10	409.84	45.72	11.78	40.98	4.57
Kangra	61	2553.55	250.16	77.48	41.86	4.10
Kinnaur	1	15.60	1.50	—	15.60	1.50
Kulu	15	320.09	98.24	24.78	21.34	6.55
Lahaul & Spiti	2	30.97	1.94	0.26	15.49	0.97
Mandi	34	849.28	167.53	33.04	24.82	4.92
Simla	44	2995.29	791.63	101.00	68.07	17.99
Sirmur	18	347.01	245.38	142.46	19.28	13.63
Solan	29	750.03	250.04	42.82	25.86	8.62
Una	14	416.13	88.31	14.59	29.72	6.31
<b>Total</b>	<b>253</b>	<b>9168.48</b>	<b>2012.60</b>	<b>457.48</b>	<b>36.24</b>	<b>7.95</b>

*Regional Rural Bank*

6. The regional rural banks which are basically scheduled commercial banks have been established under a separate legislation following the recommendation of the Working Group constituted by the Government of India in 1975. These banks are primarily expected to finance small / marginal farmers, agricultural labourers, rural artisans and small entrepreneurs.

7. In Himachal Pradesh one rural bank namely Himachal Gramin Bank sponsored by the Punjab National Bank has been established in December 1976 covering Mandi district. The bank had 15 branches as at the end of December 1978. Its deposits as on that date were of the order of Rs 75 lakhs and its outstanding advances at Rs 42 lakhs formed 55 per cent of the deposits. Advances outstanding against small and marginal farmers and landless labourers amounted to Rs 29 lakhs forming about 70 per cent of the total outstanding loans.

*Estimation of resources*

8. Deposits raised by commercial banks in the state which stood at Rs 5957 lakhs as at the end of December 1973 increased to Rs 9168 lakhs as on 30 June 1977 giving an annual growth rate of about 15 per cent and could be expected to be maintained by the banks. On this basis, deposits of commercial banks would reach a level of over Rs 180 crores by 1983. Assuming that credit-deposit ratio of 60 per cent would be achieved by them, one-third of the total outstanding advances would be for priority sectors and half of these would be for agriculture, commercial banks could be expected to spare Rs 18 crores for financing agriculture by 1982-3.

9. The question that needs consideration is the manner in which co-ordination should be brought about in financing agriculture by commercial and co-operative banks. The earlier Study Teams appointed by the Reserve Bank of India for states like Rajasthan, Madhya Pradesh, Bihar and Uttar Pradesh have stated that retailing of agricultural credit directly to individual cultivators on any appreciable scale is not a feasible proposition for

commercial banks. They do not possess the organizational set-up to reach out to the vast number of small and scattered cultivators and establish grass-root contacts. Also, on account of their high overheads, purveying of agricultural credit directly especially of small amounts to large number of cultivators is not economical for commercial banks. In a state like Himachal Pradesh conditions such as difficult terrain, sparsely populated and remote villages, small holdings and inadequate transport and communication facilities further aggravate the problem of overhead costs and impede direct retailing of agricultural credit by commercial banks. We cannot, therefore, expect any significant expansion in the provision of credit for short-term agricultural purposes by commercial banks if they are left to operate directly in this field.

*Scheme of financing primary agricultural credit societies by commercial bank.*

10. The Study Group of the National Credit Council set up by the Government of India in 1969 had suggested that commercial banks might consider financing primary agricultural credit societies in areas where for some reason or the other, central co-operative banks were unable to provide necessary financial support to affiliated societies. This was considered advantageous as commercial banks would then be provided with a net-work of retail outlets in the form of viable primary agricultural credit societies to reach the cultivators spread over thousands of villages. Accordingly, the scheme of financing primary agricultural credit societies by commercial banks was formulated and introduced in 1970 initially in 5 states, and by the end of December 1979 it was in operation in 13 states/union territories, which, however, do not include Himachal Pradesh. The experience in most of these states is not very encouraging as the operation of the scheme is generally poor both qualitatively as well as quantitatively.

11. The earlier Study Teams for states like Madhya Pradesh, Bihar and Uttar Pradesh which examined the implementation of the scheme of financing societies by commercial banks in the respective states have noted that the scheme has not made much

headway in those states and one of the main causes for the poor progress was the conflict between the concerned parties about the selection of societies for transferring to commercial banks and taking over their existing liabilities. With a view to overcoming the difficulties in speedier involvement of commercial banks in the sphere of financing agriculture through primary agricultural co-operative credit societies, the Study Teams suggested certain alternatives. We would particularly refer to the alternative of the consortium/participation arrangement between commercial and co-operative banks. The broad features of this arrangement and advantages accruing from such an arrangement as given by the Study Team on Madhya Pradesh are given below :

I. *Broad features of the consortium/  
participation arrangement*

(a) *Selection of societies/areas for  
financing under the arrangements*

It is administratively convenient to adopt an area approach for this purpose also. Instead of adopting societies from select compact areas for financing, the commercial bank may take up, say one or more extension block/s in the district. It may select such blocks as are convenient from the view point of proximity/communication from its branch office, headquarters, etc. It will be the 'leader-bank' in such blocks. Similarly the central co-operative bank can also be the 'leader bank' in some other blocks. There will not be any selection of societies in these blocks and all agricultural credit societies satisfying the usual norms will be eligible for serving by the concerned 'leader bank' in the block. The number of blocks in a district to be covered by the consortium or participation arrangements may be linked to the extent of credit gap and the extent of role assigned to commercial banks in each district.

(b) *Credit appraisal, sanction of  
limits and disbursements*

Both the participating banks will follow common procedures regarding the preliminary credit assessment of cultivator members of societies for crop loans as well as term loans, preparation of normal credit limit (NCL) statement, sanction of credit limits, final disbursement in cash and kind to the concerned members etc. as envisaged under the production-oriented system of lending. The final appraisal and sanction may be done jointly by participating banks on the basis of approved norms. On joint approval of the NCL statements, disbursements to the societies may be made by the 'leader

bank'. Credit limits to the full extent of the approved scales of finance can be sanctioned, as with the participation arrangement, there will not be paucity of resources.

(c) *Method of sharing lendings and recoveries*

The next question is about the nature of financial involvement of the participating banks namely in what manner or proportion the lendings to societies in a block may be shared. While this will depend on the resource position of participating banks, it will be preferable to make it on a 50:50 basis with a view to securing equal rights to them *inter se*. In deciding the share of the central co-operative banks loans outstanding including overdues against the societies in the block will have to be reckoned. Thus, for example if there are 20 societies in a block for which a commercial bank is the 'leader bank' and the outstandings of the central co-operative bank against these societies are Rs 2.00 lakhs and if it is agreed to make fresh advances to the extent of say, Rs 10.00 lakhs the total lendings will be Rs 12.00 lakhs. On a 50:50 basis, the central co-operative bank's share would be Rs 6.00 lakhs. As it had already outstandings of Rs. 2.00 lakhs, the central co-operative bank will pass on only Rs 4.00 lakhs to commercial bank, which as a 'leader-bank' will lend together with its own share of Rs 6.00 lakhs, Rs 10.00 lakhs to the societies. The recoveries from these societies, out of the total loans of Rs 12 lakhs, will be shared between the two on 50 : 50 basis. Thus if only Rs 8.00 lakhs are recovered, the commercial bank will retain Rs 4.00 lakhs and pass on the balance of Rs 4.00 lakhs to the central co-operative bank. It may be noted that under such an arrangement there is no question of, or no need for, taking over of the existing liabilities of societies to the central co-operative bank by the commercial bank. If, however, the outstandings of a central co-operative bank against the societies located in an area identified for consortium/participation arrangement include overdue loans, such loans may be excluded from the amount to be shared between the two banks. In other words, the overdue loans may continue to be borne on the books of the central co-operative bank.

(d) *Supervision over societies*

The joint supervision over the societies financed by banks under the arrangement may be preferable but not practicable and will mean duplication of efforts. Supervision can, therefore, be the sole responsibility of the 'leader-bank'. Where the commercial bank does not have the necessary complement of staff for supervising the societies, the supervisors of the central co-operative bank may be placed under its administrative control and their cost borne by the commercial bank. The non-leader bank will also have the right of supervision/inspection, etc. from the legal view point but for practical considerations these may be exercised by the 'leader-bank'.

(e) *Dealings/transactions only with the 'leader-bank'*

The societies in the select block, for all purposes, will deal only with the 'leader-bank'. They will draw loans from the 'leader-bank' and will also deposit the amount of share linking with it. The 'leader-bank', if it is commercial bank, will retain with its part (50 per cent) as non-refundable deposit to the credit of the society concerned and pass on the balance to the central co-operative bank for credit to the share capital in respect of that society. Similarly, all recoveries/repayments will be made to or deposited with the 'leader-bank' which will apportion the same between participating banks in the agreed ratio. Depositing of surplus funds or other normal banking transactions may be carried on with the 'leader-bank' only.

(f) *Documentation*

There may be a tripartite agreement among the society, the central co-operative bank and the commercial bank setting out, among other things the terms and conditions of the financial accommodation, the nature of security, the liabilities of the society and also the proportion of sharing the lendings, rights and obligations of participating banks *inter se*. In particular, the rights of the 'leader-bank' to inspect/supervise the society, apportion recoveries and share collections in the agreed proportions may be spelt out. In case of default, the 'leader-bank' may proceed against the societies. Securities and other assets of the society in the custody of the 'leader-bank' will be subject to the *pari-passu* claim of both banks in the same proportions as the lendings have been shared. A model agreement form can be drafted and made available to banks. Legal hurdles, if any, can also be sorted out.

II. *Advantages of the consortium/participation arrangement*

(i) The primary agricultural credit societies will not be required to sever their financial relations with the central co-operative bank completely as the latter will continue to be responsible for providing funds to them according to the share agreed to between it and the commercial bank.

(ii) As the central co-operative bank will maintain its organic and financial link with the primary agricultural credit societies, it can continue its efforts through persuasive or coercive action to recover its overdue loans from societies.

(iii) The feeling of distrust, prevailing at the present moment if any, prevailing between the central co-operative banks and the commercial banks will make room for very close co-ordination as responsibility for the development of societies will be shared by both of them.

(iv) The advantage of personal contacts with the management of the primary agricultural credit societies and the experience which the central co-operative banks and the state co-operative bank have acquired in the field of agricultural credit will be available to commercial banks.

(v) The state government will be more directly concerned with the problems faced by commercial banks in providing credit for agriculture through primary agricultural credit societies because problems of these banks will also be problems of co-operative banks which are at present under their control and general supervision.

(vi) Finally, in a scheme of compulsory dis-affiliation of societies, the approach may have to be from the point of view of the credit potential and credit gaps subsisting in the area as the central co-operative banks may not be willing to part with areas which have been relatively well served by them. Consequently, commercial banks may have to go to areas where primary agricultural credit societies have the necessary credit potential to make them viable but are having a relatively low level of business. As a result, banks may have to put in much greater effort in the development of societies and in developing the necessary business potential which they may not find it easy to do. In a consortium or participation arrangement it should be possible to have a cluster of well-developed and poorly developed areas so that the responsibility for the latter type of areas will be on both commercial and co-operative banks and benefits of business from more developed areas can accrue to both the institutions.

12. The Working Group appointed by the Reserve Bank in October 1976 under the Chairmanship of Shri C. E. Kamath to study the problems arising out of the adoption of the multi-agency approach in agricultural financing considered various alternatives for lending adequate support to agriculture. The Group has submitted its report in April 1978. Although the Group has generally favoured area demarcation between different institutional lending agencies, it has also recommended that the consortium scheme may be given a trial in a few selected areas in states where there is proper understanding and where conditions are favourable.

13. The scheme of financing of primary agricultural credit societies by commercial banks has not so far been formally introduced in Himachal Pradesh. Recently in certain blocks in Chamba and Lahaul and Spiti districts, the primary agricultural credit societies have been ceded to the State Bank of India. The data regarding number of societies ceded, their coverage and loan operations, etc., are, however, not readily available.

14. As regards introduction of the scheme of financing of primary agricultural credit societies by commercial banks, we had sought the views of a few leading commercial banks operating in the state. The banks apprehended that following impediments might be encountered if the scheme was to be introduced in the state :

(i) Factors such as hilly terrain, sparsely populated and remote villages, small holdings and inadequate transport facilities impede the developmental process and lead to high supervision and follow-up costs of advances.

(ii) Most co-operative societies in the state are financially weak and operationally inefficient. They are mostly managed by unqualified, inexperienced and untrained secretaries. The remuneration of secretaries being low they lack the right aptitude for the work and are prone to corrupt practices.

(iii) It is apprehended that only non-viable and defaulting societies would be transferred to commercial banks and not good societies.

(iv) The experience of recovery of loans granted through co-operative societies has generally been poor partly due to political reasons and partly due to lack of effective follow-up. The general belief that co-operative loans are not recovered may affect the recovery of loans granted by commercial banks through societies.

15. We are of the opinion that with the effective implementation of the recommendations made by us elsewhere in this Report in regard to the reorganisation and revitalisation of societies, posting of adequately qualified and trained full-time paid secretaries and the measures proposed for tackling the problem of overdues many of the impediments apprehended by commercial banks mentioned above would be removed. However, the introduction and actual implementation of the scheme of financing of primary agricultural credit societies by commercial banks would pose several problems as in other states where the scheme is in operation particularly



those arising on account of conflict between concerned parties about the selection of societies for transferring to commercial banks and taking over their existing liabilities. Such a situation can be avoided if consortium/participation arrangement between commercial banks and state/central co-operative banks is introduced in Himachal Pradesh. As indicated in paragraph 11 giving the broad features of the arrangement, area approach could conveniently be adopted for this purpose. While selecting blocks to be covered by consortium/participation arrangement, extent of credit gap should be the major criterion.

16. In paragraphs 5 and 6 of Chapter 2 we have explained the basis adopted by us for working out district-wise credit requirements. We have not been able to estimate the block-wise credit requirements as the relative block-wise data are not available. However, such an exercise will have to be done after collecting the necessary block-wise data to arrive at the block-wise credit requirements and then ascertain the credit requirements met by the co-operatives to find the credit gap. The credit requirements actually met by co-operatives may be worked out by taking into consideration the quantum of short-term agricultural loans issued by primary agricultural co-operative credit societies during the year plus overdues under these loans at the end of the previous year. The figures relating to overdues under the previous year are to be taken note of as the defaulters can be deemed to have availed themselves of co-operative credit to the extent of their defaults as at least that much amount could have been issued as fresh finance if there was no default. Blocks with higher credit gaps in terms of percentage of the total credit requirements, say, 75 per cent and above could be selected in the first instance and the process continued in the descending order of credit gaps keeping in view the share allotted to commercial banks for meeting the short-term production credit requirements. In some of the blocks, where a commercial bank has its branch conveniently located, it will be the leader bank while in other blocks state/central co-operative bank will be the leader bank. Lendings to societies in a block should preferably be shared equally by participating banks.

Procedural details regarding credit appraisal, sanction of limits, disbursement, sharing of recoveries, supervision over societies, documentation etc., may be on the lines indicated in paragraph 11 above.

17. The work relating to the selection of blocks and formulation of proposals for adoption of consortium/participation arrangement between commercial bank and state/central co-operative bank in the district should be entrusted to the district level co-ordination committees which should be set up for the purpose. The proposals of the district level co-ordination committees should be approved by the state level co-ordination committee which will also have to be set up for the purpose.

18. As regards branch expansion programme of commercial banks we are of the opinion that this could be conveniently linked up with the introduction of the scheme of financing agriculture by commercial banks through primary credit societies in the state. This would help in determining priorities for opening of commercial bank branches in the blocks where the commercial banks are called upon to finance societies. It may be noted here that the Reserve Bank of India has recently taken a decision to prepare branch expansion programme in consultation with state governments, regional rural banks, lead banks and other banks. The Reserve Bank has outlined its approach in this regard in its circular letter DBOD No. BI/BG. 115/C-168/78 dated 8 September 1978 issued to all the commercial banks. Thus, the Government of Himachal Pradesh could ensure opening of branches of commercial banks in the areas which are not having adequate banking facilities and in the areas where the branches are required to facilitate lending for agriculture through primary societies. This would also help in ensuring that the commercial banks branches are not opened in areas which are adequately served by co-operative banks.

## Chapter 10

### SUPERVISION OVER SOCIETIES

In this chapter, we have dealt partly with the term of reference No. (ix) requiring us to examine the arrangements for the management of and effective supervision over societies.

2. The need for and importance of proper arrangements for supervision cannot be over emphasized. It is well known that high level of overdues is one of the major maladies from which co-operative credit institutions generally suffer and inadequate and improper arrangement for supervision is one of the main factors responsible for high proportion of overdues. Inadequate supervision may also lead to misappropriation of funds. The following observations made by the MacLagan Committee as far back as 1915 stressing the need for supervision are relevant even to-day.

“The societies are chiefly composed of uneducated persons and the problems which confront them are not always easy and handling of money involves certain temptations.”

3. The term ‘supervision’ connotes a number of functions which may be broadly classified into two categories; financial and administrative. Though some of these functions overlap, the former would include such functions as assisting the society’s staff in preparation of loan applications and forwarding the same with recommendations to the central financing agency after due scrutiny, ensuring compliance with terms and conditions stipulated while sanctioning loans and watching disbursements, utilization and recoveries, examining books of account and ensuring their proper maintenance by the society’s staff, revising the property register, inspecting the society and preparing inspection reports and following them up to see that defects are rectified. The administrative functions mainly relate to ensuring that society’s work is generally in conformity with co-operative principles and

its by-laws as also the provisions of Co-operative Societies Act and Rules and the departmental instructions.

4. As regards the appropriate agency to assume responsibility for supervision of primary credit societies, the All India Rural Credit Survery Committee 1954 was of the opinion that this responsibility should vest in state/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 operations and solvency of the societies.”

The Committee on Co-operative Credit 1960 and the Committee on Co-operative Administration 1963 endorsed the above recommendation. Later, the All India Rural Credit Review Committee 1969 recommended that central financing agencies may be entrusted with the financial supervision of agricultural credit societies. Recently, the Study Team on Overdues of Co-operative Credit Institutions 1974, while endorsing the view that financial supervision should be the responsibility of central banks, has emphasized that control over supervisory staff should vest in the banks.

5. It is now an accepted policy that financial supervision should be the responsibility of central co-operative banks, while aspects relating to administrative supervision could be looked after by Co-operation Department. Keeping in view this accepted policy we have examined the position regarding supervision obtaining in Himachal Pradesh and made certain recommendations for removing the deficiencies noticed.

6. The responsibility of supervision over primary agricultural credit societies as well as other types of societies, such as weavers,

marketing and processing, industrial societies, etc., rests with the Co-operation Department. The supervision is exercised by the Department through its Inspectors/Sub-Inspectors and auditors. In all, there were 94 Inspectors and 300 Sub-Inspectors in the sanctioned strength of the Department as at the end of 30 June 1977. The charge per supervisor varied from 10 to 30 societies. The state/central co-operative banks have appointed recovery supervisors, whose main duty is to recover the concerned bank's dues and to a certain extent supervise the affiliated societies. However, supervision exercised by banks over the affiliated societies is very much inadequate as is evident from the bank-wise position given in the paragraphs that follow.

*Himachal Pradesh State Co-operative Bank*

7. For supervision over the societies, the Himachal Pradesh State Co-operative Bank has a development section. One of its functions is to exercise control over the field staff and supervise the working of societies. The field staff of the bank consists of recovery supervisors numbering 27. As the designation suggests, the primary duty of a recovery supervisor is to recover bank's dues. Duties of these supervisors or any of the other staff do not include visits to societies financed for purpose of inspection. The work of recovery supervisors attached to the branches, is also watched by the district branch committees. For a total number of about 760 primary agricultural credit societies in the area of operation of the bank, the number of recovery supervisors at 27 is very low. On an average a supervisor has to look after 28 societies. The charge per supervisor varies from district to district. It is 20 in Simla and Kinnaur districts and is as high as 80 in Chamba district. The charge per supervisor is thus on the high side even if only visits are to be paid to the societies. No norms have been fixed by the bank in regard to the number of visits to be made by recovery supervisors to societies under their charge. However, these supervisors are expected to remain on tour for at least 20 days in a month. Rotation registers are not maintained by branches to exercise control over the movement of supervisors. Tour diaries of

supervisors are not scrutinised by the district managers. No proforma for reporting the findings of visit/inspection by supervisor has also been prescribed. From the data available for 1976-7, it is observed that during the year, 26 supervisors made 345 visits to societies i.e., on an average a supervisor made only one visit during a month. As already noted in Chapter 5, recovery supervisors are utilized for regular branch work also. The bank has no arrangements for supervision over other type of societies such as industrial societies, consumer stores, district/tehsil marketing and supply federations and weavers' societies financed by it.

*Kangra Central Co-operative Bank*

8. The bank has 45 branches but only half of the branches have been provided with the services of supervisors whose number is 23. The duties of supervisors do not include items of work related to exercising control and supervision over societies and scrutiny and recommendation of normal credit limit statements and loan applications. They are generally engaged in the recovery of overdues and mobilization of deposits and attend to routine office work in the branches while in office. Besides, they are also associated in disbursing loans by societies. The work of the supervisors is controlled by Zonal Managers.

9. In the area of branches where supervisors have been posted the average charge per supervisor is about 50 societies, which is obviously on a high side even for whatever purpose they may be required to visit the societies. The bank has not evolved any policy and procedure in regard to supervision over societies.

*Jogindra Central Co-operative Bank*

10. The bank has 12 recovery supervisors for its 8 branches. They are expected to supervise nearly 220 societies and the average charge per supervisor works out to 19 societies. The duties of recovery supervisors include recovery of bank's dues and preparation of normal credit limit statements with the help of field staff of Co-operation Department. Barring this, no other aspects of the working of societies are expected to be supervised by the bank's supervisors. There is no system of checking the work of the supervisors except perfunctory scrutiny of their tour diaries.

11. Banks as Central financing agencies do not have any control over the societies financed. The loan policies are laid down by the Department. The banks sanction credit limits prepared and recommended by the Department and drawals are allowed as per the Department's recommendations. The weaknesses of primary agricultural societies financed are not known to banks. Thus, there is hardly any involvement of banks in the working of societies financed by them. The banks, besides their borrowings, utilize their own resources, which include the deposits raised by them from the public in advancing loans to the societies. While the banks are obliged to repay their borrowings as also the deposits as and when their claims accrue, the banks have no control over their advances to societies in the absence of supervision over them. To safeguard their own interest, the banks should have supervision over societies financed by them. This, in turn, implies that banks should have a well organised administrative machinery for exercising effective supervision over affiliated societies. With this end in view, we have given our recommendations and suggestions in the paragraphs that follow.

12. Financial supervision over all types of societies should be the full responsibility of central financing agencies. The state government may, therefore, take steps to transfer supervision over all types of societies to the financing banks. The Registrar of Co-operative Societies may empower financing banks to undertake inspections of all types of societies financed by them. The banks should at the same time initiate steps to equip themselves for undertaking this work.

13. After the programme of reorganization of primary agricultural credit societies is completed, 1732 societies would emerge in the state and banks would require at least 173 supervisors to supervise these societies as average charge per supervisor should not normally exceed 10 societies on the assumption that the business turnover is expected to be about Rs 2 lakhs per society. Besides, the banks should have suitable technical staff to supervise industrial and other types of specialised societies. The banks should, therefore, plan to recruit additional supervisors in a phased

manner. The Departmental supervisors, if otherwise eligible, could also be considered for appointment as supervisors in the banks' service as banks can exercise effective control over the work of supervisors if they are their own employees.

14. With a view to enabling the banks to take over the entire responsibility in respect of financial supervision, the establishment cost on additional supervisors required to be incurred by banks may have to be subsidised by the state government at least initially. In due course, with better control over the working of societies, and better liaison and field contacts the banks would be able to expand their loan business and meet the supervision costs out of their own resources. We, therefore, recommend that state government may provide managerial subsidy to banks for a period of 3 years on a tapering basis to meet the extra cost on additional supervisors.

15. The duties of the supervisors should be clearly specified. Besides helping the societies in preparation of credit limit applications, maintenance of books of account, etc., they should inspect the societies periodically with a view to removing the deficiencies in their working and also attend to recoveries. For supervising the work of supervisors the banks may also consider appointing inspectors and post them at the branches. The inspectors may also be required to inspect on a regular basis bigger and specialised types of societies in their jurisdiction. The branch managers should exercise immediate control over supervisors and inspectors in their area and all the reports should be routed by supervisors/inspectors through branch managers. In the case of Himachal Pradesh State Co-operative Bank and the Kangra Central Co-operative Bank, we have recommended in Chapters 5 and 6 respectively that the District Managers, who would head the district offices, should be responsible for inspecting and exercising supervision over branches in the district and also all types of societies financed by them. As such, the District Managers would exercise control over the entire field staff in the district. At the head office, the Assistant General Manager would head the division dealing



with the supervision and branch inspections and he would supervise the work of District Managers. In the case of the Jogindra Central Co-operative Bank, which has its area of operation covering only one district, the Executive Officer in charge of Loans and Supervision Division at the head office would exercise control over the field staff.

16. With a view to having the work of supervisors effectively supervised, proper procedures should be introduced. A rotation register may be maintained to watch and regulate the work of supervisors. Supervisors may be required to get their tour programmes approved in advance and may be required to submit their diaries, which should give details of work done by them. Norms may be laid down in regard to visits to be made and inspections to be carried out by supervisors. They may be required to submit notes on inspections of societies in the proforma prescribed for purpose and these should be effectively followed up. Similar procedure may be followed in respect of work relating to inspectors also.

17. The supervisors as also the inspectors should be provided with suitable job-oriented training to enable them to discharge their duties efficiently. The training should cover the working of different types of societies financed by banks. The training courses could be arranged by the State Co-operative Union with the help of the College of Agricultural Banking, Pune and the National Council for Co-operative Training, New Delhi. The efficiency of a supervisor should also have bearing on his work-load. It is difficult to prescribe precise and uniform standards in this regard in terms of number of societies under the charge of a supervisor as the volume of work to be attended to by the supervisor is not uniform for all the societies. However, as a broad norm, it could be suggested that a supervisor should be able to supervise efficiently about 10 medium-sized societies. Suitable variations in this norm could be made after taking into account other relevant factors such as business turnover, distance of societies' offices from the supervisor's headquarters, the number of villages within

the societies' jurisdiction and the availability of transport facilities etc. The strength of inspectors could also be decided in more or less similar manner to ensure effective supervision over supervisors.

18. One of the main functions of a supervisor is recovery of bank's dues. Prompt legal action against wilful defaulters besides effecting recoveries from the concerned defaulters would also act as a deterrent to the prospective defaulters. For speedy disposal of execution petitions, as suggested by us in Chapter 11, relevant powers for execution of award cases, presently enjoyed by the Departmental Sale Officers, may be delegated to the supervisory staff of the financing banks also. This will facilitate their work in effecting recoveries.

## Chapter 11

### RECOVERY OF OVERDUES AND REHABILITATION

We have dealt in this chapter with the term of reference No. (vii) which requires us to examine the position of overdues at various levels of the co-operative credit structure with a view to considering the feasibility of and the financial assistance required for, rescheduling the overdues in respect of non-wilful defaults so that the line of credit to institutions and individuals is reopened and to suggest measures, including administrative arrangements necessary for recovery of the overdues from wilful defaulters.

2. The organizational and operational deficiencies existing in the co-operative credit institutions in Himachal Pradesh have largely contributed to the mounting overdues of these institutions. The overdues have choked the credit line affecting adversely the flow of funds from the Reserve Bank to co-operative banks, from the co-operative banks to co-operative societies and from societies to individual members. It is, therefore, necessary to examine the causes of overdues and suggest measures for overcoming these deficiencies to help the institutions in keeping the overdues within reasonable proportions in future so as to maintain a continuous flow of credit. It is also equally important to ensure that the existing overdues of these institutions do not seriously undermine the very capacity of these institutions to switchover from a stage of stagnation to one of sustained growth.

#### *Dimension of the problem*

3. The position regarding overdues of the state/central co-operative banks and primaries *vis-a-vis* their internal resources as on 30 June 1977, 1978 and 1979 is given in Table I at page 224. In the case of the Himachal Pradesh State Co-operative Bank and the Jogindra Central Co-operative Bank, the overdues exceeded their owned funds and the percentage to demand is as high as 70 to 76 in the case of the former, while it is around 60

TABLE 1

	Rs Lakhs					
	H. P. State Co-operative Bank			Kangra C. C. Bank.		
	30-6-77	30-6-78	30-6-79	30-6-77	30-6-78	30-6-79
<b>1. Overdues</b>						
(i) Total	137.75	147.40	154.48	45.84	44.78	48.06
(ii) Percentage to demand	70	75	76	32	43	49
(iii) Of (i) over 3 years	82.00	94.66	N. A.	26.83	26.46	26.63
(iv) Percentage of (iii) to (i)	60	64	—	59	59	55
<b>2. Owned funds</b>	107.89	109.78	132.63	83.04	83.59	131.31
<b>3. Deposits</b>	739.83	824.82	1027.44	1097.54	1232.52	1440.06
<b>4. Internal Re-sources (2+3)</b>	847.72	934.60	1160.07	1180.58	1316.11	1571.37
<hr/>						
	Jogindra C. C. Bank			Primary Agricultural Societies		
	30-6-77	30-6-78	30-6-79	30-6-77	30-6-78	30-6-79
<b>1. Overdues</b>						
(i) Total	42.80	41.41	N. A.	417.08	427.97	N.A.
(ii) Percentage to demand	60	59	„	34	44	N.A.
(iii) Of (i) over 3 years	10.10	13.92	„	94.71	99.63	N.A.
(iii) Percentage of (iii) to (i)	24	34	„	23	23	N.A.
<b>2. Owned funds</b>	20.09	19.55	„	472.58	517.87	N.A.

TABLE 1 (Contd)

	Jogindra C. C. Bank			Primary Agricultural Societies		
	30-6-77	30-6-78	30-6-79	30-6-77	30-6-78	30-6-79
3. Deposits	69.08	74.31	„	873.09	953.09	N.A.
4. Internal Re-sources (2 + 3)	89.17	93.86	„	1345.67	1470.96	N.A.

in the case of the latter. The increase in the overdues of the Jogindra Central Co-operative Bank in the year 1976-7 was partly due to its taking over two branches of the state co-operative bank in September 1976. The overdues in the case of the Kangra Central Co-operative Bank are less than its owned funds and the percentage to demand is below 50. The overdues of primary agricultural credit societies are less than their owned funds and the percentage is 34 to 44. However, the position at the societies' level when taken in totality does not reveal the true state of affairs in view of the relatively better operations of the societies in the area of the Kangra Central Co-operative Bank. This situation could be seen from the district-wise position of overdues both at the banks' and societies' level as on 30 June 1977 (data for later year/s not available) given in Annexure 30. The percentage of overdues to demand in respect of societies is not readily available and hence a comparison has been made in relation to the outstanding loans. The overdues position at societies' level is unsatisfactory in the areas of the Himachal Pradesh State Co-operative Bank and the Jogindra Central Co-operative Bank where the overdues formed 66 per cent of their respective outstandings as on 30 June 1977. Between the districts in the area of the Himachal Pradesh State Co-operative Bank, overdues at society level were concentrated in Simla (94 per cent), Chamba (84 per cent), Sirmur (55 per cent) and Mandi (48 per cent). Overdues at the bank level were also concentrated in those very districts although percentage was relatively less. The district-wise position in the

area of the Kangra Central Co-operative Bank indicates that the overdues both at the society level and the bank level are concentrated in Lahaul and Spiti and Kulu with the respective percentages at 69 and 66 (society level) and 50 and 36 (bank level). Another important feature in the area of the Kangra Central Co-operative Bank is that a major portion of the loans outstanding against members is issued by the primary agricultural credit societies out of their own resources. While the bank's outstanding advances as on 30 June 1977 were Rs 177.73 lakhs, the societies' outstandings were Rs. 968.77 lakhs. The advances at the societies' level are substantial in the districts of Kangra, Hamirpur and Una. The percentage of overdues to outstanding s in each of these districts is also low. In Simla, Sirmur, Mandi, Chamba, Bilaspur, Kinnaur, Solan and Kulu districts outstandings of primary agricultural credit societies against members were less than their outstandings to banks possibly because recoveries from defaulted societies were being adjusted against overdue interest. That is how the outstandings of the Himachal Pradesh State Co-operative Bank and the Jogindra Central Co-operative Bank against societies are more than the societies' outstandings against members in their respective areas.

4. The overdues over three years could be considered as chronic as the continued default for such a long period is indicative of the fact that the recoveries are not forthcoming easily. The position in this behalf as on 30 June 1977 and 1978 (1979 in the case of the Kangra Central Co-operative Bank) is given in Table 1. Overdues over three years in the case of the Himachal Pradesh State Co-operative Bank and the Kangra Central Co-operative Bank are almost two-thirds of their respective overdues. In the case of the Jogindra Central Co-operative Bank, the position is relatively better, such overdues being only one-third of the total overdues. At the primary societies' level the overdues over three years formed 23 per cent of the total overdues.

*Position of overdues in relation to the societies' owned funds and the suit filed cases*

5. The district-wise position of the societies' overdues with their period-wise break-up as on 30 June 1976 and that of suit filed cases is given in Annexure 31. The position of overdues at the primary level as on 30 June 1976 has been taken into consideration as the data relating to suit filed cases for the later period are not readily available. As against overdue loans at Rs 187.20 lakhs for over one year as on 30 June 1976, suit filed cases pending with the Department as on that date were at Rs 71.86 lakhs and awards pending execution were at Rs 25.62 lakhs. Thus, out of total loans overdue for over one year at Rs 187.20 lakhs the cases covered by suits and execution were at Rs 97.48 lakhs and the balance amount of Rs 89.72 lakhs forming 47.9 per cent of the total loans overdue over one year was not covered by suits or execution. The progress in execution of awards is unsatisfactory. As on 30 June 1977 the awards amounting to Rs 151.18 lakhs were pending execution for over six months.

6. On the above lines the district-wise position of overdues of the societies in relation to their owned funds, loans outstanding and disputes and execution cases pending with the Department is given in Table 2. For this purpose all the 12 districts in the state have been divided into 4 categories namely, (A) where the amount of overdue loans in relation to total loans outstanding was above 75 per cent, (B) where the ratio was between 50 per cent and 75 per cent, (C) where the percentage was between 25 and 50 and (D) where the percentage was below 25. The Simla District tops the list with the heaviest overdues at 87 per cent of total loans outstanding. In the matter of initiating action also the position of the district is far from satisfactory inasmuch as only 25.2 per cent of loans overdue above one year have been covered. In districts like Mandi, Solan, Una and Kangra loans overdue over one year not covered by suits and execution ranged from 63 per cent to 85 per cent of the

TABLE 2

*District-wise position of overdues vis-a-vis outstandings, action for recovery, etc.*

Name of the District	Total loans outsta- nding	Total over- dues	Percen- tage of Col. 3 to Col. 2	Over- dues over 1 year	% of Col. 5 to Col. 3	Amt. co- vered by suit filed & execu- tion cases	Rs Lakhs	
							Over- dues over 1 year not covered by coer- cive mea- sures (Col. 5 — Col. 7)	Percen- tage of Col. 8 to Col. 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>Overdues to outstanding</i>								
<b>A. Above 75%</b>								
Simla .. ..	91.72	80.32	87	53.60	66.7	13.47	40.13	74.8
<b>B. Between 51% and 75%</b>								
Chamba .. ..	8.88	6.24	71	4.54	72.7	5.59	—	—
Kulu .. ..	26.68	18.80	70	17.56	93.4	—	—	—
Sirmur .. ..	25.15	20.37	58	9.86	48.4	5.64	4.22	43.0
Mandi .. ..	44.38	23.92	54	12.67	52.9	2.11	10.56	83.2



**C. Between 25% and 50%**

Lahaul & Spiti	..	1.07	0.52	49	0.48	92.3	—	—	—
Solan	..	58.68	28.18	48	11.54	40.9	1.72	9.82	85.1
Una	..	264.83	68.54	26	36.46	53.1	13.46	23.00	63.1

**D. Below 25%**

Kangra	..	374.46	93.84	24	35.25	37.5	7.42	27.83	79.0
Bilaspur	..	11.18	2.32	20	2.32	100.00	2.16	0.16	6.9
Hamirpur	..	217.43	22.81	10	2.48	10.8	5.11	—	—
Kinnaur	..	4.30	0.44	—	0.44	100.00	—	—	—

total loans overdue over one year. In Bilaspur and Kinnaur districts the entire overdues are over one year whereas in Kulu and Lahaul and Spiti districts they exceeded 90 per cent of the total overdues in respective districts followed by Chamba with 73 per cent. However, no coercive action has been initiated in the Kulu and Lahaul and Spiti districts at all.

#### *Loan Policy and Procedures*

7. After an analysis of dimensions of overdues of the co-operative credit structure and coercive action taken to recover the same we now refer to the lending policy and procedures in greater detail which also are responsible to a large extent in accumulation of overdues. The crop loan system with all its essential features was introduced in the state from *kharif* 1969. The scales of finance contain four components namely A, B, C and D. While A component represents cash for expenses relating to cultivation, B component represents cost of fertilizers, pesticides, seeds, etc., required to be distributed in kind. C & D components represent additional cash instalments to meet the incidental expenses required for application of the improved package of services and incentive finance for encouraging linking of credit with marketing respectively. It is observed in this connexion that although the scale of finance recommended by the district level Technical Committees varied from district to district, uniform scales have been fixed by the state level committee. The scales so fixed are advised by the Registrar of Co-operative Societies to the banks. Further, these scales are not reviewed periodically e.g., the scales fixed in 1969 continued to be in force till 1974. The scales have been since reviewed in March 1977. Delays are also noticed in communication of the scales which in turn disturbed the time-schedule for preparation and sanction of normal credit limit statements. The earlier schedule for preparation of normal credit limit statements was that the Departmental Inspectors should send these statements to the bank branches in the first fortnight of March for onward transmission to their respective Head Offices from where sanctions were required to be communicated by 31st March. This time-schedule has since been revised as indicated in item (ii) of

paragraph 6 of Chapter 3 and accordingly the banks have to receive such statements by 31 January and sanction limits by 25 February. Even this time schedule will have to be suitably adjusted to ensure that advances could be issued to various crops according to the requirements of sowing season as noted in the following paragraphs.

8. The crop calendar considered for lending period and due dates for repayments of loans for different crops are given in Table 3.

TABLE 3

Name of the crop	Sowing period	Period of advance	Harvesting period	Marketing season	Due date
(1)	(2)	(3)	(4)	(5)	(6)
Maize	Mid-May-July	1 March-15 August	September-October	October-November	31 January
Paddy	--do--	--do--	--do--	--do--	--do--
Potato (Summer)	March-April	--do--	September-November	October-December	--do--
Potato (Winter)	January-February	16 August-28 February	June-July	August-September	--do--
Ginger	March-July	1 March-15 August	September-November	December	--do--
Apples (flowering)	March-April	--do--	August-September	August to October	30 November
Barley	Mid-September-November	16 August-28 February	April-June	June-July	31 July
Wheat	October-November	--do--	April-May	--do--	--do--

It will be observed from Table 3 that the period of advance for the crops like maize, paddy and potato (winter) is rather early compared to the sowing period. Further, as noted in paragraph 31 of Chapter 4, the demand for advance for apple crop commences from December and not March. In the case of ginger, the marketing is phased over a longer period than one month and, therefore, the due date for recovery needs to be postponed to the end of the February as suggested in paragraph 17 of Chapter 3. It is, therefore, necessary to synchronise the period of advance and due dates for repayment wherever necessary.

9. As may be seen from Table 3, due dates for repayment for *kharif* and *rabi* crops are 31 January and 31 July respectively. In the case of apple crop, it is fixed as 30 November. In regard to the due date of repayment for *rabi* loans, it is observed that the harvesting season is over for wheat crop by May, while in the case of barley it is over by June. The marketing of this produce should not normally be extended beyond June in the case of both these crops. In view of this, due dates for *rabi* crops should be advanced preferably to 31 May. Further, no time-lag is maintained in due dates at the societies' level and bank level, resulting in loans becoming overdue on the same day at both the levels.

10. As regards insistence on lifting of kind component we have already made a reference to this aspect in paragraph 67 in Chapter 5 and have suggested that it should have some relation to the actual dosages used in practice. Further, a possibility of a cultivator lifting fertilizers for drawing on cash component cannot be ruled out in which case a cultivator is likely to default. The practice of the Agriculture Department, which it has since discontinued, to issue fertilizers and seeds as *taccavi* loans to the members of the societies irrespective of their default would have also been responsible to a certain extent in defaults as a cultivator was able to meet his requirement of kind component despite being a defaulter.

11. Short-term loans upto Rs 1000 are advanced against personal surety and amounts in excess of this could be advanced against the

creation of charge on land. However, there is no administrative machinery for enforcement of the charge. As a result of this crop loans are limited to Rs 1000 although the need as well as eligibility are more than this amount. Besides, there is also a ceiling of Rs 5000 for total short-term loans outstanding excepting for apple as stated in paragraph 24 of Chapter 3.

12. Earlier in March 1969 in terms of instructions issued by the Registrar, societies which repaid not less than two-thirds of their demand were eligible for fresh finance for advancement of loans to new and non-defaulting members. Although in September 1973, defaulting societies were allowed to be financed if the loans were meant for new and non-defaulting members, it did not have any desired effect on the advancement of loans and overdues continued to increase. In December 1976 again, the societies were required to repay at least 50 per cent of their demand in respect of short-term and medium-term loans, to be eligible for fresh finance for advancing loans to new and non-defaulting members. It is reported that the percentage of recovery insisted upon for the societies being eligible for fresh finance has since been reduced.

13. Like short-term loans, medium-term loans upto Rs 1000/ are given against personal surety and beyond that against charge/ mortgage of land. The deficiencies in the banks' medium-term lending policy and procedures have been detailed by us in paragraph 29 in Chapter 5.

#### *Natural Calamities*

14. During the course of field visits to societies it was noted that although *annewari* had been declared at six annas or below the societies did not extend conversion facilities. Further, in the state of Himachal Pradesh declaration of *annewari* does not cover fruit crops. Thus, in the case of damage to fruit crops on account of natural calamity warranting conversion of short-term loans into medium-term loans the members of the society may not get facility of conversion of their short-term loans into medium-term loans leading to default.

*Procedures for coercive recovery —  
Arbitration and Execution*

15. According to the prevailing practice when loans become overdue, the society files the arbitration reference with the Registrar of Co-operative Societies for recovery of dues from the defaulting members. The filing of arbitration reference is normally delayed as the societies are generally reluctant to take coercive action against the defaulting members. In case a society refuses to pass a resolution to file arbitration, the Department has first to supersede the society's managing committee and appoint an administrator. The financing banks have not been empowered to proceed against the ultimate borrowers in case the societies refuse to file arbitration references against defaulters.

16. On filing of arbitration cases against a defaulter in terms of Rule 91 of the Himachal Pradesh Co-operative Societies Rules, the person deciding the dispute has to frame issues, hear the parties and witnesses who attend and make a record of their statements. If the defaulter does not appear before the arbitrator on receipt of the first notice, a second notice is generally issued by the arbitrator. The entire case is dealt with as required under the Civil Procedure Code. In all, the arbitrator has to conduct about 5 to 6 hearings before giving his award which generally takes 3 to 6 months. Thereafter, the arbitrator takes his own time to declare the award. As no separate staff is provided for hearing disputes, the declaration of award is generally delayed. Further, the decision of the arbitrator is subject to appeal under Section 93 of the Himachal Pradesh Co-operative Societies Act and can be reviewed or revised. In case the award is declared *ex-parte*, a copy thereof has to be delivered to the defaulter. It is reported that this procedure has since been simplified with suitable amendments to the relevant Rules.

17. The provisions for the execution of awards, decrees, orders and decisions are contained in Section 87 of the Act *ibid*. Besides the above section, Section 86 empowers the Registrar to make an order directing the payment of any debt or outstanding demand

due to a society by any member or past or deceased member. Although recovery of dues by recourse to Section 86 seems to be easier, as compared to the recovery by way of the lengthy and cumbersome procedure connected with arbitration proceedings, the same could not be made use of as it suffered from the following weaknesses :

(i) The Registrar cannot initiate any action on his own motion and has to wait till the society applies to him for recovery of dues.

(ii) The Section lays down that no order shall be made under this Section unless the member, past member or the nominee, heir or legal representative of the deceased member has been served with a notice in the manner prescribed.

(iii) The recovery of dues can be effected only by sale of the property or any interest therein which is subjected to a charge under Section 52. However, Section 52 of the Act does not include a charge on land. Consequently, the debt can be recovered only by sale of standing crop which is obviously difficult and to some extent impracticable. In view of the aforesaid circumstances, action for the recovery of dues under Section 86 becomes a difficult proposition.

18. However, with the addition of Section 90A in the Act, the weaknesses suffered under Section 86 of the Act have been removed as far as crop loan is considered to which it has been made applicable. Under Section 90A the Registrar is empowered to take action on his own motion where a co-operative society has failed to take action against any of its members. Further, the certificate granted by the Registrar under the above Section shall be final and conclusive proof of the arrears due and the same shall be recoverable as arrears of land revenue. It is reported that the loans for medium-term agricultural purposes are also proposed to be brought under the purview of Section 90A.

19. One important aspect in Himachal Pradesh is that till recently i.e., upto 1976 two different land revenue Acts were applicable for different areas in the state. While in the old Himachal Pradesh

(i.e., excluding the areas transferred to it in 1966 after the reorganization of Punjab.), the Himachal Pradesh Land Revenue Act, 1963 was applicable, the Punjab Land Revenue Act, 1887, which gave power of arrest of a person refusing to pay the land revenue was applicable in the area added to Himachal Pradesh, under Section 5 of the Reorganization Act, 1966. In the Himachal Pradesh Land Revenue Act there was no provision for arrest of a person refusing to pay the land revenue and as such although the powers of Assistant Collectors were conferred on the District Co-operative and Supply Officers it had no effect in practice. This anomaly has since been removed with the introduction of unified Land Revenue Act in the state.

### *Supervision*

20. As stated in Chapter 10 the banks hardly have any control over the institutions financed by them and this also has resulted in their own supervisory machinery in whatever form it exists remaining ineffective. The Co-operation Department machinery being responsible for recommendations for the sanction of loans could, therefore, be largely considered responsible for recovery.

21. To sum up, major factors causing overdues are inadequate supervision, over/under financing, absence of proper land records, *benami* loans, non-availability of full-time and trained secretaries to manage the affairs of societies, provision of *taccavi* loans for inputs even to defaulter members, etc. The defective loan policies and procedures, apathy on the part of managements in taking quick action against recalcitrant members, cumbersome procedure for coercive action, absence of arrangements for linking of credit with marketing, non-declaration of *annewari* in the case of damage to fruit crops consequent to natural calamity are also the contributory factors.

### *Non-wilful defaulters*

22. The overdues are the product of a combination of a variety of factors. To ease the existing overdues position, it is necessary to identify those defaulters who deserve relief. Those borrowers



who could not repay their dues on account of circumstances beyond their control could be considered as non-wilful and those not falling in this category as wilful. Such identification of non-wilful defaulters warrants prescribing norms which are necessarily to be of a nature as could be used for mass application as individual difficulties cannot be taken note of. It may be recalled here that in the case of those defaulters who defaulted in repayment of their dues for reasons beyond their control, the Overdues Study Team as also the Study Teams appointed by the Reserve Bank of India in the recent past for some of the states like Maharashtra, Rajasthan, Madhya Pradesh, Uttar Pradesh and Bihar have recommended providing some relief for such defaulters and their institutions for giving an opportunity to rehabilitate themselves. By and large, a non-wilful defaulter has been identified by these crop Study Teams as the one who could not repay his dues because his was damaged by a natural calamity but in whose case stabilization assistance which was introduced (subject to the declaration of *annewari* of 6 annas or less by the state authority) to meet such a contingency might not have been extended. However, with a view to avoiding the benefit of such identification going to undeserving defaulters, exception was made in the case of those defaulters who had deceived the society by showing false landholdings or crops to secure higher loan amounts, whose agricultural income to the extent of 75 per cent is from cash crop, whose total agricultural income is above Rs 5000 per annum and those who are income-tax assesses.

23. Despite declaration of *annewari* in some areas, societies have not extended conversion facilities to borrowers. At the same time it is on records that conversion facilities have been extended in the areas of the Himachal Pradesh State Cooperative Bank prior to 1972-3 and in the area of Jogindra Central Cooperative Bank in 1976-7. But we do not have the data relating to the areas where *annewari* was declared at 6 annas or below in the state. Even if it is so, identification of non-wilful defaulters could be made keeping in view the fact that there were certain areas in which despite declaration of *annewari* at 6 annas or less, conversion facilities

have not been extended. We, therefore, suggest that the identification of non-wilful defaulters may start from the position obtaining as far back as 1970-71 as a special case. In the case of other Study Teams referred to earlier such period was limited to only three preceding years from the date taken for identification. We suggest that the exercise for identification of defaulters may be made with reference to the position of defaulters obtaining as on 30 June 1979 and a non-wilful defaulter could be defined as under :

- (i) A defaulter whose cultivated holdings are in the villages affected by natural calamity i.e., where *annewari* was declared as 6 annas or less during the period 1970-71 to 1978-9 and the default has occurred in respect of the loan taken in the year when such declaration of *annewari* has been made.
- (ii) A defaulter in whose case clear proof is available to show non-receipt of loan amount, or to show repayment of his dues which has not been credited to his account in the books of the society.
- (iii) A defaulter who has made part repayment of his original dues on his own. This would prove his bonafides i.e., willingness to repay but inability to clear the entire dues owing to circumstances beyond his control.

In regard to those defaulters who could be deemed as non-wilful on the basis of criteria at item (i) above an exception should be made in respect of those (a) who have deceived the societies by showing false acreages and crops to secure higher finance (b) whose gross agricultural income inclusive of horticulture is above Rs 5000 per annum and (c) who are income-tax assesseees.

24. The considerations which weigh with us excluding those falling in category (a), (b) and (c) are explained hereafter. Those in category (a) have deceived societies and should not be allowed to get away with this. Those in category (b) could be considered relatively affluent and could have at least made efforts to clear their dues over a period of time which would have been reflected in part clearance of their loans. Those in category (c) have non-agricultural income and are, therefore, relatively better off.

25. The objective of identifying non-wilful defaulters is to reopen the line of credit by providing them with fresh finance and allowing time to clear their overdue loans. The non-wilful defaulters identified on the above basis should be required, as a pre-condition for relief to pay the overdue interest less penal interest (which may be waived) irrespective of the fact whether the crops during the year 1979-80 are normal or not.

26. The earlier Study Teams appointed by the Reserve Bank of India for other states such as Madhya Pradesh, Bihar and Uttar Pradesh had recommended different time-schedules ranging from three to seven years with a write off of part of some loans assuming the repaying capacity at 60 per cent of the value of gross produce so as to ensure that the burden of instalment of rehabilitation loan (i.e., the overdue loans which are spread over for repayment) together with a fresh loan remains within the assumed repaying capacity.

27. In the case of Himachal Pradesh the entire outstanding amount which is overdue under all types of loans i.e., short-term and medium-term for agricultural purposes may be allowed a period of 3 to 7 years for repayment assuming the repaying capacity at 60 per cent of the value of gross produce. A uniform rate of interest may be charged on this rehabilitation loan. In case, the rehabilitation loan requires phasing beyond 7 years, which is quite unlikely as the number of loans in default may not ordinarily exceed two loans, the write off of the excess amount is not desirable but then the only alternative is to extend the period beyond 7 years. In such a case where phasing of overdue loan is required to be made beyond 7 years, instead of writing off the excess amount, it would be preferable to extend the period of such loans upto 10 years.

28. An estimation of non-wilful defaults is a difficult exercise in the absence of relevant data with reference to the norms suggested for identification of non-wilful defaults. In view of this we have not made any estimate of existing overdues which could be considered as non-wilful to be eligible for rehabilitation facility. The funds of the co-operatives of equivalent amount are already locked

up in such overdues and, therefore, no separate financial assistance is necessary for converting the defaulted amounts into rehabilitation loans. However, the institutions' liquidity position would not show any immediate improvement as the funds would remain locked up for sometime in rehabilitation loans and, therefore, the banks would continue to face difficulties in providing adequate non-overdue cover for their borrowings from the higher financing agency. Further, on account of demand for issue of fresh loans to the non-wilful defaulters there will be added strain on their resources. Besides, as a result of such conversions the term investments of the banks are likely to exceed their term resources. It would, therefore, be necessary for the state government to take a liberal view of the share capital requirements of such banks so as to enable them to provide sizeable relief to non-wilful defaulters. Such contributions may be to the extent of 50 per cent of the loans for which rehabilitation facility is granted. The period of repayment of the share capital loans could synchronize with the period of repayment allowed for rehabilitation loans. In the case of the Kangra Central Co-operative Bank even if its resources position is satisfactory such assistance may be given to help reduce its cost of raising resources.

29. Identification of non-wilful defaulters and deciding on the period of rehabilitation loans may be attended to by block level screening committees comprising the branch manager and supervisor of the concerned bank, the Inspector of Co-operative Societies and a non-official connected with primary agricultural credit societies from the block. The reports of the screening committees should be confirmed jointly by the District Co-operative and Supply Officer and Manager/District Manager of the bank and then put up for final sanction of the Boards of the respective banks. The work of these committees should be completed within a period of 4 to 6 months to enable the identified non-wilful defaulters to borrow afresh.

30. On identification of non-wilful defaulters, those left out could be deemed as wilful defaulters. In some cases, the defaults

may be subsisting for a long period, say over three years, which could be deemed as chronic and difficult of recovery in the normal course. We recommend the arrangement of blocking such overdues in a separate collection account on the assets side with a provision for a corresponding amount by way of rehabilitation fund, etc., on the liabilities side as suggested by the Study Team on Uttar Pradesh (1978). Accordingly, overdues over three years i.e., chronic overdues in respect of wilful defaulters may be segregated from the total overdues and deemed as "segregated overdues." This segregation may be done at the level of banks as well as the primary credit societies. The block level assessment committees on the lines of those formed for identification of non-wilful defaulters may then be set up for investigation of such segregated overdue loans individually to determine whether the defaulted amount can be accounted for and recovered over a period of time or whether the defaulted amount may have to be written off for the reasons like non-availability of any tangible security, defaulter member being not traceable etc. During these investigations, village level worker from the area of the defaulter member of the concerned society may also be associated as he would have more intimate knowledge about the dealings and creditworthiness of the defaulter members from his area. The assessment committees may be required to complete their work in 4 to 6 months time and they may be furnished with suitable guidelines for such investigation by the Registrar. The proposals of the assessment committees may be put up to the Committee of the District Co-operative and Supply Officer, District Manager/Manager of the bank for their scrutiny and to be finally approved by the Board of the concerned bank. In the case of central banks while considering these reports, a representative of the state co-operative bank may also be associated with the work. Incidentally, it may be mentioned that presently the Himachal Pradesh State Co-operative Bank is investigating overdues over 3 years but the guidelines given for assessment of repaying capacity are defective. The apex bank assumes annual repaying capacity in relation to acreage i.e., at Rs 50 and Rs 100 per acre for unirrigated dry lands and irrigated lands respectively with a *proviso* to assume higher repaying

capacity if considered possible for special reasons. This would result in underestimating the repaying capacity. Since the loans are advanced with reference to crops grown and the scales of finance are fixed therefor keeping in view the value of gross yield the pro-forma for investigation should be so devised to help in making a realistic assessment of repaying capacity.

31. Thus, the overdue loans will get segregated into three types : (i) Loans in respect of non-wilful defaulters; (ii) loans in respect of chronic defaulters and (iii) other overdue loans. In the case of overdues under category (i) facility for rehabilitation loans will be available and in the case of category (ii) suitable follow-up action has to be taken on investigation of such overdues, while in respect of overdues under category (iii) immediate action for recovery has to be launched. While the action suggested for recovery of dues from wilful defaulters in both the latter categories may be continued such defaulter members may be allowed to avail of kind component only to the extent of their repayment. It is not necessary in such cases to wait for recovery of the entire dues. Such an arrangement has been suggested as it is felt that this procedure will encourage at least part repayment of the overdues and also help the institutions concerned to increase their business. Besides, this will ensure continuance of the borrower's loyalty to the co-operatives.

32. The entire action on the lines indicated by us above may be completed in 1979-80. In respect of overdue loans from non-wilful defaulters for which rehabilitation facility will be provided, they will be included in the demand from the year 1980-81 onwards, according to the instalments fixed for their repayment. In the case of segregated overdues, it is accepted that recovery thereof will be a time consuming process and with a view to giving relief to the institution concerned, we suggest that once such overdues are segregated and blocked in a collection account, the demand in respect of such overdues may be spread over a period of five years i.e., 1980-1, 1981-2, 1982-3, 1983-4 and 1984-5 and accordingly one fifth of the amount at the end of each co-operative year may be reckoned for the purpose of demand. Defaults under

this would figure as arrear demand and should be added to the subsequent year's demand. Such an arrangement may be accepted by the higher financing agencies for the purpose of deciding upon the eligibility of the banks for sanction of credit limits only if the Government of Himachal Pradesh agrees to make good the short-fall between the actual recoveries and the demand so reckoned by way of sanction of a term loan for equivalent amount. Such additional assistance from the state government besides improving the liquidity of the bank concerned would require the state government to exert pressure on the banks for recovery of defaults and actively associate in their recovery drive. Such a loan by the state government may be made repayable as and when corresponding recoveries are made. This loan, however, may carry a rate of interest of at least two per cent higher than the normal borrowing rate of the state co-operative bank/central co-operative banks for short-term agricultural purposes. This higher rate is considered necessary, so as to act as disincentive to the banks to obtain costly funds and check complacency on their part in effecting recoveries. Alternatively, the state government may place long-term deposit of the equivalent amount with the concerned bank.

33. No financial assistance is suggested for the societies on this account other than the share capital contribution which has been recommended in Chapter 7.

34. In the earlier paragraphs we have suggested measures to overcome the problem of existing overdues. However, after providing relief as proposed, it is necessary to initiate steps to effect recoveries in respect of outstanding defaults. In this connexion, it is noted that the recovery procedure suffers from various deficiencies warranting suitable amendments thereto. Besides the above, it is necessary to streamline policy and procedures of lending, supervision, management of societies, etc., to minimize the scope for overdues in future. Certain amendments to State Co-operative Societies Act and Rules suggested in the following paragraphs may be carried out after due examination thereof.

35. Following amendments to the Himachal Pradesh Co-operative Societies Act and Rules are suggested.

(i) A suitable enabling provision for recovery of arrears of instalments under medium-term loans for agricultural purposes as in the case of crop loans referred to in paragraphs 18 may be expeditiously incorporated in Section 90A of the Act.

(ii) A provision enabling the state/central co-operative bank to initiate action on its own against the defaulting members of the concerned primary agricultural credit society when the latter is reluctant to do so may be specifically incorporated in the co-operative societies Act on the lines of Section 63 of the Andhra Pradesh Co-operative Societies Act, 1964 reproduced in Annexure 32.

(iii) Pursuant to the recommendations of the Study Team on Overdues, a provision should have been incorporated in the State Co-operative Societies Act in terms of which the entire Board of Directors of the state/central co-operative bank or managing committee of the primary agricultural credit society should stand automatically disqualified if the amount of default exceeds 60 per cent of the demand for a continuous period of 2 years. This however, presupposes transfer of financial supervision over societies to the banks.

#### *Administrative Measures*

36. The following administrative measures are suggested :

(i) At present there is no staff to attend exclusively to arbitration references and execution of decrees/awards at the headquarters or at the districts. At every district headquarter separate staff should be provided for attending to the arbitration cases/execution of awards keeping in view the volume of work.

(ii) To facilitate execution of awards, the specified officers/recovery supervisors of banks may also be authorised to perform the duties of sale officers as is the case in a state like Madhya Pradesh. If the Recovery Supervisors are empowered with such powers, it would facilitate the speedy recovery of co-operative dues.

(iii) The loan policies and procedures of the bank should be streamlined to overcome the deficiencies noted by us earlier. Scales of finance for various crops in different districts should be



prescribed on realistic basis taking into account cultivation expenses, the gross yield per unit of land and repaying capacity of the borrowers. Further, the scales adopted should be communicated in time so as to enable the various institutions to complete the formalities in connexion with sanction and disbursement of loans. The time-schedule for preparation of and sanction of normal credit limit may be so adjusted that there is no delay in issue of loans for any crop. A time lag of 15 days to one month may be provided between the due date to the repayment of loan at the society level and the bank level. At the same time care has to be taken to ensure that at the bank level, the due date for *kharif* crops in general does not go beyond 31 March and 31 May for *rabi* crops.

(iv) Medium-term lending policy should be re-oriented on the basis of the guidelines circulated by the Reserve Bank to make it production-oriented which would result in augmenting the earning capacity of the borrowers. The Report submitted by the Study Group referred to in paragraph 29 of Chapter 5 may also be made use of for the purpose.

(v) To help the societies in their working, each society should have a full-time paid secretary under a common cadre scheme.

(vi) The financial supervision over all types of societies should be transferred to banks to make supervision more effective and the powers of inspection of societies should automatically be vested with the financing banks.

(vii) The central co-operative banks in Haryana have successfully introduced the system of issuing loans by way of non-transferable cheques (loan payment orders) drawn in favour of the borrowing members of the agricultural credit societies and payable at the bank's branches. This system has checked misappropriations and *benami* loans to a great extent, established good rapport between individual borrowers and banks and has helped in effecting recoveries. Although the introduction of such a system is likely to pose certain difficulties in view of the hilly terrain and long distances coupled with uncertain weather conditions, it would be useful if banks in the state introduce the system on an

experimental basis in a few societies situated within a radius of 5 to 8 kms of bank's branches.

(viii) The suggestions made in regard to financing of crops and allied activities and arrangements for their marketing etc., in Chapters 3 and 4 would go a long way in augmenting income of cultivators and linking of credit with marketing would ensure recovery of co-operative dues.

(ix) In the case of apple crop in particular, it is necessary to have an arrangement for declaration of *annewari* which would facilitate provision of conversion facilities in the event of failure of crop consequent to natural calamity. At present it is learnt that Horticulture Department is making visual estimates. The technique can be perfected for declaration of estimate of crop in terms of *annewari* for which purpose a small group might be set up by the State Government comprising representatives of the Co-operation Department, Revenue Department, Horticulture Department and co-operative banks.

37. The most dominant factor causing overdues is wilful default. The problem, therefore, needs to be tackled on the educational and social plane as well. A proper atmosphere has to be created to impress upon the cultivators the importance of timely repayment of their dues to the societies. It is primarily the responsibility of the management of the societies and central banks to educate the members of societies and also to create conditions favourable for repayments. There has to be constant and systematic contact with the borrowers. The recourse to the filing of arbitration cases should be taken as a last resort. The state government's extension machinery should be adequately strengthened to achieve the desired result. These efforts, however, would not succeed if the climate of recovery is vitiated. It is the general experience that many a time pressures are brought from influential quarters for suspension of recovery, staying of awards, etc. We, therefore, urge that under no circumstances such pressures should be exerted by any quarter, including the state government. As a matter of fact, the state government should help in a positive manner in building up of climate for recovery and extend the help in taking coercive action whenever called for.

38. The suggestions made above to deal with the problem of ~~overdues~~ will enable the co-operatives to serve as an effective channel to lend adequate support to various programmes for development of agriculture, horticulture, etc., undertaken by the state government. The whole-hearted support of the managements of banks/societies as also of the Co-operation Department is necessary for implementing the programme and to ensure speedy recovery of loans due for repayment and usher in an era of sustained growth in the co-operative field.

## Chapter 12

### PROBLEMS OF DIFFICULT TERRAIN AND TRIBAL AREAS

The term of reference No. (x) requires us to study problems of difficult terrain of the state as also tribal areas and suggest, if necessary, special financial assistance and a different organizational pattern for providing credit and other requirements in such areas. We have dealt with this term of reference in this chapter.

2. Himachal Pradesh is a hilly state and thus it has a difficult terrain. However, within the state there are certain areas which have relatively far more difficult terrain. The areas which are located on high altitudes in the hills having meagre transport and communication facilities and remain cut off as they are snow-bound during 4 to 6 months every year can be considered as difficult terrain of the state. The districts of Kinnaur, Lahaul and Spiti and the two blocks of Chamba district, namely, Pangi and Bharmour fall in the category of difficult terrain and these very areas are also identified as tribal areas. Our observations and recommendations in this chapter, therefore, are confined to these areas which are herein-after referred to as tribal areas. In this connexion the Draft Tribal Sub-Plan for the period 1978-1983 of the Government of Himachal Pradesh has been a useful reference to us in giving our observations and for undertaking on-the-spot visits to Chamba and Kinnaur districts by officers of the Agricultural Credit Department of the Reserve Bank of India at Bombay and Chandigarh.

3. These tribal areas form a contiguous belt in the North and North-East of the state. Snow glaciers, high altitude and highly rugged terrain, criss-crossed by fast-flowing rivers and their tributaries, are the peculiar features of the tribal belt, which is the most remote and inaccessible area of the state. The tribal areas remain cut off for a few months in a year from the rest of

the Himachal Pradesh. These areas are bound by Tibet in the east, Chamba and Kangra districts in the West, Jammu and Kashmir State on the north and Mandi and Simla districts in the south.

4. The tribal areas account for 43.03 per cent of the total geographical area. The population of the tribal areas, according to 1971 census forms 4 per cent of total population of the state. The density of population is as low as 5 persons per sq. km. and is the lowest i.e., one person per sq. km. for Spiti. The highest density is 15 persons per sq. km. in Bharmour sub-tehsil. The vastness of area coupled with sparse population as also the severity of cold climate and short working season are major factors responsible for retarding the economic development of the area. These factors entail higher cost of development per unit of area.

5. In this land locked area, roads are the only life lines. In many areas goods are transported on human backs or sheep through very difficult and narrow paths. The motorable road density per 100 sq. km. was only 6.3 km. in the year 1975-6. The problems of providing regular communication facilities to these areas is aggravated and made almost insurmountable due to adverse weather conditions, leaving the area snow-covered for quite a few months and the higher cost of construction of roads. However, efforts are being made by the state government to construct more roads in these areas.

6. The areas in question are, by and large, located in the dry zone of the state where the temperature for the major part of the year remains low and the economy is agro-pastoral. According to 1971 census 70 per cent of the working force is directly engaged in agricultural pursuits as may be seen from Table 1. The cultivated area forms only 3.4 per cent of the geographical area and the average intensity of cropping is 138 per cent. The proportion of irrigated area to sown area is 40 per cent in Pangi block (Chamba district) while in Kinnaur district 52 per cent and Lahaul and Spiti 100 per cent. The Bharmour block has no

TABLE 1

In Thousands

Occupational Distribution					
Category of workers	Kinnaur	Lahaul and Spiti	Chamba		Total
			Pangi Block	Bharmour Block	
1. Cultivators	19	11	5	10	45
2. Agricultural labourers	2	(279)	(4)	(153)	2
3. Mining, quarrying, animal husbandry, forestry, plantations etc.	2	(239)	(397)	2	5
4. Household industry	1	(95)	(1)	(228)	2
5. Other services	6	6	(367)	1	13
Total	30	18	6	13	67

**Note :** Figures in brackets are actuals.

irrigation facility and the high proportions of irrigated areas in other parts of tribal area are misleading as the net area sown as stated above forms a very small percentage of the geographical area.

7. The scope for agriculture is relatively limited and these areas are deficient in foodgrains which are, therefore, required to be procured from outside the area. The state government has to arrange for the supply of foodgrains by providing subsidy towards the transport cost which is quite exorbitant in view of the inaccessible nature of the areas. The state government has, therefore, envisaged a two pronged attack to narrow down the gap between the production and requirement of foodgrains by bringing more area

under plough through soil conservation measures and by intensifying cultivation by the timely and adequate supply of improved farm inputs. The potato is an important cash crop in the areas of Kinnaur and Lahaul and Spiti districts, particularly the latter. Although marketing societies/federations are handling marketing of this crop only the Lahaul and Spiti Potato Growers' Society at Manali has relatively done a good job in arranging marketing of its members' produce

8. The agro-climatic conditions in tribal areas are well suited for development of horticulture and temperate fruits like apples, stone fruits, nuts and other dry fruits. However, horticulture has not made much headway except in Kinnaur and Bharmour. At the end of 1977-8 the area under horticulture was 2661 hectares. The development of horticulture is affected due to lack of infrastructure facilities such as transport and extension facilities. Horticulture also requires investment and has a long gestation period. Further, people are not likely to get interested in raising fruit crops in the absence of organized marketing facilities or at least processing facilities, as without such an arrangement, they cannot be assured of a fair return on their produce.

9. In view of the limited scope for agriculture and lack of interest in horticulture, the allied activities particularly sheep and goat rearing are taken up extensively. According to 1972 animal census, out of the total livestock population of 1.23 lakhs, 0.65 lakh were sheep and 0.33 lakh goats. Those who own sheep and goats migrate to the lower altitudes during winter when the high altitude areas are snowbound and grazing becomes a problem. Although there is considerable production of wool, no organized arrangements for its marketing are available as yet and the wool is sold to private traders.

10. The main forest produce in the tribal belt is timber with fuel as complementary produce. There is no scheme for development of minor forest produce including collection and marketing.

11. In the foregoing paragraphs we have briefly given the position obtaining in the tribal areas. With a view to fostering a

faster pace of development in such areas the concept of tribal sub-plan was introduced at the beginning of the Fifth Plan period. The *modus-operandi* to achieve the twin objectives of narrowing the gaps between the level of development of tribal and other areas and to improve the standard of living of the tribal community was to segregate outlays for tribal development under each general sector and to supplement the state efforts by flow of funds from the Central Pool of Special Central Assistance. The tribal development blocks are selected on the basis of tribal concentration of minimum of 50 per cent. In formulating the tribal sub-plan for the period of 1978-1983, pockets having a population of 10,000 with a concentration of tribal people forming 50 per cent and above are included.

12. The Draft Tribal Sub-Plan formulated for the period 1978-1983 envisages an outlay of Rs 67.50 crores of which Rs 56.49 crores are to come from State Plan and the balance Rs 11.01 crores from the Special Assistance. The sectoral distribution proposed is given in Table 2.

TABLE 2

Sector	Total	Rs Crores	
		State Plan	Special Assistance
1. Agricultural and allied services	18.68 (2.03)	12.88 (1.38)	5.80 (0.64)
2. Co-operation	1.80 (0.25)	0.80 (0.11)	1.00 (0.14)
3. Water and Power Development	14.25 (1.97)	13.25 (1.97)	1.00 (—)
4. Industry and Minerals	2.00 (0.07)	1.60 (0.05)	0.40 (0.02)
5. Transport and communications	17.15 (2.04)	17.15 (2.04)	— (—)
6. Social and Community Services	11.57 (1.69)	9.97 (1.57)	1.60 (0.12)
7. Economic Services	0.24 (0.01)	0.09 (0.001)	0.15 (—)
8. General Services	1.81 (0.17)	0.75 (0.11)	1.06 (0.06)
<b>Total</b>	<b>67.50</b> <b>(8.21)</b>	<b>56.49</b> <b>(7.23)</b>	<b>11.01</b> <b>(0.99)</b>

*Note :* Figures in brackets relate to expenditure for the period 1974-8.



13. The state government has proposed an ambitious outlay in the tribal sub-plan as could be viewed from its past achievements. Even then, whatever achievement the government is able to attain will no doubt help improve the conditions in the tribal areas. We now refer to those areas of the plan where co-operatives could be expected to play a direct role in helping the achievement of the aims and targets of the programme. Targets and achievements in respect of such programmes are given in Table 3.

TABLE 3

Head of Development	Item/ Unit	Target for Fifth Plan	Target achieved in 1974-8	Proposed target for 1978-83
(1)	(2)	(3)	(4)	(5)
<b>A. AGRICULTURE</b>				
1. H. Y. V. Seeds to be distributed :				
Wheat	Tonnes	40.00	33.00	50.00
Maize	Tonnes	4.30	7.00	8.00
2. Improved varieties of seeds to be distributed :				
Barley	Tonnes	2.20	2.00	3.00
Millets	Tonnes	2.10	2.00	3.00
Pulses	Tonnes	2.50	2.20	3.50
3. Fertilisers to be distributed :				
Nitrogenous (N)	Tonnes	195.00	90.00	300.00
Phosphatic	Tonnes	95.00	35.00	150.00
Potassic	Tonnes	80.00	26.00	150.00
4. Agricultural implements to be distributed (Hand tools also)	No.	2800	2200	3500
<b>B. HORTICULTURE</b>				
1. Area to be brought under fruit trees	Hect.	2304	2661	4660
2. Subsidy for development of orchards	Rs lakhs	31.50	8.89	75.00
3. Setting up of garden colonies	No.	18	5	28

TABLE 3 (Contd.)

(1)	(2)	(3)	(4)	(5)
<b>C. ANIMAL HUSBANDRY</b>				
1. Upgradation of veterinary hospitals	No.	4	4	10
2. Opening of veterinary dispensaries	No.	8	8	12
3. Upgradation of outlying dispensaries	No.	—	—	3
4. Milk chilling centres	No.		—	1
5. Bull centres	No.	—	—	1
<b>D. MINOR IRRIGATION</b>				
Area under irrigation :				
(a) P. W. D.	Hect.	740	103	3000
(b) R. I. D. D.	Hect.	80	270	414
<b>E. CO-OPERATION</b>				
1. No. of all types of co-operative societies		151	151	151
2. Primary agricultural credit societies :				
(i) Number		109	109	109
(ii) Membership	Thousand	15.90	15.09	17.00
3. Agricultural Credit :	Rs			
(a) Short-term loan advanced	lakhs	4.75	4.00	5.00
(b) Medium-term loan advanced	Rs			
	lakhs	1.30	0.85	1.50
4. Agricultural produce marketed	Rs			
	lakhs	50.00	50.00	60.00
5. Value of consumer articles distributed by co-operatives	lakhs	50.00	49.00	70.00
6. Market godown/Rural godowns	No.	39	15	58
<b>F. FORESTS</b>				
Area under plantation	Hect.	—	876	13618

14. The strategy envisaged under the tribal sub-plan in respect of agriculture is to increase the area under plough through soil conservation, increase production with the help of improved farming techniques and multiple cropping. Cash crops like potato, sugarbeet, jeera, saffron are proposed to be introduced. The potato is already an important cash crop. In the matter of horticulture, the aim is to develop the apple cultivation where road communication has improved. The production of dry fruits like almonds, apricot, raisin, grapes and plum, etc. are to be encouraged in areas with lesser communication facilities. In respect of the development of horticulture the government has certain programmes in particular for the tribal areas. The subsidy in the form of kind is given under the Central Sector Scheme "Package Programmes for Development of Horticulture". The subsidy is allowed on various horticultural inputs like fencing material, plant material, pesticides, plant protection equipments, development of irrigation facilities for the plantation by way of repair/construction of feeder and field channels, provision of sprinkler/drip irrigation facilities, construction/repair of water storage tanks, etc. The subsidy is allowed to the extent of 50 per cent of the actual cost of material on horticultural inputs and the cost involved in the provision of irrigation facilities to an individual whose income from all sources including that of his dependents and members of his family does not exceed Rs 6000 per annum. The subsidy on non-consumable articles for a particular orchard under a programme can be availed of only once but the subsidy on plant material for extension of the area of orchard and for filling up of the gaps as also subsidy on consumable articles and for repairs to the irrigation system can be availed of more than once subject to the limits as given in Table 4 at page 256.

15. In order to encourage farmers for planting of orchards in the form of garden colonies in these areas subsidy is given in 'kind' for inputs like fencing materials, plant protection equipment, horticultural tools as well as for provision of irrigation facilities, through the Department of Horticulture. The garden colony is defined as a cluster of orchards having a total

TABLE 4

Name of package programme on	Maximum limit for subsidy	
	Individual orchardist	Co-operative Panchayat Body
	Rs	Rs
Dry fruits	2000	10000
Apples	5000	25000
Hops	10000	50000
Grapes	5000	25000
Currants	5000	25000

area of at least 10 acres established by 11 or more individual farmers having a common fencing. The income limit for being eligible for subsidy is Rs 6000 per annum as indicated in the preceding paragraph. The subsidy is limited to 50 per cent of the actual cost in respect of the plant material, pesticides, horticultural tools, plant protection equipment, provision of irrigation facilities and 75 per cent on actual cost of fencing subject to the maximum of Rs 35,000 for individual colony under the scheme. The subsidy on non-consumable articles for a particular colony can be availed of only once. The subsidy on plant material for extension of the area and for filling up of the gaps and on consumable articles can be availed of more than once subject to the limit of Rs 35,000.

16. In regard to animal husbandry it is contemplated to bring about qualitative and quantitative improvement of the cattle wealth. It is, therefore, proposed to provide cross-bred cows and sheep and impart practical training to farmers in the latest techniques of improved animal husbandry practices.

17. In the matter of forest development, it is proposed to encourage the people to grow trees for meeting their fuel and raw material requirements, improve existing pastures, survey of availability and introduction of medicinal and aromatic herbs and their export, etc.

18. All these development plans and extension work by the government agencies would need the support of an efficient credit

and marketing structure. The government has made provision for subsidy for construction of godowns and for transport, managerial purposes as well as provision for share capital contribution for the institutions.

19. The strategy envisaged lays special emphasis for the development of co-operatives supplying credit, marketing facilities and distribution of consumer articles. This is expected to help tribals to free themselves from the clutches of moneylenders.

20. Thus, it follows from the above that there should be multipurpose co-operative credit societies which will extend not merely credit for agriculture but also supply inputs, consumer goods and undertake marketing of agricultural and forest produce.

21. The societies should also consider providing loans for consumption purposes as well as to meet custom-bound social obligations within certain limits for which purpose the state government may provide suitable assistance in the form of additional share capital. Such assistance could be provided out of allocations under the Tribal-sub-plan and the Registrar may prescribe guidelines for the purpose.

22. The societies in the tribal areas are to function as multipurpose societies as stated in paragraph 20 above. Hence, organization of functional societies is not considered necessary unless the circumstances warranted in exceptional cases. Even then, the functional societies should not undertake disbursement of credit. It is desirable to give further assistance to the existing multipurpose society in the area by way of managerial subsidy and help maintain additional staff besides the secretary envisaged under the common cadre scheme. We have accepted the suggestion to have a different norms for reorganization of societies in these areas.

23. Thus, if the primary co-operative credit society is made to handle not only the purveying of credit which would include long-term credit but also engage in other types of activities as

envisaged by us and due support is given by higher financing agencies in making available timely credit and by marketing organization in providing facilities for marketing of produce as suggested by us elsewhere in the Report, we are confident that the objective of improving the economic lot of the people could be speedily achieved. Further, keeping in view the meagre availability of transport and perishability of fruit crops, the setting up of small processing units may be considered in the interior areas at convenient locations, subject to economic and technical feasibility, to help the producer to earn a reasonable return on his produce. These units can be linked up with major units within the state.

24. It hardly needs any emphasis that the tribal development calls for whole-hearted drive on the part of the official machinery as well as non-officials connected with the management of institutions as well as the co-ordination of efforts among various Departments like Agriculture, Horticulture, Animal Husbandry, Dairy Development, Co-operation, Forest and Industries as also the marketing and credit agencies to ensure successful implementation of plans and policies aimed at ameliorating the lot of tribals.

## Chapter 13

### R E L A T E D I S S U E S

In the earlier chapters we have given our suggestions for bringing about an improvement in the working of the co-operative credit institutions so as to enable them to help discharge their responsibilities effectively. Incidental to our earlier suggestions there are a few issues to which we would like to refer to in this chapter for offering our recommendations in that behalf.

#### *Marketing structure*

2. We have envisaged a pivotal role for the marketing structure in relation to the arrangement for marketing of members' produce which would help not only in enabling them to secure reasonable return but also help linking of credit with marketing. Besides, the marketing structure will also continue to help the primary agricultural credit societies, which will be working as multi-purpose societies, in procuring consumer goods, fertilizers, seeds, etc. Presently there is a three-tier structure in the marketing field. The state level society is known as the Himchal Pradesh State Co-operative Marketing and Consumers Federation Ltd. (HIM-FED). There are 11 district co-operative marketing and consumer federations, one for each district excepting Lahaul and Spiti. Besides, at the primary level there are 39 primary co-operative marketing societies functioning at tehsil level and 71 co-operative consumers stores.

3. The main object of the establishment of the state level federation, which is referred to as HIMFED, has been to co-ordinate the business activities of various co-operative institutions by arranging the marketing of agricultural produce, supply of chemical fertilizers, consumer goods, etc. It also acts as an agent of the state government for procurement and distribution of essential commodities. The Federation was registered in June 1952. Its membership consists of the state government, district marketing

federations, marketing societies and agricultural credit societies. As on 30 June 1979 its membership was 235. Its paid up share capital as on 30 June 1979 stood at Rs 71.29 lakhs of which Rs 70.41 lakhs had been contributed by the state government. The reserves as on that date were Rs 3.83 lakhs which included the government subsidy of Rs 1.20 lakhs for construction of godowns. Besides, the state government has advanced loans for the purpose of construction of godowns, purchase of trucks and for providing margin money for fertilizer and the outstandings thereagainst stood at Rs 0.42 lakh, Rs 3.05 lakhs and Rs 0.25 lakh respectively as on 30 June 1979. Thus, almost the entire internal resources, of the Federation have been received from the state government. It borrows for fertilizer and other business operations from the Himachal Pradesh State Co-operative Bank and the Kangra Central Co-operative Bank.

4. HIMFED has been working without an elected Board since August 1977 as the then existing Board was superseded. As per the bye-laws, the Board consists of 20 directors of which 12 are elected, 3 are government nominees, 4 are representatives nominated by the state government and one is a representative of the Himachal Pradesh State Co-operative Bank. The Administrator (appointed on supersession of the Board) and the Chief Executive are officers from the state government. The supporting staff consists of an administrative officer, two managers, an accounts officer, an assistant, 4 accountants and 17 clerks.

5. HIMFED has two branches, one each at Dharmsala and, Solan. The Federation's main business is stocking and distribution of fertilizers, procurement and sale of potato and consumer goods. The volume of business handled in this behalf could be seen from the details furnished for the three-year period 1976-7, 1977-8 and 1978-9 in Table 1 at page 261.

6. HIMFED has been incurring losses since 1974-5 in its fertilizer business. These losses have been Rs 3.68 lakhs in 1974-5 Rs 4.14 lakhs in 1975-6, Rs 5.88 lakhs in 1976-7 and Rs 2.25 lakhs in 1977-8. The reasons attributed for such losses have mainly



TABLE 1

Type of business		1976-7		1977-8		1978-9	
		Quan-	Value	Quan-	Value	Quan-	Value
		tity		tity		tity	
		Rs		Rs		Rs	
(1) Distribution of fertilizers	Purchases	17,404	131	19,977	190	20,900	280.00
		MT		MT		MT	
	Sales	17,400	128	20,570	200	21,106	291.22
		MT		MT		MT	
(2) Supply of consumer goods, cloth, sugar, foodgrains, cement and confiscated goods	Purchases	NA	56.65	NA	74.96	NA	33.23
	Sales	NA	56.70	NA	75.49	NA	33.23
(3) Potato marketing (on consignment basis)		30,351	27.27	12,857	22.66	9,040	13.59
		bags		bags		bags	

been the stocks of fertilizers supplied to the tehsil unions/societies on consignment basis in the earlier years remaining unsold as also the failure on the part of consignees to remit sale proceeds promptly to HIMFED. Thus, while HIMFED paid interest on the one hand it earned no interest from the unions/societies on the other. Another factor responsible for the poor turnover resulting in losses has been the system of indent made for fertilizers by the state government, the estimates for which were not realistic. This procedure resulted in the carry over of unsold stocks at the HIMFED level. HIMFED had no role in preparing the estimates and assessing the demand. To help HIMFED avoid losses on this account it has been proposed by the Agriculture Department to the state government that the distribution of fertilizers may be on cash and carry basis and if the stocks of fertilizers held by HIMFED remained unsold beyond a period of 30 days H. P.- 9.

from the date of receipt of stocks the government may provide interest subsidy. It is recommended that the government may agree to this proposal. In Kulu and Chamba districts arrangements for stocking and distribution of fertilizers are made by the Agriculture Department of the state government.

7. In regard to handling of marketing of potato the HIMFED has switched over to outright purchases from 1977-8 as the producers were not otherwise prepared to come over to co-operatives in view of the losses sustained in the earlier years. We, however, are of the view that the policy of outright purchases is not in the interest of financial stability of the institution and may not be pursued as a long-term measure. It is reported that the HIMFED suffered a heavy loss of Rs 5.17 lakhs because of slump in the prices of potato in the market. Thus, remedy lies in building up of necessary marketing expertise to avoid losses in marketing of produce.

8. In the consumer business also it suffered losses in 1975-6 (Rs 0.88 lakh), 1976-7 (Rs 2.73 lakhs) and 1977-8 (Rs 2.28 lakhs). This activity has suffered a set back with the decontrol of sugar, cloth etc.

9. HIMFED has not attempted to market other agricultural produce like ginger or horticultural produce like apple and link credit with marketing. HIMFED has not been able to fulfil its objectives mainly because of its own operational deficiencies. These deficiencies are reflected also in the lower tiers of the marketing structure.

10. The details relating to the financial position and working in respect of district federations and tehsil unions for the year 1978-9 are given in Annexure 33. The unit-wise data in respect of district federations as also tehsil level primary marketing societies are not available. The district federations as well as tehsil level primary marketing societies have their paid-up share capital largely contributed by the state government. Their business is confined mainly to the supply of fertilisers and consumer goods. Out of the 11 district federations, position of 3 district federations

of Chamba, Kulu and Solan is stated to be relatively weak while the one of the Simla is under liquidation. The federation at Solan has a Departmental Official as Manager. Presently attention is being given for improving the financial resources of the federations to enable them to increase their involvement in consumer activities. Most of the federations are running their retail outlets at district headquarters. Similarly most of the primary marketing societies are running their retail outlets at tehsil headquarters.

11. Out of the total number of 71 consumer stores including one Central Co-operative Store at Simla known as 'Naya Bazar', 10 stores are dormant whereas others are functioning and deal in most of the essential commodities. The Simla Central Co-operative Consumer Store is located at Simla and has 5 branches spread all over the town. It is dealing in wide range of articles, namely, grocery, food-stuffs, hosiery, general merchandise, cosmetic goods, electrical goods, etc.

12. In view of the emphasis being placed on rural consumer movement, the National Co-operative Development Corporation started in early 1976 a scheme of financing of rural consumer business through co-operative societies. The scheme comprises 14 minor projects under which a lead society is linked with a number of smaller societies acting as retailers. The lead society procures articles of daily necessity on a wholesale basis and distributes them for retail sale to the linked societies. The lead society also engages itself in retail business at its headquarters. The main object behind this scheme is that village societies should get the items of consumer goods on pooled basis from one source, thus avoiding *ad hoc* purchases from different sources and also enlarge the number of items of consumer articles of common use to be marketed in rural areas. Under this scheme, 14 projects involving an assistance of Rs 15.40 lakhs were sanctioned during the financial year 1976-7 and funds were disbursed in March 1977. The financial assistance is given by way of share capital contribution for purchase of vehicles and furniture and fixtures for modernization of the retail outlets. In 1978-9 seven more

projects have been sanctioned and 10 more are likely to be sanctioned in 1979-80.

13. In order to strengthen the functioning of the marketing and consumer co-operatives in the state and to ensure that co-operatives play a significant role in the overall public distribution system as also arranging marketing of produce the primary task is to effectively co-ordinate the marketing and consumer activities of the apex, district, tehsil and primary level co-operatives. Since HIMFED is a commercial organization it will have to improve its operational efficiency. It is desirable to have a professionally qualified person as its Chief Executive supported by suitable technical hands to handle various types of business. The state government may have to initially provide management subsidy to strengthen the organization. Similar steps are considered necessary in respect of units at the district and tehsil levels to help them to function as effective links in the chain.

*Guarantee for the credit limits sanctioned to co-operatives*

14. Many a time credit limits are sanctioned by higher financing agencies against government guarantee to such of those institutions which would have been granted either lower limits or no limits at all in the normal course. In some cases when the government guarantee is available even the margin requirements are relaxed. It is observed that the government of Himachal Pradesh agrees to provide such guarantee but at times the guarantee deed is not executed or the execution thereof is delayed. In such circumstances the financial institution concerned is not able to avail of the limit thus affecting the interest of the ultimate borrower. In case operation on the limit is allowed by a financing agency without the execution of such guarantee, the interests of the financing agency are jeopardised. It is, therefore, advisable for the state government to execute the guarantees without delay. The state government may also consider providing such guarantees on a continuing basis for a longer period, say for three years. As regards guarantee fee levied by the government we are of the opinion that such fees may not be collected at least in the case of

those limits for which refinance is availed of from the Reserve Bank and those units which are running in loss.

*Interest spreads*

15. The Study Group on Interest Rates in the Co-operative Credit Structure appointed by the Reserve Bank of India, 1978, has recommended that the state co-operative bank may retain a margin in relation to the Reserve Bank's refinance rate within the range of 0.50 per cent to 0.75 per cent in respect of short-term agricultural loans and within the range of 0.25 per cent to 0.50 per cent in respect of medium-term agricultural loans. The apex banks functioning as central financing agencies may retain a margin within the range of 2.50 per cent to 2.75 per cent on short-term and medium-term agricultural loan business. The central bank's margin may be within the range of 2 per cent to 2.25 per cent (over the concerned apex bank's refinance rate) in respect of their short-term and medium-term agricultural loan business. The primaries may retain a margin of 2.50 per cent on short-term and medium-term agricultural loan business. In respect of banks and primaries in Himachal Pradesh, the lending rates and margins with reference to the borrowings from higher financing agencies as available for the year 1978-9 are given in Table 2 at page 266.

16. During the past few years the state co-operative bank has hardly borrowed any loan from the Reserve Bank of India either on its own behalf or on behalf of any of the two central co-operative banks. It has, however, advanced loans to the Jogindra Central Co-operative Bank for short-term agricultural purpose at 7.60 per cent per annum on the assumption of retaining a margin of 0.60 per cent over and above the Reserve Bank's lending rate of two per cent below the Bank Rate. Similar margin has been retained for the medium-term agricultural loans also. As on 30 June 1977 average borrowing and average lending rates of the Himachal Pradesh State Co-operative Bank worked out to 7.28 per cent and 10.5 per cent respectively leaving a margin of 3.22 per cent. The position has reportedly been the same as on 30 June 1979. The bank gets a higher margin as it is financing societies

TABLE 2

*Position as on 30-6-1979*

	Short-term agricultural		Medium-term agricultural		Cash credits	
	Lend- ing Rate	Mar- gin	Lend- ing Rate	Mar- gin	Lend- ing Rate	Mar- gin
	(1)	(2)	(3)	(4)	(5)	(6)
<b>1. H. P. State Co-operative Bank</b>						
A. (i) To central banks	7.60	0.60	8.10	0.60	12	—
(ii) To societies	10.00	3.00	10.50	3.00	14	—
B. Societies to members	12.50	2.50	13	2.50	—	—
<b>2. Kangra Central Co-operative Bank</b>						
A. To societies	10	—	11.5	—	14	—
B. Societies to members	12	2	13.5	2	—	—
<b>3. Jogindra Central Co-operative Bank</b>						
A. To societies	10	2.0 to 2.4	10.50	2.40	14	2
B. Societies to members	12.50	2.50	13.00	2.50	—	—

**Note :** (1) Margins are with reference to the borrowings from the higher financing agencies.

(2) In the case of Kangra Central Co-operative Bank there are no borrowings from higher financing agency hence margin are not indicated.

as a central financing agency as well. As regards the central co-operative banks and primary agricultural credit societies are concerned the margin available to them as shown in Table 2 is 2.4 per cent and 2.5 per cent respectively. The average borrowing and lending rates of the Jogindra Central Co-operative Bank during 1976-7 were at 7.3 per cent and 9.6 per cent respectively giving it a margin at 2.3 per cent. The average borrowing and lending rates of the Kangra Central Co-operative Bank were 7.7 per cent and 10.5 per cent giving it a margin of 2.8 per cent. The banks thus have margins ranging between 2.3 per cent and 3.2 per cent which compare favourably with those recommended by the Study Group on Interest Rates. In Himachal Pradesh the banks are operating in a hilly state and are required to have a wide network of branches involving larger overhead expenditure. The state co-operative bank serves tribal areas in Kinnaur and Chamba districts, while the Kangra Central Co-operative Bank serves tribal district of Lahaul and Spiti. Besides the present margins will be reduced on account of the contribution the banks and societies will have to make for maintenance of a common cadre for secretaries suggested by us in Chapter 7. We, therefore, do not suggest any change in the present margins.

17. It will be seen from Table 2 that the rate of interest to ultimate borrower works out to 12-12.5 per cent for short-term agricultural loans and 13.0 per cent for the medium-term loans. It may be stated here that in the year 1978, the Reserve Bank of India besides reducing rates of interests on deposits reduced its rate of interest charged for refinance for short-term agricultural purposes with a view to enabling the banks to pass on the benefit to the small and marginal farmers. However, as noted by us earlier, in Himachal Pradesh the banks' reliance on borrowing from the Reserve Bank has almost been nil so far. Hence the benefit of lowering of rate of interest by the Reserve Bank has been of no consequence to these banks in lowering their average borrowing rate and they have, therefore, not been able to charge a lower rate of interest to the ultimate borrower. Further, many farmers in the states have small landholdings which would place them

in the category of small and marginal farmers. Loans at lower rates to such a large number of borrowers will have an adverse impact on the earnings of the bank and this will call for subsidy from the state government.

18. Thus, the banks would not be in a position to reduce the interest margins to any significant extent with the existing level of borrowing. However, slight reduction can be thought of when the business of banks increases and earnings improve. Pending this, we are of the view that the banks should not be compelled to reduce the rates of interest which would ultimately affect their profitability and financial stability. In the absence of subsidy from the state government there does not appear to be any immediate alternative.

19. We have noted in paragraph 25 of Chapter 6 that the Kangra Central Co-operative Bank is charging a higher rate of interest on weavers' finance. Since the facility for provision of working capital requirements of weavers' societies at a concessional rate is available, we recommend that the rate of interest on such loans should not exceed the rate stipulated by the Reserve Bank.

20. We would like to briefly refer here to the differential interest rate scheme and the Antyodaya Programme and recommendations regarding operation of these schemes, in the context of the consortium /participation arrangement proposed by us for adoption in the state in Chapter 9.

#### *Differential Interest Rate Scheme*

21. Under the differential interest rate scheme in operation in commercial banks, the loans are granted at a concessional rate of interest of 4 per cent per annum, to those persons who satisfy the following criteria :

- (a) The family income of the borrowers from all sources should not exceed Rs 3000 per annum in urban /semi-urban areas and Rs 2000 per annum in rural areas.
- (b) The holdings of the borrower should not exceed one acre in the case of irrigated land and 2.5 acres in the case of unirrigated land.



(c) Members of scheduled castes/scheduled tribes are eligible for the loan irrespective of the size of their land holdings, provided they satisfy the income criterion.

22. The benefit under the scheme is confined to direct loans sanctioned to individuals. This has resulted in an anomalous situation as members of primary agricultural credit societies even if they satisfy the eligibility criteria have to pay the usual interest rate while the eligible non-members in the same area would get the benefit of lower interest rate under the scheme if they approach the commercial bank directly. This has an adverse impact on the efforts of societies in increasing their membership as a sort of psychological atmosphere is created among the people to the effect that commercial banks lend at a much cheaper rate than co-operatives. The fact that the benefit of concessional rate is not available in general and is confined to a few eligible borrowers only is not taken note of. Further, the extent of such loaning is not unlimited as the banks are to lend only upto 1 per cent of their aggregate advances. This works as a disincentive to those who have so far not joined the co-operatives to become members as well as those who are already members of co-operatives to continue as such. We, therefore, recommend that commercial banks may be permitted to make available finance to eligible borrowers, among members of primary co-operative societies in areas where they take up financing of agriculture through societies. When such financing is done under the consortium arrangement as suggested in Chapter 9 there would not be any discrimination in availability of facilities to societies financed by co-operative and commercial banks. However, we are aware that the implementation of our recommendation would no doubt result in discrimination in the case of borrowers of co-operatives, residing in the areas not covered by consortium arrangement. These disparities can be removed if the state government comes forward to subsidise banks concerned to the extent of loss of interest. The state government has already come forward to subsidise the loss of interest suffered by banks in financing Antyodaya families in the entire state. But as a result of our earlier recommendations

there may not be any need for the Government to bear any liability under this head in areas where consortium arrangement is attempted, and this saving can be diverted to other areas. Even then, if there is deficit the government may consider meeting the same in the interest of economic uplift of the rural poor.

#### *Antyodaya Programme*

23. Under the Antyodaya Programme launched by the state government, 5 families for every 1000 population would be selected and necessary assistance according to the preferences indicated by the concerned families would be provided for their economic uplift. Some of the families covered under the Antyodaya Programme may need credit for raising crops on land allotted to them or for undertaking activities such as dairying, sheep rearing etc., or for starting a cottage/rural industry and credit for the purpose would be extended to them at a concessional rate of interest of 4 per cent per annum. The Registrar of Co-operative Societies has issued the circular No. 5/67/78- Coop. dated 29 November 1978 whereby the societies may issue loans to families covered under the Antyodaya Programme at an interest rate of 4 per cent per annum. The difference between the usual rate of interest charged by co-operative banks and the concessional rate of 4 per cent per annum to be charged to Antyodaya families would be subsidised by the state government. The concerned families would purchase one share to become member of the society. As the families selected for loaning under the Antyodaya Scheme would normally satisfy the eligibility criteria laid down for the Differential Interest Rate Scheme of commercial banks where the rate of interest is also 4 per cent per annum, the members of co-operatives will also get finance at reduced rates.

#### *Co-operative Training*

24. The state government established on 15 May 1954 the Himachal Pradesh Co-operative Training Centre at Mashobra near Simla to impart training to the employees both at departmental and institutional level to handle the rapidly expanding movement. The centre which was being initially run by the Co-operation

Department was taken over by the Provincial Co-operative Union now known as the Himachal Pradesh State Co-operative Union (Established in 1960) with effect from 30 May 1963. The Himachal Pradesh State Co-operative Union has to arrange for education and training of members, office bearers and workers in the co-operative societies, publish periodicals etc.

25. The training programmes pertaining to the membership attitudes and participation programme were started in 1957 with two units each managed by a co-operative education officer under the aegis of the apex bank. With the establishment of the union, this function was transferred to it in 1962. Under the State Co-operative Union the number of the peripatetic units in different parts of the state covering roughly two blocks each has now risen to 25. These are mobile units and hold different types of courses for various categories of personnel such as managing committee members, ordinary members, potential members, secretaries, managers, etc., at venues convenient to participants. Two, three or even four societies are generally grouped together for holding a course.

26. The training Institute at Mashobra provides training facilities to the subordinate staff of the Co-operation Department and co-operative institutions namely inspectors, sub-inspectors and auditors, managers and accountants of co-operative societies and supervisors and clerks of co-operative banks. Trainees are paid monthly stipends in addition to free lodging facilities. Persons sponsored by the employers only are allowed admission to the courses.

27. A junior basic course of 30 weeks' duration (including practical training of 6 weeks) is conducted at the centre and until 30 September 1979, 33 such courses were organized in which 1023 personnel of various categories from the Co-operation Department and institutions were trained.

28. Certain *ad hoc*/special courses have also been held at the centre, as per details given on next page :

- (a) Under the half-a-million job programme, 45 personnel were trained to work as secretaries of the societies.
- (b) Two special courses of 24 weeks each were held for training the personnel of re-organized societies. In the 2 courses 75 persons were trained.
- (c) Four special courses of 10 days duration each were held for training 65 employees of consumer co-operatives.
- (d) Shop training programme for the sales staff of central co-operative consumer stores was organised and 18 personnel were trained.
- (e) One special course of 10 days duration was held to train 17 personnel of banks in credit and banking.
- (f) Orientation courses of a few days duration for departmental and institutional staff at the district headquarters.

29. The union has trained the membership and personnel of the co-operative societies upto the end of 1978-9 as shown in Table 3.

TABLE 3

During the year	Secretaries/ Managers of societies	Managing Committee members and prospective members	Members and prospective leaders
No. trained upto			
1975-6	7,010	50,152	84,299
1976-7	626	3,637	6,442
1977-8	364	3,700	7,024
1978-9	700	3,470	3,395
<b>Total</b>	<b>8,700</b>	<b>60,959</b>	<b>1,01,160</b>

30. The Union faces difficulties in arranging training programmes in view of the reasons given below :

(i) Poor response by the co-operative personnel to participate in the courses organised specially in the areas and districts where the movement is weak. Except in Kangra, Una and Hamirpur districts, response to these courses by co-operative personnel has been poor and (ii) apathy on the part of co-operative institutions towards the programmes. Besides, the union has to heavily depend on government grants in the absence of its own resources. To help remedy the situation a provision has been made with effect from 15 May 1971 that co-operative societies shall pay towards the co-operative education fund maintained by the union at 3 per cent of their net profit. This provision has been amended from June 1977 requiring the co-operative societies to contribute to the education fund a minimum of Rs 10 or 3 per cent of the net profit with a maximum of Rs 10,000. The union however, has not been able to collect substantial contributions due to the poor working of the institutions as also the indifference of the co-operatives themselves. Since a provision already exists for contributions to Co-operative Education Fund suitable rules may be framed and administrative arrangements made to ensure collection of contributions within a specified period.

*Departmental set-up*

31. The Registrar, Co-operative Societies has his office at state headquarters and is assisted in head office by three Joint Registrars, four Deputy Registrars and four District Co-operative and Supply Officers. The Registrar of Co-operative Societies is also charged with the responsibility of audit. The four District Co-operative and Supply Officers look after various sections including planning, banking and credit, marketing and consumers, processing and industrial, audit and education. Their work is overseen by four Deputy Registrars for development, marketing, audit and consumer business. Of the three Joint Registrars, one Joint Registrar is in charge of audit, another in charge of dairy and the third one attends to all the cases and shares responsibility and power with the Registrar, Co-operative Societies. The latter Joint Registrar

is proposed to be designated as Additional Registrar and we recommend that the state government may approve the proposal.

32. The state has been divided into three divisions, viz., Western, Central and Eastern and each division is headed by a Deputy Registrar with their respective headquarters at Palampur, Mandi and Simla. These Deputy Registrars very often work simultaneously as Administrator/Managing Director/Chief Executive Officer of some large-sized co-operative institution such as bank, marketing federation, wholesale consumer stores, etc., and obviously find it difficult to do justice to their duties.

33. In the district, the departmental set-up consists of a District Co-operative and Supply Officer, a District Audit Officer, a District Inspector, a Statistical Assistant and Inspectors and sub-inspectors for supervision over societies. The District Co-operative and Supply Officers have also been vested with powers of Assistant Collector to facilitate the recovery of overdues of co-operative societies as arrears of land revenue. The district of Kangra having vast area and large number of co-operative societies is divided between two District Co-operative and Supply Officers.

34. As per the administrative arrangements the posts of Registrar and the Joint Registrar (other than audit and dairy which are recently created), are manned by I.A.S. Officers. Of the seven posts of Deputy Registrars — four are at headquarters and three in the Divisions — five are reserved for promotee officers from the Co-operation Department and the other two for officers from the state administrative service. Incumbents to the posts of Registrar and Joint Registrar which are the key posts in the Department and who help the government in formulating policies and implementation thereof are being changed too often. For instance, during the period March 76 till date i.e., within a period of 4 years the incumbents to the posts of Registrar were changed three times while in the case of the Joint Registrar they were changed four times.

35. It is the Registrar, Co-operative Societies who will be required to initiate action on the majority of the recommendations of the Study Team and will also be responsible for ensuring implementation of the recommendations by the institutions concerned. Thus, the Registrar, Co-operative Societies has a pivotal role in the programme of the development of the co-operative credit structure envisaged by us. The continuity of action and adoption of planned and co-ordinated policies on his part would, therefore, assume great importance. In view of this it is essential that the incumbent to the post of Registrar, Co-operative Societies should hold the office for a fairly long period extending say upto five years as has been recommended by the All India Rural Credit Survey Committee, 1954. We would, therefore, urge on the state government to ensure that the office of the Registrar, Co-operative Societies is held by the same officer for a term of at least 5 years.

36. The implementation of the recommendations of the Study Team will necessitate the strengthening of the establishment of the Registrar, Co-operative Societies both at headquarters as well as districts. For instance, a cell may have to be created in the Department for pursuing the implementation of our recommendations. The Government may please review the position in this behalf to provide adequate supporting staff for the Registrar on a priority basis.

#### *Audit*

37. There is no separate directorate or office charged with the responsibility of audit of societies and the Registrar, Co-operative Societies is responsible also for the audit of the institutions. Recently, the post of Joint Registrar has been created to look after audit. He is assisted by a Deputy Registrar and a District Co-operative and Supply Officer. The audit of all types of societies in a district is the responsibility of the District Co-operative and Supply Officer of the district who is assisted by the District Audit Officer.

38. Earlier there was no allocation of staff for audit and supervision separately at the lowest level. The co-operative sub-inspectors belonged to the common cadre. However, there has been change in the position recently and separate staff is allocated for the purpose of audit. As on 30 June 1979 for nearly 4400 societies of all types, the following staff have been provided for audit at the district level.

Auditors	188
Inspectors (Audit)	37
District Audit Officers	16
	<hr/>
	241

39. Concurrent audit was being conducted till recently in respect of the marketing unions and federations. The audit of other institutions including the co-operative banks was being conducted on an annual basis. The audit of the apex bank, central co-operative banks and their branches was conducted by audit teams headed by audit inspectors aided by staff considered adequate for expeditious completion of the audit and no separate staff was provided for the audit of co-operative banks and their branches and according to the arrangements in vogue audit of the branches of co-operative banks was arranged by the respective District Co-operative and Supply Officers in whose jurisdiction the branches function. In such a situation liaison and co-ordination in the audit of different branches and head office of a co-operative bank was difficult as their area of operation exceeds more than one district, except in the case of the Jogindra Bank. However, the state/central co-operative banks are now being brought under concurrent audit and the Audit Team will now be headed by District Audit Officer aided by Inspectors (Audit) and other staff.

40. Instructions have been issued by the state government that for the purpose of audit classification of primary agricultural credit societies and co-operative banks the marking system suggested by the Reserve Bank with reference to 11 major aspects of business may be followed. In practice, however, the audit staff is,



by and large, not following the marks system. Administrative action is, therefore, required to ensure that the marks system is followed both for primary agricultural credit societies and co-operative banks. If necessary, the audit staff should be given suitable orientation training to follow instructions regarding audit classification.

41. Audit fees are levied on the basis of profits of the society which ranges from 5 to 10 per cent of the profit as may be seen from Table 4.

TABLE 4

Type of society	Percent of profit	Minimum Rs	Maximum Rs
State Co-operative Bank	5	5,000	10,000
Central Land Mortgage Bank	5	3,000	5,000
Central Co-operative Bank	7.5	4,000	10,000
Primary Land Mortgage Bank	10	500	1,500
Primary Agricultural Credit Society	10	25	500

42. A society which has not been working for a period of 12 months or more is not required to pay any fees. Thus, defunct societies are exempted from payment of audit fees.

43. The state government may consider designating the Joint Registrar in charge of audit as Chief Audit Officer. With a view to enabling the audit staff to complete the audit of institutions on time, the state government may review the position of audit staff also and suitably augment their strength.

## Chapter 14

### IMPLEMENTATION

1. In the foregoing chapters an exercise has been made to give a detailed picture of the position and potential of agricultural and allied activities in the Himachal Pradesh, highlighting various problems in the provision of the desired level of agricultural credit by institutional agencies, especially co-operatives. An attempt has also been made to offer suitable recommendations at relevant places to provide adequate strength to the agricultural credit institutions and infrastructure facilities.

2. Despite hilly terrain and inadequate communications, there is good scope for financing agriculture and allied activities in the state. The short-term production credit requirements to be met by institutional agencies have been estimated to be Rs 51 crores. But, in view of the existing level of flow of credit and operational efficiency of co-operatives it is expected that in the near future i.e., say by 1982-3, the institutions will reach a level of Rs 17 crores. In addition, institutional finance of the order of about Rs 11 crores would be required to be provided for medium-term agricultural purposes such as dairy, sheep breeding, etc. In view of the large credit gap existing, a massive effort is called for to gear up the credit institutions to channel the credit.

3. The other recommendations of a far reaching nature which have been made in the earlier chapters to strengthen the credit institutions are reorganisation of primary agricultural credit societies so as to make them viable units, appointment of full-time paid secretaries, creation of a common cadre for secretaries, increasing the coverage of borrowing membership, integration of short-term and long-term credit structures, provision of representation in the management of banks for weaker sections, toning up of managements of banks, streamlining their lending policies and procedures, direct supervision of societies by lending

institutions, investigation of overdue accounts and rehabilitation of non-wilful defaulters.

4. Similarly, suggestions have been made for specific action to be initiated by the state government by way of financial and organisational support to the credit institutions. A lower norm of credit business than generally necessary for considering a society viable has been agreed upon in view of the difficult terrain and communication difficulties and the fact that the state government had more or less already completed the reorganization on the basis of such norms. This would call for adequate initial financial support from the state government apart from central financing agencies for sustaining such societies till such time they become viable. Further, strengthening the rehabilitation fund, subsidising uneconomical branches of co-operative banks, provision of share capital assistance to societies and banks and meeting the deficit in the common cadre fund for secretaries, would call for adequate budgetary provision by the state government. Besides, strengthening the office of the Registrar of Co-operative Societies, assisting in the reorganisation of societies and integration of short-term and long-term credit structures, setting up of district level and state level committees for identifying areas for entry of commercial banks in financing agriculture, etc., would require the organisational support of the state government.

5. The fundamental changes envisaged in the Report are possible only if a package of simultaneous measures is taken to reform the movement in the state. Hence for implementing the recommendations made in the Report as well as for a review thereof it is essential to have a high power Implementation Committee set up by the Government of Himachal Pradesh under the chairmanship of the Chief Secretary. The other members of the Committee may be the Secretary, Co-operation and Agriculture Departments, Registrar of Co-operative Societies, Director of Agriculture, Director of Horticulture, Director of Industries, Director of Animal Husbandry, a representative of the Reserve Bank of India, Chandigarh, the Managing Director, Himachal Pradesh State Co-operative Bank and the General Manager, Himachal

Pradesh Central State Co-operative Land Development Bank. The convenor of the Committee may be the Registrar of Co-operative Societies. The Committee should meet periodically at least once in a quarter. The Committee will work through a cell with suitable staff headed by an Officer of the rank of a Joint Registrar of Co-operative Societies. The cell will act as the secretariat for implementing the recommendations of the Study Team. It will initially arrange to make available to all the departments, institutions concerned a check list indicating the action to be taken by them. Further, under the overall guidance of the Committee it will watch the progress made in the implementation of the recommendations from time to time, report to the Committee and follow up the recommendations with the concerned departments/institutions.

## SUMMARY OF FINDINGS AND RECOMMENDATIONS

### *Chapter 1 — Agricultural Profile*

1. Himachal Pradesh is situated in the heart of the Himalayas and is one of the smallest states in the country with an area of 55.7 thousand sq. kms. Except for a thin belt in the west and south, the entire state is predominantly mountainous bounded by high ranges of Himalayas with altitudes ranging between 460 metres and 6,405 metres above sea level. Over a third of this area, being at an altitude of 3,050 metres and above, remains covered by snow for about 6 months in a year.
2. The area available for cultivation is relatively limited and its availability is adversely affected due to frequent landslides and soil erosion. Despite this handicap, agriculture has remained the single largest occupation with 75 per cent of the total working population engaged in it. The gross cropped area is 9.17 lakh hectares. The gross irrigated area at 1.51 lakh hectares forms 16.5 per cent of the gross cropped area. Land holdings are small and scattered and fragmented. The average size of land holdings is only about 1.5 hectares which is below the national average of 2 hectares. The area under forest at 6.38 lakh hectares forms 22 per cent of the total area of the state.
3. The food crops dominate the cropping pattern in the state accounting for almost 87 per cent of the gross cropped area. From the view point of agricultural production *kharif* season is important. Paddy, wheat and maize crops cover almost 73 per cent of the gross cropped area. Rapeseed, mustard, potato, sugarcane, and ginger are the important cash crops. In respect of production of ginger, the state ranks next to Kerala. The state also produces off-season vegetables.
4. The geographical features and agro-climatic conditions prevailing in the state are conducive to the development of horticulture. Realising the significance and usefulness of fruit

cultivation, the state government has taken initiative in developing horticulture.

5. In a predominantly agricultural economy, animal husbandry and pastoral pursuits also play a vital role in supplementing the income of farming households and in the rural development. The state government has taken up various schemes for providing health cover and for achieving qualitative improvement of the cattle population.

*Chapter 2 — Estimates of short-term production credit for agriculture*

6. With a view to arriving at the short-term credit requirements in the state, we have worked out the average scale of finance giving due weightage to the areas under different crops grown over a sizeable area and the scales of finance therefor. Accordingly, the average scale of finance per hectare works out to Rs 1,300 for un-irrigated area and Rs 1,570 for irrigated area. Of the gross cropped area of 9.54 lakh hectares which includes 0.35 lakh hectares under the apple crop, 8.04 lakh hectares are unirrigated and 1.50 lakh hectares are irrigated. With reference to the average scales of finance as above, the total credit requirements work out to Rs 128.07 crores.

7. Keeping in view the effective coverage of co-operatives, the land holdings of the members and number of borrowing members of societies on a rational basis it is assumed that borrowings from the institutional sources will be in respect of 40 per cent of the area under cultivation. On this basis, the institutional credit requirements work out to about Rs 51 crores.

8. The institutional credit from primary co-operatives in the state was about Rs 5.60 crores only as at the end of June 1978. The commercial banks in the state have not provided agricultural finance through societies and their direct finance for production purposes is also stated to be negligible. In view of the position indicated, the estimated credit requirements may not be met in full by the institutions in the near future, say by the end of 1983.

The institutions, both the co-operative banks and commercial banks together should, therefore, at least set before them a realistic programme to cover one-third of the estimated credit requirements, viz., Rs 17 crores by the end of June 1983.

9. In the above assessment, we have not taken into consideration crops like ginger and vegetables, for which the scales of finance are higher than the average scale of finance arrived at by us. Credit requirements for these crops could be deemed to be additional potential for the credit institutions to increase their loan business further.

10. As regards requirements for medium-term agricultural finance, allied activities like dairying and sheep breeding can be financed on a large scale, as infrastructural facilities, particularly in regard to health cover and improved breed, have been provided by the state government. The credit requirements for dairying and sheep breeding have been assessed at Rs 11 crores even on a conservative basis.

*Chapter 3 — Scope for financing select crops and activities like dairying and sheep breeding*

11. In view of the temperate climate, the state is most suited for horticultural activities and production of crops like potato, ginger and vegetables which fetch a better income to the cultivator per unit of land as against the income from food crops. Similarly, there is scope for financing activities of dairying and sheep breeding for which medium-term loans are required.

12. The potato grown in the state is used as seed potato, and enjoys a wide market in the country. On the basis of the scales of finance at Rs 4000 per hectare, the institutions will have to meet credit requirements at Rs 250 lakhs i.e., in respect of 40 per cent of the total area of 15,000 hectares under the crop. However, the disbursement of credit so far was relatively poor. The potato growers are not in a position to secure fair and reasonable return for want of storage facilities and proper arrangements for marketing.

13. Ginger grown in an area of about 2,000 hectares is mainly concentrated in Sirmur district. Assuming that the institutions will be required to meet the credit requirements in respect of 40 per cent of the area, the production credit requirements could be placed at Rs 57 lakhs on the basis of the scale of finance at Rs 7,125 per hectare. As against this the Himachal Pradesh State Co-operative Bank's disbursement during the year 1976-7 was Rs 3.82 lakhs only. Ginger is harvested in November but its marketing continues for almost five months thereafter. Since the marketing of product is spread over for a longer time and the commodity is perishable, proper storage facilities are necessary to avoid drying and deterioration. Besides, there is no institutional arrangements in the area for marketing of crop. The co-operative sector should make arrangements for helping the farmers in marketing their produce either locally or outside the state.

14. Although the ginger crop is harvested in November, it is mainly sold between December and March and the present due date of 31 January may, therefore, be postponed to say at least to the end of February.

15. Due to ideal range of heights of mountains and temperate climate, it is possible to grow varieties of vegetables in the state generally in the seasons different from those in the plains. Solan district has been found to be the most suitable area for off-season vegetables. Co-operative banks, however, have not so far provided any finance for the cultivation of vegetables. A ceiling of Rs 5,000 except for the apple crop, fixed for the total short-term loan outstanding from a member irrespective of his land-holding is likely to come in the way of a vegetable grower obtaining his full requirements. In view of different periods of sowing and harvesting in respect of vegetables, seasonality will have to be observed in disbursement of loans and recovery thereof.

16. There is adequate scope for financing crops like potato, ginger and vegetables, but co-operatives have not been able to make available the required finance mainly because of either their resource constraints or apathy on the part of management.



The inability of the primary co-operatives to undertake financing for want of full-time employees and high level of overdues resulting into ineligibility to borrow have been the other reasons. While financing these crops, due consideration will have to be shown in observing seasonality in the disbursement of production finance as also in fixing recovery dates to coincide with their marketing seasons. In the case of vegetable crops introduction of the cash credit system would be advantageous. However, as this would involve more frequent operations, trained secretaries would be necessary to handle accounts. Societies can shift to cash credit type of lending as soon as trained secretaries are in position.

17. It is necessary to have a link up of the primary co-operative credit societies with that of the marketing structure in the state for proper arrangements for marketing of produce. The reorganized society should act as a multi-purpose society and undertake marketing of members produce also. The tehsil level co-operative marketing societies could collect the produce from societies in their area and arrange for its disposal through the district marketing society or the apex level society, as the case may be. This would call for the marketing organizations building up contacts in the consumer market for disposal of the produce. It is desirable that the societies accept the produce on an agency basis instead of making outright purchases which entail the risk of loss in case of slump in prices. To help growers meet their immediate requirements, societies may give them produce loans to the extent of 20 to 25 per cent of the value of the produce. The production loans and produce loans may be adjusted on receipt of sale proceeds. Refinance facility by way of credit limit for marketing of crops at the Bank Rate is available from the Reserve Bank of India. The operation on the marketing limit is, however, subject to the condition that drawals on this limit should be matched by the corresponding recoveries of production dues. In view of our suggestions to allow produce loans only to the extent of 20 to 25 per cent of the value of the produce, recovery of production dues at this stage would not be feasible. In the circumstances, the Reserve Bank may take a practical view in the matter and sanction limits for marketing of

crops without insisting on recovery of production dues at the time of issue of produce loans. However, an undertaking may be obtained from the society/bank that the sale proceeds will be first adjusted towards payment of production as well as produce loans and the balance, if any, will be passed on to the producer.

18. The financing for purpose of milch cattle is taken up mainly at the initiative of SFDA/MFAL agencies, but co-operative banks should also take initiative in the provision of finance for purchase of milch cattle. Normally, two milch cattle are required i.e., one animal purchased initially and the other after about the time when the first animal goes dry to ensure a regular and steady flow of income. However, by and large, only one milch cattle is being provided to a beneficiary and repayment of loan is expected in 24 monthly instalments without taking into account the dry period of the animal. We suggest that the economics of maintaining a unit of milch cattle may be worked out taking into consideration the dry period of the animal and the period of loan may be extended to 3 to 4 years, if necessary. Further, the amount of monthly instalments could be fixed in such a way as to have correlation to the milk yield in the initial months of the lactation period. Medium-term loans may be advanced even upto a period of 5 years in the case of a marginal farmer or agricultural labourer whose repaying capacity is very small. The present arrangements for purchase of animals by a committee and supplying the animal itself to a beneficiary should be continued which would ensure proper end-use of credit. However, the loan account should be debited from the date of purchase of the animal and not from the date of sanction of loan.

19. The maintenance of milch cattle is neglected particularly during the dry period. It is desirable to make arrangements for supply of cattle feed, concentrates, fodder, medicines, etc., in kind and provide cash credit accommodation for the purpose and the amount can be adjusted when the sale proceeds are received.

20. The state government have, keeping in view the operation flood programme in respect of milk, since decided to organise

milk producers' societies primarily for collection of milk in all the areas. Milk producers' societies may be set up for collection of milk not necessarily near the roadside but from the view point of convenience of milk producers and availability of milk for collection in large quantities so as to ensure viability of such societies. Such societies should not, however, deal in credit business but confine its activities only to the collection of milk and supply of feed, fodder, medicines etc. In case the society is away from the roadside, it can employ a carrier to deliver milk at the appointed place, which may either be at the chilling plant itself depending on its location or the point where the milk van could come. Where there is adequate scope for collection of milk, setting up of milk unions to run the chilling plants is necessary. The milk producers' society should have link with the primary agricultural credit societies in its area and should undertake recovery of dues of such societies towards the loans advanced for purchase of milch cattle.

21. The animal should be insured against the risks of accident, death etc., as a measure to provide replacement. Alternatively, a mortality or risk fund could be created by financing bank out of contributions from borrowers realised from sale proceeds of the milk supplied by them.

22. Sheep rearing has all along been playing an important role in the economy of the state but the quality of wool produced by the local sheep is coarse and much less in quantity as compared to improved breeds of other countries. The Government of Himachal Pradesh has made arrangements to provide health cover and improved breed of sheep. The identified small and marginal farmers are being provided direct finance for the purchase of sheep mostly by commercial banks. The recovery of loans poses a problem in the absence of organised arrangements for marketing and the problem is aggravated in the case of direct individual loaning as borrowers are spread over a large area. Presently co-operatives have not evinced interest in financing these activities.

23. The credit support should be for upgrading the breeding stock and not for merely increasing the sheep population. The

Animal Husbandry Department should continue to help beneficiaries to purchase better breed of sheep and also provide facilities for improving the breed of the animals already purchased. As regards selection of beneficiaries, migratory tribes who have a homestead or some vested interests in their villages may also be considered for providing finance. In the interest of a beneficiary as well as financing institution, it is necessary to provide finance for the purchase of an economic unit which generally comprises 30 ewes and one ram. Even a sheep unit of 20 ewes and one ram could be considered economic, provided it generates enough repaying capacity to repay the loan in five years. A sheep unit of 10 ewes and one ram can also be an economic unit, but it would generate a lower income than in the case of a unit of 30/20 ewes and a ram. The Animal Husbandry Department and financing institutions may, however, work out the economics of such a unit on the basis of prevalent prices for the produce and cost of inputs to enable financing institutions to provide medium-term loans for the purpose which could be advanced up to five years. This activity should be financed by the primary agricultural credit societies.

24. Taking note of the fact that the income from a unit of sheep increases from year to year with additions to the unit with the weaning of ewes, the repayment schedule for such loan could be fixed in ascending instalments to correspond with the incremental income so generated. Economically weak farmers could be given loans up to a specified limit say, Rs 2000 on the basis of joint and several liability of a group of not less than five farmers. The mortgage or charge on land may be taken, if a farmer is in a position to offer it.

25. The provision of finance cannot be an end in itself unless suitable arrangements are made to help beneficiaries to market their produce, as individually they will not be able to successfully bargain with private traders. Primary agricultural credit societies should be authorised to collect wool which could be kept in separate packages for grading. The wool marketing societies which

have been set up or are being set up by the state government should establish links with primary societies in areas where large scale financing for this activity is done. These societies should be visited by the staff of the marketing societies on appointed days to collect wool after gradation. The concerned marketing society should then arrange to pay advance to producers through the primary society. The entire business should be done on an agency basis to avoid loss to the institutions in the event of fall in prices. The institution could be compensated for services rendered by charging a suitable commission at specified rates.

26. In the case of migratory sheep flocks, the arrangements for collection of wool by a primary agricultural credit society may not be feasible as shearing of wool takes place when the sheep flock is on the move. The state government have set up two wool marketing societies on the route of migratory sheep flocks to facilitate collection of wool. These marketing societies may be furnished with lists of the borrower-members of the societies in the area of migratory flocks so as to facilitate the recovery of dues out of sale proceeds of the members' wool.

#### *Chapter 4 — Financing of Horticultural Activities*

27. The topography and agro-climatic conditions obtaining in Himachal Pradesh provide immense scope for the development of horticulture and the state saw great proliferation of orchards during the last decade. The area under apple orchards at the end of 1974-5 was 0.35 lakh hectares and a perspective plantation programme has also been formulated to bring in additional areas under fruit crops.

28. The marketing system comprises pre-harvest or post-harvest selling of fruit crop. The problems connected with marketing of apple mainly relate to arrangements for grading, packing and transportation and lack of knowledge on the part of growers regarding maturity indices of fruits for different markets and purposes. Although harvesting starts from the beginning of July and continues till the end of October, the peak season is for two

months i.e., August and September when a bulk of the produce comes in the market. This situation leads to the glut in the market and also creates a problem of transport. The problem is aggravated with the arrival of apples from the adjoining states of Jammu and Kashmir and Uttar Pradesh during the same period. With a view to overcoming this situation, large quantities of apples need to be retained in the producing areas for some time. For this purpose, adequate warehouses have to be constructed.

29. Apple being a perishable commodity, results in wastage of surplus fruits to the extent of 20-25 per cent at present. Besides, fruits of inferior varieties as also culled fruits cannot be marketed profitably and if sent to the market affect the prices of good quality fruits. The processing of fruits, therefore, becomes an integral part of a composite marketing programme.

30. All the activities connected with production, marketing and processing of apple need credit facilities. Long-term credit is required for planting of orchards. The cost of plantation is estimated at Rs 7,500 per hectare and the long-term credit demand could be Rs 18.75 lakhs per year on the assumption that institutions will be required to provide credit in respect of 10 per cent of additional area at 2500 hectares proposed to be brought under cultivation annually.

31. The cost of providing anti-hail nets for one hectare of land is around Rs 15,000 per hectare which calls for medium-term credit. For 60 hectares of area to be provided with anti-hail nets, the medium-term credit requirements would be Rs 9.00 lakhs. The beneficiaries will be eligible for a subsidy of  $33\frac{1}{3}$  per cent. Short-term credit is required for maintenance of orchards and marketing of fruits. Assuming that the institutional finance is required to be provided to 40 per cent of the area under apple orchards at 0.35 lakh hectares, the short-term credit requirements could be placed at Rs 525.00 lakhs with reference to the scale of finance at Rs 3,750 per hectare.

32. It is doubtful whether the land development bank with its

present financial position and existing level of operational efficiency will be in a position to meet the long-term credit requirements. It has, therefore, been suggested in Chapter 8 that there is a need for strengthening the co-operative credit structure by integration of both long-term and short-term credit structures to provide meaningful support to the agricultural development in the state.

33. The short-term credit requirements of orchardists are not met adequately by co-operatives. The period of advancement of crop loan to apple growing members is from December to June and the due date of recovery is 30 November. However, advancement of credit is delayed up to March. The societies should send their crop loan applications to the banks by the end of October so as to ensure that credit is available as from 15 December every year.

34. Marketing credit is being presently provided by the Himachal Pradesh State Co-operative Bank. The period of financing is from June to August and the due date of recovery is 31 December. Inability of co-operatives to arrange for marketing of their members' produce affects recovery performance adversely. In the circumstances, it is necessary to have close co-ordination between co-operatives on the one hand and the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd. and the Department of Horticulture on the other. The Corporation has developed necessary expertise as also arrangements for marketing of fruits and, therefore, there is no need for a separate organisation to arrange for marketing of apples. The existing marketing societies in the co-operative sector at the tehsil level in particular can play an effective role in the marketing of produce of members of the primaries. The tehsil level co-operative marketing societies could be appointed by the Corporation to act as its agents to deal with the primaries in their areas.

35. As the reorganised societies are expected to work as multi-purpose societies helping in marketing of produce also, there is

no need for organisation of separate fruit growers co-operative societies for provision of either credit and marketing facilities or only marketing facilities exclusively for fruit-growers. The existing fruit-growers societies could act as multipurpose societies.

36. The Himachal Pradesh Horticultural Produce Marketing and Processing Corporation may make available packing cases and other packing material to societies against payment which could be treated as marketing finance. The fruit growers should then arrange to deliver the fruits to their societies. The concerned society should not purchase fruits on its own account but accept them on an agency basis. With a view to helping the grower to meet his immediate requirements on delivery of produce, he may be given, as suggested in Chapter 3, produce loan at 20 per cent to 25 per cent of the value of produce which may be related to the average market price of the previous season or current market price, whichever is lower. The production loan and produce loan as well as cost of packing cases and material, transportation, commission, octroi charges, etc., payable by him on despatch of the fruit boxes may be recovered from the sale proceeds. Societies may also collect by way of handling charges a suitable commission, say Re 1 to Rs 2 per box of the size of 10 kgs. The Reserve Bank may provide marketing refinance for the purpose on the lines indicated in Chapter 3. This arrangement warrants adjustment of due dates in respect of production credit and marketing credit, which are at present 30 November and 31 December respectively. When the entire production credit dues are to be adjusted against sale proceeds, the due dates of marketing credit may also be advanced to 30 November and fresh lending for production purpose may commence from 15 December.

37. The society acting as a collecting agent can despatch stocks to predetermined destinations. To obviate the necessity for the Corporation to deal with a number of individuals, the transportation and octroi charges could be collected from societies which in turn would bill the growers proportionate to goods despatched on their behalf. To ensure proper grading by cultivators the



Corporation should send qualified grading assistants to the villages to educate them.

38. The arrangements envisaged above need drawing up of the calendar for the supply of fruits to various markets as also to processing societies. This would, therefore, necessitate setting up of a co-ordination committee at the state level comprising representatives of the financing bank, marketing societies and the Corporation with the Director of the Department of Horticulture as the convenor. At the district level, similar committees should be set up with the district horticulture officer as convenor.

*Chapter 5 — Himachal Pradesh State Co-operative Bank*

39. The Himachal Pradesh State Co-operative Bank also acts as a central financing agency in 6 districts, viz., Bilaspur, Chamba, Kinnaur, Mandi, Simla and Sirmur.

40. In terms of byelaws Nos. 5(B)(iii) and 5(B)(iv) three nominees of the state government and the Registrar or his nominee together entitle the State Government for 4 votes in general house defeating the provision of byelaw 52 which restricts the voting right of a member to one vote irrespective of the number of shares held. The byelaw No. 5(B)(iii) and (iv) may be so amended as to restrict the state government's vote in general body to one.

41. In the byelaws there is no provision for representation to the weaker sections of the society like small and marginal farmers, scheduled castes/tribes. Similarly, the byelaws do not provide for representation to other societies like weavers societies, industrial societies, etc. The byelaws of the bank may, therefore, be suitably amended to provide for representation to these interests. In the case of weaker sections it could be stipulated that out of the seven representatives for primary societies at least two should be marginal or small farmers of whom one may belong to scheduled caste.

42. There is overlapping of functions of various committees. The Board of Directors should normally confine their activities

to laying down broad guidelines on policy matters reserving the right of supervision over the activities of various functionaries to themselves. The Executive Committee can attend to the normal functions, such as sanction of credit limit statements, loans and advances, fixation of targets for both loans and advances as well as deposit mobilisation, review of working of the bank, prescribing measures for reorganisation and rehabilitation of primary societies etc. It is always open for the bank to constitute *ad hoc* committees to attend to specific items of work. A small Working Group comprising the representatives of the apex bank and the Registrar of Co-operative Societies with the Managing Director as convenor may be constituted to demarcate the functions and responsibilities of the various functionaries and committees clearly.

43. The bank has constituted district branch committees. There is a provision for setting up of tñsil or block level branch committees with almost identical powers of district branch committees. Although the bank has not set up such committees, the provision for their constitution could be considered as unnecessary to avoid duplication and expenditure. The district branch committees have, by and large, been ineffective in helping branches in improving their performance. It is considered desirable to hold the district branch committees responsible for the performance of the branches in their area. With the appointment of the Deputy Commissioner as Chairman of the District Branch Committee, a better co-ordination between the District Level Officers of the Government Departments and the bank could be ensured.

44. The President being the Chief Controlling and Supervising Officer as per byelaw No. 67, could in effect restrict the freedom of the chief executive, who is a full-time paid employee, in carrying out the day-to-day administration of the bank. Suitable amendment may be made in the bye laws to enable the chief executive to function independently subject to the overall control of the President of the Board. The chief executive should be made responsible to implement the policy decisions taken by the Board and other committees and he may report the progress periodically to the President/Board/Committees. The bank may continue to

have the post of Managing Director who may function as the chief executive with ex-officio membership of the Board.

45. Most of the officers/staff are non-graduates and some are even non-matric and are also not provided with training facilities. The minimum qualification prescribed for the staff below the level of branch manager is matriculation. The bank should, therefore, prescribe minimum educational qualifications for various categories of its staff and design suitable training programmes both pre-service as well as in-service. While first or second class post-graduates should be preferred for the posts of senior officers, the qualifications for intermediate level officers' post may be first or second class graduates and the clerical staff may preferably be graduates. On recruitment they should be required to undergo appropriate job-oriented training. The bank should also give serious attention to the suggestion of the Reserve Bank regarding appointment of management trainees. While filling up posts at higher levels by open recruitment, the staff candidates may also be considered subject to their suitability and educational qualification and suitable proportion for staff candidates and outside candidates could be fixed for filling up these posts. It is desirable that a senior officer of the bank is made responsible to draw programmes of training not only for its own staff but also those of the central banks and societies.

46. The existing divisions at its head office could be reorganised. The different items of work at the head office may be broadly grouped under 5 divisions, viz., (i) Accounts and Banking; (ii) Advances; (iii) Development; (iv) Administration and (v) Supervision. A post of Assistant General Manager may be created to head the supervision division while the other four divisions may be under the charge of Managers in Grade A. The divisions may be subdivided into convenient sections which may be placed under the charge of an intermediate level officer, viz., a Manager in Grade B or an Accountant with a suitable complement of junior level staff to support him. The Assistant General Manager will be responsible for district branch inspections and will supervise the working of district managers also.

47. The district managers should also be made responsible for the development of loan business and mobilization of resources in the respective districts besides exercising control over supervisors to ensure proper discharge of their responsibilities. The district manager should be made free from the routine banking work attended to by him at present.

48. Consequential changes in the staffing pattern at the head office and branches may be brought about in a phased manner. The officer level staff should be rotated periodically to help them to have the experience of work both in the field and in the head office.

49. One of the inhibiting factors in the growth of the share capital of the bank has been the inadequate linking of share holdings to lendings. The ratio of share linking of societies to borrowings from the apex bank at 5 per cent of their borrowings is low. The ratio of share holdings to borrowings in the case of cash credit (clean, hypothecation and pledge) limit is 1 : 100 as against the Reserve Bank's recommendation of 1 : 20 (clean) and 1 : 40 (secured). The ratio of share linking to borrowings should be rationalized on the lines of recommendations made by the Reserve Bank in this regard.

50. The bank's Agricultural Credit Stabilisation Fund as on 30 June 1979 was Rs 21.92 lakhs which may be further strengthened to enable it to extend facilities of conversion whenever needed. The state government may have to contribute for the purpose, as is being already done, as the bank at present is not in a position to do so.

51. The deposit position of the branches other than Simla leaves scope for improvement in their performance. One of the main reasons for the poor performance is lack of aggressive policy especially on the part of branch managers. The bank should fix realistic programmes for its various branches taking into account the potential in the area, past performance, etc., and review their achievements periodically to take corrective measures whenever

necessary. The bank has an idea of opening weekly rural extension counters. This arrangement could initially be given a trial on a selective basis. The deposits of co-operatives are not covered by provisions of the Deposits Insurance Corporation. The State government may expedite necessary legislative action at their end in this regard. The Government should also reconsider its decision taken in 1975-6 for withdrawal of part of the deposits by the Panchayat/Block Samities from the bank.

52. The location of the premises and the accommodation therein of some branches are not convenient for business purposes. A programme to provide face-lift to branches should be taken up in a phased manner giving priority to those branches which are really in a very bad shape. As per the orders of the Registrar, the rent for the premises are to be approved by the Deputy Commissioner of the concerned district. The bank should, therefore, take his help in the requisition of suitable accommodation. Alternatively, the District Branch Committees which are presided over by the Deputy Commissioners may be authorized to decide the rent payable subject to the approval of the Executive Committee.

53. To improve its working results, the bank should find avenues for investments which could fetch higher returns. At the same time, the bank should review composition of its deposits portfolio and endeavour to check the proportion of medium-term deposits increasing beyond 40 to 45 per cent of the total deposits provided they are not in a position to depoly the resources profitably.

54. The short-term agricultural lending of the bank has been showing a declining trend. Inadequacies in the loan policy and procedures require immediate rectification. Many societies are not able to borrow from the bank in view of their heavy defaults. The lifting of kind component may be made compulsory to the extent of fertilizer doses actually applied in the area. The Agriculture Department of the state government may furnish relevant information to the Co-operation Department for suitable action

in the matter. The condition of certain percentage of recovery by societies for being eligible for fresh finance is leading to the denial of finance to non-defaulting and new members, thereby encouraging defaults by at least a few members, apprehending flow of fresh finance. In view of this position, the stipulation could be waived or relaxed in the case of those societies which have initiated action against defaulting members with overdues beyond one year. However, the Co-operation Department and the bank authorities may sit together to decide about the criteria in this behalf.

55. The percentage of overdues to demand of the bank has been oscillating around 70 to 75 and the overdues exceed its owned funds. The bank has been taken under a programme of rehabilitation under the central sector scheme and a review committee has been appointed in July 1975 to take follow up action. The bank has so far selected only 34 societies for intensive development and full financing. The meetings of the Review Committee are not being held regularly. The bank has not so far drawn any time-bound action programme for recovery of overdues. The Rehabilitation Fund has been credited provisionally to the societies' accounts and the actual write off has not been done pending detailed investigation of overdues. Further no criterion as required by the Government of India has been drawn by the state government for writing off overdue loans. A more imaginative policy and effective follow-up action to recover overdues would immediately create scope for increased lending. The bank should identify at least 10 per cent of the societies for intensified lending as a part of the rehabilitation programme. The Review Committee should be reactivated which should draw up a time-bound programme for recoveries and meet more frequently to review the progress in the recovery and help actively in sorting out problems faced by the bank.

56. As against the estimated credit requirements for short-term agricultural purposes at Rs 8.61 crores in the area of the bank, the requirements met in 1978-9 work out to Rs 1.17 crores leaving

a gap of Rs 7.44 crores forming 86 per cent of the total credit requirements. The bank will have to attain an annual growth rate of 30 per cent so that it would be able to lend for short-term agricultural purposes at least Rs 314.90 lakhs by the end of 1982-3 leaving a gap of Rs 546.41 lakhs.

57. While the bank should rationalize its medium-term lending policy and procedures it should work in close co-ordination with Small Farmers Development Agencies and other departments like Animal Husbandry etc., to explore the avenues for financing sheep rearing, dairying, etc., activities. The bank can expand its business in the field of marketing and processing of horticultural products and should associate itself closely with the implementation of the schemes formulated for horticultural development with the World Bank aid. The bank should endeavour to meet the working capital requirements of co-operative processing units. It is, however, necessary for the bank to develop expertise to appreciate the problems and needs of such units as their working calls for long-term planning in regard to purchase of raw material, processing and marketing.

58. The bank should continue to finance the foundry at Nahan which is managed by the government. Some banks had been facing a problem of utilisation of their surplus funds within the co-operative sector and keeping this position in view the Reserve Bank vide its circular letter No. ACD.OPR. 2662/A.64-78/9 dated 11 January 1979 allowed state co-operative banks to finance, as a transitional measure, certain public sector institutions like Dairy Development Corporations, Agro-Industries Corporations, Marketing Boards, Electricity Boards etc., subject to certain guidelines. The bank could take advantage of this policy as well in expanding its loan business.

59. Besides, the bank could lend to individuals as also small scale industrial units under certain conditions laid down by the Reserve Bank in terms of its circular letters Nos. ACD. Plan.924/PR. 340 (HP)-74/75 dated 25 September 1974 and No. ACD.

Plan. (IFS) 1795/H. 64-74/5 dated 23 December 1974. There is considerable scope for financing small-scale industrial units in particular. In the past the bank has suffered on account of indiscriminate and haphazard lending to individuals and it should, therefore, lay down proper guidelines in this behalf and ensure end use of credit. It is advisable to sanction loans to individual entrepreneurs who approach through the District Industrial Centres and such sanction in each individual case should be given by the Executive Committee on the recommendation of the concerned District Branch Committee.

60. The bank should finance weavers and other rural artisans engaged in any of the approved 22 broad groups of cottage and small-scale industries for their production and marketing activities and the artisans/weavers scattered in rural areas who being few in number cannot form any industrial society and avail of refinance facility provided by the Reserve Bank.

61. The bank may have to open or maintain existing branches in some of its area which are far flung with inadequate communication and other facilities with a view to providing services to the people/societies in that area. These branches may not be economically viable, if their operations are viewed strictly in commercial terms. In such a situation, the state government may meet the loss sustained by the bank in maintaining/opening branches by way of staff subsidy at least for a period of five years. The subsidy should be treated as cost of development. Incidentally, in respect of Suhanta pay office of the bank its returns are routed through the Chowari branch resulting into avoidable duplication of work. The Suhanta pay office can work as a branch by itself. The bank has since initiated action to convert the pay office into a branch.

62. The Himachal Pradesh State Co-operative Bank functions as a central financing agency also and its viability has been judged, therefore, on the analogy of a central co-operative bank. The viability of a central bank is linked with the number of branches it can reasonably be expected to have to ensure adequate



mobilization of resources from its area and its proper deployment and efficient supervision over the end use of credit. The Himachal Pradesh State Co-operative Bank is having 36 branches and a minimum business of Rs 690 lakhs would be required for it to be a viable unit. The norm for potential viability will be 50 per cent (Rs 345 lakhs) of the norm for viability on the assumption that the existing business would be doubled over a period of five years by maintaining an annual growth rate of 15 per cent. The bank's outstanding loans as on 30 June 1979 are of the order of Rs 5.39 crores i.e., more than the level of business required for a potentially viable unit. In the area of the bank, the short-term credit requirements alone are estimated to be of the order of Rs 8.61 crores. The bank should, therefore, not find it difficult to become a viable unit within a period of next 3 years.

63. The bank could not be expected to attain viability unless it has the operational efficiency to build up its business backed by prompt recoveries and internal resources. The present state of affairs, however, indicates that the bank does not have the required level of such efficiency. Our recommendations in the preceding paragraphs could help the bank in achieving this.

#### *Chapter 6 — Central Co-operative Banks*

64. Himachal Pradesh has a two-tier as well as three-tier co-operative credit structures. Six districts are served by Himachal Pradesh State Co-operative Bank as a central financing agency and the remaining six districts are having three-tier credit structure.

65. The areas of operation of the Himachal Pradesh State Co-operative Bank (6 districts) and the Kangra Central Co-operative Bank (5 districts) cover 11 districts between themselves but some of the districts are not geographically contiguous. It is, therefore, necessary to look into their area of operation to ensure a rational demarcation. The state government may look into this issue at an early date.

66. In terms of byelaw No. 5 B (iii) and (iv) of the Kangra Central Co-operative Bank, each of the three nominees of the

state government and the Registrar of Co-operative Societies has a right to vote which goes contrary to the provisions of by-law No. 53 which restricts a member's right to one vote irrespective of the number of shares held by him. These by-laws may be suitably amended to restrict the right of the state government to one vote.

67. In the case of the Jogindra Central Co-operative Bank covering one district (Solan), one-fifth of the board members are representatives of individuals. The individual members have thus disproportionate representation. The individuals should have only one representative on the Board and for that purpose the individual members may be treated as one electoral college for election of their representative on the Board.

68. With a view to providing specific representation for marketing societies, weavers and other industrial societies as well as weaker sections comprising small/marginal farmers and scheduled castes/tribes, on the Board of the banks, the relevant by-laws of the banks may be amended and the Board membership may be expanded suitably.

69. In the case of the Kangra Central Co-operative Bank, the provision for having the Deputy Registrar of Co-operative Societies as an adviser on the Board is redundant, when the Registrar himself or his nominee is already on the Board in addition to three other nominees of the state government. It is reported that action is being taken to delete the said provision on which we suggest action may be completed expeditiously, if not already done.

70. There is a provision in the by-laws of the banks for disqualifying representatives of defaulting societies from being members of the Board but it is generally not promptly acted upon. By-law No. 51 of the Kangra Central Co-operative Bank even debars a defaulter or a member of the defaulting society from exercising the right to vote in the general meeting. These are salutary provisions and should be acted upon to prevent defaults.

71. In the case of The Kangra Central Co-operative Bank it was noted that the nature of work handled by different committees

was overlapping. The constitution of various sub-committees should therefore be rationalised to avoid multiplication of committees.

72. In the case of the Kangra Central Co-operative Bank, the President / Vice-President and Managing Director are elected annually by the Board of Directors from amongst themselves. In terms of by-law 68, the Managing Director is the Chief Supervising Officer of the bank. In the case of the Jogindra Central Co-operative Bank, more or less similar provisions have been made in respect of election of office-bearers. Thus, a non-official in the Board in effect is the chief executive and he could interfere in the day-to-day administration of the bank undermining the authority of the General Manager/Manager who is expected to carry out day-to-day administration. The Board of Directors could lay down and concentrate on formulating broad policies and leave the implementation part thereof to the Manager. For this purpose, suitable changes may be made in the by-laws and the General Manager/Manager of the bank may be enabled to function as a full-fledged chief executive. The elective posts of the Managing Director in both the banks may be abolished.

73. The Manager of the Jogindra Central Co-operative Bank may preferably be designated as General Manager and allowed to attend the Board/Executive Committee meetings as its Secretary.

74. In the case of the Kangra Central Co-operative Bank during the period August 1977 to March 1979, three administrators were appointed, all of whom had their headquarters in Simla. This arrangement not only caused unnecessary avoidable administrative work and financial loss to the bank but also to the Department. We suggest that in future, whenever a need arises to appoint an administrator, the local divisional Deputy Registrar may be appointed to the post. Presently, the Deputy Commissioner, Kangra is the administrator.

75. The minimum qualifications for various posts in both the central co-operative banks need suitable upward revision in the

light of the present day conditions. With a view to enabling the banks to select professional men with suitable qualifications, the qualifications for the posts of General Manager and other senior officers may preferably be first or second class post-graduation. The qualifications for other officers' post like branch Managers/ Accountants may be first or second class graduates. For recruitment in clerical cadre the qualification could preferably be graduation. Training is essential to equip the staff to discharge their duties more efficiently and, therefore, the staff should be sent for training in suitable batches. When direct recruitment to officers cadre is taken up, the staff candidates should also be considered subject to their fulfilling the requisite qualifications. Further, quota could also be fixed for open market candidates and staff candidates for filling up officer level posts.

76. The Kangra Central Co-operative Bank has four zonal offices which are practically one man offices. Instead of zonal offices, there may be district offices, one each for Kangra, Hamirpur Una and Kulu. The district office of Kulu may have under its jurisdiction the Lahaul and Spiti district as well. The arrangements for administering these offices and duties of the district officers may be on the lines of arrangements suggested by us for the Himachal Pradesh State Co-operative Bank. The in-charge of the district office should be designated as District Manager who should have authority to supervise the working of the branches in his area and conduct their inspections. He may act as a liaison officer at the district level with the various agencies and be provided with a suitable complement of staff.

77. The District Branch Committee on the lines of the Himachal Pradesh State Co-operative Bank may be set up in the area of the Kangra Bank, as it would help involving the local leadership more intimately in the working of the bank. The district branch committee may have only three members, namely Director of the Board from the concerned area, the District Co-operative and Supply Officer and the Deputy Commissioner or his nominee as Chairman. The district Manager may be ex-officio secretary

and convenor of the district branch committee. In the case of Kulu district office, the local director from the Lahaul and Spiti district as also the Deputy Commissioner of that district may also be the members of the district branch committee. The Deputy Commissioners of Kulu and Lahaul and Spiti districts may chair the committee by rotation. The district branch committees may sanction short-term credit limits for seasonal agricultural operations in their respective areas. A senior officer, who could be designated as Assistant General Manager in the head office, should supervise the working of the district branches and inspect them periodically.

78. The staffing pattern and the organizational arrangements in the case of the Kangra Central Co-operative Bank could be on the lines of the Himachal Pradesh State Co-operative Bank. In the case of Jogindra Central Co-operative Bank in the head office there may be four divisions, viz., (i) Administrative (ii) Accounts (iii) Loans and Supervision and (iv) Development, each headed by Manager/Assistant Manager, Chief Accountant, Executive Officer and Development Officer respectively, directly responsible to the General Manager in respect of their items of work. The divisions proposed could be grouped or placed under the charge of an officer depending on the availability of key personnel until such time the required staffing pattern is brought about.

79. A common cadre combining the key personnel of the central co-operative banks may not bring any specific improvement in the working of the banks. Further, being more or less similar in the area of operation and comparatively weaker in resources, the apex bank might find itself ham-strung in managing the common cadre of key personnel. It is, therefore, not necessary to have a common cadre for key personnel of the banks. The Jogindra Central Co-operative Bank's need for key personnel may be met by recruiting a couple of qualified and competent hands or initially they can take one or two officers on deputation from the state co-operative bank.

80. The owned funds of both the banks comprising paid-up share capital and reserves are relatively low, more so in the case

of the Jogindra Central Co-operative Bank. The composition of deposits of the Kangra Central Co-operative Bank indicates that 57 per cent of the deposits were fixed deposits. Higher percentage of fixed deposits is disadvantageous from the view point of the bank unless it finds avenues for investments fetching higher returns to compensate the increased average cost of raising resources due to larger proportion of fixed deposits giving higher rate of interest. Since the bank has not developed its loan business so far, it is anxious to place its funds in the form of call deposits with commercial banks to earn higher returns and such deposits as on 30 June 1979 were of the order of Rs 960.49 lakhs.

81. Even though the performance of the Kangra Central Co-operative Bank is satisfactory in mobilizing deposits, there is a need to give a face-lift to its branches and to provide convenient office accommodation. In the case of the Jogindra Central Co-operative Bank the staff lacks an aggressive approach. The deposits of both the banks could show further increase if the state government modifies its instructions regarding maintenance of funds with the co-operative banks by the Panchayat/Block Samities and provide deposit insurance cover.

82. The Kangra Central Co-operative Bank does not need outside assistance for its business in view of comfortable resources position, while in the case of the Jogindra Central Co-operative Bank it is not able to borrow in view of the overdues position and inability to develop business. In the area of the Kangra bank, though it has scope for financing apple crop and tea plantations, it is not advancing loans for apple crop mainly because of ineligibility of societies to borrow due to their overdues, while in the case of tea plantations in Kangra district the bank makes available cash credit to Kangra Tea Planters Society at a higher rate of interest. The society, in turn, is utilising the limit both for advances to its members for production purposes and marketing of produce. The bank could, therefore, divide the limit for production and marketing purposes and provide production credit at a lower rate as is expected to be made available for these purposes. Although the industrial weavers society like Bhutti Weavers Society

at Shamsi in Kulu district could get concessional finance to meet its working capital requirements, the bank is providing cash credit accommodation at a higher rate fearing that it would not get refinance from the Reserve Bank because of its comfortable resources position. In the normal course this could be the position but the bank can always make out a case for seeking refinance for making available finance to the societies at a concessional rate. In the meantime, to enable the bank to issue loans at the concessional rate of interest for the purpose, the state government may subsidise the difference between bank's normal lending rate and the concessional rate to compensate the loss of income, provided the concerned society is eligible to borrow from the bank. Further, the bank does not explore the field to find avenues for developing its loan business. In its area there is scope even for financing fisheries co-operatives which have sprung up consequent to building up of various dams. On account of lack of contact with the field, it has not been possible for the bank to exploit the available business potential in its area. The other important factor which affects the ability of the Kangra Central Co-operative Bank in developing its short-term/medium-term agricultural loan business is large deposits at the command of the societies in its area. Thus, with a view to facilitating deployment of bank's resources in the loan business rather than investment with commercial banks, the Kangra Central Co-operative Bank has to turn to other fields like small-scale industries, weavers etc. on the lines suggested in the case of the Himachal Pradesh State Co-operative Bank. In view of the large resources at the command of the Kangra Central Co-operative Bank, it may also be allowed to undertake financing of public sector institutions in its area as has been allowed by the Reserve Bank in the case of state co-operative banks in terms of its circular dated 11 January 1979 referred to in Chapter 5. Further, the Kangra Central Co-operative Bank can consider participating in financing working capital requirements for processing and other units even in the area of the Himachal Pradesh State Co-operative Bank by way of consortium arrangements.

83. The Jogindra Central Co-operative Bank's performance in building up its business is far from satisfactory. Besides the

ineligibility of societies to borrow due to high level of overdues, the bank is also not able to exploit available business potential. This is mainly because it is not in a position to have a close liaison with district authorities and offices which are at district headquarters, viz., Solan, while the bank has its head office in a corner of the district at Nalagrah. As a matter of fact, the Reserve Bank had preferred its amalgamation with the apex bank as far back as 1974 on the ground of viability even after covering all areas of the district, part of which were with the Himachal Pradesh State Co-operative Bank. Nevertheless keeping in view the local wishes, it was agreed that on transfer of areas the working of the Jogindra Central Co-operative Bank may be watched for sometime to know whether it would become viable. Although at the time of transfer of areas to the Jogindra Central Co-operative Bank, it was made a condition that the headquarters of the Jogindra Central Co-operative Bank should be shifted to Solan, which is the district headquarters, it has not so far been complied with. The economic solution for the bank, therefore, is to merge with the state co-operative bank. But as an administrative arrangement, we may give a chance to the local initiative to develop the business and for the purpose allow the bank to continue for another two years as an independent unit provided our suggestion for shifting its headquarters is accepted as well as subject to an annual review of its performance and decide about its independent existence or merger with the state co-operative bank at the end of the two-year period. Further, the head office and the branch office at Nalagarh may be separated pending shifting of the head office to Solan. The head office may not carry on any direct banking business but restrict its activities to laying down policies and programmes, ensuring co-ordination of activities and exercising control over its branches.

84. Compared to the estimated short-term credit requirements in the area of both the banks, their present level of short-term agricultural loan business is low and they may not be able to meet the full estimated requirements by the end of 1983. The Kangra Central Co-operative Bank's short-term agricultural outstandings



as on 30 June 1979 were Rs 1.77 crores and we expect it to achieve a growth rate of 20 per cent to meet the production credit requirements of at least Rs 3.60 crores (50 per cent of the total estimated requirements at Rs 7.21 crores) in the near future i.e., say by the end of 1983. In the case of the Jogindra Central Co-operative Bank its short-term agricultural loans outstandings as on 30 June 1978 were Rs 42.84 lakhs and it should make efforts to achieve an annual growth rate of 15 per cent to take the level of short-term agricultural outstandings to Rs 85.68 lakhs by the end of 1982-3 as against the estimated production credit requirements of Rs 125.29 lakhs.

85. We have assessed the viability of the banks with reference to their existing number of branches and with reference to the assumptions indicated in the case of Himachal Pradesh State Co-operative Bank. Accordingly, the Kangra Central Co-operative Bank, which has 45 branches, will require a total loan business of at least Rs 900.00 lakhs to work as a viable unit. The norm of potential viability will be 50 per cent (Rs 450.00 lakhs) of the norm of viability on the assumption that the existing loan business could be doubled in the next 5 years with an annual growth rate of 15 per cent. The bank's total outstanding loans as on 30 June 1979 are only of the order of Rs 210.44 lakhs which are far below even the norm of potential viability and cannot justify its continued existence. However, the bank's loan portfolio being small, it keeps its surplus funds as deposits with commercial banks in order to compensate itself for the loss sustained. This is a peculiar situation and if the bank has to survive as a viable unit with reference to its loan business, it has to necessarily make strenuous efforts to increase its loaning operations. In the case of the Jogindra Central Co-operative Bank, to support its 8 branches the total loan business required may be Rs 182.00 lakhs and Rs 91.00 lakhs for being a viable or potentially viable unit respectively. The bank cannot be considered as a potentially viable unit as its existing loan business is Rs 79.69 lakhs as against Rs 91.00 lakhs considered necessary for judging it as a potentially viable unit.

The present level of business being low, it is doubtful whether the bank would be in a position to reach a viable status in the near future. As already stated in paragraph 83, the bank's continuance is to be decided after a period of 2 years.

86. The present state of affairs of the banks brings us necessarily to the conclusion that they do not have the required level of operational efficiency to function effectively as central financing agencies but could be expected, particularly the Kangra Central Co-operative Bank, to come up to the expected level of efficiency with implementation of the suggestions made by us. With a view to building up loan business, the banks should gear up their development wings to establish liaison with various district/state agencies. The Kangra Central Co-operative Bank will have to actively explore the areas for financing tea and apple crops as also to build up the infrastructure for marketing of these crops. This is an area which offers wide scope. The need is for imaginative and bold leadership to ensure diversification of loans portfolio, constant supervision and effective follow-up action to ensure safety of the funds lent. On the basis of our suggestions made later to overcome the problem of overdue, transfer of financial supervision to banks and appointment of a full-time paid and trained secretary in each society, it should not be difficult for banks and societies to have closer and direct liaison for developing their loan business.

*Chapter 7 — Primary Co-operative Agricultural Credit Societies*

87. The primary agricultural credit societies in Himachal Pradesh present a picture of adequate coverage both village-wise and family-wise and a reasonable size of deposits, but poor performance in meeting the credit needs of agricultural sector. Another feature is the diametrically opposite conditions in the areas covered by the Himachal Pradesh State Co-operative Bank and the Jogindra Central Co-operative Bank on one hand and the Kangra Central Co-operative Bank on the other. As on 30 June 1978 the average membership per society was 234. As on 30 June 1978, indebted membership formed 40 per cent of the total membership at 5.52

lakhs, while the percentage of borrowing membership to total membership as on that date was 31. The number of defaulter members formed 41 per cent of the indebted membership. The percentage of indebted membership to the total number of rural families worked out to 34. Owned funds were Rs 517.87 lakhs and deposits Rs 953.09 lakhs. A bulk of the deposits is concentrated in the districts of Kangra, Una and Hamirpur. Loans outstanding against members were Rs 1307.95 lakhs and the average per society works out to Rs 0.56 lakh. Of the overdues at Rs 427.97 lakhs, chronic overdues i.e., overdues over 3 years formed 23 per cent. The percentage of overdues was relatively high in Simla and Chamba districts. The value of farm requisites supplied and consumer goods sold aggregated Rs 763.57 lakhs in 1977-8. The number of societies undertaking marketing on their own was only 13 in 1977-8, and the value of produce marketed by them was Rs 17.19 lakhs. Hardly 1.7 per cent of the 2255 societies audited were classified as A class and another 21 per cent were placed in B class. More than half of the societies i.e., 1382 have full-time secretaries whose appointments have been made by the respective societies and consequently, no uniformity about the basic qualifications, pay scales, etc., is observed.

88. The findings of on-the-spot studies of 69 societies undertaken revealed that a majority of the societies did not have adequate business either because of limited potential or restrictive policies of the banks coupled with lack of initiative on the part of the managements, absence of trained and full-time paid employees resulting in the societies' inability to be of service to their members, lack of conversion facilities when crops were affected by natural calamity, apathy of managements to recover overdues and consequently increasing defaults resulting in choking of credit line.

89. The Committee set up by the state government in October 1974 to recommend a viable co-operative structure at the base level has decided that the basis for reorganization of societies in

the tribal districts of Chamba, Kinnaur and Lahaul and Spiti should be different from that for the remaining districts, viz., Bilaspur, Hamirpur, Una, Kangra, Kulu, Mandi, Solan, Sirmur and Simla in view of the difference in the socio-economic conditions. In the case of 9 non-tribal districts referred to earlier, the Committee has felt that as the scope for crop loan is relatively limited and there is scope for undertaking non-credit business a norm of total annual business turnover of Rs 1.5 lakhs could be considered as the minimum for a viable society of which about Rs 1.00 lakh should be on account of credit business. In the remaining 3 tribal districts viz., Chamba (2 tribal blocks), Kinnaur and Lahaul and Spiti on account of relatively more sparse population, difficult terrain and the limited availability of land for cultivation and the fact that these areas were inhabited by scheduled tribes, a society to be retained should have an annual business turnover of Rs 0.75 lakh, out of which Rs 0.50 lakh may consist of credit business and Rs 0.25 lakh of non-credit business. As regards the remaining non-tribal blocks of the Chamba district, the norm of viability may be the same as for the non-tribal districts.

90. In nine districts, the Committee recommended re-organisation of 2260 societies existing as on 30 June 1974 into 1513 societies of which 134 societies were to be retained even without any scope for attaining viability in the near future, either for the benefit of the weaker sections of the society or on account of their location being in sparsely populated and *Kandi* areas i.e., hilly areas. In the case of tribal districts, it has recommended the retention of 211 societies as against the existing 237 societies in these three districts. While initiating action on the Committee's recommendations, which were received in two parts, first in March 1976 and the second in late 1977, the Co-operation Department decided to retain 4, 2 and 2 societies respectively in the areas of Bilaspur, Mandi and Solan over and above those recommended by the Committee so that the ultimate number of reorganised societies will be 1732.

91. As regards norm of viability for a society, it is now accepted that a society to be viable should have a short-term loan business

of Rs 2 lakhs. No account is taken of the income from non-credit business as that is considered adequate for maintenance of additional staff which such business needed. As the scheme of reorganization has more or less been completed in the state on the basis of norms recommended by the Committee of the state government, it is not necessary to change the course mid-stream and we endorse the said norms. However, it is reported that the state government is redrawing the reorganization plan, on the basis of discretion and considerations allowed by the Committee and accordingly the number of societies to be reorganised is being revised upwards to 2000. We strongly urge the state government not to increase the number of societies beyond 1732 as already decided as otherwise the base level structure would remain weak, straining the meagre resources in meeting the overhead costs. We have, in view of this position, proceeded on the assumption that there will be only 1732 societies in the state.

92. We also recommend that the primary societies in the state should function as real multi-purpose units disbursing credit to members and rendering other services such as distribution of consumer articles and agricultural inputs and undertake marketing of members' produce. Each one of such society should have a full-time paid and adequately trained secretary, a godown-cum-office and a reasonably strong capital base, etc. The societies should be provided with the services of full-time paid secretaries within a period of at least 2 years. Presently each society is an independent entity for the purpose of meeting the cost of secretary. Many societies may not afford to pay reasonable salaries as their business turnover may not generate adequate income to cover the expenditure. The arrangement may, therefore, have to be replaced by a system in which it will be possible to pool the income from all the societies not only in one district but also over the state, so that more prosperous and affluent societies share the burden of the less developed ones to some extent. This will be possible if the secretaries of all the societies in the state belong to a common cadre and are paid from a common fund, to which the state/central

co-operative banks, the societies as also the state government may make appropriate contributions. Such an arrangement in Himachal Pradesh is very much necessary as the level of loan business for a viable society has been accepted at the level of Rs 1 lakh i.e., 50 per cent of the normal level of loan business generally considered necessary for a society to pay for the secretary's services, miscellaneous expenses, contributions to the reserves, declaration of dividend, etc. This would entail a heavy burden on the Himachal Pradesh Government if it is to subsidise individual units. As the work of reorganisation of societies has almost been completed in most of the districts, the state government should introduce a cadre scheme so that the benefit of the scheme is available to the societies from the initial stage of reorganisation.

93. The Government of India have envisaged common cadre either at state level or central co-operative bank/district level. While we would leave it to the state government and the banks to decide about the alternative best suited to them for adoption, we would at the same time like to make certain suggestions which may be taken note of while finalizing the common cadre scheme. For administering the common cadre, there should be a state level committee which should formulate policies, ensure their proper implementation and review the progress. The state level committee should issue guidelines regarding the qualification and training of the employees, service conditions including scales of pay and the rates of contribution to be made by the various agencies such as state co-operative bank, central co-operative banks, primary societies and the state government. The administrative area of operation of the common cadre scheme may be confined to a district irrespective of the area of operation of the bank so that comparatively low paid employees are not required to move from one district to another district on transfer except on promotion to a higher post.

94. As the societies are in different stages of development, the common cadre may have three categories of secretaries, viz., A, B and C with suitable grades who may be posted to the societies

depending on their volume of business. The societies should also be classified into A, B and C on the basis of their loan business as under :

- (A) Societies with loan business of Rs 2 lakhs and above,
- (B) Societies with loan business between Rs 1 lakh and Rs 2 lakhs,
- (C) Societies with loan business upto Rs 1 lakh.

The business mentioned above includes both short-term as well as medium-term. As and when the business of the society increases beyond the level mentioned above, the category of the secretary may be changed to ensure that a relatively highly paid secretary takes a greater workload. The business level achieved as at the end of 31 December and sustained for two consecutive years should be the basis for posting the higher grade secretaries subsequently. Further, if the volume of credit business so warrants, which however is not a possibility in the immediate future, additional hands from the lower grades could be provided to assist the secretary of a higher grade in that society. The categorisation of secretaries and classification of societies would provide promotional opportunities to the secretaries within the cadre itself.

95. The services of the secretaries may be given weightage by the co-operative banks and the Co-operation Department when they recruit personnel in the categories of clerks/cashier and supervisors. While recruiting the secretaries the employees already in the service of the societies may be considered for absorption subject to their suitability. The candidates recruited from the open market may be provided training before posting so that they are equipped to discharge responsibility as secretaries and those absorbed from the existing employees, who already have some experience, should be deputed later for suitable short-term training courses in a phased manner. As the facilities available for training are limited, a phased programme has to be drawn up to train the employees well in time. If necessary the facilities available in the adjoining states can be availed of in this regard in consultation with the National Co-operative Union of India.

96. The societies and banks may contribute to a cadre fund from which the cost of secretaries could be met. The state/central co-operative banks and the societies may contribute to the Fund from the interest earned by them at 0.75 per cent and 1.75 per cent respectively, out of their short-term and medium-term loans outstanding. In the case of the Himachal Pradesh State Co-operative Bank, the contribution may be related only in respect of its advances to societies and not to the central co-operative banks as an apex institution. The state co-operative bank may be required to provide secretarial services to the state level committee when set up. The commercial/regional rural banks which may undertake financing of agriculture through primary agricultural credit societies may also be required to contribute to the cadre fund at the same rate as those of the state and central co-operative banks. The contributions should be pooled in an account styled 'Common Cadre Fund Account' with the state co-operative bank. With a view to ensuring that the contributions to the Cadre Fund do not fall into arrears, the recovery of such contributions should be termed as "Caderization Fees" and given precedence over the recovery of interest, other charges etc., and should have a first charge on the remittances by the societies to the financing agency.

97. On the basis of rates of contributions recommended by us, a sum of Rs 20.90 lakhs will be collected from the state and central co-operative banks and from primaries Rs 100.08 lakhs during the period 1978-9 to 1982-3 on their short-term loan business. The expenditure on the salaries of the cadre secretaries is estimated at Rs 225.15 lakhs, assuming an average expenditure on salary at Rs 2600 per annum per secretary. Thus, there will be deficit in the cadre fund. However, the quantum of deficit in actual practice will get reduced as not all the secretaries will be in position as assumed by us from the beginning itself as recruitment, training and posting of secretaries would take some time. Further, we have not taken note of the medium-term loan business which has been estimated at Rs 11 crores in Chapter 2 on which the contributions will be collected. When a note is taken of the medium-term loan



business, the deficit may even be wiped out. Thus, the economics of the scheme emphasises the need for all out efforts to achieve the estimated level of credit business. The state government may seek the assistance of the Government of India also in this regard. The state government is already providing managerial subsidy for potentially viable societies which would be channelled to a single point under the common cadre scheme. The government subsidy could be reduced if the societies attain a higher level of short-term as well as medium-term loan business envisaged by us. In the case of societies in tribal areas where the loan business is less, the assistance under Tribal Sub-Plan can be utilised for subsidy.

98. In this context, the question of primary co-operative societies handling the long-term loan business also is relevant. The societies' contribution would go up when they begin to handle long-term loan business as recommended later and help further to reduce the element of subsidy from the state government to the cadre fund.

99. As the societies are to function as multipurpose units, it may be necessary to have additional hands to attend to the non-credit business. It is assumed that the cost on this account would be met from the earnings out of non-credit business.

100. To enable primary societies to have their own godowns, the state government may draw a plan for construction of godowns for each society and grant a part of cost as loan and the balance as subsidy. It may also seek suitable assistance from the National Co-operative Development Corporation in this behalf under the Rural Godowns Scheme. Many societies also do not have premises for their offices and as such it will be necessary to provide accommodation for the purpose. To help societies with a suitable design for building which could have a provision both for godown and office and for construction of such premises, the state government may establish a technical cell with adequate complement of staff in the Registrar's office.

101. It is suggested that the state government may contribute up to Rs 25,000 to each of the reorganized society towards strengthening of its owned funds. Thus, for 1732 reorganised societies a maximum contribution will be Rs 433.00 lakhs against which Rs 31.75 lakhs have already been provided to a few of the societies by the end of June 1978. The Reserve Bank may take a liberal view in this behalf provided the state government completes reorganization of societies and introduces a common cadre scheme for posting a full-time paid secretary to each of the societies.

*Chapter 8 — Integration of long-term and short-term  
co-operative credit structures*

102. The Himachal Pradesh Central Co-operative Land Mortgage Bank Ltd. (since renamed as Himachal Pradesh Central State Co-operative Land Development Bank) was registered in February 1961 and presently serves nine districts through its 16 branches including head office. The remaining three districts viz., Kangra, Una and Hamirpur are served by 3 branches including head office of the Kangra Primary Co-operative Land Mortgage Bank Ltd. The Kangra Co-operative Primary Land Mortgage Bank (now renamed as Kangra Co-operative Primary Land Development Bank) was operating in Kangra district of Punjab when the said district was transferred to Himachal Pradesh in November 1966. The study group of the Committee on Co-operative Land Development Banks appointed in 1973, which examined the working of the central and primary land mortgage banks in the state, observed that they had a weak capital base, heavy overdues, poor management of funds and inadequate staff for appraisal of schemes and for supervision. The lack of adequate staff to exercise effective supervision over the working of branches and laxity in recovery operations as also defective policy and procedures in regard to fixation of loan instalments, issue of loans and calculation of repaying capacity contributed to the continuous rise in overdues. More or less similar defects were noticed in the working of the Kangra Co-operative Primary Land Development Bank Ltd. also. The Land Development Banks Committee felt that since the working of the land development banks was, by

and large, unsatisfactory and the banks had ceased to give any effective support to the programmes of agricultural development in the state, there was distinct advantage in bringing about immediate integration of short-term and long-term credit structures in the states including Himachal Pradesh. This recommendation of the Land Development Banks Committee for integration at all the levels has been endorsed by the Committee on Integration of Co-operative Credit Institutions appointed in September 1975. The Committee favoured the integration in general. The Reserve Bank has taken up the matter regarding integration of the two structures with the Government of Himachal Pradesh but the latter has not so far responded to this move favourably.

103. The present state of affairs of the Himachal Pradesh Central State Co-operative Land Development Bank and the Kangra Co-operative Primary Land Development Bank indicates that the overall progress of both banks is far from satisfactory. The central land development bank's share capital as on 30 June 1978 was Rs 48.04 lakhs of which Rs 32.50 lakhs is the share capital contribution from the state government. Its reserves have stagnated during the period 1975-6 to 1977-8. The loans outstanding against members are Rs 231.85 lakhs as on 30 June 1978. The owned funds of the Kangra Co-operative Primary Land Development Bank stood at Rs 4.78 lakhs as on 30 June 1978. The main reason for the tardy growth of both the banks is increase in overdues, which in turn affected eligibility for lending by them. The decline in eligibility for lending has further restricted the ability of the land development bank to float debentures. Thus the land development bank structure is very weak operationally as well as financially. The short-term credit structure has its own weaknesses and problems. Any increase in number of societies will further reduce the loan turnover of societies, while reduction in their number will create problem of distance for members from villages affiliated to them. As such, the remedy lies in exploring possibilities of increasing the loan turnover of societies which will be feasible in case long-term loans are also routed through primary agricultural credit societies. This would help lighten the burden

of the state government which has to subsidise the common cadre scheme for secretaries for meeting the deficits in the cadre fund. Further, a cultivator is required to approach two different institutions for meeting his short-term and long-term credit requirements. This affects his agricultural operations which cannot be postponed merely for the reason that paper formalities from the two structures cannot be completed in time to meet his requirements. The alternative, therefore, lies in a common source of credit to meet short-term and long-term requirements. The advantage of a wide branch net-work of short-term credit structure could be taken for attending to the long-term loaning as well. Besides, surplus resources of the short-term credit structure available in some areas could be utilised to overcome the shortage of funds felt by long-term credit structure. The supervision over utilisation and recovery of loans will be facilitated as there will be one integrated agency to issue all types of loans. The integrated structure can become an economic proposition and attain viability comparatively within a shorter period. We, therefore, recommend that short-term and long-term credit structures should be integrated.

104. The integration cannot be brought about at all levels simultaneously and the process has to begin first at the primary level. Even for bringing about integration at the primary level it presupposes reorganization of primary agricultural credit societies served by a full-time paid secretary with proper basic training in functions expected to be undertaken by him including handling long-term credit business. The state government should expedite reorganization of societies without increasing the number of reorganized units beyond 1732 as already decided. It would be advantageous if integration is carried out along with the reorganization of primary agricultural credit societies.

105. Pending integration of the two structures at all the levels, a beginning might be made immediately at the primary level on the lines indicated below :

- (i) The societies may forward the loan applications after the preliminary scrutiny to the nearest branch of the land mortgage bank for further necessary action.

- (ii) Loans when sanctioned may be disbursed by the land development bank through the concerned society.
- (iii) The societies may be provided funds by the land development bank for the purpose of long-term loans. The amount of loans sanctioned may be credited to the account of the societies with central banks to help societies to have dealings only with one bank.
- (iv) The societies may obtain necessary documents on disbursement of loans and send them on to the branch of the land development bank.
- (v) The rate of interest may be the same as at present for the ultimate borrower but societies should be compensated for the additional work handled, by the land development bank.
- (vi) The existing supervision machinery with the land development bank is inadequate or is almost absent and appointment of its own supervisory staff is not considered a feasible proposition. The land development bank should, therefore, rely in this matter on the supervisory machinery of the short-term credit structure and pay a suitable fee in relation to the loan amount. This would obviate the necessity on the part of the land development bank to have additional staff. At the same time, the supervisory machinery of state and central co-operative banks will not also be overburdened as this work would only be incidental to their regular job. The land development bank can take care of the problems relating to technical matters with the help of its own technical staff. This arrangement can be implemented as a transitory measure.

106. The additional work involved in long-term lending for primary agricultural credit societies may not require appointment of additional staff at least in the short run as the society would be

expected only to collect loan applications, make a preliminary scrutiny, disburse instalments of loans, do the *prima facie* verification and recovery of loans. This would, however, necessitate special training being imparted to the secretary of the society which could be conveniently arranged by the state government either as a part of the training that will be imparted to cadre secretaries or by arranging special short-term courses for the purpose. In such cases, initially, the secretaries of those societies which are selected to route long-term loans may be given preference over others in regard to training.

107. The integration at the higher levels could be taken up soon after the integration is brought about at the primary level. We further recommend that for implementing the arrangements regarding routing of long-term finance through societies as suggested by us and to bring about the integration at all levels, the Government of Himachal Pradesh may set up a committee comprising the representatives of the state governments and the concerned institutions. In this connexion, the guidelines provided by the Committee on Integration of Co-operative Credit Institutions, 1976 may be followed.

*Chapter 9 — Alternative Institutional Arrangements for  
Financing Agriculture*

108. The total production credit requirements to be met by institutional agencies in the state have been placed at Rs 51 crores of which the co-operative and commercial banks together should at least set before them a realistic target to cover Rs 17 crores by the end of 1982-3. However, a short-fall in the expected support from both the co-operative banks and primaries for some reason or the other cannot be ruled out. Besides, the medium-term agricultural credit requirements have also been placed at about Rs 11 crores. In the circumstances, alternative institutional agencies, namely commercial banks and regional rural banks could be expected to supplement the efforts of co-operatives in the field of agricultural credit. There is one regional rural bank functioning in the state.

109. The retailing of agricultural credit directly to individual cultivators on any appreciable scale is not a feasible proposition for commercial banks due to several factors. We cannot, therefore, expect any significant expansion in the provision of credit for short-term agricultural purposes by commercial banks if they are left to operate directly in this field. The commercial banks should be provided with a network of retail outlets in the form of viable primary agricultural credit societies to reach the cultivators spread over thousands of villages and for this purpose the scheme of financing agriculture by commercial banks through primary credit societies could be formally introduced. With a view to overcoming the difficulties in speedier involvement of commercial banks in the sphere of financing agriculture through primary agricultural co-operative credit societies, we would particularly like to refer to the consortium/participation arrangement between commercial and co-operative banks. Under this arrangement the primary agricultural credit societies will not be required to sever their financial relations with the central co-operative bank completely as the latter will continue to be responsible for providing funds to them according to the share agreed to between it and the commercial bank. As the central co-operative bank will maintain its organic and financial link with the primary agricultural credit societies, it can continue its efforts through persuasive or coercive action to recover its overdue loans from societies. The advantage of personal contacts with the management of the primary agricultural credit societies and the experience which the central co-operative banks and the state co-operative bank have acquired in the field of agricultural credit will be available to commercial banks. The state government will be more directly concerned with the problems faced by the commercial banks in providing credit for agriculture through primary agricultural credit societies because problems of these banks will also be the problems of co-operative banks which are at present under their control and general supervision. Further, in a scheme of compulsory disaffiliation of societies for handing over to the commercial banks, the approach may have to be from the point of view of

the credit potential and credit gaps subsisting in the area as the central co-operative banks may not be willing to part with areas which have been relatively well served by them. Consequently, commercial banks may have to go to areas where primary agricultural credit societies have the necessary credit potential to make them viable but are having a relatively low level of business. As a result, commercial banks may have to put in much greater effort in the development of societies and in developing the necessary business potential which they may not find it easy to do. In a consortium or participation arrangement it should be possible to have a cluster of well-developed and poorly developed areas so that the responsibility for the latter type of areas will be on both commercial and co-operative banks and benefits of business from more developed areas can accrue to both the institutions. The Working Group appointed by the Reserve Bank under the Chairmanship of Shri C. E. Kamath to study the problems arising out of the adoption of the multi-agency approach in agricultural financing submitted its report in April 1978, which has generally favoured area demarcation between different institutional lending agencies and has also recommended that the consortium scheme may be given a trial in a few selected areas in states where there is proper understanding and where conditions are favourable.

110. The introduction and actual implementation of the scheme of financing of primary agricultural credit societies by commercial banks would pose several problems such as selection of societies for transferring to commercial banks and taking over their existing liabilities. Such a situation can be avoided if consortium/participation arrangement between commercial banks and state/central co-operative banks is introduced in Himachal Pradesh. In the areas in which such an arrangement is introduced, commercial banks will be the leader bank where its branch is conveniently located while in other blocks, state/central co-operative bank will be the leader bank. Lendings to societies in a block should preferably be shared equally by participating banks. Procedural details, regarding credit appraisal, sanction of limits, disbursement, sharing of recoveries, supervision over societies, documentation



etc., may be on the lines indicated in the Report of the Study Team on Madhya Pradesh.

111. When the scheme is introduced, the area approach may be adopted and in the first instance blocks with credit gaps in terms of percentage of the total credit requirements, say about 75 per cent could be selected. This process may be continued if necessary in the descending order of credit gaps keeping in view the share allotted to commercial banks for meeting the short-term credit requirements. The work relating to selection of blocks and formulation of proposals for adoption of consortium/participation, arrangement between commercial bank and state/central co-operative bank in the district should be entrusted to the district level co-ordination committees which should be set-up for the purpose. The proposals of the district level co-ordination committees should be approved by the state level co-ordination committee which will also have to be set up for the purpose. The Reserve Bank of India has recently taken a decision to prepare branch expansion programme in consultation with state governments, regional rural banks, lead banks and other banks and has outlined its approach in this regard in its circular letter DBOD. No. BI/BC-115/C-168/78 dated the 8 September 1978 issued to all commercial banks. Thus, the Government of Himachal Pradesh while considering branch expansion programme by commercial banks, could ensure opening of their branches in areas which are not having adequate banking facilities and in the areas where the branches are required to facilitate lending for agriculture through societies.

112. Commercial banks could be expected to spare about Rs 18 crores for financing agriculture by 1982-3 on the assumption that the level of their deposits will reach Rs 180 crores by 1983 and attain a credit-deposit ratio of 60 per cent, one-third of the advances being for priority sectors and half of these for agriculture.

#### *Chapter 10 — Supervision over Societies*

113. The responsibility for supervision both financial and administrative over primary agricultural credit societies as well

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as other types of societies such as weavers, marketing and processing, industrial societies, etc., vests in the Co-operation Department. The charge per departmental supervisor varied from 10 to 30 societies. The state/central co-operative banks have their own recovery supervisors, whose main duty is to recover the concerned banks' dues and to a certain extent supervise the affiliated societies. Duties of these supervisors or any of the other staff do not include visits to societies for purpose of inspection. The banks have no arrangements for supervision over other types of societies. The strength of recovery supervisors was 27 in Himachal Pradesh State Co-operative Bank, 23 in the Kangra Central Co-operative Bank and 12 in the Jogindra Central Co-operative Bank. Compared to the number of societies in the area of the former two banks in particular, the strength of recovery supervisors is very limited. The average charge per supervisor is not uniform and is as high as 50 to 80 societies in some cases.

114. As regards the appropriate agency to assume responsibility for supervision of primary credit societies, it is now an accepted policy that financial supervision should be the responsibility of central co-operative banks, while aspects relating to administrative supervision could be looked after by the Co-operation Department. The banks, besides their borrowings, utilize their own resources, which include the deposits raised by them from the public in advancing loans to the societies. While the banks are obliged to repay their borrowings as also the deposits as and when their claims accrue, the banks have no control over their advances to societies in the absence of supervision over them. To safeguard their own interest, financial supervision over all types of societies should be the full responsibility of central financing agencies. The state government may take steps to transfer supervision over all types of societies to the financing banks. The Registrar of Co-operative Societies, Himachal Pradesh may empower the financing institution to undertake inspections of all types of societies financed by it. With a view to enabling the banks to take over the responsibility of financial supervision, the state government may provide managerial subsidy to banks for a period of

3 years on a tapering basis to meet the extra cost of additional supervisors. Departmental supervisors, if otherwise eligible, could also be considered for appointment as supervisors in the banks' service.

115. The duties of the supervisors should be clearly specified. For supervising the work of supervisors, the bank may also consider appointing inspectors and post them at the branches. The inspectors may also be required to inspect on a regular basis bigger and specialised types of societies in their jurisdiction. The branch managers should exercise immediate control over supervisors and inspectors in their area and all the reports should be routed by supervisors/inspectors through branch managers. In the case of the Himachal Pradesh State Co-operative Bank and the Kangra Central Co-operative Bank, the district managers should be responsible for supervision over the field staff in their respective districts. In the case of the Jogindra Central Co-operative Bank which has only one district as its area of operation, the Executive Officer in charge of Loans and Supervision Division at the head office would exercise control over the field staff.

116. With a view to having the work of supervisors effectively supervised, proper procedures should be introduced. Norms and guidelines may be prepared in regard to visits to be made and inspections to be carried out by supervisors/inspectors. The supervisors as also inspectors should be provided with suitable job-oriented training. The training courses could be arranged by the State Co-operative Union with the help of the College of Agricultural Banking, Pune and the National Council for Co-operative Training, New Delhi.

117. It is difficult to prescribe precise and uniform standards in regard to charge of societies per supervisor. But as a broad norm, it could be suggested that a supervisor should be able to supervise efficiently about 10 medium-sized societies. Suitable variations in this norm could be made after taking into account other relevant factors such as business turnover, distance of societies' offices from the supervisors' headquarters, number of villages

within the societies' jurisdiction and the availability of transport facilities, etc. The strength of inspectors could also be decided in more or less similar manner to ensure effective supervision over supervisors.

*Chapter 11 — Recovery of Overdues and Rehabilitation*

118. The major factors causing overdues are absence of supervision by financing banks, overfinancing and underfinancing, absence of proper records, *benami* loans, non-availability of full-time and trained secretaries to manage the affairs of societies, provision of *taccavi* loans for inputs even to defaulter members, etc. The defective loan policies and procedures, apathy on the part of managements in taking quick action against recalcitrant members, cumbersome procedure for coercive action, absence of arrangements for linking of credit with marketing, failure to grant conversion facility even when *annewari* is declared below 6 annas and non-declaration of *annewari* in the case of damage to fruit crops consequent to natural calamity are also the contributory factors.

119. To ease the existing overdues position, it is necessary to identify those defaulters who deserve relief. Those borrowers who could not repay their dues on account of circumstances beyond their control could be considered as non-wilful and those not falling in this category as wilful. Such identification of non-wilful defaulters warrants prescribing norms as could be used for mass applications as individual difficulties cannot be taken note of. Despite declaration of *annewari* in some areas, societies have not extended conversion facilities to borrowers. We suggest that the identification of non-wilful defaulters in the state may start from the position obtaining as far back as 1970-71 as a special case. The exercise for identification of defaulters may be made with reference to the position of defaults obtaining as on 30 June 1979 and a non-wilful defaulter could be defined as under :

- (i) A defaulter whose cultivated holdings are in the villages affected by natural calamty i.e., where *annewari* was declared as 6 annas or less during the period 1970-71

to 1978-9 and the default has occurred in respect of the loan taken in the year when such declaration of *annewari* has been made.

- (ii) A defaulter in whose case clear proof is available to show non-receipt of loan amount, or to show repayment of his dues which has not been credited to his account in the books of the society.
- (iii) A defaulter who has made part repayment of his original dues on his own. This would prove his bonafides i.e., willingness to repay but inability to clear the entire dues owing to circumstances beyond his control.

In regard to those defaulters who could be deemed as non-wilful on the basis of criteria at item (i) above an exception should be made in respect of those (a) who have deceived the societies by showing false acreages and crops to secure higher finance, (b) whose gross agricultural income inclusive of horticulture is above Rs 5,000 per annum and (c) who are income-tax assesseees.

120. The objective of identifying non-wilful defaulters is to reopen the line of credit by providing them with fresh finance and allowing time to clear their overdue loans. The non-wilful defaulters identified on the above basis should be required as a pre-condition for relief to pay the overdue interest less penal interest (which may be waived) irrespective of the fact whether the crops during the year 1979-80 are normal or not. In the case of such non-wilful defaulters, the entire outstanding amount which is overdue under all types of loans i.e., short-term and medium-term for agricultural purposes may be allowed a period of 3 to 7 years for repayment assuming the repaying capacity at 60 per cent of the value of gross produce. A uniform rate of interest may be charged on this rehabilitation loan. In case the rehabilitation loan required phasing beyond 7 years, which is quite unlikely, as the number of loans in default may not ordinarily exceed two loans, the write off of the excess amount is not desirable but then the only alternative is to extend the period beyond 7 years, i.e., upto 10 years.

121. An estimation of non-wilful defaults is a difficult exercise in the absence of relevant data with reference to the norms suggested for identification of non-wilful defaulters. However, the funds of the co-operatives of equivalent amount are already locked up in such overdues and, therefore, no separate financial assistance is necessary for converting the defaulted amounts into rehabilitation loans. But the institutions' liquidity position would not show any immediate improvement as the funds would remain locked up for sometime in rehabilitation loans and as a result of such conversions the term investments of the banks may exceed their term resources. It would, therefore, be necessary for the state government to take a liberal view of the share capital requirements of such banks so as to enable them to provide sizeable relief to non-wilful defaulters. Such contributions may be to the extent of 50 per cent of the loans for which rehabilitation facility is granted. The period of repayment of the share capital loans could synchronize with the period of repayment allowed for rehabilitation loans. In the case of the Kangra Central Co-operative Bank even if its resources position is satisfactory such assistance may be given to help reduce its cost of raising resources.

122. Identification of non-wilful defaulters may be completed within a period of 4 to 5 months and for deciding on the period of rehabilitation loans, block level committees comprising the branch manager and supervisor of the concerned bank, the Inspector of Co-operative Societies and non-official connected with primary agricultural credit societies from the block may be set up. The reports of these committees should be confirmed jointly by the District Co-operative and Supply Officer and Manager/District Manager of the banks and then put up for final sanction of the Boards of the respective banks. Such a programme of rehabilitation should be carried out, however, only once as a one-shot operation and should not be repeated in any of the subsequent years.

123. On identification of non-wilful defaulters, those left out could be deemed as wilful defaulters. In some cases, the defaults may be subsisting for a long period, say over three years, which

could be deemed as chronic and difficult of recovery in the normal course. Such overdues may be blocked in a separate collection account on the assets side with a provision for a corresponding amount by way of rehabilitation fund, etc., on the liabilities side. Accordingly, overdues over three years i.e., chronic overdues in respect of wilful defaulters may be segregated from the total overdues and deemed as 'segregated overdues'. This segregation may be done at the level of banks as well as the primary credit societies. The block level assessment committees on the lines of those formed for identification of non-wilful defaulters may then be set up with a time-bound programme of 4 to 6 months for investigation of such segregated overdue loans individually to determine whether the defaulted amount can be accounted for and recovered over a period of time or whether the defaulted amount may have to be written off for reasons like non-availability of any tangible security, defaulter member being not traceable etc. During these investigations, village level worker from the area of the defaulter member of the concerned society may also be associated as he would have more intimate knowledge about the dealings and credit worthiness of the defaulter-member from his area. The assessment committees may be furnished with suitable guidelines for such investigation by the Registrar. The proposals of the assessment committees may be put up to the Committee of the District Co-operative and Supply Officer District Manager/Manager of the banks for their scrutiny and to be finally approved by the Board of the concerned bank. In the case of central banks while considering these reports, a representative of the state co-operative bank may also be associated with the work. Presently the Himachal Pradesh State Co-operative Bank is investigating overdues over 3 years but the annual repaying capacity has been assumed in relation to acreage i.e., at Rs 50 and Rs 100 per acre for unirrigated dry lands and irrigated lands respectively with a proviso to assume higher repaying capacity if considered possible for special reasons. This would result in underestimating the repaying capacity. Since the loans are advanced with reference to crops grown and the scales of finance fixed therefor keeping in view the value of gross yield, the

proforma for investigation should be so devised to help in making a realistic assessment of repaying capacity.

124. The overdue loans will thus get segregated into three types, viz., (i) loans in respect of non-wilful defaulters; (ii) loans in respect of chronic defaulters and (iii) other overdue loans. In the case of overdues under category (i) facility for rehabilitation loans will be available and in the case of category (ii) suitable follow-up action has to be taken on investigation of such overdues while in respect of overdues under category (iii) immediate action for recovery has to be launched. While the action suggested for recovery of dues from wilful defaulters in both the latter categories may be continued, such defaulter members may be allowed to avail of kind component only to the extent of their repayment. It is not necessary in such cases to wait for recovery of the entire dues. Such an arrangement has been suggested, as it is felt that this procedure will encourage at least part repayment of the overdues and also help the institutions concerned to increase their business. Besides, this will ensure continuance of the borrowers' loyalty to the co-operatives.

125. In the case of segregated overdues, it is accepted that recovery thereof will be a time consuming process. With a view to giving relief to the institution concerned, it is suggested that once such overdues are segregated and blocked in a collection account, the demand in respect of such overdues may be spread over a period of five years i.e., 1980-81, 1981-2, 1982-3, 1983-4 and 1984-5 and accordingly one-fifth of the amount at the end of each co-operative year may be reckoned for purposes of demand. Defaults under this would figure as arrear demand and should be added to the subsequent year's demand. Such an arrangement may be accepted by the higher financing agencies for the purpose of deciding upon the eligibility of the banks for sanction of credit limits only if the Government of Himachal Pradesh agrees to make good the shortfall between the actual recoveries and the demand so reckoned by way of sanction of a term loan for equivalent amount. Such assistance besides improving the liquidity of the



banks would require the state government to exert pressure on the banks for recovery of defaults and actively associate in their recovery drive. Such a loan by the state government may be made repayable as and when corresponding recoveries are made. This loan, however, may carry a rate of interest of at least two per cent higher than the normal borrowing rate of the state co-operative bank/central co-operative bank for short-term agricultural purposes. This higher rate is considered necessary so as to act as disincentive to the banks to obtain costly funds and check complacency on their part in effecting recoveries. Alternatively, the state government may place long-term deposit of equivalent amount with the concerned bank. No financial assistance is suggested for the societies on this account other than the share capital contribution which has been recommended in Chapter 7.

126. After providing relief as proposed, it is necessary to initiate steps to effect recoveries in respect of outstanding defaults and this calls for suitable amendments to the recovery procedure. A suitable provision enabling recovery of arrears of instalments under medium-term loans for agricultural purposes as in the case of crop loans may be expeditiously incorporated in Section 90A of the State Co-operative Societies Act. To enable the state/central co-operative bank to initiate action on their own against the defaulting members in case the concerned primary agricultural credit society is reluctant to do so, a provision may be specifically incorporated in the Co-operative Societies Act on the lines of Section 63 of the Andhra Pradesh Co-operative Societies Act, 1964. Pursuant to the recommendations of the Study Team on Overdues, a provision should have been incorporated in the State Co-operative Societies Act in terms of which the entire Board of Directors of the state/central co-operative bank and managing committee of the primary agricultural credit society should stand automatically disqualified, if the amount of default exceeds 60 per cent of the demand for a continuous period of 2 years. This, however, presupposes transfer of financial supervision over societies to the banks.

127. At every district headquarter separate staff should be provided for attending to the arbitration cases/execution of awards

keeping in view the volume of work. Further, for facilitating execution of awards, specified officers/recovery supervisors of banks may also be authorised to perform the duties of sales officers.

128. Besides the above, to minimize the scope for overdues, the loan policies and procedures should be streamlined. The scales of finance should be prescribed on realistic basis taking into account the gross yield per unit of land, cultivational expenses and repaying capacity. A time lag of 15 days to one month may be provided between the due date for repayment of loan at the society level and the bank level. At the same time care has to be taken to ensure that at the bank level, the due date for *kharif* crops in general does not go beyond 31 March and for *rabi* crops beyond 31 May. There should be seasonality in advancing period and due dates for repayment should synchronise with harvesting/marketing season of the crop. Arrangements for marketing of members' produce and linking of credit with marketing would go a long way in ensuring fair return to producer and help recovery of dues. The introduction of the system of issuing loans by way of loan payment orders in Himachal Pradesh may pose certain difficulties in view of the hilly terrain and long distances coupled with uncertain weather conditions. The banks may introduce the system on an experimental basis in a few societies situated within a radius of 5 kms to 8 kms of banks' branches. In the case of apple crop in particular, it is necessary to have an arrangement for declaration of *annewari* which would facilitate provision of conversion facilities in the event of failure of crop consequent to natural calamity. Horticulture Department is making visual estimates and the techniques can be perfected for declaration of estimates of crop in terms of *annewari* for which purpose a small group might be set up by the state government comprising representatives of the Co-operation Department, Revenue Department, Horticulture Department and co-operative banks.

129. The most dominant factor causing overdues is wilful default, which needs to be tackled on the educational and social plane as well. A proper climate has to be created to impress upon

the cultivators the importance of timely repayment of their dues and primarily it is the responsibility of the managements of societies and banks to educate the members and create conditions favourable for repayments. There has to be constant and systematic contact with the borrowers and recourse to filing of arbitration cases should be taken as a last resort. The state government's extension machinery should be adequately strengthened to achieve the desired result. These efforts, however, would not succeed if the climate of recovery is vitiated. It is the general experience that many a time pressures are brought about from influential quarters for suspension of recovery, staying of awards, etc. It is, therefore, urged that under no circumstances such pressures should be exerted by any quarter, including the state government. As a matter of fact, the state government should help in a positive manner in building up a climate for recovery and extend assistance in taking coercive action whenever called for.

*Chapter 12 — Problems of Difficult Terrain and Tribal Areas*

130. The districts of Kinnaur, Lahaul and Spiti and the two blocks of Chamba district, namely, Pangi and Bharmour fall in the category of difficult terrain and these very areas are also identified as tribal areas. These areas are hereinafter referred to as tribal areas. The tribal areas remain cut off for a few months in a year. The vastness of area coupled with sparse population as also the severity of cold climate and short working season are major factors responsible for retarding the economic development of the area. These factors entail higher cost of development per unit of area.

131. The Draft Tribal Sub-Plan formulated by the state government for the period 1978-1983 envisages an outlay of Rs 67.50 crores of which Rs 56.49 crores are to come from the state plan and the balance of Rs 11.01 crores from the Special Assistance. The strategy envisaged under the Tribal Sub-Plan in respect of agriculture is to increase the area under the plough through soil conservation, to increase production with the help of improved farming techniques and multiple cropping. In regard to animal husbandry, qualitative and quantitative improvement of the cattle

wealth is proposed to be brought about. In the matter of forest development, besides encouragement to grow trees for meeting fuel and raw material requirements, introduction of medicinal and aromatic herbs and their export, etc., is proposed.

132. These development plans need support of an efficient credit and marketing structure. The government has made provision for subsidy for construction of godowns and for transport, managerial purpose as well as provision for share capital contribution for the institutions. The strategy envisaged lays special emphasis on development of co-operatives for supplying credit, marketing facilities and distribution of consumer articles. This is expected to help tribals to free themselves from the clutches of money-lenders. Thus, there should be multi-purpose co-operative credit societies to cater to all these requirements and organization of functional societies is not considered necessary unless the circumstances warrant in exceptional cases. Even then, the functional societies should not undertake disbursement of credit. The societies should also consider providing loans for consumption purposes as well as to meet custom-bound social obligations within certain limits for which purpose the state government may provide suitable assistance in the form of additional share capital. Such assistance could be provided out of allocations under the Tribal Sub-Plan and the Registrar may prescribe guidelines for the purpose. Assistance may also be given to the societies by way of managerial subsidy and help maintain additional staff besides the secretary, envisaged under the common cadre scheme. Further, keeping in view the meagre availability of transport and perishability of fruit crops, the setting up of a small processing unit may be considered in the interior areas at convenient locations, subject to economic and technical feasibility to help the producer to earn a reasonable return on his produce.

133. The tribal development calls for whole-hearted drive on the part of the official machinery and non-officials connected with the management of institutions as well as co-ordination of efforts among various Departments like Agriculture, Horticulture, Animal

Husbandry, Dairy Development, Co-operation, Forest and Industries as also the marketing and credit agencies to ensure successful implementation of plans.

*Chapter 13 — Related issues*

134. We have envisaged a pivotal role for the marketing structure in relation to the arrangement for marketing of members' produce which would help not only in enabling them to secure reasonable return but also help linking of credit with marketing. The marketing structure comprises state level society known as the Himachal Pradesh State Co-operative Marketing and Consumers Federation Ltd., 11 district co-operative marketing and consumer federations excepting for Lahaul and Spiti district, 39 primary co-operative marketing societies functioning at tehsil level and 71 co-operative consumers stores. The main object of the establishment of the state level federation is to co-ordinate the business activities of various co-operative institutions by arranging the marketing of agricultural produce, supply of chemical fertilizers, consumer goods, etc. It also acts as an agent of the state government for procurement and distribution of essential commodities. The federation has been incurring lossess and is almost dependent on the assistance from the state government. In regard to fertilizer business it suffered losses for want of prompt payment of its dues by affiliated societies and carry over of unsold stocks. The Agriculture Department has proposed distribution of fertilizers on cash and carry basis and provision of interest subsidy by the state government if the stocks remain unsold beyond a period of 30 days from the date of receipt of stocks. This suggestion may be accepted by the government. In regard to handling of marketing of potato, the policy of outright purchases adopted to induce producers to come over to co-operatives, who were reluctant to do so in view of the losses sustained in the earlier years, is however not in the interest of financial stability of the institution and may not, therefore, be pursued as a long-term measure.

135. In order to strengthen the functioning of the marketing and consumer co-operatives, the primary task is to effectively

co-ordinate the marketing and consumer activities of the apex district, tehsil and primary level co-operatives. The federation being a commercial organisation should improve its operational efficiency and should have a professionally qualified person as its Chief Executive supported by suitable technical hands to handle various types of business. The state government may have to initially provide management subsidy to strengthen the organization. Similar steps are considered necessary in respect of units at the district and tehsil levels to help them to function as effective links in the chain.

136. The state government may execute the guarantees without delay and consider providing such guarantees on a continuing basis for a longer period, say for three years. As regards guarantee fee levied by the government, such fees may not be collected at least in the case of those limits for which refinance is availed of from the Reserve Bank and those units which are running in loss.

137. In the case of banks from Himachal Pradesh during the past few years, the state co-operative bank hardly borrowed any amount from the Reserve Bank either on its own behalf or on behalf of any of the two central co-operative banks. The banks are having margins ranging between 2.3 per cent and 3.2 per cent which compared favourably with those recommended by the Study Group on Interest Rates. In Himachal Pradesh the banks are operating in a hilly state and are required to have a wide network of branches involving larger overhead expenditure. Besides, the present margins will be reduced on account of the contribution the banks and societies will have to make for maintenance of a common cadre for secretaries suggested by us in Chapter 7. We, therefore, do not suggest any change in the present margins.

138. The rate of interest to ultimate borrower works out to 12 — 12.5 per cent for short-term agricultural loans and 13.0 per cent for the medium-term loans. It may be stated here that in the year 1978, the Reserve Bank besides reducing rates of interest on deposits reduced its rate of interest charged for refinance for short-term agricultural purposes with a view to enabling the

banks to pass on the benefit to the small and marginal farmers. However, the banks' reliance on borrowings from the Reserve Bank has almost been nil. Hence, the benefit of lowering of rate of interest by the Reserve Bank has been of no consequence to these banks in lowering their average borrowing rate and they have, therefore, not been able to charge a lower rate of interest to the ultimate borrower. Further, many farmers in the state have smaller landholdings which would place them in the category of small and marginal farmers. Loans at lower rates to such a large number of borrowers will have an adverse impact on the earnings of the bank and this will call for subsidy from the state government. However, slight reduction can be thought of when the business of banks increases and earnings improve. Pending this, we are of the view that the banks should not be compelled to reduce the rates of interest which would ultimately affect their profitability and financial stability. In the absence of subsidy from the state government, there does not appear to be any immediate alternative.

139. The Kangra Central Co-operative Bank is charging a higher rate of interest on weavers' finance. Since the facility for provision of working capital requirements of weavers' societies at a concessional rate is available, the rate of interest on such loans should not exceed the rate stipulated by the Reserve Bank.

140. Under the differential interest rate scheme in operation in commercial banks, the loans are granted at a concessional rate of interest of 4 per cent per annum to those persons who satisfy the criteria laid down for the purpose. The benefit under the scheme is confined to direct loans sanctioned to individuals. Members of primary agricultural credit societies even if they satisfy the eligibility criteria have to pay the usual interest rate for their borrowings from the society. This has an adverse impact on the efforts of societies in increasing their membership as a sort of psychological atmosphere is created among the people to the effect that commercial banks lend at much cheaper rate than co-operatives without taking note of the fact that the benefit of concessional rate is not available in general and the extent of such

loaning is limited only to 1 per cent of their aggregate advances. It is, therefore, recommended that commercial banks may be permitted to make available such finance to eligible borrowers, among members of primary co-operative societies in areas where they take up financing of agriculture through societies. When such financing is done under the consortium arrangement as suggested in Chapter 9, there would not be any discrimination in availability of facilities to societies financed by co-operative and commercial banks. The state government has already come forward to subsidise the loss of interest suffered by banks in financing *Antyodaya* families in the entire state. But as a result of our earlier recommendations, there may not be any need for the Government to bear any liability under this head in areas where consortium arrangement is attempted, and this saving can be diverted to other areas. Even then if there is deficit, the government may consider meeting the same in the interest of economic uplift of the rural poor.

141. The Himachal Pradesh State Co-operative Union faces difficulties in arranging training programmes on account of poor response by the co-operative personnel to participate in the courses and apathy on the part of co-operative institutions towards the programme. Besides, the union has to heavily depend on government grants in the absence of its own resources. Presently, co-operative societies are required to contribute to the education fund a minimum of Rs 10 or 3 per cent of the net profit with a maximum of Rs 10,000. The union, however, has not been able to collect substantial contributions due to the poor working of the institutions as also the indifference of the co-operatives themselves. Suitable rules may be framed and administrative arrangements made to ensure collection of contributions within a specified period.

142. The Registrar of Co-operative Societies has his office at state headquarters and is assisted in head office by three Joint Registrars, four Deputy Registrars and four District Co-operative and Supply Officers. The Registrar of Co-operative Societies is



also charged with the responsibility of audit. The Joint Registrar who attends to all the cases and shares responsibility and power with the Registrar, Co-operative Societies is proposed to be designated as Additional Registrar and we recommend that the state government may approve the proposal.

143. There are three divisional Deputy Registrars with their respective headquarters at Palampur, Mandi and Simla. These Deputy Registrars very often work simultaneously as Administrator/Managing Director/Chief Executive Officer of some large-sized co-operative institution such as bank, marketing federation, wholesale consumer stores, etc. and obviously find it difficult to do justice to their duties.

144. Incumbents to the posts of Registrar and Joint Registrars, which are the key posts in the Department and who help the government in formulating policies and implementation thereof, are being changed too often. It is the Registrar of Co-operative Societies who will be required to initiate action on the majority of the recommendations of the Study Team. He will also be responsible for ensuring implementation of the recommendation by the institutions concerned. The continuity of action and adoption of planned and co-ordinated policies on his part would, therefore, assume great importance. The incumbent to the post of Registrar of Co-operative Societies should, therefore, hold the office for a fairly long term of at least 5 years.

145. The implementation of the recommendations of the Study Team will necessitate strengthening the establishment of the Registrar of Co-operative Societies both at headquarters as well as districts. The Government may review the position in this behalf to provide adequate supporting staff for the Registrar on a priority basis.

146. Despite instructions by the state government for adoption of marking system suggested by the Reserve Bank for audit classification of primary agricultural credit societies and co-operative banks, in practice the audit staff is, by and large, not following

the marks system. Administrative action is, therefore, called for in this behalf and if necessary, the audit staff should be given suitable orientation training to follow instructions regarding audit classification.

147. The state government may consider designating the Joint Registrar in charge of audit as Chief Audit Officer. With a view to enabling the audit staff to complete the audit of institutions on time, the state government may review the position of audit staff also and suitably augment their strength.

#### *Chapter 14 — Implementation*

148. Despite hilly terrain and inadequate communications, there is good scope for financing agriculture and allied activities in the state. Keeping in view the large credit gap existing, massive effort is called for to gear up the credit institutions to channel the credit. Suggestions have been made for specific action to be initiated by the state government by way of financial and organisational support to the credit institutions. The fundamental changes envisaged in the Report are possible only if a package of simultaneous measures is taken to reform the movement in the state. Hence, for implementing the recommendations made in the Report as well as for a review thereof, it is essential to have a high power Implementation Committee set up by the Government of Himachal Pradesh under the chairmanship of the Chief Secretary. The other members of the Committee may be the Secretary, Co-operation and Agriculture Departments, Registrar of Co-operative Societies, Director, Agriculture Department, Director, Horticulture Directorate, Director, Animal Husbandry Department, a representative of the Reserve Bank of India, Chandigarh, the Managing Director of the Himachal Pradesh State Co-operative Bank and the General Manager, Himachal Pradesh State Co-operative Land Development Bank. The convenor of the Committee may be the Registrar of Co-operative Societies. The committee should meet periodically at least once in a quarter. The Committee will work through a cell with suitable staff headed by an Officer of the rank of a Joint Registrar of Co-operative Societies.

The Cell will act as the secretariat for implementing the recommendations of the Study Team. It will initially arrange to make available to all the departments/institutions concerned a check list indicating the action to be taken by them. Further, under the overall guidance of the Committee it will watch the progress made in the implementation of the recommendations from time to time, report to the Committee and follow-up the recommendations with the concerned departments/institutions.

Chairman

M. V. Hate

Members

Sita Ram Sharma

D. N. Chauhan

Anang Pal

Smt. C. P. Sujaya

Kum. Jyoti Pande\*

V. Subramanian

Member-Secretary

R. A. Sugavanam

Bombay

12 February 1980

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\*Kum. Jyoti Pande signed the Report on 4 March 1980.

## ANNEXURES

# ANNEXURE 1

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*District-wise distribution of Urban, Rural and Scheduled Caste/Tribe Population and Workers as per 1971 Census*

District	Density of popu- lation per sq. km.	Population ('000)								
		Urban	Rural	Total	Of Col.5 Schedu- led Caste	Of Col.5 Schedu- led Tribe	Total wor- kers	Culti- vators	Agricul- tural Labou- rers	Live- stock, forestry and other activities
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Bilaspur	167	10 (3)	185 (911)	195	48 (21)	5 (3)	79	62	2	15
Chamba	31	19 (4)	236 (1126)	255	38 (15)	71 (28)	103	83	2	18
Kangra	158	49 (9)	1279 (6150)	1329	233 (18)	— —	365	232	24	109
Kinnaur	8	—	50 (77)	50	10 (19)	34 (68)	30	19	2	9

Kulu	35	11 (2)	182 (169)	193	48 (25)	-- —	94	76	3	15
Lahaul and Spiti	2	—	24 (204)	24	-- (1)	18 (76)	15	9	—	6
Mahasu	78	16 (35)	424 (2894)	440	129 (29)	4 (11)	207	160	8	39
Mandi	128	48 (4)	467 (2789)	515	135 (26)	6 (1)	204	149	4	51
Simla	153	69 (6)	148 (1631)	217	54 (25)	—	78	40	2	36
Sirmur	87	21 (3)	224 (965)	245	74 (30)	3 (1)	104	74	6	24
<b>State</b>	<b>62</b>	<b>242 (36)</b>	<b>3219 (16916)</b>	<b>3461</b>	<b>770 (22)</b>	<b>142 (4)</b>				
							<b>1279</b>	<b>904</b>	<b>53</b>	<b>322</b>

**Note :** (1) Data are in respect of only 10 districts as the reorgnisation of districts from 10 to 12 took place after 1971 census.  
(2) Figures in brackets under columns 3 and 4 indicate the number of towns and inhabited villages respectively.  
(3) Figures in brackets under columns 6 and 7 indicate respective percentage to the total population.

# ANNEXURE 2

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*Statement showing district-wise position of land use for the year 1974-5*

	Thousand Hectares												
	State	Bilas- pur	Cham- ba	Hamir- pur	Kangra	Kinna- ur	Kulu	Lahaul and Spiti	Mandi	Simla	Sir- mur	Solan	Una
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1. Total area as per village papers	2932.5	115.4	698.5	111.2	506.3	15.1	47.5	196.3	397.6	285.5	224.8	180.2	154.1
2. Forest area	638.4	11.8	95.5	19.5	202.0	(18)	—	12.4	148.1	48.6	48.3	20.4	31.8
3. Percentage of forest area to total area	21.7	10.2	13.7	17.5	39.9	—	—	6.3	37.3	17.0	21.0	11.4	20.6
4. Area not available for cultivation	333.9	21.1	16.0	33.1	103.1	2.0	9.1	2.3	22.5	19.1	16.0	30.3	59.3
5. Cultivable waste land	130.3	2.7	5.7	8.5	57.0	1.9	1.6	—	4.2	12.3	14.1	11.8	10.5
6. Permanent pastures and other grazing land	1184.3	46.0	539.0	2.3	15.4	1.5	—	178.4	133.8	128.6	64.0	68.9	6.4

7. Land under miscellaneous tree crops etc.	41.6	—	—	—	—	—	1.0	—	—	1.8	36.0	2.8	—
8. Fallow land	59.5	2.1	2.5	8.5	21.4	1.3	3.1	—	2.6	7.2	3.3	3.1	4.4
9. Net area sown	544.4	31.7	39.7	39.2	107.6	8.3	33.0	2.8	86.3	67.8	43.1	42.9	42.0
10. Percentage of net area sown to total area	18.5	27.5	5.7	35.3	21.3	54.9	69.5	1.4	21.7	23.7	19.1	23.8	27.3
11. Area sown more than once	372.4	23.5	22.6	33.8	88.7	3.3	18.7	—	55.6	40.6	32.8	27.0	25.8
12. Total cropped area	916.8	55.2	62.3	73.0	196.3	11.6	51.7	2.8	141.9	198.4	75.9	69.9	67.8
13. Percentage of total cropped area to total area	31.2	47.8	8.9	65.6	38.8	76.8	108.9	1.4	35.7	38.0	33.8	38.8	44.0
14. Cropping intensity	168.4	174.1	156.9	186.1	182.5	139.8	156.7	100.4	164.4	159.8	176.0	163.2	161.2



## ANNEXURE 3

*Scales of finance Prescribed by RCS, Himachal Pradesh vide his letter No. 5-392/59-Coop (C & M) dated 30 March 1977*

Name of Crop	Cash Compo- nent  A	Kind Compo- nent  B	Additional cash compo- nent C	Total
(1)	(2)	(3)	(4)	(5)
1. Wheat (Desi)	100	300	50	450
2. Wheat (Mexican)	125	500	75	700
3. Paddy (Local)	150	300	—	450
4. Paddy (High yielding)	175	400	—	575
5. Maize (Local)	150	400	—	550
6. Maize (High yielding)	175	600	—	775
7. Potato	400	1200	—	1600
8. Sugarcane	400	1200	—	1600
9. Tobacco	150	400	—	550
10. Apple (from 10th year of life of a tree)	500	1000	—	1500
11. Grapes (after the com- mercial age of bearing)	1000	1000	—	2000
12. Citrus (from 6th year of tree life)	500	700	—	1200
13. Stone fruits (from 6th year of tree life)	500	1000	—	1500

ANNEXURE 3 (*Contd.*)

(1)	(2)	(3)	(4)	(5)
14. Mango plantation (on attaining stage of com- mercial bearing)	250	200	—	950
15. Tea plantation (from 7th year)	300	800	—	1100
16. Pulses, groundnut and other crops	150	200	—	350
17. Vegetables	400	600	—	1000
18. Cauliflower	1000	1000	—	2000
19. Barley (Local)	100	300	—	400
20. Barley (High yielding)	200	400	—	600
21. Ginger	850	2000	—	2850

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# ANNEXURE 4

352

*District-wise position of irrigated and unirrigated area under the cultivation of various crops and estimated credit potential with reference to scale of finance*

District	Area in Hectares Rupees in Lakhs									
	Wheat		Maize		Paddy		Barley		Pulses	
	Irrigated	Unirri- gated	Irrigated	Unirri- gated	Irrigated	Unirri- gated	Irrigated	Unirri- gated	Irrigated	Unirri- gated
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Bilaspur	1665	18428	717	20902	1270	2431	30	252	209	7555
2. Chamba	2669	13646	581	25173	2431	736	583	5425	892	2427
3. Hamirpur †	—	24132	—	27303	—	5396	—	224	—	4635
4. Kangra	22129	56498	5660	40417	27286	9257	880	4024	1048	8356
5. Kinnaur	768	892	268	61	3	35	1720	885	202	42
6. Kulu	328	16495	2	12692	2286	1253	1	6109	6	3004

7. Lahaul and Spiti	516	—	9	—	—	—	1190	—	204	—
8. Mandi	10304	43705	1976	34227	10301	13215	212	5149	718	4870
9. Simla	2329	31264	679	20761	2603	2663	644	8662	90	4572
10. Sirmur †	—	27585	—	24302	—	5032	—	3559	—	5376
11. Solan	4556	17010	1909	22007	2829	1570	166	1910	250	10767
12. Una	1622	23399	50	24790	147	2218	5	12	28	9612
<b>Total</b>	<b>46886</b>	<b>273054</b>	<b>11851</b>	<b>252635</b>	<b>49156</b>	<b>43806</b>	<b>5431</b>	<b>36211</b>	<b>3647</b>	<b>60916</b>

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† Crop-wise irrigated area is not readily available and as such entire cropped area has been taken as unirrigated for working out credit requirements.

ANNEXURE 4 (Contd.)

354

District	Oil Seeds		Potato		Other crops		Credit potential (area × scale of finance)		
	Irrigated	Unirri-gated	Irrigated	Unirri-gated	Irrigated	Unirri-gated	Wheat	Maize	Paddy
(1)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
1. Bilaspur	13	391	11	11	275	1314	236.46	301.29	45.61
2. Chamba	79	2040	96	383	2	5148	200.13	357.38	43.24
3. Hamirpur	—	90	—	18	—	11197	271.49	375.42	60.71
4. Kangra	—	661	944	62	3314	15803	1022.86	665.37	496.51
5. Kinnaur	2	2	214	195	2901	3391	23.48	6.03	0.44
6. Kulu	230	195	7	918	—	8208	191.31	174.55	46.97
7. Lahaul and Spiti	31	—	488	—	421	—	9.03	0.18	—
8. Mandi	226	—	—	1850	878	14303	672.01	508.90	296.80

9. Simla	27	354	163	9145	836	23623	392.49	298.62	67.39
10. Sirmur	—	527	—	692	—	8772	310.34	334.15	56.61
11. Solan	23	697	177	45	1138	4846	271.10	339.57	58.34
12. Una	10	154	91	9	519	5106	291.63	341.83	27.06
<b>Total</b>	<b>641</b>	<b>5111</b>	<b>2191</b>	<b>13328</b>	<b>10284</b>	<b>101711</b>	<b>3892.33</b>	<b>3703.29</b>	<b>1199.68</b>

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## ANNEXURE 4 (Contd.)

356

District	Credit Potential (areas x scale of finance)						Short-term loans out- standing as on 30 June 1977
	Barley	Pulses	Oil seeds	Potato	Other Crops	Total	
(1)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
1. Bilaspur	2.97	65.31	3.54	0.88	13.90	669.98	3.36
2. Chamba	62.99	29.04	18.54	19.16	45.06	775.54	1.96
3. Hamirpur ..	2.24	40.56	0.79	0.72	97.97	849.90	104.75
4. Kangra	53.44	82.29	5.78	40.24	167.27	2533.76	134.16
5. Kinnaur	34.65	2.14	0.03	16.36	55.06	138.19	9.40
6. Kulu ..	61.11	26.34	3.72	37.00	71.82	612.82	23.25
7. Lahaul and Spiti	17.85	1.78	0.27	19.52	3.69	52.32	0.63

8. Mandi	54.67	48.89	1.98	74.00	132.83	1790.08	10.25
9. Simla ..	96.28	40.79	3.33	372.32	214.02	1485.24	77.65
10. Sirmur	35.59	47.04	4.61	27.68	76.76	892.78	16.04
11. Solan ..	21.59	96.39	6.30	8.88	52.36	854.53	48.03
12. Una ..	0.20	84.35	1.44	4.00	49.22	799.73	120.78
<b>Total</b>	<b>443.58</b>	<b>564.92</b>	<b>50.33</b>	<b>620.76</b>	<b>979.96</b>	<b>11454.85</b>	<b>550.26</b>



# ANNEXURE 5

358

*District-wise position of cropped area of fruit crops and estimated credit requirements with reference to the scales of finance*

District	Apple	Nuts and dry fruits	Citrus	Other temperate fruits	Other sub-tropical fruits	Area in Hectares Rupees Lakhs	
						Credit potential (area × scale of finance)	
						Apple	Nuts and dry fruits
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Bilaspur	—	28	444	292	580	—	—
2. Chamba	920	124	232	354	212	34.50	—
3. Hamirpur	—	130	278	101	286	—	—
4. Kangra	351	583	3075	2074	2047	13.16	—
5. Kulu and Lahaul and Spiti	8602*	335	103	1511	16	322.58	—

6. Kinnaur	1094	469	—	222	15	41.03	--
7. Mandi	5354	639	1218	1662	1012	200.77	---
8. Simla	16140	462	210	2067	51	605.25	---
9. Sirmur	2417	411	1050	963	375	90.64	—
10. Solan	198	298	746	2734	299	7.42	--
11. Una	—	64	196	98	243	—	---
<b>Total</b>	<b>35076</b>	<b>3543</b>	<b>7552</b>	<b>12078</b>	<b>5136</b>	<b>1315.35</b>	—

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\* This area is in Lahaul district only.

## ANNEXURE 5 (Contd.)

360

District	Credit requirements (area x scale of finance)				Short-term loans outstanding as on 30 June 1977
	Citrus	Other temperate fruits	Other sub-tropical fruits	Total	
(1)	(9)	(10)	(11)	(12)	(13)
1. Bilaspur	13.32	10.95	13.77	38.04	N.A.
2. Chamba	6.96	13.29	5.04	59.79	N.A.
3. Hamirpur	8.34	3.79	6.79	18.92	N.A.
4. Kangra	92.25	77.78	48.61	231.80	N.A.
5. Kulu and Lahaul and Spiti	3.09	56.66	0.38	382.71	N.A.
6. Kinnaur	—	8.33	0.36	49.72	N.A.
7. Mandi	36.54	62.32	24.04	323.67	N.A.

8 . Simla	6 .30	77 .51	1 .21	690 .27	N . A .
9 . Sirmur	31 .50	36 .11	8 .91	167 .16	N . A .
10 . Solan	22 .38	102 .52	7 .10	139 .42	N . A .
11 . Una	5 .88	3 .67	5 .77	15 .32	N . A .
<b>Total</b>	<b>226 .56</b>	<b>452 .93</b>	<b>121 .98</b>	<b>2116 .82</b>	<b>85 .90</b>

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## ANNEXURE 6

*Economics of a sheep unit of 30 ewes and 1 ram*

Amounts in Rupees

	(1)	(2)	(3)	(4)	(5)
<b>Capital cost</b>					
(a) No. of ewes 30 cost @ Rs 125 each	3,750				
(b) Cost of one ram	250				
	<b>4,000</b>				
<b>A. Recurring cost</b>					
	1st year	2nd year	3rd year	4th year	5th year
	(1)	(2)	(3)	(4)	(5)
Feed	54.00	54.00	54.00	81.00	54.00
Other expenses	100.00	100.00	100.00	100.00	100.00
Commission to co-operatives on sale of wool and sheep products at 2%	22.18	28.94	41.14	48.32	50.49
Total inputs	176.18	182.94	195.14	229.32	204.49
<b>B. Receipts</b>					
Sale of wool @ Rs 10 per kg.					
(a) quantity (in kg.)	60.05	81.00	106.20	124.80	141.65
(b) Value (in Rs)	600.50	810.00	1,062.20	1,248.00	1,416.50
Sale of rams @ Rs 50 per ram	400.00	500.00	550.00	650.00	650.00
Sale of culled animals @ Rs 40 per sheep	—	—	280.00	320.00	240.00
Sale of skin from dead animals @ Rs 3 per animal	9.00	12.00	15.00	18.00	18.00
Sale of manure	110.00	125.00	150.00	180.00	200.00
Total receipts	1,109.00	1,447.00	2,057.00	2,416.00	2,523.50
Surplus	933.00	1,264.00	1,862.00	2,187.00	2,320.01

## ANNEXURE 6 (Contd.)

	(1)	(2)	(3)	(4)	(5)
<b>C. Evaluation fee</b>					
@ $\frac{1}{2}\%$ of cost	19	—	—	—	—
Insurance @ 5% of cost	187	187	187	187	187
Repayment of					
Loan : Small Farmers,	600	600	600	600	600
Marginal Farmers and					
Agricultural Labourers	534	533	534	533	534
Interest : S.F.	330	264	198	132	66
Interest : M.F. and others	293	235	176	117	59
Birth Rate @ 60%	18	18	18	18	18
Mortality : 10% in lambs	2	2	3	3	3
5% in adults	1	2	2	3	3

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## ANNEXURE 7

*Economics of a sheep unit of 10 ewes and 1 ram*

	Amounts in Rupees				
	(1)	(2)	(3)	(4)	(5)
<b>Capital cost</b>					
a) No. of ewes — 10					
Cost @ Rs 125.00 each	1250.00				
b) Cost of one ram	250.00				
	<b>1500.00</b>				
<b>A. Recurring cost</b>					
	1st year	2nd year	3rd year	4th year	5th year
	(1)	(2)	(3)	(4)	(5)
Feed	18.00	18.00	18.00	18.00	18.00
Other Expenses	33.33	33.33	33.33	33.33	33.33
Commission to co-operatives on sale of wool and sheep products at 2%	8.40	9.65	13.72	16.11	16.83
Total inputs	59.73	60.98	65.05	76.44	68.16
<b>B. Receipts</b>					
Sale of wool @ Rs 10 per kg.					
(a) Quantity (in kgs.)	20.02	27.00	35.40	41.60	47.22
(b) Value (in Rs)	200.20	270.00	354.00	416.00	472.20
Sale of rams @ Rs 50 per ram	150.00	150.00	200.00	200.00	200.00
Sale of culled animals @ Rs 40 per sheep	—	—	80.00	120.00	80.00
Sale of skin from dead animals @ Rs 3 per animal	3.00	3.00	6.00	6.00	6.00
Sale of manure	37.00	42.00	50.00	60.00	67.00
Total receipts	390.20	465.00	690.00	802.00	825.20
Surplus	330.47	404.02	624.95	725.56	757.04
<b>C. Evaluation fee</b>					
½% of cost	6.25	—	—	—	—
Insurance @ 5% of cost	62.5	62.5	62.5	62.5	62.5

## ANNEXURE 7 (Contd.)

	(1)	(2)	(3)	(4)	(5)
<b>D. Repayment of :</b>					
Loans :					
(a) Small Farmers	225.00	225.00	225.00	225.00	225.00
(b) Marginal Farmers and Agricultural Labourers	201.00	201.00	201.00	201.00	201.00
Interest :					
(a) Small farmers	124.75	99.00	74.25	49.5	24.75
(b) Marginal farmers and others	110.50	88.40	66.30	44.20	20.10
Birth rate @ 60%					
Mortality :					
10% in lambs	1	1	1	1	1
5% in adults	—	—	1	1	1

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## ANNEXURE 8

*Brief details of the physical programmes to be undertaken during 1978-9*

Rupees Lakhs			
Sr. No.	Head/Sub-head	Outlay	Purpose in brief
(1)	(2)	(3)	(4)
	<b>I. Agricultural Research and Education</b>	50.00	For grant-in-aid to the Himachal Pradesh University for horticultural research programmes
	<b>II. General Horticulture</b>		
	1. Establishment of Farmers Training Centre	4.26	For establishment of a horticultural training centre for training of farmers and horticulture extension workers 500 farmers and 100 extension workers are proposed to be trained during 1978-9
	2. Training of Horticultural Personnel	0.20	5 agricultural graduates extension workers are to be given training in some institution of higher learning in India and 2 subject matters specialists from the Department of Horticulture sent abroad for advanced short-term training
	3. Apprenticeship of New Horticultural Inspectors	0.30	7 fresh graduates are proposed to be given apprenticeship training prior to their absorption in the Department
	4. Development of Fruit Production	57.75	For intensification of the nursery production activities in public and private sectors and general horticultural extension programmes

## ANNEXURE 8 (Contd.)

(1)	(2)	(3)	(4)
5. Advisory services in Fruit Plant Nutrition	5.10	For utilisation of the plant tissues analysis technology and advising the farmers in the judicious use of fertilizers	
6. Horticultural Information Service and Organisation of Gardening competitions	4.75	For utilising the mass media communication e.g., publications radio, exhibitions, shows, etc to disseminate technical know how among the farmers. Organisations of Fruit shows, garden competitions	
7. Establishment of Mobile Units	4.37	For setting up the third mobile unit with headquarters at Mandi/Kulu to organise training camps for training of orchardists. Wild fruit trees would also be top-worked into superior varieties	
8. Development of floriculture, ornamental gardening of land scaping	3.23	For production and supply of ornamental plants, seeds etc.	
9. Bee-keeping Development	3.25	For setting up of bee-keeping stations, maintenance of bee-hives and training of bee-keepers	
10. Plant protection service	10.00	For providing plant protection officers and supporting staff, for grant of subsidies on pesticides etc.	
11. Tackling important Horticultural problems	1.50	For surveys and investigations of new projects/schemes in the field of horticulture	

## ANNEXURE 8 (Contd.)

(1)	(2)	(3)	(4)
12. World Bank Project	10.00		For meeting expenses to provide technical assistance, training etc in connexion with implementation and execution of the Himachal Pradesh Apple Processing and Marketing Project.
13. Development of Hops	2.50		For establishing hop farm/nursery for stocking of hop mother plants of superior varieties and distribution of plants amongst the prospective hop growers.
14. Development of Mushroom	10.00		For development of mushrooms in the districts of Solan, Simla and Sirmur.
15. Strengthening of Directorate Administration	1.82		For strengthening the Directorate administration to cope with the problems of financial and technical planning of programmes.
16. District and Subordinate staff scheme	2.12		For providing required staff in the District Horticultural Offices in each district.
17. Development of olives and figs	12.00		For setting up olive station and olive belt in Sirmur district and intensification of nursery product programmes, maintenance of olive stations already set up at Panarsa and Chamba.
18. Horticultural Marketing	7.55		For collection and dissemination of market information, grading services to farmers, setting up of a control room at Theog to regulate the transport of fruits from the

## ANNEXURE 8 (Contd.)

(1)	(2)	(3)	(4)
			interior areas, supervising the grading done by HPMC in its packing houses, providing subsidy to small farmers for transport of fruits from the interior to road heads at 50 per cent of the actual freight from orchard to road head subject to a maximum of Rs 1 per box of 20 kg. and 100 boxes per orchardist, the benefit of subsidy being available only in the initial bearing age of the orchards.
19 . Establishment of Fruit Canning Units	23.00		For establishment of fruit canning units, completion of fruit processing plant in Kulu, provision of technical advisory services to the entrepreneurs.
20 . Cold Storage	7.00		For providing guidance to growers regarding proper cold storage of fruits and for improvement of the existing chambers of Himachal Cold Storage at Delhi and the refrigeration of the existing warehouses so as to give better results for storage of fruits from Himachal Pradesh.
21 . Development of Horticulture in Border/Backward/ Tribal area	2.50		For giving incentive to farmers in the border/backward/tribal areas for plantation of orchards by providing subsidy on planting/ fencing material, plant protection equipment, pesticides etc., at 25 per cent of the total cost.
22 . Incentives to Fruit Growers	0.30		For providing incentive recognition to fruit growers who make

## ANNEXURE 8 (Contd.)

(1)	(2)	(3)	(4)
			innovations and research workers who contribute towards solution of important problems by giving them cash prizes.
<b>23 . Horticultural Problems on Fellowship Basis</b>	<b>0.20</b>		For allotting funds to various universities/institutions for award of fellowships for students/research workers for undertaking research work on specific horticultural problems posed by the Department of Horticulture.
<b>24 . Small Farmers Development Projects</b>	<b>5.30</b>		For providing Horticulture staff and subsidy to small and marginal farmers.
	<b>Total</b>	<b>179.00</b>	
<b>III. Agro-Industries Corporation</b>	<b>1.00</b>		For meeting the share capital contribution of the Himachal Pradesh Agro-Industries Corporation/HPMC.
<b>IV. Agricultural Credit</b>	<b>5.00</b>		For providing debenture support to the financial institutions for meeting the credit requirements of the orchardists.

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## ANNEXURE 9

*Cost of plantation of apple orchard per acre*

Amount in Rupees

**I. Fencing**

(i) Cost of 2.5 quintals of barbed wire for fencing : standard wire @ Rs 350 per quintal	875
(ii) Cost of 90 wooden poles and fencing charges @ Rs 8.00 per pole	720
<b>Total</b>	<b>1595</b>

**II. Lay-out and Plantation**

(i) Cost of layout and pegs	20
(ii) Digging and filling of 100 pits with silt preparation of basins, clearance of stones etc. @ Rs 3.00 each	300
(iii) Cost of 100 plants including transportation and plantation @ Rs 1.50 each	150
(iv) Cost of farm yard manure including transportation and plantation (300 kg. per pit i.e., 30 quintals @ Rs 5 per quintal)	150
(v) Miscellaneous	35
<b>Total</b>	<b>655</b>

**III. Orchard tools and implements**

(i) One foot sprayer at about Rs 450	450
(ii) Other garden tools i.e., Khilpas, Drat, Draties, pick-axes etc.	150
(iii) One pruning set	150
<b>Total</b>	<b>750</b>

**Grand Total 3000**

**Rs 3000 per acre or**  
**Rs 7500 per hectare**

# ANNEXURE 10

372

## *Estimated cost of maintenance of one acre plantation of apple orchard*

		Amount in Rupees							
Sr. No.	Cost/maintenance	2nd year	3rd year	4th year	5th year	6th year	7th year	8th year	9th year
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	Fertilizers	64.00	114.50	165.00	217.00	267.50	318.50	369.50	419.00
2.	Pesticides	36.00	46.50	82.00	113.50	147.50	191.50	226.50	265.50
3.	Cultural practices (weeding, hoeing, spraying etc.)	180.00	189.00	207.00	229.50	252.00	280.00	306.00	337.50
	<b>Total</b>	<b>280.00</b>	<b>350.00</b>	<b>454.00</b>	<b>560.00</b>	<b>667.00</b>	<b>790.00</b>	<b>902.00</b>	<b>1022.00</b>

		10th year	11th year	12th year	13th year	14th year	15th year
(1)	(2)	(11)	(12)	(13)	(14)	(15)	(16)
1.	Fertilizers	468.00	519.00	580.00	580.00	580.00	580.00
2.	Pesticides	324.50	363.50	412.50	412.50	412.50	412.50
3.	Cultural Practices	382.50	462.50	562.50	562.50	562.50	562.50
	<b>Total</b>	<b>1175.00</b>	<b>1345.00</b>	<b>1555.00</b>	<b>1555.00</b>	<b>1555.00</b>	<b>1555.00</b>

**Source :** Department of Horticulture



## ANNEXURE 11

*Economics of the apple plantation scheme*

Amount in Rupees

Year	Loan required	Loan outstanding at the end of the year	Gross income from orchard	Expenditure on maintenance	Net income
(1)	(2)	(3)	(4)	(5)	(6)
1st	3000	3000	—	—	—
2nd	3000	3000	—	280	- 280
3rd	3000	3000	—	350	- 350
4th	3000	3000	—	454	- 554
5th	3000	3000	—	560	- 560
6th	3000	3000	100	667	- 567
7th	3000	3000	200	790	- 590
8th	3000	3000	800	902	- 102
9th	3000	3000	2000	1022	+ 978
10th	3000	2500	3000	1175	+1825
11th	3000	2000	4000	1345	+2655
12th	3000	1500	5000	1555	+3445
13th	3000	1000	5500	1555	+3954
14th	3000	500	6000	1555	+4445
15th	3000	—	6000	1555	+4445

## ANNEXURE 12

*Economic feasibility of anti-hail nets scheme (per acre)*

Year	Amounts in Rupees				
	Recovery			Estimated savings due to anti-hail nets	Net saving (Col.5 -- Col.4)
	Principal	Interest @ 10%	Total (Col.2 + Col.3)		
(1)	(2)	(3)	(4)	(5)	(6)
<b>A. For apples</b>					
1.	—	—	—	4000	4000
2.	1000	400	1400	4000	2600
3.	1000	300	1300	4000	2700
4.	1000	200	1200	4000	2800
5.	1000	100	1100	4000	2900
6.	—	—	—	4000	4000
<b>Total</b>	<b>4000</b>	<b>1000</b>	<b>5000</b>	<b>24000</b>	<b>19000</b>
<b>B. For stone fruits</b>					
1.	—	—	—	2000	2000
2.	500	400	900	2000	1100
3.	500	350	850	2000	1150
4.	500	300	800	2000	1200
5.	500	250	750	2000	1250
6.	500	200	700	2000	1300
7.	500	150	650	2000	1350
8.	500	100	600	2000	1400
9.	500	50	550	2000	1450
<b>Total</b>	<b>4000</b>	<b>1800</b>	<b>5800</b>	<b>18000</b>	<b>12200</b>

## ANNEXURE 13

376

*Financial position of Himachal Pradesh State Co-operative Bank Ltd., for the period 1972-3 to 1978-9*

							Rs Lakhs
Item	1972-3	1973-4	1974-5	1975-6	1976-7	1977-8	1978-9
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. (a) Paid-up share capital	25.56	26.52	27.94	28.98	30.35	31.10	47.24
(b) of (a) from State Government	11.92	11.92	11.92	11.92	11.92	11.92	27.12
2. Membership Total (including Government/individuals)	1440	1483	1587	1503	1412	1412	1407
3. (a) Total Reserves*	35.22	42.10	52.28	55.33	77.54	78.68	85.39
(b) Statutory	7.18	7.33	7.39	7.39	7.40	7.41	7.43
(c) Agricultural Credit Stabilization Fund	11.30	16.10	17.03	18.15	19.70	20.29	21.92
(d) Bad debt reserve	3.07	3.13	3.06	3.06	1.35	1.35	1.35
(e) Rehabilitation Fund	—	—	—	—	16.24	16.24	19.71
4. Total owned funds	60.78	68.62	80.22	84.31	107.89	109.78	132.63

5. (a) Total deposits	604.09	662.63	649.44	720.36	339.83	824.82	1027.44
(b) Current	121.20	141.15	92.50	80.20	86.56	86.95	94.00
(c) Savings	196.60	237.41	272.95	296.10	272.81	299.06	420.00
(d) Fixed	283.13	280.98	283.03	343.77	379.37	438.13	519.80
(e) Others	3.16	3.09	0.96	0.19	0.12	0.68	2.00
6. Of total deposits, from co-operative institutions	211.89	231.74	188.03	209.89	208.02	227.36	203.60
7. (a) Outstanding borrowings	45.52	26.41	24.19	1.71	1.51	1.28	11.08
(b) Of (a) above from Reserve Bank of India	14.07	5.74	1.17	0.80	0.60	0.40	0.20
8. (a) Total loans/advances outstanding	319.69	353.62	467.33	482.17	515.93	511.15	538.73
(b) Short-term agricultural	93.96	96.46	122.78	122.66	121.01	113.82	110.26
(c) Medium-term agricultural	39.67	38.19	40.45	49.46	62.18	66.08	74.60
(d) Medium-term conversion/rephase-ment	11.20	9.22	8.37	7.28	6.99	6.76	6.36
(e) Others	174.86	209.85	295.73	302.77	325.75	324.49	347.51
9. (a) Total							
(i) Overdues	108.52	103.64	115.39	137.08	137.75	147.40	154.48
(ii) Unrenewed cash credits	105.23	107.61	94.09	139.62	218.00	100.92	106.28

ANNEXURE 13 (Contd.)

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(b) Of (a) under short-term agricultural loans	79.71	70.65	73.19	90.16	94.26	94.09	92.31
(c) Of (a) under medium-term agricultural loans	24.65	32.99	42.20	46.92	43.49	24.77	39.12
10. Percentage of overdues to demand	71.5	67.4	68.4	71.3	70.0	75.39	75.91
1. Net profit (+) /loss (-) for the year	+2.08	+5.08	+3.81	+3.73	+4.03	-3.24	-3.19
2. Dividend declared (%)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
3. Loans issued during the year							
(i) Total	574.62	815.38	1068.98	895.63	1065.76	1101.04	879.60
(ii) Short-term	—	—	—	—	—	—	—
(a) Seasonal agricultural operations	46.71	34.94	60.12	35.31	29.12	24.21	17.95
(b) Other agricultural purposes	—	—	—	—	—	—	—

(iii) Medium-term

(a) Approved agricultural  
purposes

11.25      10.26      15.16      21.96      28.69      23.34      22.85

(b) Conversions/rephasements

—      —      —      —      —      —      —

(iv) Others

516.66      770.18      993.70      838.25      1007.95      1053.49      838.80

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\* Includes overdue interest reserves.

## ANNEXURE 14

*Viability of central co-operative banks — Assumed monthly and annual consolidated salary including leave salary, employer's contribution to Provident Fund, etc.*

Category of staff	Assumed consolidated salary	
	Monthly Rs	Annual Rs
1. Manager	1500	18000
2. Assistant Manager (who will also be the Chief Administrative Officer)	1250	15000
3. Chief Accountant	1000	12000
4. Chief Supervisor (i.e., the Chief Executive Officer)	1000	12000
5. Inspectors of Branches (for internal inspection and audit)	1000	12000
6. Assistant Chief Supervisor/Loan Officer/Accountant/ Establishment Officer/Branch Agent	750	9000
7. Senior Supervisor/Assistant Accountant	550	6600
8. Supervisor/Branch Cashier/Stenographer	450	5400
9. Clerk/Typist	350	4200
10. Driver/Watchman	250	3000
11. Peon	200	2400

# ANNEXURE 15

## Viability of central co-operative banks — Annual expenditure on salaries, etc. of staff posted at Head Office

Sr. No.	Category of staff	Expenditure in respect of central co-operative bank with branches around											
		Five		Ten		Fifteen		Twenty		Twenty-five		Thirty	
		N	E	N	E	N	E	N	E	N	E	N	E
1.	Manager	—	—	1	18000	1	18000	1	18000	1	18000	1	18000
2.	Assistant Manager	1	15000	—	—	1	15000	1	15000	1	15000	1	15000
3.	Chief Accountant	1	12000	1	12000	1	12000	1	12000	1	12000	1	12000
4.	Chief Supervisor	1	12000	1	12000	1	12000	1	12000	1	12000	1	12000
5.	Inspector of branches	—	—	1	12000	1	12000	1	12000	1	12000	1	12000
6.	Assistant Chief Supervisor	—	—	—	—	1	9000	1	9000	2	18000	2	18000
7.	Loan Officer	1	9000	1	9000	1	9000	1	9000	2	18000	2	18000
8.	Establishment Officer	—	—	1	9000	1	9000	1	9000	1	9000	1	9000
9.	Accountants	—	—	1	9000	1	9000	1	9000	1	9000	1	9000
10.	Senior Supervisor	2	13200	4	26400	6	39600	8	52800	10	66000	12	79200
11.	Assistant Accountants	1	6600	—	—	1	6600	1	6600	2	13200	2	13200
12.	Stenographers	—	—	1	5400	1	5400	1	5400	1	5400	1	5400
13.	Typist	2	8400	1	4200	2	8400	2	8400	3	12600	3	12600
14.	Clerks	6	25200	9	37800	12	52400	12	52400	15	63000	15	63000
15.	Driver	1	3000	1	3000	1	3000	1	3000	2	6000	2	6000
16.	Peons	4	9600	5	12000	6	14400	6	14400	8	19200	8	19200
Total		20	114000	28	169800	38	234800	41	251000	52	308400	54	321600

(For assumptions please turn over)



## ANNEXURE 15 (Contd.)

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**Note :**        N = Number of incumbents,  
                  E = Annual expenditure in rupees.

- Assumptions :**
- (i) Each central co-operative bank has three main divisions at its Head Office namely Administration, Loan and Supervision and Accounts. The strength of clerks may be 2, 3, 4 and 5 per division according to the size of the bank.
  - (ii) In respect of central co-operative banks with five branches, Manager may be in the Grade of Assistant Manager. An inspector of branches is also not necessary as the work can be handled by the Manager himself. There is also no need for a separate establishment Officer. Similarly there is no need for the post of an Accountant as the Chief Accountant can be assisted by an Assistant Accountant.
  - (iii) The Manager of a central bank with 10 branches can look after the work of the Chief Administrative Officer with the assistance of an Establishment Officer and as such no Assistant Manager is necessary. Similarly the Chief Accountant of such banks will be assisted by an Accountant and there is no need for a separate Assistant Accountant.
  - (iv) No Assistant Chief Supervisor is necessary for a central co-operative bank with five or ten branches.
  - (v) One senior Supervisor may control the work of 5 Supervisors. As 20 societies are expected to be attached to a branch serving a block/two Supervisors will be posted to each branch. The Senior Supervisor need not necessarily be posted at the Head Office.

## ANNEXURE 16

*Viability of central co-operative banks — Annual expenditure on salaries of staff posted at a branch*

Category of staff	Number of incumbents	Annual Expenditure
		Rs
1. Branch Agent	1	9000
2. Cashier	1	5400
3. Supervisors	2	10800
4. Clerks or Clerk-cum-Typists	2	8400
5. Peons	2	4800
	<b>Total</b>	<b>38400</b>

**Assumption :** It is assumed that the jurisdiction of a branch will extend to 20 primary agricultural credit societies and about 10 primary agricultural credit societies will be under the charge of a Supervisor.

**Note :** Expenditure on rent for premises, stationery, postage, etc. in respect of a branch has been taken into account while calculating other establishment expenses in a subsequent Annexure.

# ANNEXURE 17

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*Viability of central co-operative banks — Total annual expenditure on establishment i.e., excluding that in respect of interest on deposits, borrowings, etc.*

Rupees Lakhs

Sr. No.	Item of expenditure	Basis	Expenditure in respect of central co-operative bank with branches around					
			Five	Ten	Fifteen	Twenty	Twenty-five	Thirty
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
(i)	Salaries of staff at H.O.	Annexure 15	1.14	1.70	2.35	2.51	3.08	3.22
(ii)	Salaries at branches	Rs 38400 x No. of branches						
		vide Annexure 16	1.92	3.84	5.76	7.68	9.60	11.52
(iii)	Total salaries of staff	(i) + (ii)	3.06	5.54	8.11	0.19	12.68	14.74
(iv)	T.A., D.A. of staff, etc.	10% of (iii) above	0.31	0.55	0.81	1.02	1.27	1.47
(v)	Directors' fees, allowances and board meeting expenses	1% —do—	0.03	0.06	0.08	0.10	0.13	0.15
(vi)	Rent, taxes, insurance, lighting, depreciation, etc.	8% —do—	0.25	0.44	0.65	0.81	1.02	1.18
(vii)	Postage, telegram, telephone charges	1½ % —do—	0.05	0.08	0.12	0.15	0.19	0.23

(viii) Stationery, printing etc.	5% of (iii) above	0.15	0.27	0.40	0.50	0.63	0.73
(ix) Vehicle expenses	2% do--	0.06	0.11	0.16	0.20	0.25	0.29
(x) Audit fees	1½ % --do---	0.03	0.06	0.08	0.10	0.13	0.15
(xi) Miscellaneous expenses (General meeting expenses, legal charges, etc.)	1 % —do—	0.05	0.08	0.12	0.15	0.19	0.23
	<b>Total</b>	<b>3.99</b>	<b>7.19</b>	<b>10.53</b>	<b>13.22</b>	<b>16.49</b>	<b>19.17</b>
	<b>That is, say,</b>	<b>4.00</b>	<b>7.00</b>	<b>10.50</b>	<b>13.00</b>	<b>16.50</b>	<b>19.00</b>

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## ANNEXURE 18

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*Viability of central co-operative banks — Margin available for meeting establishment expenditure on a loan business of Rs 100*

Cost of raising resources				Return on deployment of resources			
Item	Amount raised	Cost		Item	Amount deployed	Return	
		in per cent	in amount			in per cent	in amount
	Rs		Rs		Rs		Rs
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Share capital	10	10	1.00	Cash reserve i.e.,			
Reserves	5	—	—	cash on hand or in			
Deposits	67	6½	4.36	current account with			
Borrowings from the				other banks	4	—	—
apex bank for							
agricultural purposes	51	9	4.59	Investments in shares			
				of the apex bank	3	7	0.21
				Investments for			
				the purposes of			
				statutory liquidity in			
				(i) Government and			
				other trustee			
				securities	9	5½	0.50

(ii) Fixed deposits with the apex bank	10	9	0.90
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Loans and advances :

(i) Agricultural	75	10½	8.06
(ii) Non-agricultural	25	14	3.50
Other assets	7	—	—

<b>Total</b>	<b>133</b>	<b>9.95</b>	<b>133</b>	<b>13.17</b>
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Margin available on loan business 13.17 less 9.95 = 3.22 or, say 3.20 per cent.

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**Assumptions :** (i) The cost of raising share capital has been taken as 10 per cent which means that the net profit has to be of the order of 10 per cent of the paid-up share capital. Fifty per cent of the net profit will be utilised for paying a dividend of 5 per cent on shares, forty per cent will be utilised for appropriations to statutory reserve and stabilization fund and the balance ten per cent for other appropriations.

(ii) The proportion between share capital and reserves has been taken as 2 : 1, of the owned funds Rs 15, Rs 5 have been invested in loan business, Rs 3 in the shares of the apex bank to provide a linking at 5 per cent for the borrowings from it and the balance Rs 7 in other assets like premises, dead stocks, vehicles, stationery, etc.

(Contd.)

ANNEXURE 18 (Contd.)

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- (iii) Thirty-five per cent of the deposits, i.e., Rs 23 are held in the form of cash reserve and investment in securities and fixed deposits with the apex bank to ensure maintenance of statutory liquidity standards.
- (iv) The entire borrowings of Rs 51 have been deemed to have been raised for advancing Rs 75 as agricultural loans.
- (v) The return on agricultural loans deemed to be 10  $\frac{3}{4}$  per cent.

**Note :** Loan business of Rs 100 corresponds to a working capital of Rs 133.

## ANNEXURE 19

*Viability and potential viability norms*

	Rs Lakhs					
	Central co-operative bank needing branches around					
	Five	Ten	Fifteen	Twenty	Twenty-five	Thirty
(i) Expected annual establishment expenditure	4.00	7.00	10.50	13.00	16.50	19.00
(ii) Loan business required to meet the expenditure at item (i) above on the basis that for meeting establishment expenditure of Rs 3.20 a loan business of Rs 100 is required as per Annexure 18	125.00	218.75	328.13	406.25	515.62	593.75
(iii) Viability norm in terms of loan business	125.00	220.00	330.00	405.00	515.00	595.00
(iv) Potential viability norm (50% of (iii) above)	62.50	110.00	165.00	202.50	257.50	297.50



# ANNEXURE 20

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*Trends in the growth of owned funds, deposits, lendings, overdues of the central co-operative banks during 1972-3 to 1978-9*

Rs Lakhs

Sr. No.	Item	1972-3		1973-4		1974-5	
		Kangra	Jogindra	KCCB	JCCB	KCCB	JCCB
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Number of branches including head office	30	7	32	5	36	5
2.	(i) Share capital	21.23	6.81	21.66	7.87	21.86	8.30
	(ii) Of which from Government	7.84	2.04	7.84	2.04	7.84	2.04
3.	Reserves	10.88	5.28	12.06	5.66	12.68	28.93
4.	Owned funds	32.11	12.09	33.72	13.53	34.54	16.16
5.	Deposits	898.72	30.65	1054.39	35.33	975.47	39.05
6.	Working capital	974.34	58.85	1443.95	63.67	1291.83	76.23
7.	Outstanding borrowings	9.93	11.50	291.36	12.17	202.27	16.00
8.	(i) Loans issued	136.49	39.88	257.83	58.20	337.72	59.20
	(ii) Of which S. T. Agril.	106.31	33.25	213.65	38.19	272.77	36.89
	(iii) Of (ii) for S. A. O.	100.85	30.43	205.94	36.89	269.37	35.69

9. (i) Loans Outstanding	122.74	38.32	147.49	48.27	160.34	57.74
(ii) Of which short-term	107.67	32.61	132.53	42.72	147.32	13.02
(iii) Of which M.T. conversion	—	—	—	—	—	—
10. Overdues	50.82	12.42	48.61	10.89	48.84	17.91
11. % of overdues to demand	55	32	54	25	55	34
12. Profit(+)/Loss(-)	(+)5.67	(+)0.71	(+)15.45	(+)0.71	(+)5.59	(+)1.12
13. Dividend declared (%)	—	2	—	—	—	—
14. Cost of management	10.98	1.13	15.67	1.50	20.27	1.81

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ANNEXURE 20 (Contd.)

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Sr. No.	Item	1975-6		1976-7		1977-8		1978-9	
		KCCB	JCCB	KCCB	JCCB	KCCB	JCCB	KCCB	JCCB
(1)	(2)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1.	Number of branches including head office	39	5	43	8	43	9	45	N.A.
2.	(i) Share capital	22.21	8.34	22.67	8.98	23.24	10.06	23.59	N.A.
	(ii) Of which from Government	7.84	2.04	7.84	2.04	7.84	3.04	7.84	N.A.
3.	Reserves	28.93	9.11	60.37	11.11	60.35	9.49	107.72	N.A.
4.	Owned funds	51.14	17.45	83.04	20.09	83.59	19.55	131.31	N.A.
5.	Deposits	1043.24	41.51	1097.54	69.08	1232.52	74.31	1440.06	N.A.
6.	Working capital	1188.46	82.92	1299.51	108.59	1477.63	114.58	1710.22	N.A.
7.	Outstanding borrowings	10.05	18.80	10.26	14.50	10.24	12.24	9.99	N.A.
8.	(i) Loans issued	398.06	58.20	740.68	90.89	821.87	46.36	761.63	N.A.
	(ii) Of which S.T. Agril.	292.65	30.68	398.13	29.87	82.57	19.88	72.00	N.A.
	(iii) Of (ii) for S.A.O.	286.95	29.43	392.24	23.26	29.32	19.88	15.03	N.A.

9.	(i) Loans outstanding	153.49	61.58	177.73	75.46	201.79	79.69	210.44	N.A.
	(ii) Of which short-term	137.00	55.38	113.52	44.08	169.25	42.84	176.69	N.A.
	(iii) Of which M.T. conversion	—	—	—	0.11	—	0.11	—	N.A.
10.	Overdues	41.39	27.90	45.84	42.80	44.78	41.41	48.06	N.A.
11.	% of overdues to demand	56	46	32	60	43	59	49	N.A.
12.	Profit (+)/Loss (-)	(+)28.04	(+) 0.96	(+)48.19	(+) 0.12	(+)35.40	(-) 1.44	(+) 9.11	N.A.
13.	Dividend declared (%)	—	—	6	3	—			N.A.
14.	Cost of management	21.42	2.64	25.72	3.64	25.20	4.64	28.56	N.A.

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# ANNEXURE 21

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## *Comparative financial position of primary agricultural credit societies in Himachal Pradesh*

	1971-2	1972-3	1973-4	1974-5	1975-6	1976-7	1977-8
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. (a) Number of societies	2537	2496	2490	2487	2483	2381	2349
(b) Of (a) dormant	108	149	143	157	185	92	34
2. Of 1 state partnered	570	683	689	700	695	691	700
3. Number of societies advancing loans	1948	2343	2347	2361	2024	1902	1976
4. (a) Membership (Rs '000)	454	467	491	504	526	538	552
(b) Borrowing membership (Rs '000)	180	N.A.	141	138	128	200	172
5. (a) Paid-up share capital	24657	26749	29035	31574	33987	36543	38996
(b) Of (a) from government (Rs '000)	1744	2174	2126	2269	2439	2861	3175
6. Owned funds	29623	32357	35321	38745	42905	47258	51787
7. Deposits	50224	57730	65758	73383	80670	87309	95309

8. (a) Borrowings	29399	29997	31377	72137	35764	39868	40472
(b) Of (a) from Central Co-op. Banks	27265	27358	28565	16390	32098	35783	36177
9. Working capital	126041	140625	155887	173533	190538	208110	223781
10. (a) Loans advanced	47124	47942	51657	55518	58139	38517	60935
(b) Of (a) from short-term agricultural purposes	16183	21060	19086	27462	10187	14274	25917
11. (a) Loans Outstanding	85631	91551	99046	106979	113877	123860	130795
(b) Of (a) short-term	45429	47485	49300	52322	52824	55026	55944
12. Loans overdue	21058	24943	34069	32303	36630	41708	42797
13. Percentage of 12 to 11 (a)	24.6	27.2	34.4	30.2	32.2	33.7	32.7
14. Number of Societies working at :							
(i) Profit	2266	2275	2298	2153	2135	2067	2107
(ii) Loss	260	207	154	177	163	218	206
(iii) No profit/no loss	11	14	38	157	185	96	36
15. Number of societies having							
(i) Full-time paid secretaries	880	1040	1175	1256	1354	1311	1382
(ii) Part-time paid secretaries	1334	1226	1144	1108	990	1070	} 967
(iii) Hon. Secretaries	323	230	171	123	139	Nil	

# ANNEXURE 22

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*District-wise position of the number of primary agricultural credit societies, their coverage etc. as on 30 June 1977*

District	No. of rural families (in lakhs)	No. of societies		Member-ship (in '000)	No. of rural families covered (in lakhs)	Percentage of (6) to (2)	Borrowing member-ship (in '000)	Percentage of		No. of dormant societies	
		Total ('000)	State partnered ('000)					(8) to (2)	(8) to (5)	Total (No.)	Percentage of (11) to (3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Simla	0.72	188	63	32	0.32	44.4	9	12.5	28.1	20	10.6
2. Mandi	0.93	210	104	67	0.67	72.0	21	22.6	31.3	4	19.0
3. Bilaspur	0.37	69	39	26	0.26	70.3	4	10.8	15.4	—	—
4. Sirmur	0.45	120	78	29	0.29	64.4	9	20.0	31.0	—	—
5. Chamba	0.47	146	47	21	0.21	44.7	4	8.51	19.0	7	47.9
6. Kinnaur	0.17	34	26	7	0.07	70.0	2	20.0	28.6	—	—

7. Solan	0.43	217	86	24	0.24	56.0	10	23.3	41.7	—	—
8. Kangra	1.35	738	108	166	1.66	122.9	78	57.7	47.0	6	0.80
9. Una	0.60	253	55	78	0.78	130.0	29	48.3	37.2	2	0.80
10. Hamirpur	0.60	228	42	68	0.68	113.3	28	46.6	41.2	—	—
11. Lahaul & Spiti	0.05	54	12	3	0.03	60.0	—	—	—	40	74.1
12. Kulu	0.36	124	31	17	0.17	47.2	6	16.7	35.3	13	10.4
<b>Total</b>	<b>6.43</b>	<b>2381</b>	<b>691</b>	<b>538</b>	<b>5.38</b>	<b>83.6</b>	<b>200</b>	<b>31.1</b>	<b>37.1</b>	<b>92</b>	<b>3.44</b>



## ANNEXURE 23

398

*Financial position of primary agricultural credit societies as on 30-6-77*

Sr. No.	District	No. of societies	Total paid-up capital	S.R.F.	Other funds	Owned funds	Deposits	Working capital	Rs Lakhs		
									Loans outstanding		
									Total	Short- term	Medium- term
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Chamba	146	5.84	1.25	—	1.77	2.07	8.86	9.28	1.96	7.32
2.	Simla	188	19.92	2.30	—	2.78	3.02	25.00	89.03	77.65	11.38
3.	Lahaul & Spiti	54	0.99	0.03	—	0.22	0.28	1.24	1.32	0.63	0.69
4.	Kulu	24	9.01	0.51	—	0.91	3.47	10.43	28.70	23.25	5.45
5.	Solan	217	15.64	0.02	1.23	3.46	4.68	20.35	57.61	48.03	9.58
6.	Kinnaur	34	3.62	0.39	—	3.36	0.28	7.37	9.42	0.02	0.88
7.	Mandi	210	20.57	3.21	—	4.50	2.71	28.28	50.78	10.25	40.53

8. Bilaspur	69	8.61	1.01	—	1.47	5.13	11.09	15.60	3.36	12.24
9. Una	253	75.00	14.21	—	11.08	271.14	100.29	286.03	120.78	165.25
10. Sirmur	120	13.27	3.50	—	5.76	2.06	22.53	38.11	16.04	22.07
11. Hamirpur	228	69.94	9.22	—	8.12	228.72	86.28	247.67	104.75	142.92
12. Kangra	738	124.02	15.51	—	11.33	349.53	150.86	405.05	134.16	270.89
<b>Total</b>	<b>2381</b>	<b>365.43</b>	<b>51.16</b>	<b>1.23</b>	<b>54.76</b>	<b>873.09</b>	<b>472.58</b>	<b>1238.60</b>	<b>550.26</b>	<b>688.34</b>

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## ANNEXURE 23 (Contd.)

District		Overdues			Period-wise overdues			
		Short-term	Medium-term	Total	Less than 1 year	1—2 years	2—3 years	Above 3 years
(1)	(2)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1.	Chamba	1.77	6.03	7.80	2.01	1.55	0.94	3.30
2.	Simla	74.15	9.75	83.90	8.36	9.37	22.39	43.78
3.	Lahaul & Spiti	0.30	0.41	0.71	—	0.27	0.20	0.24
4.	Kulu	16.34	2.35	18.69	1.23	3.25	5.35	8.86
5.	Solan	31.61	6.24	37.85	19.61	11.65	3.36	3.23
6.	Kinnaur	0.88	—	0.88	—	—	0.03	—

7. Mandi	9.51	14.76	24.27	1.87	4.96	4.82	12.62
8. Bilaspur	0.92	2.07	2.99	0.40	0.30	0.58	1.71
9. Una	58.78	32.21	90.99	30.32	45.01	11.90	3.76
10. Sirmur	11.47	9.25	20.82	10.27	0.70	5.21	4.64
11. Hamirpur	11.95	10.98	22.93	14.96	7.71	0.26	—
12. Kangra	48.03	58.22	105.25	50.95	20.04	21.69	12.57
<b>Total</b>	<b>265.71</b>	<b>151.27</b>	<b>417.08</b>	<b>140.83</b>	<b>104.81</b>	<b>76.73</b>	<b>94.71</b>

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## ANNEXURE 24

*District-wise position of consumer goods and agricultural inputs  
distributed by the primary agricultural credit societies*

Sr. No.	District	Value of goods supplied		Consumer goods @
		No. of societies	Agricultural inputs	
(1)	(2)	(3)	(4)	(5)
1.	Chamba	106	3.81	20.76
2.	Simla	92	7.72	34.10
3.	Lahaul and Spiti	3	—	0.10
4.	Kulu	74	0.72	11.15
5.	Solan	140	14.80	24.89
6.	Kinnaur	19	0.90	7.43
7.	Mandi	203	26.58	56.18
8.	Bilaspur	66	14.26	33.78
9.	Una	203	14.68	65.96
10.	Sirmur	73	10.80	18.12
11.	Hamirpur	192	19.76	79.73
12.	Kangra	556	53.05	141.87
	<b>Total</b>	<b>1732</b>	<b>167.08</b>	<b>494.07</b>

@ Number of societies which have handled consumer goods business is not available.

## ANNEXURE 25

*District-wise position of societies for the nine non-tribal districts recommended by the Study Team for retention after re-organisation*

Sr. No.	District/Block	No. of existing societies	Under the reorganisation plan — No. of societies to be retained			
			As viable/ potentially viable	For the benefit of weaker section	From the point of view of accessibility (distance factor)	Total of Col. (4), (5) and (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>I SIMLA</b>						
	1. Mashobra	58	33	4	3	40
	2. Theog	23	17	2	3	22
	3. Narkanda	21	21	—	—	21
	4. Rampur	21	16	—	4	20
	5. Jubbal	36	30	1	4	35
	6. Chopal	20	9	—	11	20
	7. Rohru	20	20	—	—	20
	8. Chirgaon	10	6	1	3	10
	<b>Total</b>	<b>209</b>	<b>152</b>	<b>8</b>	<b>28</b>	<b>188</b>
<b>II BILASPUR</b>						
	1. Sadar	30	22	1	2	25
	2. Chumarwin	29	19	2	1	22
	3. Gerwin	24	17	—	1	18
	<b>Total</b>	<b>83</b>	<b>58</b>	<b>3</b>	<b>4</b>	<b>65</b>

## ANNEXURE 25 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
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**III MANDI**

1. Chauntra	18	18	—	—	18
2. Rowalsar	18	15	—	—	15
3. Karsog	21	21	—	—	21
4. Seraj	19	—	—	17	17
5. Drang	22	21	—	—	21
6. Sunder Nagar	34	27	—	—	27
7. Sadar Mandi	24	7	—	15	22
8. Dharampur	22	17	—	—	17
9. Gopalpur	31	29	—	—	29
10. Chachiot	18	16	—	—	16
<b>Total</b>	<b>227</b>	<b>171</b>	<b>—</b>	<b>32</b>	<b>203</b>

**IV KULU**

1. Kulu	32	16	—	5	21
2. Danjar	50	35	1	—	36
3. Nagar	31	24	—	—	24
4. Ani	24	16	1	3	20
5. Nirmand	22	17	1	—	18
<b>Total</b>	<b>159</b>	<b>108</b>	<b>3</b>	<b>8</b>	<b>119</b>

**V SOLAN**

1. Kandighat	27	19	—	—	19
2. Dharampur	46	27	—	—	27
3. Jagjit Nagar	22	16	—	—	16
4. Kunihar	30	19	—	—	19
5. Nalagarh	105	58	—	—	58
<b>Total</b>	<b>230</b>	<b>139</b>	<b>—</b>	<b>—</b>	<b>139</b>

ANNEXURE 25 (*Contd.*)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>VI] UNA</b>						
1 . Amb	85	27	—	—	27	
2 . Bangana	34	23	—	—	23	
3 . Una	72	35	—	—	35	
4 . Gagret	50	33	—	—	33	
<b>Total</b>	<b>250</b>	<b>118</b>	—	—	<b>118</b>	
<b>VII HAMIRPUR</b>						
1 . Nadaun	55	31	—	—	31	
2 . Bijri	43	24	—	—	24	
3 . Hamirpur	46	27	—	—	27	
4 . Sujanpur	25	21	—	—	21	
5 . Bhoranj	58	36	—	—	36	
<b>Total</b>	<b>227</b>	<b>139</b>	—	—	<b>139</b>	
<b>VIII SIRMUR</b>						
1 . Nahan	21	14	1	—	15	
2 . Paonta	41	15	7	2	24	
3 . Shillai	13	13	—	—	13	
4 . Sangrah	26	12	4	1	17	
5 . Pachhad	41	27	4	—	31	
<b>Total</b>	<b>142</b>	<b>81</b>	<b>16</b>	<b>3</b>	<b>100</b>	



ANNEXURE 25 (*Contd.*)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>IX KANGRA</b>						
1. Pragpur	81	58	—	—	58	
2. Panchrukhi	54	31	—	—	31	
3. Nurpur	99	50	—	1	51	
4. Kangra	51	28	—	3	31	
5. Dehra	52	41	—	—	41	
6. Nagrota						
Bagwan	59	32	—	—	32	
7. Baijnath	42	26	3	2	31	
8. Mangwal	22	9	—	7	16	
9. Rait	56	30	1	4	35	
10. Bhawarna	74	41	—	—	41	
11. Lambagaon	57	33	—	—	33	
12. Indore	85	39	—	3	42	
<b>Total</b>	<b>733</b>	<b>418</b>	<b>4</b>	<b>20</b>	<b>442</b>	
<b>Grand Total</b>	<b>2260*</b>	<b>1387</b>	<b>31</b>	<b>95</b>	<b>1513</b>	

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\* As against 2260 societies existing as on 30 June 1974, the existing number of societies is 2255.

## ANNEXURE 26

*Statement showing district-wise position of re-organisation of primary agricultural credit co-operative societies in the Himachal Pradesh*

Sr. No.	District	Total No. of pacs as on 30-6-74	Societies recommended by the Study Team to be retained	Additional No. of societies to be retained as per decision of the Deptt.	Total No. of societies to be retained (Col. 4 + Col. 5)	Total No. of societies actually amalgamated	No. of societies under liquidation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Simla	209	188	—	188	13	8
2.	Bilaspur	83	65	4	69	9	5
3.	Mandi	227	203	2	205	6	13
4.	Kulu	159	119	—	119	34	—
5.	Solan	230	139	2	141	5	8
6.	Sirmur	142	100	—	100	19	3
7.	Una	250	118	—	118	—	—
8.	Hamirpur	227	139	—	139	—	—
9.	Kangra	733	442	—	442	—	—
10.	Kinnaur	35	31	—	31	—	—
11.	Lahaul & Spiti	54	51	—	51	—	—
12.	Chamba	148	129	—	129	—	—
<b>Total</b>		<b>2497</b>	<b>1724</b>	<b>8</b>	<b>1732</b>	<b>86</b>	<b>37</b>

## ANNEXURE 27

*District-wise position of share capital contributed by the Government  
as on 30 June 1977*

Sr. No.	District	No. of societies		Paid-up capital	
		Total	State partnered	Total	Of which from Govern- ment
(1)	(2)	(3)	(4)	(5)	(6)
1.	Chamba	148	47	5.84	1.37
2.	Simla	188	63	19.92	1.43
3.	Lahaul and Spiti	54	12	0.99	0.16
4.	Kulu	124	31	9.01	1.15
5.	Solan	217	86	15.64	2.30
6.	Kinnaur	34	26	3.62	0.69
7.	Mandi	210	104	20.57	3.32
8.	Bilaspur	69	39	8.61	1.54
9.	Una	253	55	75.00	4.07
10.	Sirmur	120	78	13.27	3.31
11.	Hamirpur	228	42	69.94	3.27
12.	Kangra	738	108	123.02	6.00
	<b>Total</b>	<b>2381</b>	<b>691</b>	<b>365.43</b>	<b>28.61</b>

## ANNEXURE 28

*Financial and other particulars of the Himachal Pradesh Central State  
Land Development Bank*

		Rs Lakhs				
Sr. No.	Item	1971-2	1972-3	1975-6	1976-7	1977-8
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	No. of branches including H.O.	16	16	15	16	16
2.	Individual membership :					
	(a) Regular	5,072	5,354	6,144	6,566	6,733
	(b) Nominal	1,897	210	2,530	138	2,874
3.	Paid-up capital :					
	(a) Government	7.50	7.50	27.50	27.50	32.50
	(b) Others	10.50	11.03	12.96	14.85	15.54
4.	Statutory Reserves	0.56	0.56	0.76	0.76	0.76
5.	Other Reserves	0.96	1.06	1.57	1.57	1.57
6.	Deposits	11.36	4.45	0.62	0.65	N.A.
7.	Borrowings :					
	(a) Debentures					
	(i) Ordinary	154.50	171.00	206.40	224.40	237.40
	(ii) Rural	1.27	1.70	1.70	1.70	1.09
	(iii) Special	—	—	14.91	17.59	26.54
	(b) Government	6.24	6.24	8.47	7.52	7.52
	(c) Co-operative Banks	12.08	19.83	15.03	22.11	9.97
8.	Working capital	208.77	227.65	297.95	328.08	349.33
9.	Investment :					
	(a) General Reserve Fund	0.55	0.88	0.20	0.20	0.20
	(b) Sinking Fund	14.88	18.88	41.60	45.60	50.72
10.	Loans outstanding	159.78	167.43	194.98	222.41	231.85
11.	Overdues :					
	(a) Amount	17.22	27.09	22.47	29.51	37.62
	(b) Percentage to demand	70.00	83.70	50.40	63.30	57.20

## ANNEXURE 28 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
12.	Interest on loans	23.29	31.84	44.49	53.17	58.66
13.	Overdue Interest	10.34	21.34	12.12	N.A.	N.A.
14.	Cost of Management	2.69	2.85	4.49*	7.52	8.56
15.	Profit(+)/Loss (—)	+0.58	+0.66	+1.14	—0.53	0.42
16.	Dividend Declared	—	—	—	—	—
17.	Loans Issued					
	A. (a) For sinking of wells, construction of tanks and repairs etc.	1.13	0.44	1.39	1.21	6.29
	(b) For purchase and installation of pumpsets	0.79	0.63	—	0.34	0.49
	(c) For purchase of tractors and implements	4.54	0.23	5.70	10.86	4.48
	(d) For construction of godowns, farmsheds	16.25	3.89	9.16	2.92	3.64
	Total identifiable productive purposes	22.71	5.19	16.25	15.33	14.90
	B. (i) For levelling, bunding and soil conservation etc.	2.70	0.80	—	1.51	1.02
	(ii) For preparation of orchards	2.63	3.36	—	7.34	10.31
	Total unidentifiable productive purposes	5.33	4.16	—	8.85	11.33
	C. Unproductive purposes	6.85	3.60	4.49	0.18	11.35
	D. Total loans issued (A + B + C)	34.89	12.95	20.74	24.36	37.58
18.	Total loans recovered	N.A.	N.A.	9.77	17.10	28.14

\* Salaries only.

## ANNEXURE 29

*Financial and other particulars of the Kangra Co-operative Primary  
Land Development Bank*

Rs Lakhs

Sr. No.	Item	1971-2	1972-3	1975-6	1976-7	1977-8
	(1)	(2)	(3)	(4)	(5)	(6)
1.	Membership : (a) Regular	516	991	1247	1401	1613
	(b) Nominal	380	70	498	573	525
	<b>Total</b>	<b>896</b>	<b>1061</b>	<b>1745</b>	<b>1974</b>	<b>2138</b>
2.	Paid-up share capital	2.81	2.99	3.73	4.23	4.73
	(a) Individuals	1.81	1.99	2.73	3.23	3.73
	(b) State Government	1.00	1.00	1.00	1.00	1.00
3.	Statutory Reserve Fund	—	0.05	0.05	0.05	0.04
4.	Other Reserves	—	—	—	—	—
5.	Loans from State LDB	22.17	23.31	36.57	44.20	48.56
6.	Deposits (Rural debenture deposits etc.)	—	0.29	0.35	0.24	0.22
7.	Profit(—)//Loss(+)	(—) 0.27	+ 0.08	(—) 0.56	(—) 0.53	(—) 0.78
8.	Dividend declared	—	—	—	—	—
9.	Cost of Management	0.26	0.30	0.78	0.96	1.30
10.	% of cost of management to working capital	1.1	1.1	1.9	2.0	2.5
11.	Investment :	0.55	0.80*	1.74*	2.16*	2.26*
	(a) in shares of CLDB	0.55				
	(b) in government and other trustee securities	—	—	—	—	—
	(c) Others	—	—	—	—	—

\* Break-up of (a) of item 11 is not available.

## ANNEXURE 29 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)
12. Loans advanced during the year :					
(a) Under normal schemes	7.24	N.A.	N.A.	N.A.	N.A.
(b) Under special schemes	—	N.A.	N.A.	N.A.	N.A.
(c) Total	7.24	3.25	8.47	8.83	8.87
13. Outstanding at the end of the year :					
(a) Under normal schemes	21.85	N.A.	N.A.	N.A.	N.A.
(b) Under Special schemes	—	N.A.	N.A.	N.A.	N.A.
(c) Total	21.85	23.14	33.35	39.20	43.45
14. Overdues :					
(a) Amount	0.76	0.64	0.92	2.26	1.20
(b) % of overdues to demand	58.82	N.A.	38.06	41.91	39.00
15. Overdue Interest :					
(a) Amount	N.A.	1.16	1.07	1.16	1.25
(b) % to demand	N.A.	N.A.	N.A.	N.A.	21
16. Rate of interest on loans	9%	9%	10% to 11%	11%	N.A.
17. No. of branches including H.O.	N.A.	N.A.	3	3	3

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# ANNEXURE 30

*District-wise position of loans outstanding and overdues at bank's level and societies as on 30 June 1977*

Bank/District	Rs Lakhs					
	Loans outstanding		Overdues		% of overdues to out-standings	
	Bank level	Society level	Bank level	Society level	Bank level	Society level
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Himachal Pradesh State Co-operative Bank</i>						
Simla	291.34	89.03	89.32	83.90	31	94
Sirmur	80.40	38.11	15.04	20.82	19	55
Mandi	73.31	50.78	17.93	24.27	24	48
Chamba	31.02	9.28	12.26	7.80	40	84
Bilaspur	26.46	15.60	2.70	2.99	10	19
Kinnaur	13.40	9.42	—	0.88	—	9
Sub-total	515.93	212.22	137.75	140.66	27	66



## ANNEXURE 30 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Kangra Central Co-operative Bank</i>						
Kangra	83.14	405.05	17.25	105.25	21	26
Una	18.03	286.03	7.17	90.99	40	32
Hamirpur	20.95	247.67	1.16	22.93	6	9
Lahaul & Spiti	0.83	1.32	0.43	0.71	50	69
Kulu	54.78	28.70	19.83	18.69	36	66
Sub-total	177.73	968.77	45.84	238.57	26	25
<i>Jogindra Central Co-operative Bank</i>						
Solan	75.46	57.61	42.80	37.85	57	66
<b>Total</b>	<b>769.12</b>	<b>1238.60</b>	<b>226.39</b>	<b>417.08</b>	<b>29</b>	<b>34</b>

# ANNEXURE 31

*Statement showing the district-wise position of overdues (period-wise) as on 30 June 1976 and departmental action in relation to overdues above one year in filing of disputes/arbitration cases and in the execution of the awards obtained during 1976-7*

District	Period-wise break-up of overdues as on 30 June 1976					Suit filed cases pending with the Department as on 30 June 1976		Cases filed during the year (upto January 1977)		Awards obtained during the year	
	Less than 1 year	1 - 2 years	2 - 3 years	3 years and above	Total	No.	Amount	No.	Amount	No.	Amount
	(2)	(3)	(4)	(5)	(6)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Chamba	1.70	1.07	1.14	2.33	4.54	253	2.74	41	0.30	49	0.33
Simla	26.72	5.31	10.92	37.37	53.60	1028	12.01	73	0.74	30	6.01
Lahaul and Spiti	0.04	0.23	0.25	—	0.48	249	3.26	32	0.21	14	0.33
Kulu	1.24	1.86	5.91	9.79	17.56						
Solan	16.64	8.94	1.98	0.62	11.54	397	5.36	42	0.85	97	1.25
Kinnaur	—	0.08	0.17	0.19	0.44	88	2.37	—	—	12	0.94
Mandi	11.25	6.47	3.84	2.36	12.67	626	6.61	32	0.55	202	0.46
Bilaspur	—	1.65	0.45	0.22	2.32	18	0.17	48	0.63	18	0.23
Una	32.08	29.70	5.53	1.23	36.46	1069	8.88	—	—	773	6.84
Sirmur	10.51	0.17	5.03	4.66	9.86	512	4.62	200	1.42	183	1.76
Hamirpur	20.33	1.14	1.09	0.25	2.48	54	3.02	11	0.53	22	0.41
Kangra	58.59	10.18	13.20	11.87	35.25	1666	22.82	127	3.44	246	8.63

ANNEXURE 31 (Contd.)

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Suit filed cases pending with the Department as 30 June 1977		Awards pending with the Depart- ment/court as 30 June 1976		Awards executed during the year 1976-7 January 1977		Awards pending execution with the Department as on 3o June 1977 (Col.7-Col.5-Col.8)		Of Col. 9 awards pending execution for more than 6 months as on 30 June 1977		Of Col. 9 awards stayed		
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
1.	245	2.73	164	2.86	9	0.07	204	3.12	204	3.12	—	—
2.	777	6.75	192	1.46	—	—	496	7.47	496	7.47	—	—
3.	267	3.14	48	1.13	—	—	62	1.46	62	1.46	—	—
4.												
5.	342	4.96	200	1.87	—	—	297	3.12	297	3.12	—	—
6.	76	1.43	9	0.13	1	0.01	20	1.06	20	1.06	—	—
7.	456	6.60	1352	4.56	—	—	1554	5.02	1554	5.02	—	—
8.	48	0.63	126	1.94	40	0.92	104	1.25	104	1.25	—	—
9.	276	2.04	448	4.58	—	—	1221	11.42	1221	11.42	—	—
10.	529	4.28	168	1.02	17	0.01	334	2.77	334	2.77	—	—
11.	43	3.15	50	2.09	4	0.03	68	2.47	68	2.47	—	—
12.	1547	17.64	262	3.98	10	0.59	498	12.02	498	12.02	—	—

## ANNEXURE 32

*An extract from Andhra Pradesh Co-operative Societies Act, 1964*

Powers of financing bank to proceed against members of a society for recovery of moneys due to it from such society: (1) If a society is unable to pay its debts to a financing bank by reason of its members committing default in the payment of the moneys due by them, the financing bank may direct committee of such society to proceed against such members under section 61 or section 70, as the case may be, and if the committee fails to do so within a period of ninety days from the date of receipt of such direction, the financing bank itself may proceed against such members under section 61 or, section 70, in which case, the provisions of this Act, the rules or the bye-laws shall apply as if all references to the society or its committee in the said provisions were references to the financing bank. (2) Where a financing bank has obtained a decree or award against a society in respect of moneys due to it from the society, the financing bank may proceed to recover such moneys firstly from the assets of the society and secondly from the members to the extent of their debts due to the society.

## ANNEXURE 33

*Coverage, financial particulars etc., of the District and Primary  
Marketing Societies in Himachal Pradesh as on 30-6-1979*

Item	Rs Lakhs	
	District Marketing Federations as on 30-6-1979	Primary Marketing Societies as on 30-6-1979
(1)	(2)	(3)
1. No. of Societies	10	32
2. No. of villages in the area of operation	11332	9518
3. No. of societies state partnered	10	29
4. Membership	2272	3622
Of which individual growers	117	2301
5. Paid-up Capital	38.16	34.92
of which from State	32.14	29.49
6. Reserves	17.90	14.63
7. Deposits	6.69	3.69
8. Borrowings	142.60	27.39
Of which from State Government	7.72	10.61
9. No. of societies owing godowns	10	29
10. No. of godowns owned	46	69
11. Capacity of godowns owned	11650 (Tonnes)	14254 (Tonnes)
12. No. of godowns hired	29	10
13. Capacity of godowns hired	2900 (Tonnes)	988 (Tonnes)
14. No. of villages from which produce received	1077	41
15. No. of societies not doing marketing business	6 4	18 14
16. No. of societies doing marketing business	4	14

ANNEXURE 33 (*Contd.*)

	(1)	(2)	(3)
<b>17. No. of societies having marketing business</b>			
(i) Less than Rs 1 lakh	1	1	
(ii) Between 1 lakh and Rs 5 lakhs	2	8	
(iii) Between Rs 5 lakhs and Rs 10 lakhs	1	2	
(iv) 10 lakhs and above	—	3	
<b>18. No. of societies undertaking distribution of :</b>			
A. Agricultural requisites	6	25	
B. Consumer goods	10	27	
<b>19. Value of produce procured</b>	1.35	10.70	
<b>20. Value of purchases as owners (other than procured)</b>			
A. Agricultural produce	7.80	0.13	
B. Agricultural requisites	177.38	54.73	
C. Consumer goods	187.43	116.22	
<b>21. Value of sales both wholesale and retail</b>			
A. As owners			
(i) Agricultural produce	7.85	0.42	
(ii) Agricultural requisites	163.52	47.39	
(iii) Consumer goods	229.39	130.72	
B. As agents —			
(i) Agricultural produce	1.35	13.56	
(ii) Agricultural requisites	—	1.38	
(iii) Consumer goods	—	—	
<b>22. Loans and Advances</b>			
A. No. of Societies	—	—	
B. Advanced	—	—	
C. Recovered	—	—	
<b>23. Cost of Management</b>			
A. Salaries	12.56	2.01	
	Lakhs	Lakhs	
B. Other Expenses	2.69	1.81	
	Lakhs	Lakhs	
<b>24. Government Aid</b>			
A. By way of loans			
(i) Construction of godowns	—	0.46	
		Lakhs	
(ii) Other purposes	0.75	3.96	
	Lakhs	Lakhs	

## ANNEXURE 33 (Contd.)

(1)	(2)	(3)
B. By way of Subsidies		
(i) Construction of godowns	—	1.47
(ii) Management	0.38	0.71
(iii) Other purposes	1.30	2.85
25. Societies working at profit		
(i) Number	5	21
(ii) Amount	0.92	2.11
26. Societies working at loss		
(i) Number	5	11
(ii) Amount	3.14	3.28
27. No. of Societies without profit or loss	—	—

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